

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 30, 2017	September 24, 2016	September 30, 2017	September 24, 2016
Net sales	\$ 52,579	\$ 46,852	\$ 229,234	\$ 215,639
Cost of sales ⁽¹⁾	32,648	29,039	141,048	131,376
Gross margin	19,931	17,813	88,186	84,263
Operating expenses:				
Research and development ⁽¹⁾	2,997	2,570	11,581	10,045
Selling, general and administrative ⁽¹⁾	3,814	3,482	15,261	14,194
Total operating expenses	6,811	6,052	26,842	24,239
Operating income	13,120	11,761	61,344	60,024
Other income/(expense), net	797	427	2,745	1,348
Income before provision for income taxes	13,917	12,188	64,089	61,372
Provision for income taxes	3,203	3,174	15,738	15,685
Net income	\$ 10,714	\$ 9,014	\$ 48,351	\$ 45,687
Earnings per share:				
Basic	\$ 2.08	\$ 1.68	\$ 9.27	\$ 8.35
Diluted	\$ 2.07	\$ 1.67	\$ 9.21	\$ 8.31
Shares used in computing earnings per share:				
Basic	5,149,428	5,366,912	5,217,242	5,470,820
Diluted	5,183,585	5,393,333	5,251,692	5,500,281
Cash dividends declared per share	\$ 0.63	\$ 0.57	\$ 2.40	\$ 2.18
⁽¹⁾ Includes share-based compensation expense as follows:				
Cost of sales	\$ 215	\$ 186	\$ 877	\$ 769
Research and development	\$ 569	\$ 476	\$ 2,299	\$ 1,889
Selling, general and administrative	\$ 390	\$ 368	\$ 1,664	\$ 1,552

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CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

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

	<u>September 30, 2017</u>	<u>September 24, 2016</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 20,289	\$ 20,484
Short-term marketable securities	53,892	46,671
Accounts receivable, less allowances of \$58 and \$53, respectively	17,874	15,754
Inventories	4,855	2,132
Vendor non-trade receivables	17,799	13,545
Other current assets	13,936	8,283
Total current assets	<u>128,645</u>	<u>106,869</u>
Long-term marketable securities	194,714	170,430
Property, plant and equipment, net	33,783	27,010
Goodwill	5,717	5,414
Acquired intangible assets, net	2,298	3,206
Other non-current assets	10,162	8,757
Total assets	<u>\$ 375,319</u>	<u>\$ 321,686</u>
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	\$ 49,049	\$ 37,294
Accrued expenses	25,744	22,027
Deferred revenue	7,548	8,080
Commercial paper	11,977	8,105
Current portion of long-term debt	6,496	3,500
Total current liabilities	<u>100,814</u>	<u>79,006</u>
Deferred revenue, non-current	2,836	2,930
Long-term debt	97,207	75,427
Other non-current liabilities	40,415	36,074
Total liabilities	<u>241,272</u>	<u>193,437</u>
Commitments and contingencies		
Shareholders' equity:		
Common stock and additional paid-in capital, \$0.00001 par value: 12,600,000 shares authorized; 5,126,201 and 5,336,166 shares issued and outstanding, respectively	35,867	31,251
Retained earnings	98,330	96,364
Accumulated other comprehensive income/(loss)	(150)	634
Total shareholders' equity	<u>134,047</u>	<u>128,249</u>
Total liabilities and shareholders' equity	<u>\$ 375,319</u>	<u>\$ 321,686</u>

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(In millions)

	Twelve Months Ended	
	September 30, 2017	September 24, 2016
Cash and cash equivalents, beginning of the period	\$ 20,484	\$ 21,120
Operating activities:		
Net income	48,351	45,687
Adjustments to reconcile net income to cash generated by operating activities:		
Depreciation and amortization	10,157	10,505
Share-based compensation expense	4,840	4,210
Deferred income tax expense	5,966	4,938
Other	(166)	486
Changes in operating assets and liabilities:		
Accounts receivable, net	(2,093)	527
Inventories	(2,723)	217
Vendor non-trade receivables	(4,254)	(51)
Other current and non-current assets	(5,318)	1,055
Accounts payable	9,618	1,837
Deferred revenue	(626)	(1,554)
Other current and non-current liabilities	(154)	(2,033)
Cash generated by operating activities	<u>63,598</u>	<u>65,824</u>
Investing activities:		
Purchases of marketable securities	(159,486)	(142,428)
Proceeds from maturities of marketable securities	31,775	21,258
Proceeds from sales of marketable securities	94,564	90,536
Payments made in connection with business acquisitions, net	(329)	(297)
Payments for acquisition of property, plant and equipment	(12,451)	(12,734)
Payments for acquisition of intangible assets	(344)	(814)
Payments for strategic investments, net	(395)	(1,388)
Other	220	(110)
Cash used in investing activities	<u>(46,446)</u>	<u>(45,977)</u>
Financing activities:		
Proceeds from issuance of common stock	555	495
Excess tax benefits from equity awards	627	407
Payments for taxes related to net share settlement of equity awards	(1,874)	(1,570)
Payments for dividends and dividend equivalents	(12,769)	(12,150)
Repurchases of common stock	(32,900)	(29,722)
Proceeds from issuance of term debt, net	28,662	24,954
Repayments of term debt	(3,500)	(2,500)
Change in commercial paper, net	3,852	(397)
Cash used in financing activities	<u>(17,347)</u>	<u>(20,483)</u>
Increase/(Decrease) in cash and cash equivalents	<u>(195)</u>	<u>(636)</u>
Cash and cash equivalents, end of the period	<u>\$ 20,289</u>	<u>\$ 20,484</u>
Supplemental cash flow disclosure:		
Cash paid for income taxes, net	\$ 11,591	\$ 10,444
Cash paid for interest	\$ 2,092	\$ 1,316