

Apple Inc.

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)**

(In millions, except number of shares which are reflected in thousands and per share amounts)

	Three Months Ended	
	December 30, 2017	December 31, 2016
Net sales	\$ 88,293	\$ 78,351
Cost of sales <sup>(1)</sup>	54,381	48,175
Gross margin	33,912	30,176
Operating expenses:		
Research and development <sup>(1)</sup>	3,407	2,871
Selling, general and administrative <sup>(1)</sup>	4,231	3,946
Total operating expenses	7,638	6,817
Operating income	26,274	23,359
Other income/(expense), net	756	821
Income before provision for income taxes	27,030	24,180
Provision for income taxes	6,965	6,289
Net income	\$ 20,065	\$ 17,891
Earnings per share:		
Basic	\$ 3.92	\$ 3.38
Diluted	\$ 3.89	\$ 3.36
Shares used in computing earnings per share:		
Basic	5,112,877	5,298,661
Diluted	5,157,787	5,327,995
Cash dividends declared per share	\$ 0.63	\$ 0.57
<sup>(1)</sup> Includes share-based compensation expense as follows:		
Cost of sales	\$ 252	\$ 229
Research and development	\$ 646	\$ 589
Selling, general and administrative	\$ 398	\$ 438

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**CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)**

(In millions, except number of shares which are reflected in thousands and par value)

	<u>December 30, 2017</u>	<u>September 30, 2017</u>
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$ 27,491	\$ 20,289
Short-term marketable securities	49,662	53,892
Accounts receivable, less allowances of \$59 and \$58, respectively	23,440	17,874
Inventories	4,421	4,855
Vendor non-trade receivables	27,459	17,799
Other current assets	11,337	13,936
Total current assets	<u>143,810</u>	<u>128,645</u>
Long-term marketable securities	207,944	194,714
Property, plant and equipment, net	33,679	33,783
Goodwill	5,889	5,717
Acquired intangible assets, net	2,149	2,298
Other non-current assets	13,323	10,162
Total assets	<u>\$ 406,794</u>	<u>\$ 375,319</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY:</b>		
Current liabilities:		
Accounts payable	\$ 62,985	\$ 49,049
Accrued expenses	26,281	25,744
Deferred revenue	8,044	7,548
Commercial paper	11,980	11,977
Current portion of long-term debt	6,498	6,496
Total current liabilities	<u>115,788</u>	<u>100,814</u>
Deferred revenue, non-current	3,131	2,836
Long-term debt	103,922	97,207
Other non-current liabilities	43,754	40,415
Total liabilities	<u>266,595</u>	<u>241,272</u>
Commitments and contingencies		
Shareholders' equity:		
Common stock and additional paid-in capital, \$0.00001 par value: 12,600,000 shares authorized; 5,081,651 and 5,126,201 shares issued and outstanding, respectively	36,447	35,867
Retained earnings	104,593	98,330
Accumulated other comprehensive income/(loss)	(841)	(150)
Total shareholders' equity	<u>140,199</u>	<u>134,047</u>
Total liabilities and shareholders' equity	<u>\$ 406,794</u>	<u>\$ 375,319</u>

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(In millions)

	Three Months Ended	
	December 30, 2017	December 31, 2016
Cash and cash equivalents, beginning of the period	\$ 20,289	\$ 20,484
Operating activities:		
Net income	20,065	17,891
Adjustments to reconcile net income to cash generated by operating activities:		
Depreciation and amortization	2,745	2,987
Share-based compensation expense	1,296	1,256
Deferred income tax expense/(benefit)	(33,737)	1,452
Other	(11)	(274)
Changes in operating assets and liabilities:		
Accounts receivable, net	(5,570)	1,697
Inventories	434	(580)
Vendor non-trade receivables	(9,660)	(375)
Other current and non-current assets	(197)	(1,446)
Accounts payable	14,588	2,460
Deferred revenue	791	42
Other current and non-current liabilities	37,549	2,124
Cash generated by operating activities	<u>28,293</u>	<u>27,234</u>
Investing activities:		
Purchases of marketable securities	(41,272)	(54,272)
Proceeds from maturities of marketable securities	14,048	6,525
Proceeds from sales of marketable securities	16,801	32,166
Payments made in connection with business acquisitions, net	(173)	(17)
Payments for acquisition of property, plant and equipment	(2,810)	(3,334)
Payments for acquisition of intangible assets	(154)	(86)
Payments for strategic investments, net	(94)	—
Other	64	(104)
Cash used in investing activities	<u>(13,590)</u>	<u>(19,122)</u>
Financing activities:		
Payments for taxes related to net share settlement of equity awards	(1,038)	(629)
Payments for dividends and dividend equivalents	(3,339)	(3,130)
Repurchases of common stock	(10,095)	(10,851)
Proceeds from issuance of term debt, net	6,969	—
Change in commercial paper, net	2	2,385
Cash used in financing activities	<u>(7,501)</u>	<u>(12,225)</u>
Increase/(Decrease) in cash and cash equivalents	<u>7,202</u>	<u>(4,113)</u>
Cash and cash equivalents, end of the period	<u>\$ 27,491</u>	<u>\$ 16,371</u>
Supplemental cash flow disclosure:		
Cash paid for income taxes, net	\$ 3,551	\$ 3,510
Cash paid for interest	\$ 623	\$ 497