

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		Nine Months Ended	
	June 30, 2018	July 1, 2017	June 30, 2018	July 1, 2017
Net sales	\$ 53,265	\$ 45,408	\$ 202,695	\$ 176,655
Cost of sales ⁽¹⁾	32,844	27,920	124,940	108,400
Gross margin	20,421	17,488	77,755	68,255
Operating expenses:				
Research and development ⁽¹⁾	3,701	2,937	10,486	8,584
Selling, general and administrative ⁽¹⁾	4,108	3,783	12,489	11,447
Total operating expenses	7,809	6,720	22,975	20,031
Operating income	12,612	10,768	54,780	48,224
Other income/(expense), net	672	540	1,702	1,948
Income before provision for income taxes	13,284	11,308	56,482	50,172
Provision for income taxes	1,765	2,591	11,076	12,535
Net income	\$ 11,519	\$ 8,717	\$ 45,406	\$ 37,637
Earnings per share:				
Basic	\$ 2.36	\$ 1.68	\$ 9.07	\$ 7.18
Diluted	\$ 2.34	\$ 1.67	\$ 8.99	\$ 7.14
Shares used in computing earnings per share:				
Basic	4,882,167	5,195,088	5,006,640	5,239,847
Diluted	4,926,609	5,233,499	5,050,963	5,274,394
Cash dividends declared per share	\$ 0.73	\$ 0.63	\$ 1.99	\$ 1.77
⁽¹⁾ Includes share-based compensation expense as follows:				
Cost of sales	\$ 250	\$ 216	\$ 759	\$ 662
Research and development	\$ 675	\$ 566	\$ 1,987	\$ 1,730
Selling, general and administrative	\$ 426	\$ 411	\$ 1,249	\$ 1,274

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CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

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

	<u>June 30, 2018</u>	<u>September 30, 2017</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 31,971	\$ 20,289
Short-term marketable securities	38,999	53,892
Accounts receivable, net	14,104	17,874
Inventories	5,936	4,855
Vendor non-trade receivables	12,263	17,799
Other current assets	12,488	13,936
Total current assets	<u>115,761</u>	<u>128,645</u>
Long-term marketable securities	172,773	194,714
Property, plant and equipment, net	38,117	33,783
Other non-current assets	22,546	18,177
Total assets	<u>\$ 349,197</u>	<u>\$ 375,319</u>
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	\$ 38,489	\$ 49,049
Accrued expenses	25,184	25,744
Deferred revenue	7,403	7,548
Commercial paper	11,974	11,977
Current portion of long-term debt	5,498	6,496
Total current liabilities	<u>88,548</u>	<u>100,814</u>
Deferred revenue, non-current	2,878	2,836
Long-term debt	97,128	97,207
Other non-current liabilities	45,694	40,415
Total liabilities	<u>234,248</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; 4,842,917 and 5,126,201 shares issued and outstanding, respectively	38,624	35,867
Retained earnings	79,436	98,330
Accumulated other comprehensive income/(loss)	(3,111)	(150)
Total shareholders' equity	<u>114,949</u>	<u>134,047</u>
Total liabilities and shareholders' equity	<u>\$ 349,197</u>	<u>\$ 375,319</u>

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(In millions)

	Nine Months Ended	
	June 30, 2018	July 1, 2017
Cash and cash equivalents, beginning of the period	\$ 20,289	\$ 20,484
Operating activities:		
Net income	45,406	37,637
Adjustments to reconcile net income to cash generated by operating activities:		
Depreciation and amortization	8,149	7,673
Share-based compensation expense	3,995	3,666
Deferred income tax expense/(benefit)	(33,109)	4,764
Other	(410)	(142)
Changes in operating assets and liabilities:		
Accounts receivable, net	3,756	3,381
Inventories	(1,114)	(1,014)
Vendor non-trade receivables	5,536	3,312
Other current and non-current assets	(65)	(3,229)
Accounts payable	(11,139)	(5,212)
Deferred revenue	(103)	(418)
Other current and non-current liabilities	37,009	(1,942)
Cash generated by operating activities	<u>57,911</u>	<u>48,476</u>
Investing activities:		
Purchases of marketable securities	(56,133)	(123,781)
Proceeds from maturities of marketable securities	46,290	19,347
Proceeds from sales of marketable securities	41,614	76,747
Payments for acquisition of property, plant and equipment	(10,272)	(8,586)
Payments made in connection with business acquisitions, net	(431)	(248)
Purchases of non-marketable securities	(1,788)	(213)
Proceeds from non-marketable securities	310	126
Other	(523)	104
Cash generated by/(used in) investing activities	<u>19,067</u>	<u>(36,504)</u>
Financing activities:		
Proceeds from issuance of common stock	328	274
Payments for taxes related to net share settlement of equity awards	(2,267)	(1,646)
Payments for dividends and dividend equivalents	(10,182)	(9,499)
Repurchases of common stock	(53,634)	(25,105)
Proceeds from issuance of term debt, net	6,969	21,725
Repayments of term debt	(6,500)	(3,500)
Change in commercial paper, net	(10)	3,866
Cash used in financing activities	<u>(65,296)</u>	<u>(13,885)</u>
Increase/(Decrease) in cash and cash equivalents	11,682	(1,913)
Cash and cash equivalents, end of the period	<u>\$ 31,971</u>	<u>\$ 18,571</u>
Supplemental cash flow disclosure:		
Cash paid for income taxes, net	\$ 8,819	\$ 9,752
Cash paid for interest	\$ 2,120	\$ 1,456