

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	
	July 1, 2017	June 25, 2016	July 1, 2017	June 25, 2016
Net sales	\$ 45,408	\$ 42,358	\$ 176,655	\$ 168,787
Cost of sales ⁽¹⁾	27,920	26,252	108,400	102,337
Gross margin	17,488	16,106	68,255	66,450
Operating expenses:				
Research and development ⁽¹⁾	2,937	2,560	8,584	7,475
Selling, general and administrative ⁽¹⁾	3,783	3,441	11,447	10,712
Total operating expenses	6,720	6,001	20,031	18,187
Operating income	10,768	10,105	48,224	48,263
Other income/(expense), net	540	364	1,948	921
Income before provision for income taxes	11,308	10,469	50,172	49,184
Provision for income taxes	2,591	2,673	12,535	12,511
Net income	\$ 8,717	\$ 7,796	\$ 37,637	\$ 36,673
Earnings per share:				
Basic	\$ 1.68	\$ 1.43	\$ 7.18	\$ 6.66
Diluted	\$ 1.67	\$ 1.42	\$ 7.14	\$ 6.62
Shares used in computing earnings per share:				
Basic	5,195,088	5,443,058	5,239,847	5,505,456
Diluted	5,233,499	5,472,781	5,274,394	5,535,931
Cash dividends declared per share	\$ 0.63	\$ 0.57	\$ 1.77	\$ 1.61
⁽¹⁾ Includes share-based compensation expense as follows:				
Cost of sales	\$ 216	\$ 188	\$ 662	\$ 583
Research and development	\$ 566	\$ 479	\$ 1,730	\$ 1,413
Selling, general and administrative	\$ 411	\$ 387	\$ 1,274	\$ 1,184

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CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

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

	July 1, 2017	September 24, 2016
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 18,571	\$ 20,484
Short-term marketable securities	58,188	46,671
Accounts receivable, less allowances of \$55 and \$53, respectively	12,399	15,754
Inventories	3,146	2,132
Vendor non-trade receivables	10,233	13,545
Other current assets	10,338	8,283
Total current assets	112,875	106,869
Long-term marketable securities	184,757	170,430
Property, plant and equipment, net	29,286	27,010
Goodwill	5,661	5,414
Acquired intangible assets, net	2,444	3,206
Other non-current assets	10,150	8,757
Total assets	\$ 345,173	\$ 321,686
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	\$ 31,915	\$ 37,294
Accrued expenses	23,304	22,027
Deferred revenue	7,608	8,080
Commercial paper	11,980	8,105
Current portion of long-term debt	6,495	3,500
Total current liabilities	81,302	79,006
Deferred revenue, non-current	2,984	2,930
Long-term debt	89,864	75,427
Other non-current liabilities	38,598	36,074
Total liabilities	212,748	193,437
Commitments and contingencies		
Shareholders' equity:		
Common stock and additional paid-in capital, \$0.00001 par value: 12,600,000 shares authorized; 5,169,782 and 5,336,166 shares issued and outstanding, respectively	34,445	31,251
Retained earnings	98,525	96,364
Accumulated other comprehensive income/(loss)	(545)	634
Total shareholders' equity	132,425	128,249
Total liabilities and shareholders' equity	\$ 345,173	\$ 321,686

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(In millions)

	Nine Months Ended	
	July 1, 2017	June 25, 2016
Cash and cash equivalents, beginning of the period	\$ 20,484	\$ 21,120
Operating activities:		
Net income	37,637	36,673
Adjustments to reconcile net income to cash generated by operating activities:		
Depreciation and amortization	7,673	7,957
Share-based compensation expense	3,666	3,180
Deferred income tax expense	4,764	5,191
Other	(142)	419
Changes in operating assets and liabilities:		
Accounts receivable, net	3,381	4,623
Inventories	(1,014)	518
Vendor non-trade receivables	3,312	6,166
Other current and non-current assets	(3,229)	1,049
Accounts payable	(5,212)	(9,567)
Deferred revenue	(418)	(1,148)
Other current and non-current liabilities	(2,476)	(5,363)
Cash generated by operating activities	47,942	49,698
Investing activities:		
Purchases of marketable securities	(123,781)	(112,068)
Proceeds from maturities of marketable securities	19,347	14,915
Proceeds from sales of marketable securities	76,747	69,926
Payments made in connection with business acquisitions, net	(248)	(146)
Payments for acquisition of property, plant and equipment	(8,586)	(8,757)
Payments for acquisition of intangible assets	(209)	(753)
Payments for strategic investments, net	(87)	(1,376)
Other	313	(321)
Cash used in investing activities	(36,504)	(38,580)
Financing activities:		
Proceeds from issuance of common stock	274	247
Excess tax benefits from equity awards	534	391
Payments for taxes related to net share settlement of equity awards	(1,646)	(1,361)
Payments for dividends and dividend equivalents	(9,499)	(9,058)
Repurchases of common stock	(25,105)	(23,696)
Proceeds from issuance of term debt, net	21,725	17,984
Repayments of term debt	(3,500)	(2,500)
Change in commercial paper, net	3,866	3,992
Cash used in financing activities	(13,351)	(14,001)
Increase/(Decrease) in cash and cash equivalents	(1,913)	(2,883)
Cash and cash equivalents, end of the period	\$ 18,571	\$ 18,237
Supplemental cash flow disclosure:		
Cash paid for income taxes, net	\$ 9,752	\$ 8,990
Cash paid for interest	\$ 1,456	\$ 892