

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 28, 2019	December 29, 2018
Net sales:		
Products	\$ 79,104	\$ 73,435
Services	12,715	10,875
Total net sales ⁽¹⁾	<u>91,819</u>	<u>84,310</u>
Cost of sales:		
Products	52,075	48,238
Services	4,527	4,041
Total cost of sales	<u>56,602</u>	<u>52,279</u>
Gross margin	<u>35,217</u>	<u>32,031</u>
Operating expenses:		
Research and development	4,451	3,902
Selling, general and administrative	5,197	4,783
Total operating expenses	<u>9,648</u>	<u>8,685</u>
Operating income	25,569	23,346
Other income/(expense), net	349	560
Income before provision for income taxes	25,918	23,906
Provision for income taxes	3,682	3,941
Net income	<u>\$ 22,236</u>	<u>\$ 19,965</u>
Earnings per share:		
Basic	\$ 5.04	\$ 4.22
Diluted	\$ 4.99	\$ 4.18
Shares used in computing earnings per share:		
Basic	4,415,040	4,735,820
Diluted	4,454,604	4,773,252
⁽¹⁾ Net sales by reportable segment:		
Americas	\$ 41,367	\$ 36,940
Europe	23,273	20,363
Greater China	13,578	13,169
Japan	6,223	6,910
Rest of Asia Pacific	7,378	6,928
Total net sales	<u>\$ 91,819</u>	<u>\$ 84,310</u>
⁽¹⁾ Net sales by category:		
iPhone	\$ 55,957	\$ 51,982
Mac	7,160	7,416
iPad	5,977	6,729
Wearables, Home and Accessories	10,010	7,308
Services	12,715	10,875
Total net sales	<u>\$ 91,819</u>	<u>\$ 84,310</u>

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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 28, 2019</u>	<u>September 28, 2019</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 39,771	\$ 48,844
Marketable securities	67,391	51,713
Accounts receivable, net	20,970	22,926
Inventories	4,097	4,106
Vendor non-trade receivables	18,976	22,878
Other current assets	12,026	12,352
Total current assets	<u>163,231</u>	<u>162,819</u>
Non-current assets:		
Marketable securities	99,899	105,341
Property, plant and equipment, net	37,031	37,378
Other non-current assets	40,457	32,978
Total non-current assets	<u>177,387</u>	<u>175,697</u>
Total assets	<u>\$ 340,618</u>	<u>\$ 338,516</u>
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	\$ 45,111	\$ 46,236
Other current liabilities	36,263	37,720
Deferred revenue	5,573	5,522
Commercial paper	4,990	5,980
Term debt	10,224	10,260
Total current liabilities	<u>102,161</u>	<u>105,718</u>
Non-current liabilities:		
Term debt	93,078	91,807
Other non-current liabilities	55,848	50,503
Total non-current liabilities	<u>148,926</u>	<u>142,310</u>
Total liabilities	<u>251,087</u>	<u>248,028</u>
Commitments and contingencies		
Shareholders' equity:		
Common stock and additional paid-in capital, \$0.00001 par value: 12,600,000 shares authorized; 4,384,959 and 4,443,236 shares issued and outstanding, respectively	45,972	45,174
Retained earnings	43,977	45,898
Accumulated other comprehensive income/(loss)	(418)	(584)
Total shareholders' equity	<u>89,531</u>	<u>90,488</u>
Total liabilities and shareholders' equity	<u>\$ 340,618</u>	<u>\$ 338,516</u>

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(In millions)

	Three Months Ended	
	December 28, 2019	December 29, 2018
Cash, cash equivalents and restricted cash, beginning balances	\$ 50,224	\$ 25,913
Operating activities:		
Net income	22,236	19,965
Adjustments to reconcile net income to cash generated by operating activities:		
Depreciation and amortization	2,816	3,395
Share-based compensation expense	1,710	1,559
Deferred income tax expense/(benefit)	(349)	53
Other	(142)	(54)
Changes in operating assets and liabilities:		
Accounts receivable, net	2,015	5,130
Inventories	(28)	(1,076)
Vendor non-trade receivables	3,902	6,905
Other current and non-current assets	(7,054)	(886)
Accounts payable	(1,089)	(8,501)
Deferred revenue	985	(370)
Other current and non-current liabilities	5,514	570
Cash generated by operating activities	30,516	26,690
Investing activities:		
Purchases of marketable securities	(37,416)	(7,077)
Proceeds from maturities of marketable securities	19,740	7,203
Proceeds from sales of marketable securities	7,280	9,723
Payments for acquisition of property, plant and equipment	(2,107)	(3,355)
Payments made in connection with business acquisitions, net	(958)	(167)
Purchases of non-marketable securities	(77)	(427)
Other	(130)	(56)
Cash generated by/(used in) investing activities	(13,668)	5,844
Financing activities:		
Proceeds from issuance of common stock	2	—
Payments for taxes related to net share settlement of equity awards	(1,379)	(1,318)
Payments for dividends and dividend equivalents	(3,539)	(3,568)
Repurchases of common stock	(20,706)	(8,796)
Proceeds from issuance of term debt, net	2,210	—
Repayments of term debt	(1,000)	—
Proceeds from/(Repayments of) commercial paper, net	(979)	6
Other	(16)	—
Cash used in financing activities	(25,407)	(13,676)
Increase/(Decrease) in cash, cash equivalents and restricted cash	(8,559)	18,858
Cash, cash equivalents and restricted cash, ending balances	\$ 41,665	\$ 44,771
Supplemental cash flow disclosure:		
Cash paid for income taxes, net	\$ 4,393	\$ 4,916
Cash paid for interest	\$ 771	\$ 836