

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 26, 2022

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number: 001-36743



Apple Inc.

(Exact name of Registrant as specified in its charter)

California

(State or other jurisdiction  
of incorporation or organization)

94-2404110

(I.R.S. Employer Identification No.)

One Apple Park Way

Cupertino, California

(Address of principal executive offices)

95014

(Zip Code)

(408) 996-1010

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, \$0.00001 par value per share	AAPL	The Nasdaq Stock Market LLC
1.000% Notes due 2022	—	The Nasdaq Stock Market LLC
1.375% Notes due 2024	—	The Nasdaq Stock Market LLC
0.000% Notes due 2025	—	The Nasdaq Stock Market LLC
0.875% Notes due 2025	—	The Nasdaq Stock Market LLC
1.625% Notes due 2026	—	The Nasdaq Stock Market LLC
2.000% Notes due 2027	—	The Nasdaq Stock Market LLC
1.375% Notes due 2029	—	The Nasdaq Stock Market LLC
3.050% Notes due 2029	—	The Nasdaq Stock Market LLC
0.500% Notes due 2031	—	The Nasdaq Stock Market LLC
3.600% Notes due 2042	—	The Nasdaq Stock Market LLC

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files).

Yes ☒ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒  
Non-accelerated filer ☐

Accelerated filer ☐  
Smaller reporting company ☐  
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

16,185,181,000 shares of common stock were issued and outstanding as of April 15, 2022.

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Apple Inc.  
Form 10-Q  
For the Fiscal Quarter Ended March 26, 2022  
TABLE OF CONTENTS

	<u>Page</u>
<b><u>Part I</u></b>	
<a href="#"><u>Item 1.</u></a> Financial Statements	1
<a href="#"><u>Item 2.</u></a> Management's Discussion and Analysis of Financial Condition and Results of Operations	14
<a href="#"><u>Item 3.</u></a> Quantitative and Qualitative Disclosures About Market Risk	20
<a href="#"><u>Item 4.</u></a> Controls and Procedures	20
<b><u>Part II</u></b>	
<a href="#"><u>Item 1.</u></a> Legal Proceedings	20
<a href="#"><u>Item 1A.</u></a> Risk Factors	20
<a href="#"><u>Item 2.</u></a> Unregistered Sales of Equity Securities and Use of Proceeds	21
<a href="#"><u>Item 3.</u></a> Defaults Upon Senior Securities	21
<a href="#"><u>Item 4.</u></a> Mine Safety Disclosures	21
<a href="#"><u>Item 5.</u></a> Other Information	21
<a href="#"><u>Item 6.</u></a> Exhibits	22

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## PART I — FINANCIAL INFORMATION

### Item 1. Financial Statements

#### 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 26, 2022	March 27, 2021	March 26, 2022	March 27, 2021
Net sales:				
Products	\$ 77,457	\$ 72,683	\$ 181,886	\$ 168,361
Services	19,821	16,901	39,337	32,662
Total net sales	97,278	89,584	221,223	201,023
Cost of sales:				
Products	49,290	46,447	113,599	108,577
Services	5,429	5,058	10,822	10,039
Total cost of sales	54,719	51,505	124,421	118,616
Gross margin	42,559	38,079	96,802	82,407
Operating expenses:				
Research and development	6,387	5,262	12,693	10,425
Selling, general and administrative	6,193	5,314	12,642	10,945
Total operating expenses	12,580	10,576	25,335	21,370
Operating income	29,979	27,503	71,467	61,037
Other income/(expense), net	160	508	(87)	553
Income before provision for income taxes	30,139	28,011	71,380	61,590
Provision for income taxes	5,129	4,381	11,740	9,205
Net income	\$ 25,010	\$ 23,630	\$ 59,640	\$ 52,385
Earnings per share:				
Basic	\$ 1.54	\$ 1.41	\$ 3.65	\$ 3.11
Diluted	\$ 1.52	\$ 1.40	\$ 3.62	\$ 3.08
Shares used in computing earnings per share:				
Basic	16,278,802	16,753,476	16,335,263	16,844,298
Diluted	16,403,316	16,929,157	16,461,304	17,021,423

See accompanying Notes to Condensed Consolidated Financial Statements.

Apple Inc.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)  
(In millions)

	Three Months Ended		Six Months Ended	
	March 26, 2022	March 27, 2021	March 26, 2022	March 27, 2021
Net income	\$ 25,010	\$ 23,630	\$ 59,640	\$ 52,385
Other comprehensive income/(loss):				
Change in foreign currency translation, net of tax	(21)	(78)	(381)	471
Change in unrealized gains/losses on derivative instruments, net of tax:				
Change in fair value of derivative instruments	334	332	696	28
Adjustment for net (gains)/losses realized and included in net income	(301)	759	(208)	576
Total change in unrealized gains/losses on derivative instruments	33	1,091	488	604
Change in unrealized gains/losses on marketable debt securities, net of tax:				
Change in fair value of marketable debt securities	(5,633)	(1,403)	(6,809)	(775)
Adjustment for net (gains)/losses realized and included in net income	54	(75)	45	(180)
Total change in unrealized gains/losses on marketable debt securities	(5,579)	(1,478)	(6,764)	(955)
Total other comprehensive income/(loss)	(5,567)	(465)	(6,657)	120
Total comprehensive income	\$ 19,443	\$ 23,165	\$ 52,983	\$ 52,505

See accompanying Notes to Condensed Consolidated Financial Statements.

Apple Inc.

**CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)**

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

	March 26, 2022	September 25, 2021
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$ 28,098	\$ 34,940
Marketable securities	23,413	27,699
Accounts receivable, net	20,815	26,278
Inventories	5,460	6,580
Vendor non-trade receivables	24,585	25,228
Other current assets	15,809	14,111
Total current assets	118,180	134,836
Non-current assets:		
Marketable securities	141,219	127,877
Property, plant and equipment, net	39,304	39,440
Other non-current assets	51,959	48,849
Total non-current assets	232,482	216,166
Total assets	\$ 350,662	\$ 351,002
<b>LIABILITIES AND SHAREHOLDERS' EQUITY:</b>		
Current liabilities:		
Accounts payable	\$ 52,682	\$ 54,763
Other current liabilities	50,248	47,493
Deferred revenue	7,920	7,612
Commercial paper	6,999	6,000
Term debt	9,659	9,613
Total current liabilities	127,508	125,481
Non-current liabilities:		
Term debt	103,323	109,106
Other non-current liabilities	52,432	53,325
Total non-current liabilities	155,755	162,431
Total liabilities	283,263	287,912
Commitments and contingencies		
Shareholders' equity:		
Common stock and additional paid-in capital, \$0.00001 par value: 50,400,000 shares authorized; 16,207,568 and 16,426,786 shares issued and outstanding, respectively	61,181	57,365
Retained earnings	12,712	5,562
Accumulated other comprehensive income/(loss)	(6,494)	163
Total shareholders' equity	67,399	63,090
Total liabilities and shareholders' equity	\$ 350,662	\$ 351,002

See accompanying Notes to Condensed Consolidated Financial Statements.

Apple Inc.

**CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (Unaudited)**  
(In millions, except per share amounts)

	Three Months Ended		Six Months Ended	
	March 26, 2022	March 27, 2021	March 26, 2022	March 27, 2021
Total shareholders' equity, beginning balances	\$ 71,932	\$ 66,224	\$ 63,090	\$ 65,339
Common stock and additional paid-in capital:				
Beginning balances	58,424	51,744	57,365	50,779
Common stock issued	593	561	593	561
Common stock withheld related to net share settlement of equity awards	(149)	(135)	(1,412)	(1,236)
Share-based compensation	2,313	2,033	4,635	4,099
Ending balances	61,181	54,203	61,181	54,203
Retained earnings:				
Beginning balances	14,435	14,301	5,562	14,966
Net income	25,010	23,630	59,640	52,385
Dividends and dividend equivalents declared	(3,633)	(3,495)	(7,298)	(7,042)
Common stock withheld related to net share settlement of equity awards	(190)	(174)	(1,920)	(2,047)
Common stock repurchased	(22,910)	(19,001)	(43,272)	(43,001)
Ending balances	12,712	15,261	12,712	15,261
Accumulated other comprehensive income/(loss):				
Beginning balances	(927)	179	163	(406)
Other comprehensive income/(loss)	(5,567)	(465)	(6,657)	120
Ending balances	(6,494)	(286)	(6,494)	(286)
Total shareholders' equity, ending balances	\$ 67,399	\$ 69,178	\$ 67,399	\$ 69,178
Dividends and dividend equivalents declared per share or RSU	\$ 0.22	\$ 0.205	\$ 0.44	\$ 0.41

See accompanying Notes to Condensed Consolidated Financial Statements.

Apple Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)  
(In millions)

	Six Months Ended	
	March 26, 2022	March 27, 2021
Cash, cash equivalents and restricted cash, beginning balances	\$ 35,929	\$ 39,789
Operating activities:		
Net income	59,640	52,385
Adjustments to reconcile net income to cash generated by operating activities:		
Depreciation and amortization	5,434	5,463
Share-based compensation expense	4,517	4,001
Deferred income tax expense/(benefit)	1,088	(207)
Other	(20)	(474)
Changes in operating assets and liabilities:		
Accounts receivable, net	5,542	(2,347)
Inventories	1,065	(1,226)
Vendor non-trade receivables	643	6,792
Other current and non-current assets	(3,542)	(4,333)
Accounts payable	(1,750)	(1,997)
Deferred revenue	627	1,642
Other current and non-current liabilities	1,888	3,045
Cash generated by operating activities	75,132	62,744
Investing activities:		
Purchases of marketable securities	(61,987)	(74,424)
Proceeds from maturities of marketable securities	18,000	39,605
Proceeds from sales of marketable securities	24,668	21,645
Payments for acquisition of property, plant and equipment	(5,317)	(5,769)
Payments made in connection with business acquisitions, net	(167)	(9)
Other	(568)	—
Cash used in investing activities	(25,371)	(18,952)
Financing activities:		
Payments for taxes related to net share settlement of equity awards	(3,218)	(3,160)
Payments for dividends and dividend equivalents	(7,327)	(7,060)
Repurchases of common stock	(43,109)	(43,323)
Proceeds from issuance of term debt, net	—	13,923
Repayments of term debt	(3,750)	(4,500)
Proceeds from commercial paper, net	999	22
Other	(105)	523
Cash used in financing activities	(56,510)	(43,575)
Increase/(Decrease) in cash, cash equivalents and restricted cash	(6,749)	217
Cash, cash equivalents and restricted cash, ending balances	\$ 29,180	\$ 40,006
Supplemental cash flow disclosure:		
Cash paid for income taxes, net	\$ 9,301	\$ 10,276
Cash paid for interest	\$ 1,406	\$ 1,327

See accompanying Notes to Condensed Consolidated Financial Statements.



Apple Inc.

Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 1 – Summary of Significant Accounting Policies

Basis of Presentation and Preparation

The condensed consolidated financial statements include the accounts of Apple Inc. and its wholly owned subsidiaries (collectively “Apple” or the “Company”). Intercompany accounts and transactions have been eliminated. In the opinion of the Company’s management, the condensed consolidated financial statements reflect all adjustments, which are normal and recurring in nature, necessary for fair financial statement presentation. The preparation of these condensed consolidated financial statements and accompanying notes in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported. Actual results could differ materially from those estimates. Certain prior period amounts in the condensed consolidated financial statements and accompanying notes have been reclassified to conform to the current period’s presentation. These condensed consolidated financial statements and accompanying notes should be read in conjunction with the Company’s annual consolidated financial statements and accompanying notes included in its Annual Report on Form 10-K for the fiscal year ended September 25, 2021.

The Company’s fiscal year is the 52- or 53-week period that ends on the last Saturday of September. An additional week is included in the first fiscal quarter every five or six years to realign the Company’s fiscal quarters with calendar quarters. The Company’s fiscal years 2022 and 2021 span 52 weeks each. Unless otherwise stated, references to particular years, quarters, months and periods refer to the Company’s fiscal years ended in September and the associated quarters, months and periods of those fiscal years.

Earnings Per Share

The following table shows the computation of basic and diluted earnings per share for the three- and six-month periods ended March 26, 2022 and March 27, 2021 (net income in millions and shares in thousands):

	Three Months Ended		Six Months Ended	
	March 26, 2022	March 27, 2021	March 26, 2022	March 27, 2021
Numerator:				
Net income	\$ 25,010	\$ 23,630	\$ 59,640	\$ 52,385
Denominator:				
Weighted-average basic shares outstanding	16,278,802	16,753,476	16,335,263	16,844,298
Effect of dilutive securities	124,514	175,681	126,041	177,125
Weighted-average diluted shares	<u>16,403,316</u>	<u>16,929,157</u>	<u>16,461,304</u>	<u>17,021,423</u>
Basic earnings per share	\$ 1.54	\$ 1.41	\$ 3.65	\$ 3.11
Diluted earnings per share	\$ 1.52	\$ 1.40	\$ 3.62	\$ 3.08

## Note 2 – Revenue

Net sales disaggregated by significant products and services for the three- and six-month periods ended March 26, 2022 and March 27, 2021 were as follows (in millions):

	Three Months Ended		Six Months Ended	
	March 26, 2022	March 27, 2021	March 26, 2022	March 27, 2021
iPhone <sup>®</sup> (1)	\$ 50,570	\$ 47,938	\$ 122,198	\$ 113,535
Mac <sup>®</sup> (1)	10,435	9,102	21,287	17,777
iPad <sup>®</sup> (1)	7,646	7,807	14,894	16,242
Wearables, Home and Accessories (1)(2)	8,806	7,836	23,507	20,807
Services (3)	19,821	16,901	39,337	32,662
Total net sales (4)	\$ 97,278	\$ 89,584	\$ 221,223	\$ 201,023

- (1) Products net sales include amortization of the deferred value of unspecified software upgrade rights, which are bundled in the sales price of the respective product.
- (2) Wearables, Home and Accessories net sales include sales of AirPods<sup>®</sup>, Apple TV<sup>®</sup>, Apple Watch<sup>®</sup>, Beats<sup>®</sup> products, HomePod mini<sup>®</sup>, iPod touch<sup>®</sup> and accessories.
- (3) Services net sales include sales from the Company's advertising, AppleCare<sup>®</sup>, cloud, digital content, payment and other services. Services net sales also include amortization of the deferred value of services bundled in the sales price of certain products.
- (4) Includes \$3.0 billion of revenue recognized in the three months ended March 26, 2022 that was included in deferred revenue as of December 25, 2021, \$2.7 billion of revenue recognized in the three months ended March 27, 2021 that was included in deferred revenue as of December 26, 2020, \$4.8 billion of revenue recognized in the six months ended March 26, 2022 that was included in deferred revenue as of September 25, 2021, and \$4.1 billion of revenue recognized in the six months ended March 27, 2021 that was included in deferred revenue as of September 26, 2020.

The Company's proportion of net sales by disaggregated revenue source was generally consistent for each reportable segment in Note 9, "Segment Information and Geographic Data" for the three- and six-month periods ended March 26, 2022 and March 27, 2021, except in Greater China, where iPhone revenue represented a moderately higher proportion of net sales.

As of March 26, 2022 and September 25, 2021, the Company had total deferred revenue of \$12.5 billion and \$11.9 billion, respectively. As of March 26, 2022, the Company expects 63% of total deferred revenue to be realized in less than a year, 27% within one-to-two years, 8% within two-to-three years and 2% in greater than three years.

## Note 3 – Financial Instruments

### Cash, Cash Equivalents and Marketable Securities

The following tables show the Company's cash, cash equivalents and marketable securities by significant investment category as of March 26, 2022 and September 25, 2021 (in millions):

March 26, 2022							
	Adjusted Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cash and Cash Equivalents	Current Marketable Securities	Non-Current Marketable Securities
Cash	\$ 14,298	\$ —	\$ —	\$ 14,298	\$ 14,298	\$ —	\$ —
Level 1 <sup>(1)</sup> :							
Money market funds	7,653	—	—	7,653	7,653	—	—
Mutual funds	230	7	(9)	228	—	228	—
Subtotal	7,883	7	(9)	7,881	7,653	228	—
Level 2 <sup>(2)</sup> :							
Equity securities	1,527	—	(1,132)	395	—	395	—
U.S. Treasury securities	28,711	2	(1,037)	27,676	2,306	3,554	21,816
U.S. agency securities	6,561	—	(407)	6,154	251	683	5,220
Non-U.S. government securities	18,868	44	(551)	18,361	25	4,526	13,810
Certificates of deposit and time deposits	2,872	—	—	2,872	2,221	601	50
Commercial paper	2,913	—	—	2,913	1,310	1,603	—
Corporate debt securities	93,057	94	(4,266)	88,885	34	11,309	77,542
Municipal securities	990	1	(22)	969	—	162	807
Mortgage- and asset-backed securities	23,613	3	(1,290)	22,326	—	352	21,974
Subtotal	179,112	144	(8,705)	170,551	6,147	23,185	141,219
Total <sup>(3)</sup>	\$ 201,293	\$ 151	\$ (8,714)	\$ 192,730	\$ 28,098	\$ 23,413	\$ 141,219

  

September 25, 2021							
	Adjusted Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cash and Cash Equivalents	Current Marketable Securities	Non-Current Marketable Securities
Cash	\$ 17,305	\$ —	\$ —	\$ 17,305	\$ 17,305	\$ —	\$ —
Level 1 <sup>(1)</sup> :							
Money market funds	9,608	—	—	9,608	9,608	—	—
Mutual funds	175	11	(1)	185	—	185	—
Subtotal	9,783	11	(1)	9,793	9,608	185	—
Level 2 <sup>(2)</sup> :							
Equity securities	1,527	—	(564)	963	—	963	—
U.S. Treasury securities	22,878	102	(77)	22,903	3,596	6,625	12,682
U.S. agency securities	8,949	2	(64)	8,887	1,775	1,930	5,182
Non-U.S. government securities	20,201	211	(101)	20,311	390	3,091	16,830
Certificates of deposit and time deposits	1,300	—	—	1,300	490	810	—
Commercial paper	2,639	—	—	2,639	1,776	863	—
Corporate debt securities	83,883	1,242	(267)	84,858	—	12,327	72,531
Municipal securities	967	14	—	981	—	130	851
Mortgage- and asset-backed securities	20,529	171	(124)	20,576	—	775	19,801
Subtotal	162,873	1,742	(1,197)	163,418	8,027	27,514	127,877
Total <sup>(3)</sup>	\$ 189,961	\$ 1,753	\$ (1,198)	\$ 190,516	\$ 34,940	\$ 27,699	\$ 127,877

(1) Level 1 fair value estimates are based on quoted prices in active markets for identical assets or liabilities.

(2) Level 2 fair value estimates are based on observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

(3) As of March 26, 2022 and September 25, 2021, total marketable securities included \$15.4 billion and \$17.9 billion, respectively, that were restricted from general use, related to the European Commission decision finding that Ireland granted state aid to the Company, and other agreements.

The following table shows the fair value of the Company's non-current marketable debt securities, by contractual maturity, as of March 26, 2022 (in millions):

Due after 1 year through 5 years	\$	97,603
Due after 5 years through 10 years		22,899
Due after 10 years		20,717
Total fair value	\$	141,219

## Derivative Instruments and Hedging

The Company may use derivative instruments to partially offset its business exposure to foreign exchange and interest rate risk. However, the Company may choose not to hedge certain exposures for a variety of reasons, including accounting considerations or the prohibitive economic cost of hedging particular exposures. There can be no assurance the hedges will offset more than a portion of the financial impact resulting from movements in foreign exchange or interest rates.

### Foreign Exchange Risk

To protect gross margins from fluctuations in foreign currency exchange rates, the Company may enter into forward contracts, option contracts or other instruments, and may designate these instruments as cash flow hedges. The Company generally hedges portions of its forecasted foreign currency exposure associated with revenue and inventory purchases, typically for up to 12 months.

To protect the Company's foreign currency-denominated term debt or marketable securities from fluctuations in foreign currency exchange rates, the Company may enter into forward contracts, cross-currency swaps or other instruments. The Company designates these instruments as either cash flow or fair value hedges. As of March 26, 2022, the Company's hedged term debt- and marketable securities-related foreign currency transactions are expected to be recognized within 20 years.

The Company may also enter into derivative instruments that are not designated as accounting hedges to protect gross margins from certain fluctuations in foreign currency exchange rates, as well as to offset a portion of the foreign currency exchange gains and losses generated by the remeasurement of certain assets and liabilities denominated in non-functional currencies.

### Interest Rate Risk

To protect the Company's term debt or marketable securities from fluctuations in interest rates, the Company may enter into interest rate swaps, options or other instruments. The Company designates these instruments as either cash flow or fair value hedges.

The notional amounts of the Company's outstanding derivative instruments as of March 26, 2022 and September 25, 2021 were as follows (in millions):

	March 26, 2022	September 25, 2021
Derivative instruments designated as accounting hedges:		
Foreign exchange contracts	\$ 65,140	\$ 76,475
Interest rate contracts	\$ 20,775	\$ 16,875
Derivative instruments not designated as accounting hedges:		
Foreign exchange contracts	\$ 110,758	\$ 126,918

The gross fair values of the Company's derivative assets and liabilities were not material as of March 26, 2022 and September 25, 2021.

The gains and losses recognized in other comprehensive income/(loss) and amounts reclassified from accumulated other comprehensive income/(loss) to net income for the Company's derivative instruments designated as cash flow hedges were not material in the three- and six-month periods ended March 26, 2022 and March 27, 2021.

The carrying amounts of the Company's hedged items in fair value hedges as of March 26, 2022 and September 25, 2021 were as follows (in millions):

	March 26, 2022	September 25, 2021
Hedged assets/(liabilities):		
Current and non-current marketable securities	\$ 14,943	\$ 15,954
Current and non-current term debt	\$ (19,766)	\$ (17,857)

The gains and losses on the Company's derivative instruments designated as fair value hedges and the related hedged item adjustments were not material in the three- and six-month periods ended March 26, 2022 and March 27, 2021.

## Accounts Receivable

### Trade Receivables

The Company has considerable trade receivables outstanding with its third-party cellular network carriers, wholesalers, retailers, resellers, small and mid-sized businesses and education, enterprise and government customers. The Company generally does not require collateral from its customers; however, the Company will require collateral or third-party credit support in certain instances to limit credit risk. In addition, when possible, the Company attempts to limit credit risk on trade receivables with credit insurance for certain customers or by requiring third-party financing, loans or leases to support credit exposure. These credit-financing arrangements are directly between the third-party financing company and the end customer. As such, the Company generally does not assume any recourse or credit risk sharing related to any of these arrangements.

The Company's cellular network carriers accounted for 36% and 42% of total trade receivables as of March 26, 2022 and September 25, 2021, respectively.

### Vendor Non-Trade Receivables

The Company has non-trade receivables from certain of its manufacturing vendors resulting from the sale of components to these vendors who manufacture subassemblies or assemble final products for the Company. The Company purchases these components directly from suppliers. As of March 26, 2022, the Company had two vendors that individually represented 10% or more of total vendor non-trade receivables, which accounted for 52% and 12%. As of September 25, 2021, the Company had three vendors that individually represented 10% or more of total vendor non-trade receivables, which accounted for 52%, 11% and 11%.

## Note 4 – Condensed Consolidated Financial Statement Details

The following tables show the Company's condensed consolidated financial statement details as of March 26, 2022 and September 25, 2021 (in millions):

### Property, Plant and Equipment, Net

	March 26, 2022	September 25, 2021
Gross property, plant and equipment	\$ 109,324	\$ 109,723
Accumulated depreciation and amortization	(70,020)	(70,283)
Total property, plant and equipment, net	\$ 39,304	\$ 39,440

### Other Non-Current Liabilities

	March 26, 2022	September 25, 2021
Long-term taxes payable	\$ 20,711	\$ 24,689
Other non-current liabilities	31,721	28,636
Total other non-current liabilities	\$ 52,432	\$ 53,325

## Other Income/(Expense), Net

The following table shows the detail of other income/(expense), net for the three- and six-month periods ended March 26, 2022 and March 27, 2021 (in millions):

	Three Months Ended		Six Months Ended	
	March 26, 2022	March 27, 2021	March 26, 2022	March 27, 2021
Interest and dividend income	\$ 700	\$ 718	\$ 1,350	\$ 1,465
Interest expense	(691)	(670)	(1,385)	(1,308)
Other income/(expense), net	151	460	(52)	396
Total other income/(expense), net	<u>\$ 160</u>	<u>\$ 508</u>	<u>\$ (87)</u>	<u>\$ 553</u>

## Note 5 – Debt

### Commercial Paper

The Company issues unsecured short-term promissory notes (“Commercial Paper”) pursuant to a commercial paper program. The Company uses net proceeds from the commercial paper program for general corporate purposes, including dividends and share repurchases. As of March 26, 2022 and September 25, 2021, the Company had \$7.0 billion and \$6.0 billion of Commercial Paper outstanding, respectively. The following table provides a summary of cash flows associated with the issuance and maturities of Commercial Paper for the six months ended March 26, 2022 and March 27, 2021 (in millions):

	Six Months Ended	
	March 26, 2022	March 27, 2021
Maturities 90 days or less:		
Proceeds from commercial paper, net	\$ 4,952	\$ 2,008
Maturities greater than 90 days:		
Proceeds from commercial paper	1,191	1,368
Repayments of commercial paper	(5,144)	(3,354)
Repayments of commercial paper, net	<u>(3,953)</u>	<u>(1,986)</u>
Total proceeds from commercial paper, net	<u>\$ 999</u>	<u>\$ 22</u>

### Term Debt

As of March 26, 2022 and September 25, 2021, the Company had outstanding floating- and fixed-rate notes with varying maturities for an aggregate carrying amount of \$113.0 billion and \$118.7 billion, respectively (collectively the “Notes”). As of March 26, 2022 and September 25, 2021, the fair value of the Company’s Notes, based on Level 2 inputs, was \$110.5 billion and \$125.3 billion, respectively.

## Note 6 – Shareholders’ Equity

### Share Repurchase Program

During the six months ended March 26, 2022, the Company repurchased 266 million shares of its common stock for \$43.3 billion under a share repurchase program authorized by the Board of Directors (the “Program”), including 35 million shares delivered under accelerated share repurchase agreements totaling \$6.0 billion that were entered into in November 2021. The Program does not obligate the Company to acquire a minimum amount of shares. Under the Program, shares may be repurchased in privately negotiated and/or open market transactions, including under plans complying with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended.

## Note 7 – Benefit Plans

### Restricted Stock Units

A summary of the Company's restricted stock unit ("RSU") activity and related information for the six months ended March 26, 2022 is as follows:

	Number of RSUs (in thousands)	Weighted-Average Grant Date Fair Value Per RSU	Aggregate Fair Value (in millions)
Balance as of September 25, 2021	240,427	\$ 75.16	
RSUs granted	76,920	\$ 149.72	
RSUs vested	(62,476)	\$ 62.86	
RSUs canceled	(8,407)	\$ 95.86	
Balance as of March 26, 2022	246,464	\$ 100.84	\$ 43,062

The fair value as of the respective vesting dates of RSUs was \$1.0 billion and \$9.5 billion for the three- and six-month periods ended March 26, 2022, respectively, and was \$867 million and \$9.4 billion for the three- and six-month periods ended March 27, 2021, respectively.

### Share-Based Compensation

The following table shows share-based compensation expense and the related income tax benefit included in the Condensed Consolidated Statements of Operations for the three- and six-month periods ended March 26, 2022 and March 27, 2021 (in millions):

	Three Months Ended		Six Months Ended	
	March 26, 2022	March 27, 2021	March 26, 2022	March 27, 2021
Share-based compensation expense	\$ 2,252	\$ 1,981	\$ 4,517	\$ 4,001
Income tax benefit related to share-based compensation expense	\$ (649)	\$ (575)	\$ (2,185)	\$ (2,199)

As of March 26, 2022, the total unrecognized compensation cost related to outstanding RSUs and stock options was \$19.3 billion, which the Company expects to recognize over a weighted-average period of 2.8 years.

## Note 8 – Commitments and Contingencies

### Accrued Warranty

The following table shows changes in the Company's accrued warranties and related costs for the three- and six-month periods ended March 26, 2022 and March 27, 2021 (in millions):

	Three Months Ended		Six Months Ended	
	March 26, 2022	March 27, 2021	March 26, 2022	March 27, 2021
Beginning accrued warranty and related costs	\$ 3,530	\$ 4,124	\$ 3,364	\$ 3,354
Cost of warranty claims	(581)	(649)	(1,253)	(1,372)
Accruals for product warranty	257	309	1,095	1,802
Ending accrued warranty and related costs	\$ 3,206	\$ 3,784	\$ 3,206	\$ 3,784

### Contingencies

The Company is subject to various legal proceedings and claims that have arisen in the ordinary course of business and that have not been fully resolved. The outcome of litigation is inherently uncertain. In the opinion of management, there was not at least a reasonable possibility the Company may have incurred a material loss, or a material loss greater than a recorded accrual, concerning loss contingencies for asserted legal and other claims.

**Note 9 – Segment Information and Geographic Data**

The following table shows information by reportable segment for the three- and six-month periods ended March 26, 2022 and March 27, 2021 (in millions):

	Three Months Ended		Six Months Ended	
	March 26, 2022	March 27, 2021	March 26, 2022	March 27, 2021
Americas:				
Net sales	\$ 40,882	\$ 34,306	\$ 92,378	\$ 80,616
Operating income	\$ 15,279	\$ 12,050	\$ 34,864	\$ 27,835
Europe:				
Net sales	\$ 23,287	\$ 22,264	\$ 53,036	\$ 49,570
Operating income	\$ 8,505	\$ 8,265	\$ 20,050	\$ 17,854
Greater China:				
Net sales	\$ 18,343	\$ 17,728	\$ 44,126	\$ 39,041
Operating income	\$ 8,112	\$ 7,758	\$ 19,295	\$ 16,288
Japan:				
Net sales	\$ 7,724	\$ 7,742	\$ 14,831	\$ 16,027
Operating income	\$ 3,496	\$ 3,428	\$ 6,845	\$ 6,931
Rest of Asia Pacific:				
Net sales	\$ 7,042	\$ 7,544	\$ 16,852	\$ 15,769
Operating income	\$ 2,823	\$ 2,736	\$ 6,818	\$ 5,689

A reconciliation of the Company's segment operating income to the Condensed Consolidated Statements of Operations for the three- and six-month periods ended March 26, 2022 and March 27, 2021 is as follows (in millions):

	Three Months Ended		Six Months Ended	
	March 26, 2022	March 27, 2021	March 26, 2022	March 27, 2021
Segment operating income	\$ 38,215	\$ 34,237	\$ 87,872	\$ 74,597
Research and development expense	(6,387)	(5,262)	(12,693)	(10,425)
Other corporate expenses, net	(1,849)	(1,472)	(3,712)	(3,135)
Total operating income	\$ 29,979	\$ 27,503	\$ 71,467	\$ 61,037



## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

*This section and other parts of this Quarterly Report on Form 10-Q ("Form 10-Q") contain forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, that involve risks and uncertainties. Forward-looking statements provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to any historical or current fact. For example, statements in this Form 10-Q regarding the potential future impact of the COVID-19 pandemic on the Company's business and results of operations are forward-looking statements. Forward-looking statements can also be identified by words such as "future," "anticipates," "believes," "estimates," "expects," "intends," "plans," "predicts," "will," "would," "could," "can," "may," and similar terms. Forward-looking statements are not guarantees of future performance and the Company's actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed in Part I, Item 1A of the Company's Annual Report on Form 10-K for the fiscal year ended September 25, 2021 (the "2021 Form 10-K") under the heading "Risk Factors." The Company assumes no obligation to revise or update any forward-looking statements for any reason, except as required by law.*

*Unless otherwise stated, all information presented herein is based on the Company's fiscal calendar, and references to particular years, quarters, months or periods refer to the Company's fiscal years ended in September and the associated quarters, months and periods of those fiscal years. Each of the terms the "Company" and "Apple" as used herein refers collectively to Apple Inc. and its wholly owned subsidiaries, unless otherwise stated.*

*The following discussion should be read in conjunction with the 2021 Form 10-K filed with the U.S. Securities and Exchange Commission (the "SEC") and the condensed consolidated financial statements and accompanying notes included in Part I, Item 1 of this Form 10-Q.*

### Available Information

The Company periodically provides certain information for investors on its corporate website, [www.apple.com](http://www.apple.com), and its investor relations website, [investor.apple.com](http://investor.apple.com). This includes press releases and other information about financial performance, information on environmental, social and corporate governance matters, and details related to the Company's annual meeting of shareholders. The information contained on the websites referenced in this Form 10-Q is not incorporated by reference into this filing. Further, the Company's references to website URLs are intended to be inactive textual references only.

### Business Seasonality and Product Introductions

The Company has historically experienced higher net sales in its first quarter compared to other quarters in its fiscal year due in part to seasonal holiday demand. Additionally, new product and service introductions can significantly impact net sales, cost of sales and operating expenses. The timing of product introductions can also impact the Company's net sales to its indirect distribution channels as these channels are filled with new inventory following a product launch, and channel inventory of an older product often declines as the launch of a newer product approaches. Net sales can also be affected when consumers and distributors anticipate a product introduction.

### Quarterly Highlights

Total net sales increased 9% or \$7.7 billion during the second quarter of 2022 compared to the same quarter in 2021, driven primarily by growth in Services, iPhone and Mac.

During the second quarter of 2022, the Company released the following products:

- iPhone SE<sup>®</sup> with 5G technology;
- iPad Air<sup>®</sup>, powered by the Apple M1 chip;
- All-new Mac Studio<sup>™</sup>, powered by the Apple M1 Max or the new Apple M1 Ultra chip; and
- All-new Apple Studio Display<sup>™</sup>.

The Company repurchased \$22.9 billion of its common stock and paid dividends and dividend equivalents of \$3.6 billion during the second quarter of 2022.

## COVID-19 Update

The COVID-19 pandemic has had, and continues to have, a significant impact around the world, prompting governments and businesses to take unprecedented measures, such as restrictions on travel and business operations, temporary closures of businesses, and quarantine and shelter-in-place orders. The COVID-19 pandemic has at times significantly curtailed global economic activity and caused significant volatility and disruption in global financial markets. The COVID-19 pandemic and the measures taken by many countries in response have affected and could in the future materially impact the Company's business, results of operations and financial condition, as well as the price of the Company's stock.

During the second quarter of 2022, aspects of the Company's business continued to be affected by the COVID-19 pandemic, with a significant number of the Company's employees working remotely and many of the Company's retail stores operating at limited capacity or temporarily closing at various times. Substantially all of the Company's other facilities are open, subject to operating restrictions to protect public health and the health and safety of employees. The Company continues to work on safely reopening the remainder of its facilities, subject to local rules and regulations.

At times, certain of the Company's outsourcing partners, component suppliers and logistical service providers have experienced disruptions, resulting in supply shortages that could affect sales worldwide. Similar disruptions could occur in the future.

The extent of the continuing impact of the COVID-19 pandemic on the Company's operational and financial performance is uncertain and will depend on many factors outside the Company's control, including the timing, extent, trajectory and duration of the pandemic, the emergence of new variants, the development, availability, distribution and effectiveness of vaccines and treatments, the imposition of protective public safety measures, and the impact of the pandemic on the global economy and demand for consumer products. Refer to Part I, Item 1A of the 2021 Form 10-K under the heading "Risk Factors" for more information.

## Products and Services Performance

The following table shows net sales by category for the three- and six-month periods ended March 26, 2022 and March 27, 2021 (dollars in millions):

	Three Months Ended			Six Months Ended		
	March 26, 2022	March 27, 2021	Change	March 26, 2022	March 27, 2021	Change
Net sales by category:						
iPhone <sup>(1)</sup>	\$ 50,570	\$ 47,938	5 %	\$ 122,198	\$ 113,535	8 %
Mac <sup>(1)</sup>	10,435	9,102	15 %	21,287	17,777	20 %
iPad <sup>(1)</sup>	7,646	7,807	(2)%	14,894	16,242	(8)%
Wearables, Home and Accessories <sup>(1)(2)</sup>	8,806	7,836	12 %	23,507	20,807	13 %
Services <sup>(3)</sup>	19,821	16,901	17 %	39,337	32,662	20 %
Total net sales	<u>\$ 97,278</u>	<u>\$ 89,584</u>	9 %	<u>\$ 221,223</u>	<u>\$ 201,023</u>	10 %

(1) Products net sales include amortization of the deferred value of unspecified software upgrade rights, which are bundled in the sales price of the respective product.

(2) Wearables, Home and Accessories net sales include sales of AirPods, Apple TV, Apple Watch, Beats products, HomePod mini, iPod touch and accessories.

(3) Services net sales include sales from the Company's advertising, AppleCare, cloud, digital content, payment and other services. Services net sales also include amortization of the deferred value of services bundled in the sales price of certain products.

### iPhone

iPhone net sales increased during the second quarter and first six months of 2022 compared to the same periods in 2021 due primarily to higher net sales from the Company's new iPhone models.

### Mac

Mac net sales increased during the second quarter and first six months of 2022 compared to the same periods in 2021 due primarily to higher net sales of MacBook Pro<sup>®</sup>, partially offset by lower net sales of MacBook Air<sup>®</sup>.

### *iPad*

iPad net sales decreased during the second quarter of 2022 compared to the second quarter of 2021 due primarily to lower net sales of the 10-inch version of iPad, offset by higher net sales of iPad Pro® and iPad mini®. Year-over-year iPad net sales decreased during the first six months of 2022 due primarily to lower net sales of the 10-inch version of iPad, partially offset by higher net sales of iPad mini.

### *Wearables, Home and Accessories*

Wearables, Home and Accessories net sales increased during the second quarter and first six months of 2022 compared to the same periods in 2021 due primarily to higher net sales of Apple Watch, AirPods and accessories.

### *Services*

Services net sales increased during the second quarter and first six months of 2022 compared to the same periods in 2021 due primarily to higher net sales from advertising, the App Store® and cloud services.

## **Segment Operating Performance**

The Company manages its business primarily on a geographic basis. The Company's reportable segments consist of the Americas, Europe, Greater China, Japan and Rest of Asia Pacific. Americas includes both North and South America. Europe includes European countries, as well as India, the Middle East and Africa. Greater China includes China mainland, Hong Kong and Taiwan. Rest of Asia Pacific includes Australia and those Asian countries not included in the Company's other reportable segments. Although the reportable segments provide similar hardware and software products and similar services, each one is managed separately to better align with the location of the Company's customers and distribution partners and the unique market dynamics of each geographic region. Further information regarding the Company's reportable segments can be found in Part I, Item 1 of this Form 10-Q in the Notes to Condensed Consolidated Financial Statements in Note 9, "Segment Information and Geographic Data."

The following table shows net sales by reportable segment for the three- and six-month periods ended March 26, 2022 and March 27, 2021 (dollars in millions):

	Three Months Ended			Six Months Ended		
	March 26, 2022	March 27, 2021	Change	March 26, 2022	March 27, 2021	Change
Net sales by reportable segment:						
Americas	\$ 40,882	\$ 34,306	19 %	\$ 92,378	\$ 80,616	15 %
Europe	23,287	22,264	5 %	53,036	49,570	7 %
Greater China	18,343	17,728	3 %	44,126	39,041	13 %
Japan	7,724	7,742	— %	14,831	16,027	(7)%
Rest of Asia Pacific	7,042	7,544	(7)%	16,852	15,769	7 %
Total net sales	<u>\$ 97,278</u>	<u>\$ 89,584</u>	9 %	<u>\$ 221,223</u>	<u>\$ 201,023</u>	10 %

### *Americas*

Americas net sales increased during the second quarter of 2022 compared to the second quarter of 2021 due primarily to higher net sales of iPhone, Services and Mac. Year-over-year Americas net sales increased during the first six months of 2022 due primarily to higher net sales of iPhone, Services and Wearables, Home and Accessories.

### *Europe*

Europe net sales increased during the second quarter and first six months of 2022 compared to the same periods in 2021 due primarily to higher net sales of Services and Mac. The movement of foreign currencies in Europe relative to the U.S. dollar had a net unfavorable impact on Europe net sales during the second quarter and first six months of 2022.

### *Greater China*

Greater China net sales increased during the second quarter and first six months of 2022 compared to the same periods in 2021 due primarily to higher net sales of iPhone and Services. The strength of the Chinese renminbi relative to the U.S. dollar had a favorable impact on Greater China net sales during the second quarter and first six months of 2022.

### Japan

Japan net sales were flat during the second quarter of 2022 compared to the second quarter of 2021 due primarily to the weakness of the Japanese yen relative to the U.S. dollar, offset by higher net sales of iPhone and Services. Year-over-year Japan net sales decreased during the first six months of 2022 due primarily to the weakness of the Japanese yen relative to the U.S. dollar.

### Rest of Asia Pacific

Rest of Asia Pacific net sales decreased during the second quarter of 2022 compared to the second quarter of 2021 due primarily to lower net sales of iPhone, partially offset by higher net sales of Services and Mac. Year-over-year Rest of Asia Pacific net sales increased during the first six months of 2022 due primarily to higher net sales of Services, Mac and Wearables, Home and Accessories. The movement of foreign currencies in Rest of Asia Pacific relative to the U.S. dollar had a net unfavorable impact on Rest of Asia Pacific net sales during the second quarter and first six months of 2022.

### Gross Margin

Products and Services gross margin and gross margin percentage for the three- and six-month periods ended March 26, 2022 and March 27, 2021 were as follows (dollars in millions):

	Three Months Ended		Six Months Ended	
	March 26, 2022	March 27, 2021	March 26, 2022	March 27, 2021
Gross margin:				
Products	\$ 28,167	\$ 26,236	\$ 68,287	\$ 59,784
Services	14,392	11,843	28,515	22,623
Total gross margin	<u>\$ 42,559</u>	<u>\$ 38,079</u>	<u>\$ 96,802</u>	<u>\$ 82,407</u>
Gross margin percentage:				
Products	36.4 %	36.1 %	37.5 %	35.5 %
Services	72.6 %	70.1 %	72.5 %	69.3 %
Total gross margin percentage	43.7 %	42.5 %	43.8 %	41.0 %

### Products Gross Margin

Products gross margin increased during the second quarter of 2022 compared to the second quarter of 2021 due primarily to higher Products volume. Year-over-year Products gross margin increased during the first six months of 2022 due primarily to a different Products mix and higher Products volume.

Products gross margin percentage increased during the second quarter of 2022 compared to the second quarter of 2021 due primarily to improved leverage. Year-over-year Products gross margin percentage increased during the first six months of 2022 due primarily to a different Products mix.

### Services Gross Margin

Services gross margin increased during the second quarter and first six months of 2022 compared to the same periods in 2021 due primarily to higher Services net sales and a different Services mix, partially offset by the weakness in foreign currencies relative to the U.S. dollar.

Services gross margin percentage increased during the second quarter and first six months of 2022 compared to the same periods in 2021 due primarily to a different Services mix and improved leverage, partially offset by the weakness in foreign currencies relative to the U.S. dollar.

The Company's future gross margins can be impacted by a variety of factors, as discussed in Part I, Item 1A of the 2021 Form 10-K under the heading "Risk Factors." As a result, the Company believes, in general, gross margins will be subject to volatility and downward pressure.

## Operating Expenses

Operating expenses for the three- and six-month periods ended March 26, 2022 and March 27, 2021 were as follows (dollars in millions):

	Three Months Ended		Six Months Ended	
	March 26, 2022	March 27, 2021	March 26, 2022	March 27, 2021
Research and development	\$ 6,387	\$ 5,262	\$ 12,693	\$ 10,425
Percentage of total net sales	7 %	6 %	6 %	5 %
Selling, general and administrative	\$ 6,193	\$ 5,314	\$ 12,642	\$ 10,945
Percentage of total net sales	6 %	6 %	6 %	5 %
Total operating expenses	\$ 12,580	\$ 10,576	\$ 25,335	\$ 21,370
Percentage of total net sales	13 %	12 %	11 %	11 %

### Research and Development

The growth in research and development ("R&D") expense during the second quarter and first six months of 2022 compared to the same periods in 2021 was driven primarily by increases in headcount-related expenses, engineering program costs and professional services. The Company continues to believe that focused investments in R&D are critical to its future growth and competitive position in the marketplace, and to the development of new and updated products and services that are central to the Company's core business strategy.

### Selling, General and Administrative

The growth in selling, general and administrative expense during the second quarter of 2022 compared to the second quarter of 2021 was driven primarily by increases in advertising, headcount-related expenses and professional services. Year-over-year selling, general and administrative expense increased during the first six months of 2022 due primarily to increases in headcount-related expenses, advertising and variable selling expenses.

## Other Income/(Expense), Net

Other income/(expense), net ("OI&E") for the three- and six-month periods ended March 26, 2022 and March 27, 2021 was as follows (dollars in millions):

	Three Months Ended			Six Months Ended		
	March 26, 2022	March 27, 2021	Change	March 26, 2022	March 27, 2021	Change
Interest and dividend income	\$ 700	\$ 718		\$ 1,350	\$ 1,465	
Interest expense	(691)	(670)		(1,385)	(1,308)	
Other income/(expense), net	151	460		(52)	396	
Total other income/(expense), net	\$ 160	\$ 508	(69)%	\$ (87)	\$ 553	(116)%

OI&E decreased during the second quarter and first six months of 2022 compared to the same periods in 2021 due primarily to fair value adjustments on marketable securities, partially offset by foreign exchange gains.

## Provision for Income Taxes

Provision for income taxes, effective tax rate and statutory federal income tax rate for the three- and six-month periods ended March 26, 2022 and March 27, 2021 were as follows (dollars in millions):

	Three Months Ended		Six Months Ended	
	March 26, 2022	March 27, 2021	March 26, 2022	March 27, 2021
Provision for income taxes	\$ 5,129	\$ 4,381	\$ 11,740	\$ 9,205
Effective tax rate	17.0 %	15.6 %	16.4 %	14.9 %
Statutory federal income tax rate	21 %	21 %	21 %	21 %

The Company's effective tax rate for the second quarter of 2022 was lower than the statutory federal income tax rate due primarily to a lower effective tax rate on foreign earnings, including the favorable impact of changes in unrecognized tax benefits, partially offset by the impact to U.S. foreign tax credits as a result of regulations issued by the U.S. Department of the Treasury in January 2022 (the "Regulations"). The Company's effective tax rate for the first six months of 2022 was lower than the statutory federal income tax rate due primarily to a lower effective tax rate on foreign earnings, including the favorable impact of changes in unrecognized tax benefits.

The Company's effective tax rate for the second quarter of 2022 was higher compared to the second quarter of 2021 due primarily to the impact to U.S. foreign tax credits as a result of the Regulations, partially offset by a lower effective tax rate on foreign earnings, including the favorable impact of changes in unrecognized tax benefits. The Company's effective tax rate for the first six months of 2022 was higher compared to the same period in 2021 due primarily to the impact to U.S. foreign tax credits as a result of the Regulations and lower tax benefits from share-based compensation.

## Liquidity and Capital Resources

The Company believes its balances of cash, cash equivalents and unrestricted marketable securities, along with cash generated by ongoing operations and continued access to debt markets, will be sufficient to satisfy its cash requirements and capital return program over the next 12 months and beyond.

The Company's contractual cash requirements have not changed materially since the 2021 Form 10-K, except for manufacturing purchase obligations.

### *Manufacturing Purchase Obligations*

The Company utilizes several outsourcing partners to manufacture subassemblies for the Company's products and to perform final assembly and testing of finished products. The Company also obtains individual components for its products from a wide variety of individual suppliers. Outsourcing partners acquire components and build product based on demand information supplied by the Company, which typically covers periods up to 150 days. As of March 26, 2022, the Company had manufacturing purchase obligations of \$40.6 billion, with \$40.5 billion payable within 12 months. The Company's manufacturing purchase obligations are primarily noncancelable.

In addition to its contractual cash requirements, the Company has a share repurchase program authorized by the Board of Directors (the "Program"). As of March 26, 2022, the remaining availability under the Program was \$17.6 billion. On April 28, 2022, the Company announced the Board of Directors increased the Program authorization by \$90 billion. The Program does not obligate the Company to acquire a minimum amount of shares.

On April 28, 2022, the Company also announced the Board of Directors raised the Company's quarterly cash dividend from \$0.22 to \$0.23 per share, beginning with the dividend to be paid during the third quarter of 2022. The Company intends to increase its dividend on an annual basis, subject to declaration by the Board of Directors.

## Critical Accounting Estimates

The preparation of financial statements and related disclosures in conformity with U.S. generally accepted accounting principles and the Company's discussion and analysis of its financial condition and operating results require the Company's management to make judgments, assumptions and estimates that affect the amounts reported. Note 1, "Summary of Significant Accounting Policies" of the Notes to condensed consolidated Financial Statements in Part I, Item 1 of this Form 10-Q and in the Notes to Consolidated Financial Statements in Part II, Item 8 of the 2021 Form 10-K describe the significant accounting policies and methods used in the preparation of the Company's condensed consolidated financial statements. There have been no material changes to the Company's critical accounting estimates since the 2021 Form 10-K.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to the Company's market risk during the first six months of 2022. For a discussion of the Company's exposure to market risk, refer to the Company's market risk disclosures set forth in Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk" of the 2021 Form 10-K.

### Item 4. Controls and Procedures

#### Evaluation of Disclosure Controls and Procedures

Based on an evaluation under the supervision and with the participation of the Company's management, the Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") were effective as of March 26, 2022 to provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and (ii) accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

#### Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the second quarter of 2022, which were identified in connection with management's evaluation required by paragraph (d) of Rules 13a-15 and 15d-15 under the Exchange Act, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II — OTHER INFORMATION

### Item 1. Legal Proceedings

#### *Epic Games*

Epic Games, Inc. ("Epic") filed a lawsuit in the U.S. District Court for the Northern District of California (the "Northern California District Court") against the Company alleging violations of federal and state antitrust laws and California's unfair competition law based upon the Company's operation of its App Store. The Company filed a counterclaim for breach of contract. On September 10, 2021, the Northern California District Court ruled in favor of the Company with respect to nine out of the ten counts included in Epic's claim, and in favor of the Company with respect to the Company's claims for breach of contract. The Northern California District Court found that certain provisions of the Company's App Store Review Guidelines violate California's unfair competition law and issued an injunction. Epic appealed the decision. The Company filed a cross-appeal and has been granted a stay pending the appeal.

#### *Other Legal Proceedings*

The Company is subject to other legal proceedings and claims that have not been fully resolved and that have arisen in the ordinary course of business. The Company settled certain matters during the second quarter of 2022 that did not individually or in the aggregate have a material impact on the Company's financial condition or operating results. The outcome of litigation is inherently uncertain. If one or more legal matters were resolved against the Company in a reporting period for amounts above management's expectations, the Company's financial condition and operating results for that reporting period could be materially adversely affected.

### Item 1A. Risk Factors

The Company's business, reputation, results of operations and financial condition, as well as the price of the Company's stock, can be affected by a number of factors, whether currently known or unknown, including those described in Part I, Item 1A of the 2021 Form 10-K under the heading "Risk Factors." When any one or more of these risks materialize from time to time, the Company's business, reputation, results of operations and financial condition, as well as the price of the Company's stock, can be materially and adversely affected. There have been no material changes to the Company's risk factors since the 2021 Form 10-K.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

### Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Share repurchase activity during the three months ended March 26, 2022 was as follows (in millions, except number of shares, which are reflected in thousands, and per share amounts):

Periods	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs <sup>(1)</sup>
December 26, 2021 to January 29, 2022:				
November 2021 ASRs	4,887	(2)	4,887	
Open market and privately negotiated purchases	43,330	\$ 170.99	43,330	
January 30, 2022 to February 26, 2022:				
Open market and privately negotiated purchases	42,895	\$ 169.71	42,895	
February 27, 2022 to March 26, 2022:				
Open market and privately negotiated purchases	50,822	\$ 161.75	50,822	
Total	<u>141,934</u>			<u>\$ 17,579</u>

- (1) On April 28, 2021, the Board of Directors authorized the purchase of an additional \$90 billion of the Company's common stock under the Program. As of March 26, 2022, total utilization under the April 2021 authorization was \$72.4 billion. On April 28, 2022, the Company announced the Board of Directors increased the Program authorization by \$90 billion. The Program does not obligate the Company to acquire a minimum amount of shares. Under the Program, shares may be repurchased in privately negotiated and/or open market transactions, including under plans complying with Rule 10b5-1 under the Exchange Act.
- (2) In November 2021, the Company entered into accelerated share repurchase agreements ("ASRs") to purchase up to a total of \$6.0 billion of the Company's common stock. In January 2022, the purchase periods for these ASRs ended and an additional 5 million shares were delivered and retired. In total, 35 million shares were delivered under these ASRs at an average repurchase price of \$170.01 per share.

## Item 3. Defaults Upon Senior Securities

None.

## Item 4. Mine Safety Disclosures

Not applicable.

## Item 5. Other Information

### Rule 10b5-1 Trading Plans

During the three months ended March 26, 2022, Katherine L. Adams, Timothy D. Cook, Luca Maestri, Deirdre O'Brien and Jeffrey Williams, each an officer for purposes of Section 16 of the Exchange Act, had equity trading plans in place in accordance with Rule 10b5-1(c)(1) under the Exchange Act. An equity trading plan is a written document that preestablishes the amounts, prices and dates (or formula for determining the amounts, prices and dates) of future purchases or sales of the Company's stock, including sales of shares acquired under the Company's employee and director equity plans.



## Item 6. Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference		
		Form	Exhibit	Filing Date/ Period End Date
10.1*	<a href="#">2022 Employee Stock Plan.</a>	8-K	10.1	3/4/22
10.2*	<a href="#">Form of Restricted Stock Unit Award Agreement under 2022 Employee Stock Plan effective as of March 4, 2022.</a>	8-K	10.2	3/4/22
10.3*	<a href="#">Form of Performance Award Agreement under 2022 Employee Stock Plan effective as of March 4, 2022.</a>	8-K	10.3	3/4/22
31.1**	<a href="#">Rule 13a-14(a) / 15d-14(a) Certification of Chief Executive Officer.</a>			
31.2**	<a href="#">Rule 13a-14(a) / 15d-14(a) Certification of Chief Financial Officer.</a>			
32.1***	<a href="#">Section 1350 Certifications of Chief Executive Officer and Chief Financial Officer.</a>			
101**	Inline XBRL Document Set for the condensed consolidated financial statements and accompanying notes in Part I, Item 1, "Financial Statements" of this Quarterly Report on Form 10-Q.			
104**	Inline XBRL for the cover page of this Quarterly Report on Form 10-Q, included in the Exhibit 101 Inline XBRL Document Set.			

\* Indicates management contract or compensatory plan or arrangement.

\*\* Filed herewith.

\*\*\* Furnished herewith.

## SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: April 28, 2022

Apple Inc.

By: /s/ Luca Maestri

Luca Maestri  
Senior Vice President,  
Chief Financial Officer