

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		Twelve Months Ended	
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
Net sales	\$ 62,900	\$ 52,579	\$ 265,595	\$ 229,234
Cost of sales ⁽¹⁾	38,816	32,648	163,756	141,048
Gross margin	24,084	19,931	101,839	88,186
Operating expenses:				
Research and development ⁽¹⁾	3,750	2,997	14,236	11,581
Selling, general and administrative ⁽¹⁾	4,216	3,814	16,705	15,261
Total operating expenses	7,966	6,811	30,941	26,842
Operating income	16,118	13,120	70,898	61,344
Other income/(expense), net	303	797	2,005	2,745
Income before provision for income taxes	16,421	13,917	72,903	64,089
Provision for income taxes	2,296	3,203	13,372	15,738
Net income	\$ 14,125	\$ 10,714	\$ 59,531	\$ 48,351
Earnings per share:				
Basic	\$ 2.94	\$ 2.08	\$ 12.01	\$ 9.27
Diluted	\$ 2.91	\$ 2.07	\$ 11.91	\$ 9.21
Shares used in computing earnings per share:				
Basic	4,801,589	5,149,428	4,955,377	5,217,242
Diluted	4,847,547	5,183,585	5,000,109	5,251,692
Cash dividends declared per share	\$ 0.73	\$ 0.63	\$ 2.72	\$ 2.40
⁽¹⁾ Includes share-based compensation expense as follows:				
Cost of sales	\$ 251	\$ 215	\$ 1,010	\$ 877
Research and development	\$ 681	\$ 569	\$ 2,668	\$ 2,299
Selling, general and administrative	\$ 413	\$ 390	\$ 1,662	\$ 1,664

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CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

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

	September 29, 2018	September 30, 2017
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 25,913	\$ 20,289
Marketable securities	40,388	53,892
Accounts receivable, net	23,186	17,874
Inventories	3,956	4,855
Vendor non-trade receivables	25,809	17,799
Other current assets	12,087	13,936
Total current assets	<u>131,339</u>	<u>128,645</u>
Non-current assets:		
Marketable securities	170,799	194,714
Property, plant and equipment, net	41,304	33,783
Other non-current assets	22,283	18,177
Total non-current assets	<u>234,386</u>	<u>246,674</u>
Total assets	<u>\$ 365,725</u>	<u>\$ 375,319</u>
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	\$ 55,888	\$ 44,242
Other current liabilities	32,687	30,551
Deferred revenue	7,543	7,548
Commercial paper	11,964	11,977
Term debt	8,784	6,496
Total current liabilities	<u>116,866</u>	<u>100,814</u>
Non-current liabilities:		
Deferred revenue	2,797	2,836
Term debt	93,735	97,207
Other non-current liabilities	45,180	40,415
Total non-current liabilities	<u>141,712</u>	<u>140,458</u>
Total liabilities	<u>258,578</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; 4,754,986 and 5,126,201 shares issued and outstanding, respectively	40,201	35,867
Retained earnings	70,400	98,330
Accumulated other comprehensive income/(loss)	(3,454)	(150)
Total shareholders' equity	<u>107,147</u>	<u>134,047</u>
Total liabilities and shareholders' equity	<u>\$ 365,725</u>	<u>\$ 375,319</u>

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(In millions)

	Twelve Months Ended	
	September 29, 2018	September 30, 2017
Cash and cash equivalents, beginning of the period	\$ 20,289	\$ 20,484
Operating activities:		
Net income	59,531	48,351
Adjustments to reconcile net income to cash generated by operating activities:		
Depreciation and amortization	10,903	10,157
Share-based compensation expense	5,340	4,840
Deferred income tax expense/(benefit)	(32,590)	5,966
Other	(444)	(166)
Changes in operating assets and liabilities:		
Accounts receivable, net	(5,322)	(2,093)
Inventories	828	(2,723)
Vendor non-trade receivables	(8,010)	(4,254)
Other current and non-current assets	(423)	(5,318)
Accounts payable	9,175	8,966
Deferred revenue	(44)	(626)
Other current and non-current liabilities	38,490	1,125
Cash generated by operating activities	77,434	64,225
Investing activities:		
Purchases of marketable securities	(71,356)	(159,486)
Proceeds from maturities of marketable securities	55,881	31,775
Proceeds from sales of marketable securities	47,838	94,564
Payments for acquisition of property, plant and equipment	(13,313)	(12,451)
Payments made in connection with business acquisitions, net	(721)	(329)
Purchases of non-marketable securities	(1,871)	(521)
Proceeds from non-marketable securities	353	126
Other	(745)	(124)
Cash generated by/(used in) investing activities	16,066	(46,446)
Financing activities:		
Proceeds from issuance of common stock	669	555
Payments for taxes related to net share settlement of equity awards	(2,527)	(1,874)
Payments for dividends and dividend equivalents	(13,712)	(12,769)
Repurchases of common stock	(72,738)	(32,900)
Proceeds from issuance of term debt, net	6,969	28,662
Repayments of term debt	(6,500)	(3,500)
Change in commercial paper, net	(37)	3,852
Cash used in financing activities	(87,876)	(17,974)
Increase/(Decrease) in cash and cash equivalents	5,624	(195)
Cash and cash equivalents, end of the period	\$ 25,913	\$ 20,289
Supplemental cash flow disclosure:		
Cash paid for income taxes, net	\$ 10,417	\$ 11,591
Cash paid for interest	\$ 3,022	\$ 2,092