

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		Six Months Ended	
	March 31, 2018	April 1, 2017	March 31, 2018	April 1, 2017
Net sales	\$ 61,137	\$ 52,896	\$ 149,430	\$ 131,247
Cost of sales ⁽¹⁾	37,715	32,305	92,096	80,480
Gross margin	23,422	20,591	57,334	50,767
Operating expenses:				
Research and development ⁽¹⁾	3,378	2,776	6,785	5,647
Selling, general and administrative ⁽¹⁾	4,150	3,718	8,381	7,664
Total operating expenses	7,528	6,494	15,166	13,311
Operating income	15,894	14,097	42,168	37,456
Other income/(expense), net	274	587	1,030	1,408
Income before provision for income taxes	16,168	14,684	43,198	38,864
Provision for income taxes	2,346	3,655	9,311	9,944
Net income	\$ 13,822	\$ 11,029	\$ 33,887	\$ 28,920
Earnings per share:				
Basic	\$ 2.75	\$ 2.11	\$ 6.69	\$ 5.50
Diluted	\$ 2.73	\$ 2.10	\$ 6.63	\$ 5.46
Shares used in computing earnings per share:				
Basic	5,024,877	5,225,791	5,068,877	5,262,226
Diluted	5,068,493	5,261,688	5,113,140	5,294,841
Cash dividends declared per share	\$ 0.63	\$ 0.57	\$ 1.26	\$ 1.14
⁽¹⁾ Includes share-based compensation expense as follows:				
Cost of sales	\$ 257	\$ 217	\$ 509	\$ 446
Research and development	\$ 666	\$ 575	\$ 1,312	\$ 1,164
Selling, general and administrative	\$ 425	\$ 425	\$ 823	\$ 863

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CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

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

	<u>March 31, 2018</u>	<u>September 30, 2017</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 45,059	\$ 20,289
Short-term marketable securities	42,881	53,892
Accounts receivable, less allowances of \$60 and \$58, respectively	14,324	17,874
Inventories	7,662	4,855
Vendor non-trade receivables	8,084	17,799
Other current assets	12,043	13,936
Total current assets	<u>130,053</u>	<u>128,645</u>
Long-term marketable securities	179,286	194,714
Property, plant and equipment, net	35,077	33,783
Other non-current assets	23,086	18,177
Total assets	<u>\$ 367,502</u>	<u>\$ 375,319</u>
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	\$ 34,311	\$ 49,049
Accrued expenses	26,756	25,744
Deferred revenue	7,775	7,548
Commercial paper	11,980	11,977
Current portion of long-term debt	8,498	6,496
Total current liabilities	<u>89,320</u>	<u>100,814</u>
Deferred revenue, non-current	3,087	2,836
Long-term debt	101,362	97,207
Other non-current liabilities	46,855	40,415
Total liabilities	<u>240,624</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; 4,943,282 and 5,126,201 shares issued and outstanding, respectively	38,044	35,867
Retained earnings	91,898	98,330
Accumulated other comprehensive income/(loss)	(3,064)	(150)
Total shareholders' equity	<u>126,878</u>	<u>134,047</u>
Total liabilities and shareholders' equity	<u>\$ 367,502</u>	<u>\$ 375,319</u>

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(In millions)

	Six Months Ended	
	March 31, 2018	April 1, 2017
Cash and cash equivalents, beginning of the period	\$ 20,289	\$ 20,484
Operating activities:		
Net income	33,887	28,920
Adjustments to reconcile net income to cash generated by operating activities:		
Depreciation and amortization	5,484	5,319
Share-based compensation expense	2,644	2,473
Deferred income tax expense/(benefit)	(34,235)	2,822
Other	(151)	(209)
Changes in operating assets and liabilities:		
Accounts receivable, net	3,523	4,183
Inventories	(2,807)	(778)
Vendor non-trade receivables	9,715	4,512
Other current and non-current assets	(1,053)	(896)
Accounts payable	(13,220)	(6,862)
Deferred revenue	478	(221)
Other current and non-current liabilities	39,158	541
Cash generated by operating activities	<u>43,423</u>	<u>39,804</u>
Investing activities:		
Purchases of marketable securities	(48,449)	(99,821)
Proceeds from maturities of marketable securities	31,884	12,429
Proceeds from sales of marketable securities	38,942	60,454
Payments for acquisition of property, plant and equipment	(7,005)	(6,309)
Payments made in connection with business acquisitions, net	(305)	(67)
Other	53	(10)
Cash generated by/(used in) investing activities	<u>15,120</u>	<u>(33,324)</u>
Financing activities:		
Proceeds from issuance of common stock	327	273
Payments for taxes related to net share settlement of equity awards	(1,190)	(788)
Payments for dividends and dividend equivalents	(6,529)	(6,134)
Repurchases of common stock	(32,851)	(18,012)
Proceeds from issuance of term debt, net	6,969	10,975
Repayments of term debt	(500)	—
Change in commercial paper, net	1	1,879
Cash used in financing activities	<u>(33,773)</u>	<u>(11,807)</u>
Increase/(Decrease) in cash and cash equivalents	<u>24,770</u>	<u>(5,327)</u>
Cash and cash equivalents, end of the period	<u>\$ 45,059</u>	<u>\$ 15,157</u>
Supplemental cash flow disclosure:		
Cash paid for income taxes, net	\$ 6,340	\$ 6,878
Cash paid for interest	\$ 1,356	\$ 1,007