

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 29, 2018	December 30, 2017
Net sales:		
Products	\$ 73,435	\$ 79,164
Services	10,875	9,129
Total net sales ⁽¹⁾	<u>84,310</u>	<u>88,293</u>
Cost of sales:		
Products	48,238	50,575
Services	4,041	3,806
Total cost of sales	<u>52,279</u>	<u>54,381</u>
Gross margin	<u>32,031</u>	<u>33,912</u>
Operating expenses:		
Research and development	3,902	3,407
Selling, general and administrative	4,783	4,231
Total operating expenses	<u>8,685</u>	<u>7,638</u>
Operating income	23,346	26,274
Other income/(expense), net	560	756
Income before provision for income taxes	23,906	27,030
Provision for income taxes	3,941	6,965
Net income	<u>\$ 19,965</u>	<u>\$ 20,065</u>
Earnings per share:		
Basic	\$ 4.22	\$ 3.92
Diluted	\$ 4.18	\$ 3.89
Shares used in computing earnings per share:		
Basic	4,735,820	5,112,877
Diluted	4,773,252	5,157,787
⁽¹⁾ Net sales by reportable segment:		
Americas	\$ 36,940	\$ 35,193
Europe	20,363	21,054
Greater China	13,169	17,956
Japan	6,910	7,237
Rest of Asia Pacific	6,928	6,853
Total net sales	<u>\$ 84,310</u>	<u>\$ 88,293</u>
⁽¹⁾ Net sales by category:		
iPhone	\$ 51,982	\$ 61,104
Mac	7,416	6,824
iPad	6,729	5,755
Wearables, Home and Accessories	7,308	5,481
Services	10,875	9,129
Total net sales	<u>\$ 84,310</u>	<u>\$ 88,293</u>

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CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

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

	December 29, 2018	September 29, 2018
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 44,771	\$ 25,913
Marketable securities	41,656	40,388
Accounts receivable, net	18,077	23,186
Inventories	4,988	3,956
Vendor non-trade receivables	18,904	25,809
Other current assets	12,432	12,087
Total current assets	<u>140,828</u>	<u>131,339</u>
Non-current assets:		
Marketable securities	158,608	170,799
Property, plant and equipment, net	39,597	41,304
Other non-current assets	34,686	22,283
Total non-current assets	<u>232,891</u>	<u>234,386</u>
Total assets	<u>\$ 373,719</u>	<u>\$ 365,725</u>
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	\$ 44,293	\$ 55,888
Other current liabilities	36,703	33,327
Deferred revenue	5,546	5,966
Commercial paper	11,969	11,964
Term debt	9,772	8,784
Total current liabilities	<u>108,283</u>	<u>115,929</u>
Non-current liabilities:		
Term debt	92,989	93,735
Other non-current liabilities	54,555	48,914
Total non-current liabilities	<u>147,544</u>	<u>142,649</u>
Total liabilities	<u>255,827</u>	<u>258,578</u>
Commitments and contingencies		
Shareholders' equity:		
Common stock and additional paid-in capital, \$0.00001 par value: 12,600,000 shares authorized; 4,729,803 and 4,754,986 shares issued and outstanding, respectively	40,970	40,201
Retained earnings	80,510	70,400
Accumulated other comprehensive income/(loss)	(3,588)	(3,454)
Total shareholders' equity	<u>117,892</u>	<u>107,147</u>
Total liabilities and shareholders' equity	<u>\$ 373,719</u>	<u>\$ 365,725</u>

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(In millions)

	Three Months Ended	
	December 29, 2018	December 30, 2017
Cash and cash equivalents, beginning balances	\$ 25,913	\$ 20,289
Operating activities:		
Net income	19,965	20,065
Adjustments to reconcile net income to cash generated by operating activities:		
Depreciation and amortization	3,395	2,745
Share-based compensation expense	1,559	1,296
Deferred income tax expense/(benefit)	53	(33,737)
Other	(54)	(11)
Changes in operating assets and liabilities:		
Accounts receivable, net	5,130	(5,570)
Inventories	(1,076)	434
Vendor non-trade receivables	6,905	(9,660)
Other current and non-current assets	(886)	(197)
Accounts payable	(8,501)	12,602
Deferred revenue	(370)	569
Other current and non-current liabilities	570	39,757
Cash generated by operating activities	26,690	28,293
Investing activities:		
Purchases of marketable securities	(7,077)	(41,272)
Proceeds from maturities of marketable securities	7,203	14,048
Proceeds from sales of marketable securities	9,723	16,801
Payments for acquisition of property, plant and equipment	(3,355)	(2,810)
Payments made in connection with business acquisitions, net	(167)	(173)
Purchases of non-marketable securities	(427)	(141)
Other	(56)	(43)
Cash generated by/(used in) investing activities	5,844	(13,590)
Financing activities:		
Payments for taxes related to net share settlement of equity awards	(1,318)	(1,038)
Payments for dividends and dividend equivalents	(3,568)	(3,339)
Repurchases of common stock	(8,796)	(10,095)
Proceeds from issuance of term debt, net	—	6,969
Change in commercial paper, net	6	2
Cash used in financing activities	(13,676)	(7,501)
Increase/(Decrease) in cash and cash equivalents	18,858	7,202
Cash and cash equivalents, ending balances	\$ 44,771	\$ 27,491
Supplemental cash flow disclosure:		
Cash paid for income taxes, net	\$ 4,916	\$ 3,551
Cash paid for interest	\$ 836	\$ 623