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

FORM 10-K

(Mark One)

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

For the fiscal year ended September 28, 2024

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	**94-2404110**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One Apple Park Way Cupertino, California	**95014**
(Address of principal executive offices)	(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**
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**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☒ No ☐

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ☐ No ☒

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	☒	Accelerated filer	☐
Non-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 has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

Yes ☐ No ☒

The aggregate market value of the voting and non-voting stock held by non-affiliates of the Registrant, as of March 29, 2024, the last business day of the Registrant’s most recently completed second fiscal quarter, was approximately $2,628,553,000,000. Solely for purposes of this disclosure, shares of common stock held by executive officers and directors of the Registrant as of such date have been excluded because such persons may be deemed to be affiliates. This determination of executive officers and directors as affiliates is not necessarily a conclusive determination for any other purposes.

15,115,823,000 shares of common stock were issued and outstanding as of October 18, 2024.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant’s definitive proxy statement relating to its 2025 annual meeting of shareholders are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. The Registrant’s definitive proxy statement will be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates.

Apple Inc.

Form 10-K

For the Fiscal Year Ended September 28, 2024

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This Annual Report on Form 10-K ("Form 10-K") contains forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, that involve risks and uncertainties. Many of the forward-looking statements are located in Part I, Item 1 of this Form 10-K under the heading "Business" and Part II, Item 7 of this Form 10-K under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations." 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-K regarding the potential future impact of macroeconomic conditions 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 this 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.

PART I

Item 1. Business

Company Background

The Company designs, manufactures and markets smartphones, personal computers, tablets, wearables and accessories, and sells a variety of related services. The Company's fiscal year is the 52- or 53-week period that ends on the last Saturday of September.

Products

iPhone

iPhone® is the Company's line of smartphones based on its iOS operating system. The iPhone line includes iPhone 16 Pro, iPhone 16, iPhone 15, iPhone 14 and iPhone SE®.

Mac

Mac® is the Company's line of personal computers based on its macOS® operating system. The Mac line includes laptops MacBook Air® and MacBook Pro®, as well as desktops iMac®, Mac mini®, Mac Studio® and Mac Pro®.

iPad

iPad® is the Company's line of multipurpose tablets based on its iPadOS® operating system. The iPad line includes iPad Pro®, iPad Air®, iPad and iPad mini®.

Wearables, Home and Accessories

Wearables includes smartwatches, wireless headphones and spatial computers. The Company's line of smartwatches, based on its watchOS® operating system, includes Apple Watch Ultra® 2, Apple Watch® Series 10 and Apple Watch SE®. The Company's line of wireless headphones includes AirPods®, AirPods Pro®, AirPods Max® and Beats® products. Apple Vision Pro™ is the Company's first spatial computer based on its visionOS™ operating system.

Home includes Apple TV®, the Company's media streaming and gaming device based on its tvOS® operating system, and HomePod® and HomePod mini®, high-fidelity wireless smart speakers.

Accessories includes Apple-branded and third-party accessories.

Services

Advertising

The Company's advertising services include third-party licensing arrangements and the Company's own advertising platforms.

AppleCare

The Company offers a portfolio of fee-based service and support products under the AppleCare® brand. The offerings provide priority access to Apple technical support, access to the global Apple authorized service network for repair and replacement services, and in many cases additional coverage for instances of accidental damage or theft and loss, depending on the country and type of product.

Cloud Services

The Company's cloud services store and keep customers' content up-to-date and available across multiple Apple devices and Windows personal computers.

Digital Content

The Company operates various platforms, including the App Store®, that allow customers to discover and download applications and digital content, such as books, music, video, games and podcasts.

The Company also offers digital content through subscription-based services, including Apple Arcade®, a game subscription service; Apple Fitness+℠, a personalized fitness service; Apple Music®, which offers users a curated listening experience with on-demand radio stations; Apple News+®, a subscription news and magazine service; and Apple TV+®, which offers exclusive original content and live sports.

Payment Services

The Company offers payment services, including Apple Card®, a co-branded credit card, and Apple Pay®, a cashless payment service.

Segments

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.

Markets and Distribution

The Company's customers are primarily in the consumer, small and mid-sized business, education, enterprise and government markets. The Company sells its products and resells third-party products in most of its major markets directly to customers through its retail and online stores and its direct sales force. The Company also employs a variety of indirect distribution channels, such as third-party cellular network carriers, wholesalers, retailers and resellers. During 2024, the Company's net sales through its direct and indirect distribution channels accounted for 38% and 62%, respectively, of total net sales.

Competition

The markets for the Company's products and services are highly competitive, and are characterized by aggressive price competition and resulting downward pressure on gross margins, frequent introduction of new products and services, short product life cycles, evolving industry standards, continual improvement in product price and performance characteristics, rapid adoption of technological advancements by competitors, and price sensitivity on the part of consumers and businesses. Many of the Company's competitors seek to compete primarily through aggressive pricing and very low cost structures, and by imitating the Company's products and infringing on its intellectual property.

The Company's ability to compete successfully depends heavily on ensuring the continuing and timely introduction of innovative new products, services and technologies to the marketplace. The Company designs and develops nearly the entire solution for its products, including the hardware, operating system, numerous software applications and related services. Principal competitive factors important to the Company include price, product and service features (including security features), relative price and performance, product and service quality and reliability, design innovation, a strong third-party software and accessories ecosystem, marketing and distribution capability, service and support, and corporate reputation.

The Company is focused on expanding its market opportunities related to smartphones, personal computers, tablets, wearables and accessories, and services. The Company faces substantial competition in these markets from companies that have significant technical, marketing, distribution and other resources, as well as established hardware, software, and service offerings with large customer bases. In addition, some of the Company's competitors have broader product lines, lower-priced products and a larger installed base of active devices. Competition has been particularly intense as competitors have aggressively cut prices and lowered product margins. Certain competitors have the resources, experience or cost structures to provide products at little or no profit or even at a loss. The Company's services compete with business models that provide content to users for free and use illegitimate means to obtain third-party digital content and applications. The Company faces significant competition as competitors imitate the Company's product features and applications within their products, or collaborate to offer integrated solutions that are more competitive than those they currently offer.

Supply of Components

Although most components essential to the Company's business are generally available from multiple sources, certain components are currently obtained from single or limited sources. The Company also competes for various components with other participants in the markets for smartphones, personal computers, tablets, wearables and accessories. Therefore, many components used by the Company, including those that are available from multiple sources, are at times subject to industry-wide shortage and significant commodity pricing fluctuations.

The Company uses some custom components that are not commonly used by its competitors, and new products introduced by the Company often utilize custom components available from only one source. When a component or product uses new technologies, initial capacity constraints may exist until the suppliers' yields have matured or their manufacturing capacities have increased. The continued availability of these components at acceptable prices, or at all, may be affected if suppliers decide to concentrate on the production of common components instead of components customized to meet the Company's requirements.

The Company has entered into agreements for the supply of many components; however, there can be no guarantee that the Company will be able to extend or renew these agreements on similar terms, or at all.

Research and Development

Because the industries in which the Company competes are characterized by rapid technological advances, the Company's ability to compete successfully depends heavily upon its ability to ensure a continual and timely flow of competitive products, services and technologies to the marketplace. The Company continues to develop new technologies to enhance existing products and services, and to expand the range of its offerings through research and development ("R&D"), licensing of intellectual property and acquisition of third-party businesses and technology.

Intellectual Property

The Company currently holds a broad collection of intellectual property rights relating to certain aspects of its hardware, accessories, software and services. This includes patents, designs, copyrights, trademarks, trade secrets and other forms of intellectual property rights in the U.S. and various foreign countries. Although the Company believes the ownership of such intellectual property rights is an important factor in differentiating its business and that its success does depend in part on such ownership, the Company relies primarily on the innovative skills, technical competence and marketing abilities of its personnel.

The Company regularly files patent, design, copyright and trademark applications to protect innovations arising from its research, development, design and marketing, and is currently pursuing thousands of applications around the world. Over time, the Company has accumulated a large portfolio of issued and registered intellectual property rights around the world. No single intellectual property right is solely responsible for protecting the Company's products and services. The Company believes the duration of its intellectual property rights is adequate relative to the expected lives of its products and services.

In addition to Company-owned intellectual property, many of the Company's products and services are designed to include intellectual property owned by third parties. It may be necessary in the future to seek or renew licenses relating to various aspects of the Company's products, processes and services. While the Company has generally been able to obtain such licenses on commercially reasonable terms in the past, there is no guarantee that such licenses could be obtained in the future on reasonable terms or at all.

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.

Human Capital

The Company believes that its people play an important role in its success, and strives to attract, develop and retain the best talent. The Company works to create an inclusive, safe and supportive environment for all of its team members, so that its people can do the best work of their lives. As of September 28, 2024, the Company had approximately 164,000 full-time equivalent employees.

Compensation and Benefits

The Company believes that compensation should be competitive and equitable, and should enable employees to share in the Company's success. The Company recognizes its people are most likely to thrive when they have the resources to meet their needs and the time and support to succeed in their professional and personal lives. In support of this, the Company offers a wide variety of benefits for employees around the world, including health, wellness and time away.

Growth and Development

The Company invests in resources to help its people develop and achieve their career goals. The Company offers programs through Apple University on leadership, management and influence, as well as Apple culture and values. Team members can also take advantage of online classes for business, technical and personal development, as well as learning opportunities to support their well-being.

Workplace Practices and Policies

The Company is an equal opportunity employer committed to inclusion and diversity and to providing a workplace free of harassment or discrimination.

Inclusion and Diversity

The Company is committed to its vision to build and sustain a more inclusive workforce that is representative of the communities it serves. The Company continues to work to increase diverse representation at every level, foster an inclusive culture, and support equitable pay and access to opportunity for all employees.

Engagement

The Company believes that open and honest communication among team members, managers and leaders helps create an open, collaborative work environment where everyone can contribute, grow and succeed. Team members are encouraged to come to their managers with questions, feedback or concerns, and the Company conducts surveys that gauge employee sentiment in areas like career development, manager performance and inclusivity.

Health and Safety

The Company is committed to protecting its team members everywhere it operates. The Company identifies potential workplace risks in order to develop measures to mitigate possible hazards. The Company supports employees with general safety, security and crisis management training, and by putting specific programs in place for those working in potentially high-hazard environments. Additionally, the Company works to protect the safety and security of its team members, visitors and customers through its global security team.

Available Information

The Company's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), are filed with the U.S. Securities and Exchange Commission (the "SEC"). Such reports and other information filed by the Company with the SEC are available free of charge at investor.apple.com/investor-relations/sec-filings/default.aspx when such reports are available on the SEC's website. The Company periodically provides certain information for investors on its corporate website, www.apple.com, and its investor relations website, investor.apple.com. This includes press releases and other information about financial performance, information on environmental, social and governance matters, and details related to the Company's annual meeting of shareholders. The information contained on the websites referenced in this Form 10-K is not incorporated by reference into this filing. Further, the Company's references to website URLs are intended to be inactive textual references only.

Item 1A. Risk Factors

The Company's business, reputation, results of operations, financial condition and stock price can be affected by a number of factors, whether currently known or unknown, including those described below. When any one or more of these risks materialize from time to time, the Company's business, reputation, results of operations, financial condition and stock price can be materially and adversely affected.

Because of the following factors, as well as other factors affecting the Company's results of operations and financial condition, past financial performance should not be considered to be a reliable indicator of future performance, and investors should not use historical trends to anticipate results or trends in future periods. This discussion of risk factors contains forward-looking statements.

This section should be read in conjunction with Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and accompanying notes in Part II, Item 8, "Financial Statements and Supplementary Data" of this Form 10-K.

Macroeconomic and Industry Risks

The Company's operations and performance depend significantly on global and regional economic conditions and adverse economic conditions can materially adversely affect the Company's business, results of operations and financial condition.

The Company has international operations with sales outside the U.S. representing a majority of the Company's total net sales. In addition, the Company's global supply chain is large and complex and a majority of the Company's supplier facilities, including manufacturing and assembly sites, are located outside the U.S. As a result, the Company's operations and performance depend significantly on global and regional economic conditions.

Adverse macroeconomic conditions, including slow growth or recession, high unemployment, inflation, tighter credit, higher interest rates, and currency fluctuations, can adversely impact consumer confidence and spending and materially adversely affect demand for the Company's products and services. In addition, consumer confidence and spending can be materially adversely affected in response to changes in fiscal and monetary policy, financial market volatility, declines in income or asset values, and other economic factors.

In addition to an adverse impact on demand for the Company's products and services, uncertainty about, or a decline in, global or regional economic conditions can have a significant impact on the Company's suppliers, contract manufacturers, logistics providers, distributors, cellular network carriers and other channel partners, and developers. Potential outcomes include financial instability; inability to obtain credit to finance business operations; and insolvency.

Adverse economic conditions can also lead to increased credit and collectibility risk on the Company's trade receivables; the failure of derivative counterparties and other financial institutions; limitations on the Company's ability to issue new debt; reduced liquidity; and declines in the fair values of the Company's financial instruments. These and other impacts can materially adversely affect the Company's business, results of operations, financial condition and stock price.

The Company's business can be impacted by political events, trade and other international disputes, geopolitical tensions, conflict, terrorism, natural disasters, public health issues, industrial accidents and other business interruptions.

Political events, trade and other international disputes, geopolitical tensions, conflict, terrorism, natural disasters, public health issues, industrial accidents and other business interruptions can have a material adverse effect on the Company and its customers, employees, suppliers, contract manufacturers, logistics providers, distributors, cellular network carriers and other channel partners.

The Company has a large, global business with sales outside the U.S. representing a majority of the Company's total net sales, and the Company believes that it generally benefits from growth in international trade. Substantially all of the Company's manufacturing is performed in whole or in part by outsourcing partners located primarily in China mainland, India, Japan, South Korea, Taiwan and Vietnam. Restrictions on international trade, such as tariffs and other controls on imports or exports of goods, technology or data, can materially adversely affect the Company's business and supply chain. The impact can be particularly significant if these restrictive measures apply to countries and regions where the Company derives a significant portion of its revenues and/or has significant supply chain operations. Restrictive measures can increase the cost of the Company's products and the components and raw materials that go into them, and can require the Company to take various actions, including changing suppliers, restructuring business relationships and operations, and ceasing to offer and distribute affected products, services and third-party applications to its customers. Changing the Company's business and supply chain in accordance with new or changed restrictions on international trade can be expensive, time-consuming and disruptive to the Company's operations. Such restrictions can be announced with little or no advance notice, which can create uncertainty, and the Company may not be able to effectively mitigate all adverse impacts from such measures. For example, tensions between governments, including the U.S. and China, have in the past led to tariffs and other restrictions affecting the Company's business. If disputes and conflicts further escalate in the future, actions by governments in response could be significantly more severe and restrictive and could materially adversely affect the Company's business.

Many of the Company's operations and facilities, as well as critical business operations of the Company's suppliers and contract manufacturers, are in locations that are prone to earthquakes and other natural disasters. Global climate change is resulting in certain types of natural disasters and extreme weather occurring more frequently or with more intense effects. In addition, the Company's and its suppliers' operations and facilities are subject to the risk of interruption by fire, power shortages, nuclear power plant accidents and other industrial accidents, terrorist attacks and other hostile acts, ransomware and other cybersecurity attacks, labor disputes, public health issues and other events beyond the Company's control. For example, global supply chains can be highly concentrated and geopolitical tensions or conflict could result in significant disruptions.

Such events can make it difficult or impossible for the Company to manufacture and deliver products to its customers, create delays and inefficiencies in the Company's supply and manufacturing chain, result in slowdowns and outages to the Company's service offerings, increase the Company's costs, and negatively impact consumer spending and demand in affected areas.

The Company's operations are also subject to the risks of industrial accidents at its suppliers and contract manufacturers. While the Company's suppliers are required to maintain safe working environments and operations, an industrial accident could occur and could result in serious injuries or loss of life, disruption to the Company's business, and harm to the Company's reputation. Major public health issues, including pandemics such as the COVID-19 pandemic, have adversely affected, and could in the future materially adversely affect, the Company due to their impact on the global economy and demand for consumer products; the imposition of protective public safety measures, such as stringent employee travel restrictions and limitations on freight services and the movement of products between regions; and disruptions in the Company's operations, supply chain and sales and distribution channels, resulting in interruptions to the supply of current products and offering of existing services, and delays in production ramps of new products and development of new services.

Following any interruption to its business, the Company can require substantial recovery time, experience significant expenditures to resume operations, and lose significant sales. Because the Company relies on single or limited sources for the supply and manufacture of many critical components, a business interruption affecting such sources would exacerbate any negative consequences to the Company. While the Company maintains insurance coverage for certain types of losses, such insurance coverage may be insufficient to cover all losses that may arise.

Global markets for the Company's products and services are highly competitive and subject to rapid technological change, and the Company may be unable to compete effectively in these markets.

The Company's products and services are offered in highly competitive global markets characterized by aggressive price competition and resulting downward pressure on gross margins, frequent introduction of new products and services, short product life cycles, evolving industry standards, continual improvement in product price and performance characteristics, rapid adoption of technological advancements by competitors, and price sensitivity on the part of consumers and businesses.

The Company's ability to compete successfully depends heavily on ensuring the continuing and timely introduction of innovative new products, services and technologies to the marketplace. The Company designs and develops nearly the entire solution for its products, including the hardware, operating system, numerous software applications and related services. As a result, the Company must make significant investments in R&D. There can be no assurance these investments will achieve expected returns, and the Company may not be able to develop and market new products and services successfully.

The Company currently holds a significant number of patents, trademarks and copyrights and has registered, and applied to register, additional patents, trademarks and copyrights. In contrast, many of the Company's competitors seek to compete primarily through aggressive pricing and very low cost structures, and by imitating the Company's products and infringing on its intellectual property. Effective intellectual property protection is not consistently available in every country in which the Company operates. If the Company is unable to continue to develop and sell innovative new products with attractive margins or if competitors infringe on the Company's intellectual property, the Company's ability to maintain a competitive advantage could be materially adversely affected.

The Company has a minority market share in the global smartphone, personal computer and tablet markets. The Company faces substantial competition in these markets from companies that have significant technical, marketing, distribution and other resources, as well as established hardware, software and digital content supplier relationships. In addition, some of the Company's competitors have broader product lines, lower-priced products and a larger installed base of active devices. Competition has been particularly intense as competitors have aggressively cut prices and lowered product margins. Certain competitors have the resources, experience or cost structures to provide products at little or no profit or even at a loss. Some of the markets in which the Company competes have from time to time experienced little to no growth or contracted overall.

Additionally, the Company faces significant competition as competitors imitate the Company's product features and applications within their products or collaborate to offer solutions that are more competitive than those they currently offer. The Company also expects competition to intensify as competitors imitate the Company's approach to providing components seamlessly within their offerings or work collaboratively to offer integrated solutions.

The Company's services also face substantial competition, including from companies that have significant resources and experience and have established service offerings with large customer bases. The Company competes with business models that provide content to users for free. The Company also competes with illegitimate means to obtain third-party digital content and applications.

The Company's business, results of operations and financial condition depend substantially on the Company's ability to continually improve its products and services to maintain their functional and design advantages. There can be no assurance the Company will be able to continue to provide products and services that compete effectively.

Business Risks

To remain competitive and stimulate customer demand, the Company must successfully manage frequent introductions and transitions of products and services.

Due to the highly volatile and competitive nature of the markets and industries in which the Company competes, the Company must continually introduce new products, services and technologies, enhance existing products and services, effectively stimulate customer demand for new and upgraded products and services, and successfully manage the transition to these new and upgraded products and services. The success of new product and service introductions depends on a number of factors, including timely and successful development, market acceptance, the Company's ability to manage the risks associated with new technologies and production ramp-up issues, the availability of application software or other third-party support for the Company's products and services, the effective management of purchase commitments and inventory levels in line with anticipated product demand, the availability of products in appropriate quantities and at expected costs to meet anticipated demand, and the risk that new products and services may have quality or other defects or deficiencies. New products, services and technologies may replace or supersede existing offerings and may produce lower revenues and lower profit margins, which can materially adversely impact the Company's business, results of operations and financial condition. There can be no assurance the Company will successfully manage future introductions and transitions of products and services.

The Company depends on component and product manufacturing and logistical services provided by outsourcing partners, many of which are located outside of the U.S.

Substantially all of the Company’s manufacturing is performed in whole or in part by outsourcing partners located primarily in China mainland, India, Japan, South Korea, Taiwan and Vietnam, and a significant concentration of this manufacturing is currently performed by a small number of outsourcing partners, often in single locations. The Company has also outsourced much of its transportation and logistics management. While these arrangements can lower operating costs, they also reduce the Company’s direct control over production and distribution. Such diminished control has from time to time and may in the future have an adverse effect on the quality or quantity of products manufactured or services provided, or adversely affect the Company’s flexibility to respond to changing conditions. Although arrangements with these partners may contain provisions for product defect expense reimbursement, the Company generally remains responsible to the consumer for warranty and out-of-warranty service in the event of product defects and experiences unanticipated product defect liabilities from time to time. While the Company relies on its partners to adhere to its supplier code of conduct, violations of the supplier code of conduct occur from time to time and can materially adversely affect the Company’s business, reputation, results of operations and financial condition.

The Company relies on single-source outsourcing partners in the U.S., Asia and Europe to supply and manufacture many components, and on outsourcing partners primarily located in Asia, for final assembly of substantially all of the Company’s hardware products. Any failure of these partners to perform can have a negative impact on the Company’s cost or supply of components or finished goods. In addition, manufacturing or logistics in these locations or transit to final destinations can be disrupted for a variety of reasons, including natural and man-made disasters, information technology system failures, commercial disputes, economic, business, labor, environmental, public health or political issues, trade and other international disputes, geopolitical tensions, or conflict.

The Company has invested in manufacturing process equipment, much of which is held at certain of its outsourcing partners, and has made prepayments to certain of its suppliers associated with long-term supply agreements. While these arrangements help ensure the supply of components and finished goods, if these outsourcing partners or suppliers experience severe financial problems or other disruptions in their business, such continued supply can be disrupted or terminated, and the recoverability of manufacturing process equipment or prepayments can be negatively impacted.

Changes or additions to the Company’s supply chain require considerable time and resources and involve significant risks and uncertainties, including exposure to additional regulatory and operational risks.

Future operating results depend upon the Company’s ability to obtain components in sufficient quantities on commercially reasonable terms.

Because the Company currently obtains certain components from single or limited sources, the Company is subject to significant supply and pricing risks. Many components, including those that are available from multiple sources, are at times subject to industry-wide shortages and significant commodity pricing fluctuations that can materially adversely affect the Company’s business, results of operations and financial condition. For example, the global semiconductor industry has in the past experienced high demand and shortages of supply, which adversely affected the Company’s ability to obtain sufficient quantities of components and products on commercially reasonable terms, or at all. Such disruptions could occur in the future. While the Company has entered into agreements for the supply of many components, there can be no assurance the Company will be able to extend or renew these agreements on similar terms, or at all. In addition, component suppliers may suffer from poor financial conditions, which can lead to business failure for the supplier or consolidation within a particular industry, further limiting the Company’s ability to obtain sufficient quantities of components on commercially reasonable terms, or at all. Therefore, the Company remains subject to significant risks of supply shortages and price increases that can materially adversely affect its business, results of operations and financial condition.

The Company’s new products often utilize custom components available from only one source. When a component or product uses new technologies, initial capacity constraints may exist until the suppliers’ yields have matured or their manufacturing capacities have increased. The continued availability of these components at acceptable prices, or at all, can be affected for any number of reasons, including if suppliers decide to concentrate on the production of common components instead of components customized to meet the Company’s requirements. When the Company’s supply of components for a new or existing product has been delayed or constrained, or when an outsourcing partner has delayed shipments of completed products to the Company, the Company’s business, results of operations and financial condition have been adversely affected and future delays or constraints could materially adversely affect the Company’s business, results of operations and financial condition. The Company’s business and financial performance could also be materially adversely affected depending on the time required to obtain sufficient quantities from the source, or to identify and obtain sufficient quantities from an alternative source.

The Company's products and services may be affected from time to time by design and manufacturing defects that could materially adversely affect the Company's business and result in harm to the Company's reputation.

The Company offers complex hardware and software products and services that can be affected by design and manufacturing defects. Sophisticated operating system software and applications, such as those offered by the Company, often have issues that can unexpectedly interfere with the intended operation of hardware or software products and services. Defects can also exist in components and products the Company purchases from third parties. Component defects could make the Company's products unsafe and create a risk of environmental or property damage and personal injury. These risks may increase as the Company's products are introduced into specialized applications, including health. In addition, the Company's service offerings can have quality issues and from time to time experience outages, service slowdowns or errors. As a result, from time to time the Company's services have not performed as anticipated and may not meet customer expectations. The introduction of new and complex technologies, such as artificial intelligence features, can increase these and other safety risks, including exposing users to harmful, inaccurate or other negative content and experiences. There can be no assurance the Company will be able to detect and fix all issues and defects in the hardware, software and services it offers. Failure to do so can result in widespread technical and performance issues affecting the Company's products and services. Errors, bugs and vulnerabilities can be exploited by third parties, compromising the safety and security of a user's device. In addition, the Company can be exposed to product liability claims, recalls, product replacements or modifications, write-offs of inventory, property, plant and equipment or intangible assets, and significant warranty and other expenses, including litigation costs and regulatory fines. Quality problems can adversely affect the experience for users of the Company's products and services, and result in harm to the Company's reputation, loss of competitive advantage, poor market acceptance, reduced demand for products and services, delay in new product and service introductions and lost sales.

The Company is exposed to the risk of write-downs on the value of its inventory and other assets, in addition to purchase commitment cancellation risk.

The Company records a write-down for product and component inventories that have become obsolete or exceed anticipated demand, or for which cost exceeds net realizable value. The Company also accrues necessary cancellation fee reserves for orders of excess products and components. The Company reviews long-lived assets, including capital assets held at its suppliers' facilities and inventory prepayments, for impairment whenever events or circumstances indicate the assets may not be recoverable. If the Company determines that an impairment has occurred, it records a write-down equal to the amount by which the carrying value of the asset exceeds its fair value. Although the Company believes its inventory, capital assets, inventory prepayments and other assets and purchase commitments are currently recoverable, there can be no assurance the Company will not incur write-downs, fees, impairments and other charges given the rapid and unpredictable pace of product obsolescence in the industries in which the Company competes.

The Company orders components for its products and builds inventory in advance of product announcements and shipments. Manufacturing purchase obligations cover the Company's forecasted component and manufacturing requirements, typically for periods up to 150 days. Because the Company's markets are volatile, competitive and subject to rapid technology and price changes, there is a risk the Company will forecast incorrectly and order or produce excess or insufficient amounts of components or products, or not fully utilize firm purchase commitments.

The Company relies on access to third-party intellectual property, which may not be available to the Company on commercially reasonable terms, or at all.

The Company's products and services are designed to include intellectual property owned by third parties, which requires licenses from those third parties. In addition, because of technological changes in the industries in which the Company currently competes or in the future may compete, current extensive patent coverage and the rapid rate of issuance of new patents, the Company's products and services can unknowingly infringe existing patents or intellectual property rights of others. From time to time, the Company has been notified that it may be infringing certain patents or other intellectual property rights of third parties. Based on experience and industry practice, the Company believes licenses to such third-party intellectual property can generally be obtained on commercially reasonable terms. However, there can be no assurance the necessary licenses can be obtained on commercially reasonable terms or at all. Failure to obtain the right to use third-party intellectual property, or to use such intellectual property on commercially reasonable terms, can require the Company to modify certain products, services or features or preclude the Company from selling certain products or services, or otherwise have a material adverse impact on the Company's business, results of operations and financial condition.

The Company's future performance depends in part on support from third-party software developers.

The Company believes decisions by customers to purchase its hardware products depend in part on the availability of third-party software applications and services. There can be no assurance third-party developers will continue to develop and maintain software applications and services for the Company's products. If third-party software applications and services cease to be developed and maintained for the Company's products, customers may choose not to buy the Company's products.

The Company believes the availability of third-party software applications and services for its products depends in part on the developers' perception and analysis of the relative benefits of developing, maintaining and upgrading such software and services for the Company's products compared to competitors' platforms, such as Android for smartphones and tablets, Windows for personal computers and tablets, and PlayStation, Nintendo and Xbox for gaming platforms. This analysis may be based on factors such as the market position of the Company and its products, the anticipated revenue that may be generated, expected future growth of product sales, and the costs of developing such applications and services.

The Company's minority market share in the global smartphone, personal computer and tablet markets can make developers less inclined to develop or upgrade software for the Company's products and more inclined to devote their resources to developing and upgrading software for competitors' products with larger market share. When developers focus their efforts on these competing platforms, the availability and quality of applications for the Company's devices can suffer.

The Company relies on the continued availability and development of compelling and innovative software applications for its products. The Company's products and operating systems are subject to rapid technological change, and when third-party developers are unable to or choose not to keep up with this pace of change, their applications can fail to take advantage of these changes to deliver improved customer experiences, can operate incorrectly, and can result in dissatisfied customers and lower customer demand for the Company's products.

The Company distributes third-party applications for its products through the App Store. For the vast majority of applications, developers keep all of the revenue they generate on the App Store. Where applicable, the Company retains a commission from sales of applications and sales of digital services or goods initiated within an application. From time to time, the Company has made changes to its products and services, including taking actions in response to litigation, competition, market conditions and legal and regulatory requirements, and expects to make further business changes in the future. For example, in the U.S., the Company has implemented changes to how developers communicate with consumers within apps on the U.S. storefront of the iOS and iPadOS App Store regarding alternative purchasing mechanisms. The Company has also implemented changes to iOS, iPadOS, the App Store and Safari® in the European Union ("EU") as it seeks to comply with the Digital Markets Act (the "DMA"), including new business terms and alternative fee structures for iOS and iPadOS apps, alternative methods of distribution for iOS and iPadOS apps, alternative payment processing for apps across the Company's operating systems, and additional tools and application programming interfaces ("APIs") for developers. Changes to the Company's products and services could materially adversely affect the Company's business, results of operations and financial condition, including if such business changes result in reduced App Store or other sales, reductions in the rate of the commission that the Company retains on such sales, or if the rate of the commission is otherwise narrowed in scope or eliminated.

Failure to obtain or create digital content that appeals to the Company's customers, or to make such content available on commercially reasonable terms, could have a material adverse impact on the Company's business, results of operations and financial condition.

The Company contracts with numerous third parties to offer their digital content to customers. This includes the right to sell, or offer subscriptions to, third-party content, as well as the right to incorporate specific content into the Company's own services. The licensing or other distribution arrangements for this content can be for relatively short time periods and do not guarantee the continuation or renewal of these arrangements on commercially reasonable terms, or at all. Some third-party content providers and distributors currently or in the future may offer competing products and services, and can take actions to make it difficult or impossible for the Company to license or otherwise distribute their content. Other content owners, providers or distributors may seek to limit the Company's access to, or increase the cost of, such content. The Company may be unable to continue to offer a wide variety of content at commercially reasonable prices with acceptable usage rules.

The Company also produces its own digital content, which can be costly to produce due to intense and increasing competition for talent, content and subscribers, and may fail to appeal to the Company's customers.

Some third-party digital content providers require the Company to provide digital rights management and other security solutions. If requirements change, the Company may have to develop or license new technology to provide these solutions. There can be no assurance the Company will be able to develop or license such solutions at a reasonable cost and in a timely manner.

The Company's success depends largely on the talents and efforts of its team members, the continued service and availability of highly skilled employees, including key personnel, and the Company's ability to nurture its distinctive and inclusive culture.

Much of the Company's future success depends on the talents and efforts of its team members and the continued availability and service of key personnel, including its Chief Executive Officer, executive team and other highly skilled employees. Experienced personnel in the technology industry are in high demand and competition for their talents is intense, especially in Silicon Valley, where most of the Company's key personnel are located. In addition to intense competition for talent, workforce dynamics are constantly evolving. If the Company does not manage changing workforce dynamics effectively, it could materially adversely affect the Company's culture, reputation and operational flexibility.

The Company believes that its distinctive and inclusive culture is a significant driver of its success. If the Company is unable to nurture its culture, it could materially adversely affect the Company's ability to recruit and retain the highly skilled employees who are critical to its success, and could otherwise materially adversely affect the Company's business, reputation, results of operations and financial condition.

The Company depends on the performance of carriers, wholesalers, retailers and other resellers.

The Company distributes its products and certain of its services through cellular network carriers, wholesalers, retailers and resellers, many of which distribute products and services from competitors. The Company also sells its products and services and resells third-party products in most of its major markets directly to consumers, small and mid-sized businesses, and education, enterprise and government customers through its retail and online stores and its direct sales force.

Some carriers providing cellular network service for the Company's products offer financing, installment payment plans or subsidies for users' purchases of the device. There can be no assurance such offers will be continued at all or in the same amounts.

The Company has invested and will continue to invest in programs to enhance reseller sales, including staffing selected resellers' stores with Company employees and contractors, and improving product placement displays. These programs can require a substantial investment while not assuring return or incremental sales. The financial condition of these resellers could weaken, these resellers could stop distributing the Company's products, or uncertainty regarding demand for some or all of the Company's products could cause resellers to reduce their ordering and marketing of the Company's products.

The Company's business and reputation are impacted by information technology system failures and network disruptions.

The Company and its global supply chain are dependent on complex information technology systems and are exposed to information technology system failures or network disruptions caused by natural disasters, accidents, power disruptions, telecommunications failures, acts of terrorism or war, computer viruses, physical or electronic break-ins, ransomware or other cybersecurity incidents, or other events or disruptions. System upgrades, redundancy and other continuity measures may be ineffective or inadequate, and the Company's or its vendors' business continuity and disaster recovery planning may not be sufficient for all eventualities. Such failures or disruptions can adversely impact the Company's business by, among other things, preventing access to the Company's online services, interfering with customer transactions or impeding the manufacturing and shipping of the Company's products. These events could materially adversely affect the Company's business, reputation, results of operations and financial condition.

Losses or unauthorized access to or releases of confidential information, including personal information, could subject the Company to significant reputational, financial, legal and operational consequences.

The Company's business requires it to use and store confidential information, including personal information with respect to the Company's customers and employees. The Company devotes significant resources to systems and data security, including through the use of encryption and other security measures intended to protect its systems and data. But these measures cannot provide absolute security, and losses or unauthorized access to or releases of confidential information occur and could materially adversely affect the Company's business, reputation, results of operations and financial condition.

The Company's business also requires it to share confidential information with suppliers and other third parties. The Company relies on global suppliers that are also exposed to ransomware and other malicious attacks that can disrupt business operations. Although the Company takes steps to secure confidential information that is provided to or accessible by third parties working on the Company's behalf, such measures are not always effective and losses or unauthorized access to, or releases of, confidential information occur. Such incidents and other malicious attacks could materially adversely affect the Company's business, reputation, results of operations and financial condition.

The Company experiences malicious attacks and other attempts to gain unauthorized access to its systems on a regular basis. These attacks seek to compromise the confidentiality, integrity or availability of confidential information or disrupt normal business operations, and can, among other things, impair the Company's ability to attract and retain customers for its products and services, impact the Company's stock price, materially damage commercial relationships, and expose the Company to litigation or government investigations, which can result in penalties, fines or judgments against the Company. Globally, attacks are expected to continue accelerating in both frequency and sophistication with increasing use by actors of tools and techniques that are designed to circumvent controls, avoid detection, and remove or obfuscate forensic evidence, all of which hinders the Company's ability to identify, investigate and recover from incidents. In addition, attacks against the Company and its customers can escalate during periods of geopolitical tensions or conflict.

Although malicious attacks perpetrated to gain access to confidential information, including personal information, affect many companies across various industries, the Company is at a relatively greater risk of being targeted because of its high profile and the value of the confidential information it creates, owns, manages, stores and processes.

The Company has implemented systems and processes intended to secure its information technology systems and prevent unauthorized access to or loss of sensitive data, and mitigate the impact of unauthorized access, including through the use of encryption and authentication technologies. As with all companies, these security measures may not be sufficient for all eventualities and are vulnerable to hacking, ransomware attacks, employee error, malfeasance, system error, faulty password management or other irregularities. For example, third parties can fraudulently induce the Company's or its suppliers' and other third parties' employees or customers into disclosing usernames, passwords or other sensitive information, which can, in turn, be used for unauthorized access to the Company's or such suppliers' or third parties' systems and services. To help protect customers and the Company, the Company deploys and makes available technologies like multifactor authentication, monitors its services and systems for unusual activity and may freeze accounts under suspicious circumstances, which, among other things, can result in the delay or loss of customer orders or impede customer access to the Company's products and services.

While the Company maintains insurance coverage that is intended to address certain aspects of data security risks, such insurance coverage may be insufficient to cover all losses or all types of claims that may arise.

Investment in new business strategies and acquisitions could disrupt the Company's ongoing business, present risks not originally contemplated and materially adversely affect the Company's business, reputation, results of operations and financial condition.

The Company has invested, and in the future may invest, in new business strategies or acquisitions. Such endeavors may involve significant risks and uncertainties, including distraction of management from current operations, greater-than-expected liabilities and expenses, economic, political, legal and regulatory challenges associated with operating in new businesses, regions or countries, inadequate return on capital, potential impairment of tangible and intangible assets, and significant write-offs. Investment and acquisition transactions are exposed to additional risks, including failing to obtain required regulatory approvals on a timely basis or at all, or the imposition of onerous conditions that could delay or prevent the Company from completing a transaction or otherwise limit the Company's ability to fully realize the anticipated benefits of a transaction. These new ventures are inherently risky and may not be successful. The failure of any significant investment could materially adversely affect the Company's business, reputation, results of operations and financial condition.

The Company's retail stores are subject to numerous risks and uncertainties.

The Company's retail operations are subject to many factors that pose risks and uncertainties and could adversely impact the Company's business, results of operations and financial condition, including macroeconomic factors that could have an adverse effect on general retail activity. Other factors include the Company's ability to: manage costs associated with retail store construction and operation; manage relationships with existing retail partners; manage costs associated with fluctuations in the value of retail inventory; and obtain and renew leases in quality retail locations at a reasonable cost.

Legal and Regulatory Compliance Risks

The Company's business, results of operations and financial condition could be adversely impacted by unfavorable results of legal proceedings or government investigations.

The Company is subject to various claims, legal proceedings and government investigations that have arisen in the ordinary course of business and have not yet been fully resolved, and new matters may arise in the future. In addition, agreements entered into by the Company sometimes include indemnification provisions which can subject the Company to costs and damages in the event of a claim against an indemnified third party. The number of claims, legal proceedings and government investigations involving the Company, and the alleged magnitude of such claims, proceedings and government investigations, has generally increased over time and may continue to increase.

The Company has faced and continues to face a significant number of patent claims relating to its cellular-enabled products, and new claims may arise in the future, including as a result of new legal or regulatory frameworks. For example, technology and other patent-holding companies frequently assert their patents and seek royalties and often enter into litigation based on allegations of patent infringement or other violations of intellectual property rights. The Company is vigorously defending infringement actions in courts in several U.S. jurisdictions, as well as internationally in various countries. The plaintiffs in these actions frequently seek broad injunctive relief and substantial damages.

Regardless of the merit of particular claims, defending against litigation or responding to government investigations can be expensive, time-consuming and disruptive to the Company's operations. In recognition of these considerations, the Company may enter into agreements or other arrangements to settle litigation and resolve such challenges. There can be no assurance such agreements can be obtained on acceptable terms or that litigation will not occur. These agreements can also significantly increase the Company's cost of sales and operating expenses and require the Company to change its business practices and limit the Company's ability to offer certain products and services.

The outcome of litigation or government investigations is inherently uncertain. If one or more legal matters were resolved against the Company or an indemnified third party in a reporting period for amounts above management's expectations, the Company's results of operations and financial condition for that reporting period could be materially adversely affected. Further, such an outcome can result in significant monetary damages, disgorgement of revenue or profits, remedial corporate measures or injunctive relief against the Company, and has from time to time required, and can in the future require, the Company to change its business practices and limit the Company's ability to develop, manufacture, use, import or offer for sale certain products and services, all of which could materially adversely affect the Company's business, reputation, results of operations and financial condition.

While the Company maintains insurance coverage for certain types of claims, such insurance coverage may be insufficient to cover all losses or all types of claims that may arise.

The Company is subject to complex and changing laws and regulations worldwide, which exposes the Company to potential liabilities, increased costs and other adverse effects on the Company's business.

The Company's global operations are subject to complex and changing laws and regulations on subjects, including antitrust; privacy, data security and data localization; consumer protection; advertising, sales, billing and e-commerce; financial services and technology; product liability; intellectual property ownership and infringement; digital platforms; machine learning and artificial intelligence; internet, telecommunications and mobile communications; media, television, film and digital content; availability of third-party software applications and services; labor and employment; anticorruption; import, export and trade; foreign exchange controls and cash repatriation restrictions; anti–money laundering; foreign ownership and investment; tax; and environmental, health and safety, including electronic waste, recycling, product design and climate change.

Compliance with these laws and regulations is onerous and expensive. New and changing laws and regulations can adversely affect the Company's business by increasing the Company's costs, limiting the Company's ability to offer a product, service or feature to customers, imposing changes to the design of the Company's products and services, impacting customer demand for the Company's products and services, and requiring changes to the Company's business or supply chain. New and changing laws and regulations can also create uncertainty about how such laws and regulations will be interpreted and applied. These risks and costs may increase as the Company's products and services are introduced into specialized applications, including health and financial services, or as the Company expands the use of technologies, such as machine learning and artificial intelligence features, and must navigate new legal, regulatory and ethical considerations relating to such technologies. The Company has implemented policies and procedures designed to ensure compliance with applicable laws and regulations, but there can be no assurance the Company's employees, contractors or agents will not violate such laws and regulations or the Company's policies and procedures. If the Company is found to have violated laws and regulations, it could materially adversely affect the Company's business, reputation, results of operations and financial condition.

Regulatory changes and other actions that materially adversely affect the Company's business may be announced with little or no advance notice and the Company may not be able to effectively mitigate all adverse impacts from such measures. For example, the Company is subject to changing regulations relating to the export and import of its products. Although the Company has programs, policies and procedures in place that are designed to satisfy regulatory requirements, there can be no assurance that such policies and procedures will be effective in preventing a violation or a claim of a violation. As a result, the Company's products could be banned, delayed or prohibited from importation, which could materially adversely affect the Company's business, reputation, results of operations and financial condition.

Expectations relating to environmental, social and governance considerations and related reporting obligations expose the Company to potential liabilities, increased costs, reputational harm, and other adverse effects on the Company's business.

Many governments, regulators, investors, employees, customers and other stakeholders are increasingly focused on environmental, social and governance considerations relating to businesses, including climate change and greenhouse gas emissions, human and civil rights, and diversity, equity and inclusion. In addition, the Company makes statements about its goals and initiatives through its various non-financial reports, information provided on its website, press statements and other communications. Responding to these environmental, social and governance considerations and implementation of the Company's announced goals and initiatives involves risks and uncertainties, requires investments, and depends in part on third-party performance or data that is outside the Company's control. The Company cannot guarantee that it will achieve its announced environmental, social and governance goals and initiatives. In addition, some stakeholders may disagree with the Company's goals and initiatives. Any failure, or perceived failure, by the Company to achieve its goals, further its initiatives, adhere to its public statements, comply with federal, state and international environmental, social and governance laws and regulations, or meet evolving and varied stakeholder expectations and standards could result in legal and regulatory proceedings against the Company and materially adversely affect the Company's business, reputation, results of operations, financial condition and stock price.

The technology industry, including, in some instances, the Company, is subject to intense media, political and regulatory scrutiny, which exposes the Company to increasing regulation, government investigations, legal actions and penalties.

From time to time, the Company has made changes to its App Store, including actions taken in response to litigation, competition, market conditions and legal and regulatory requirements. The Company expects to make further business changes in the future. For example, in the U.S. the Company has implemented changes to how developers communicate with consumers within apps on the U.S. storefront of the iOS and iPadOS App Store regarding alternative purchasing mechanisms.

The Company has also implemented changes to iOS, iPadOS, the App Store and Safari in the EU as it seeks to comply with the DMA, including new business terms and alternative fee structures for iOS and iPadOS apps, alternative methods of distribution for iOS and iPadOS apps, alternative payment processing for apps across the Company's operating systems, and additional tools and APIs for developers. The Company has also continued to make changes to its compliance plan in response to feedback and engagement with the European Commission (the "Commission"). Although the Company's compliance plan is intended to address the DMA's obligations, it has been challenged by the Commission and may be challenged further by private litigants. The DMA provides for significant fines and penalties for noncompliance, and other jurisdictions may seek to require the Company to make changes to its business. While the changes introduced by the Company in the EU are intended to reduce new privacy and security risks that the DMA poses to EU users, many risks will remain.

The Company is also currently subject to antitrust investigations and litigation in various jurisdictions around the world, which can result in legal proceedings and claims against the Company that could, individually or in the aggregate, have a materially adverse impact on the Company's business, results of operations and financial condition. For example, the Company is subject to civil antitrust lawsuits in the U.S. alleging monopolization or attempted monopolization in the markets for "performance smartphones" and "smartphones" generally in violation of U.S. antitrust laws. In addition, the Company is the subject of investigations in Europe and other jurisdictions relating to App Store terms and conditions. If such investigations or litigation are resolved against the Company, the Company can be exposed to significant fines and may be required to make further changes to its business practices, all of which could materially adversely affect the Company's business, reputation, results of operations and financial condition.

Further, the Company has commercial relationships with other companies in the technology industry that are or may become subject to investigations and litigation that, if resolved against those other companies, could materially adversely affect the Company's commercial relationships with those business partners and materially adversely affect the Company's business, results of operations and financial condition. For example, the Company earns revenue from licensing arrangements with Google LLC and other companies to offer their search services on the Company's platforms and applications, and certain of these arrangements are currently subject to government investigations and legal proceedings.

There can be no assurance the Company's business will not be materially adversely affected, individually or in the aggregate, by the outcomes of such investigations, litigation or changes to laws and regulations in the future. Changes to the Company's business practices to comply with new laws and regulations or in connection with other legal proceedings can negatively impact the reputation of the Company's products for privacy and security and otherwise adversely affect the experience for users of the Company's products and services, and result in harm to the Company's reputation, loss of competitive advantage, poor market acceptance, reduced demand for products and services, and lost sales.

The Company's business is subject to a variety of U.S. and international laws, rules, policies and other obligations regarding data protection.

The Company is subject to an increasing number of federal, state and international laws relating to the collection, use, retention, security and transfer of various types of personal information. In many cases, these laws apply not only to third-party transactions, but also restrict transfers of personal information among the Company and its international subsidiaries. Several jurisdictions have passed laws in this area, and additional jurisdictions are considering imposing additional restrictions or have laws that are pending. These laws continue to develop and may be inconsistent from jurisdiction to jurisdiction. Complying with emerging and changing requirements causes the Company to incur substantial costs and has required and may in the future require the Company to change its business practices. Noncompliance could result in significant penalties or legal liability.

The Company makes statements about its use and disclosure of personal information through its privacy policy, information provided on its website, press statements and other privacy notices provided to customers. Any failure by the Company to comply with these public statements or with federal, state or international privacy or data protection laws and regulations could result in inquiries or proceedings against the Company by governmental entities or others. In addition to reputational impacts, penalties could include ongoing audit requirements and significant legal liability.

In addition to the risks generally relating to the collection, use, retention, security and transfer of personal information, the Company is also subject to specific obligations relating to information considered sensitive under applicable laws, such as health data, financial data and biometric data. Health data and financial data are subject to additional privacy, security and breach notification requirements, and the Company is subject to audit by governmental authorities regarding the Company's compliance with these obligations. If the Company fails to adequately comply with these rules and requirements, or if health data or financial data is handled in a manner not permitted by law or under the Company's agreements with healthcare or financial institutions, the Company can be subject to litigation or government investigations, and can be liable for associated investigatory expenses, and can also incur significant fees or fines.

Payment card data is also subject to additional requirements. Under payment card rules and obligations, if cardholder information is potentially compromised, the Company can be liable for associated investigatory expenses and can also incur significant fees or fines if the Company fails to follow payment card industry data security standards. The Company could also experience a significant increase in payment card transaction costs or lose the ability to process payment cards if it fails to follow payment card industry data security standards, which could materially adversely affect the Company's business, reputation, results of operations and financial condition.

Financial Risks

The Company expects its quarterly net sales and results of operations to fluctuate.

The Company's profit margins vary across its products, services, geographic segments and distribution channels. For example, the gross margins on the Company's products and services vary significantly and can change over time. The Company's gross margins are subject to volatility and downward pressure due to a variety of factors, including: continued industry-wide global product pricing pressures and product pricing actions that the Company may take in response to such pressures; increased competition; the Company's ability to effectively stimulate demand for certain of its products and services; compressed product life cycles; supply shortages; potential increases in the cost of components, outside manufacturing services, and developing, acquiring and delivering content for the Company's services; the Company's ability to manage product quality and warranty costs effectively; shifts in the mix of products and services, or in the geographic, currency or channel mix, including to the extent that regulatory changes require the Company to modify its product and service offerings; fluctuations in foreign exchange rates; inflation and other macroeconomic pressures; and the introduction of new products or services, including new products or services with lower profit margins. These and other factors could have a materially adverse impact on the Company's results of operations and financial condition.

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. Further, the Company generates a significant portion of its net sales from a single product and a decline in demand for that product could significantly impact quarterly net sales. The Company could also be subject to unexpected developments, such as lower-than-anticipated demand for the Company's products or services, issues with new product or service introductions, information technology system failures or network disruptions, or failure of one of the Company's logistics, supply or manufacturing partners.

The Company's financial performance is subject to risks associated with changes in the value of the U.S. dollar relative to local currencies.

The Company's primary exposure to movements in foreign exchange rates relates to non–U.S. dollar–denominated sales, cost of sales and operating expenses worldwide. Gross margins on the Company's products in foreign countries and on products that include components obtained from foreign suppliers have in the past been adversely affected and could in the future be materially adversely affected by foreign exchange rate fluctuations.

The weakening of foreign currencies relative to the U.S. dollar adversely affects the U.S. dollar value of the Company's foreign currency–denominated sales and earnings, and generally leads the Company to raise international pricing, potentially reducing demand for the Company's products. In some circumstances, for competitive or other reasons, the Company may decide not to raise international pricing to offset the U.S. dollar's strengthening, which would adversely affect the U.S. dollar value of the gross margins the Company earns on foreign currency–denominated sales.

Conversely, a strengthening of foreign currencies relative to the U.S. dollar, while generally beneficial to the Company's foreign currency–denominated sales and earnings, could cause the Company to reduce international pricing or incur losses on its foreign currency derivative instruments, thereby limiting the benefit. Additionally, strengthening of foreign currencies may increase the Company's cost of product components denominated in those currencies, thus adversely affecting gross margins.

The Company uses derivative instruments, such as foreign currency forward and option contracts, to hedge certain exposures to fluctuations in foreign exchange rates. The use of such hedging activities may not be effective to offset any, or more than a portion, of the adverse financial effects of unfavorable movements in foreign exchange rates over the limited time the hedges are in place.

The Company is exposed to credit risk and fluctuations in the values of its investment portfolio.

The Company's investments can be negatively affected by changes in liquidity, credit deterioration, financial results, market and economic conditions, political risk, sovereign risk, interest rate fluctuations or other factors. As a result, the value and liquidity of the Company's cash, cash equivalents and marketable securities may fluctuate substantially. Although the Company has not realized significant losses on its cash, cash equivalents and marketable securities, future fluctuations in their value could result in significant losses and could have a material adverse impact on the Company's results of operations and financial condition.

The Company is exposed to credit risk on its trade accounts receivable, vendor non-trade receivables and prepayments related to long-term supply agreements, and this risk is heightened during periods when economic conditions worsen.

The Company distributes its products and certain of its services through third-party cellular network carriers, wholesalers, retailers and resellers. The Company also sells its products and services directly to small and mid-sized businesses and education, enterprise and government customers. A substantial majority of the Company's outstanding trade receivables are not covered by collateral, third-party bank support or financing arrangements, or credit insurance, and a significant portion of the Company's trade receivables can be concentrated within cellular network carriers or other resellers. The Company's exposure to credit and collectibility risk on its trade receivables is higher in certain international markets and its ability to mitigate such risks may be limited. The Company also has unsecured vendor non-trade receivables resulting from purchases of components by outsourcing partners and other vendors that manufacture subassemblies or assemble final products for the Company. In addition, the Company has made prepayments associated with long-term supply agreements to secure supply of inventory components. As of September 28, 2024, the Company's vendor non-trade receivables and prepayments related to long-term supply agreements were concentrated among a few individual vendors located primarily in Asia. While the Company has procedures to monitor and limit exposure to credit risk on its trade and vendor non-trade receivables, as well as long-term prepayments, there can be no assurance such procedures will effectively limit its credit risk and avoid losses.

The Company is subject to changes in tax rates, the adoption of new U.S. or international tax legislation and exposure to additional tax liabilities.

The Company is subject to taxes in the U.S. and numerous foreign jurisdictions, including Ireland and Singapore, where a number of the Company's subsidiaries are organized. Due to economic and political conditions, tax laws and tax rates for income taxes and other non-income taxes in various jurisdictions may be subject to significant change. For example, the Organisation for Economic Co-operation and Development continues to advance proposals for modernizing international tax rules, including the introduction of global minimum tax standards. The Company's effective tax rates are affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, the introduction of new taxes, and changes in tax laws or their interpretation. The application of tax laws may be uncertain, require significant judgment and be subject to differing interpretations.

The Company is also subject to the examination of its tax returns and other tax matters by the U.S. Internal Revenue Service and other tax authorities and governmental bodies. The Company regularly assesses the likelihood of an adverse outcome resulting from these examinations to determine the adequacy of its provision for taxes. There can be no assurance as to the outcome of these examinations. If the Company's effective tax rates were to increase, or if the ultimate determination of the Company's taxes owed is for an amount in excess of amounts previously accrued, the Company's business, results of operations and financial condition could be materially adversely affected.

General Risks

The price of the Company's stock is subject to volatility.

The Company's stock has experienced substantial price volatility in the past and may continue to do so in the future. Additionally, the Company, the technology industry and the stock market as a whole have, from time to time, experienced extreme stock price and volume fluctuations that have affected stock prices in ways that may have been unrelated to these companies' operating performance. Price volatility may cause the average price at which the Company repurchases its stock in a given period to exceed the stock's price at a given point in time. The Company believes the price of its stock should reflect expectations of future growth and profitability. The Company also believes the price of its stock should reflect expectations that its cash dividend will continue at current levels or grow, and that its current share repurchase program will be fully consummated. Future dividends are subject to declaration by the Company's Board of Directors (the "Board"), and the Company's share repurchase program does not obligate it to acquire any specific number of shares. If the Company fails to meet expectations related to future growth, profitability, dividends, share repurchases or other market expectations, the price of the Company's stock may decline significantly, which could have a material adverse impact on investor confidence and employee retention.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

The Company's management, led by its Head of Corporate Information Security, has overall responsibility for identifying, assessing and managing any material risks from cybersecurity threats. The Company's Head of Corporate Information Security leads a dedicated Information Security team of highly skilled individuals with experience across industries that, among other things, develops and distributes information security policies, standards and procedures; engages in employee cybersecurity training; implements security controls; assesses security risk and compliance posture; monitors and responds to security events; and executes security testing and assessments. The Company's Head of Corporate Information Security has extensive knowledge and skills gained from over 25 years of experience in the cybersecurity industry, including serving in leadership positions at other large technology companies and leading the Company's Information Security team since 2016.

The Company's Information Security team coordinates with teams across the Company to prevent, respond to and manage security incidents, and engages third parties, as appropriate, to assess, test or otherwise assist with aspects of its security processes and incident response. A dedicated Supplier Trust team manages information security risks the Company is exposed to through its supplier relationships. The Company has processes to log, track, address, and escalate for further assessment and report, as appropriate, cybersecurity incidents across the Company and its suppliers to senior management and the Audit and Finance Committee (the "Audit Committee") of the Board. The Company's enterprise risk management program is designed to identify, assess, and monitor the Company's business risks, including financial, operational, compliance and reputational risks, and reflects management's assessment of cybersecurity risks.

The Audit Committee assists the Board in the oversight and monitoring of cybersecurity matters. The Audit Committee regularly reviews and discusses the Company's cybersecurity risks with management, including the Company's Head of Corporate Information Security, its General Counsel and the Heads of Compliance and Business Conduct, Business Assurance, and Internal Audit, and receives updates, as necessary, regarding cybersecurity incidents. The Chair of the Audit Committee regularly reports the substance of such reviews and discussions to the Board, as necessary, and recommends to the Board such actions as the Audit Committee deems appropriate.

For a discussion of the Company's cybersecurity-related risks, see Item 1A of this Form 10-K under the heading "Risk Factors."

Item 2. Properties

The Company’s headquarters is located in Cupertino, California. As of September 28, 2024, the Company owned or leased facilities and land for corporate functions, R&D, data centers, retail and other purposes at locations throughout the U.S. and in various places outside the U.S. The Company believes its existing facilities and equipment, which are used by all reportable segments, are in good operating condition and are suitable for the conduct of its business.

Item 3. Legal Proceedings

Digital Markets Act Investigations

On March 25, 2024, the Commission announced that it had opened two formal noncompliance investigations against the Company under the DMA. The Commission’s investigations concern (1) Article 5(4) of the DMA, which relates to how developers may communicate and promote offers to end users for apps distributed through the App Store as well as how developers may conclude contracts with those end users; and (2) Article 6(3) of the DMA, which relates to default settings, uninstallation of apps, and a web browser choice screen on iOS. On June 24, 2024, the Commission announced its preliminary findings in the Article 5(4) investigation alleging that the Company’s App Store rules are in breach of the DMA and announced that it had opened a third formal investigation against the Company regarding whether the Company’s new contractual requirements for third-party app developers and app marketplaces may violate the DMA. If the Commission makes a final determination that there has been a violation, it can issue a cease and desist order and may impose fines up to 10% of the Company’s annual worldwide net sales. Although any decision by the Commission can be appealed to the General Court of the EU, the effectiveness of the Commission’s order would apply immediately while the appeal is pending, unless a stay of the order is granted. The Company believes that it complies with the DMA and has continued to make changes to its compliance plan in response to feedback and engagement with the Commission.

Department of Justice Lawsuit

On March 21, 2024, the U.S. Department of Justice (the “DOJ”) and a number of state and district attorneys general filed a civil antitrust lawsuit in the U.S. District Court for the District of New Jersey against the Company alleging monopolization or attempted monopolization in the markets for “performance smartphones” and “smartphones” in violation of U.S. antitrust laws. The DOJ is seeking equitable relief to redress the alleged anticompetitive behavior. In addition, various civil litigation matters have been filed in state and federal courts in the U.S. alleging similar violations of U.S. antitrust laws and seeking monetary damages and other nonmonetary relief. The Company believes it has substantial defenses and intends to vigorously defend itself.

Epic Games

Epic Games, Inc. (“Epic”) filed a lawsuit in the U.S. District Court for the Northern District of California (the “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 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 enjoining the Company from prohibiting developers from including in their apps external links that direct customers to purchasing mechanisms other than Apple in-app purchasing. The injunction applies to apps on the U.S. storefront of the iOS and iPadOS App Store. On January 16, 2024, the Company implemented a plan to comply with the injunction and filed a statement of compliance with the California District Court. A motion by Epic disputing the Company’s compliance plan and seeking to enforce the injunction, which the Company has opposed, is pending before the California District Court. On September 30, 2024, the Company filed a motion with the California District Court to narrow or vacate the injunction. The Company believes it has substantial defenses and intends to vigorously defend itself.

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 fourth quarter of 2024 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 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company's common stock is traded on The Nasdaq Stock Market LLC under the symbol AAPL.

Holders

As of October 18, 2024, there were 23,301 shareholders of record.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

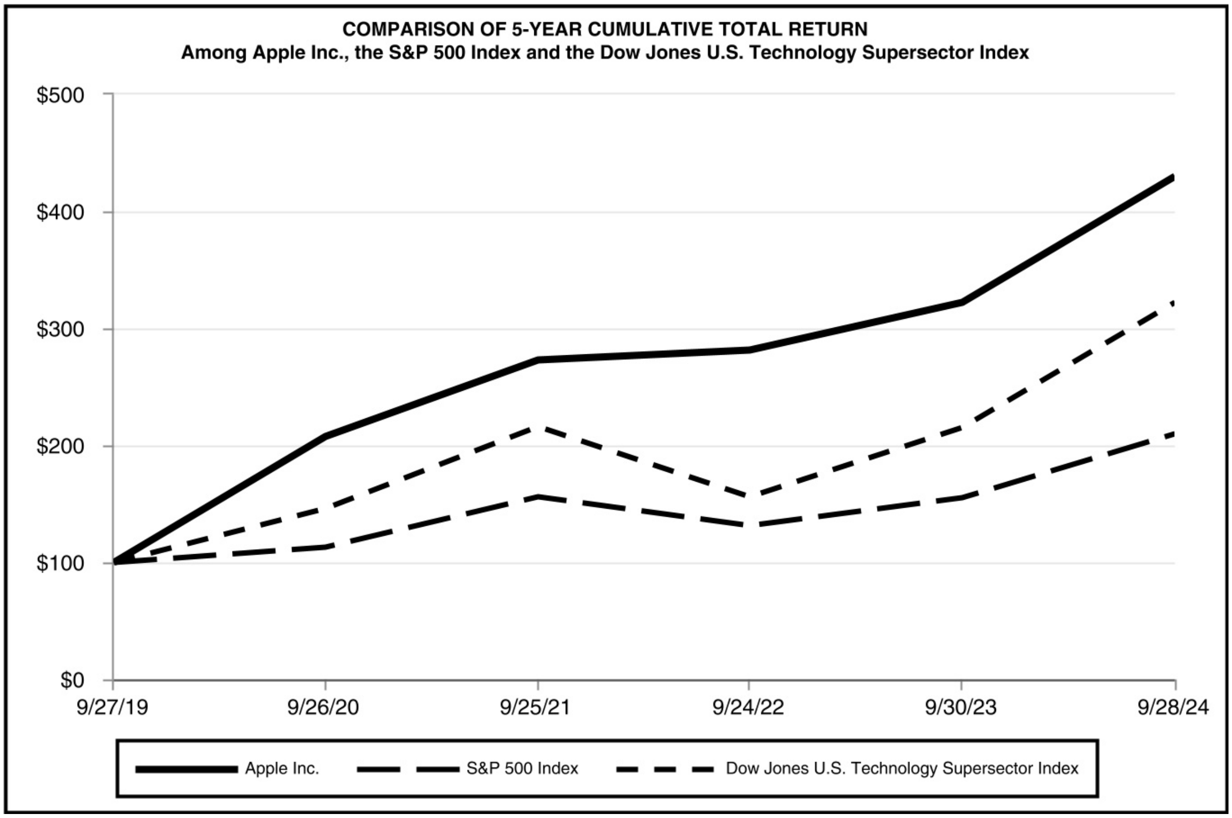
Share repurchase activity during the three months ended September 28, 2024 was as follows (in millions, except number of shares, which are reflected in thousands, and per-share amounts):

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 (1)
June 30, 2024 to August 3, 2024:				
Open market and privately negotiated purchases	35,697	$ 224.11	35,697	
August 4, 2024 to August 31, 2024:				
Open market and privately negotiated purchases	42,910	$ 221.39	42,910	
September 1, 2024 to September 28, 2024:				
Open market and privately negotiated purchases	33,653	$ 222.86	33,653	
Total	112,260			$ 89,074

(1) As of September 28, 2024, the Company was authorized by the Board to purchase up to $110 billion of the Company's common stock under a share repurchase program announced on May 2, 2024, of which $20.9 billion had been utilized. During the fourth quarter of 2024, the Company also utilized the final $4.1 billion under its previous repurchase program, which was authorized in May 2023. The programs do not obligate the Company to acquire a minimum amount of shares. Under the programs, shares may be repurchased in privately negotiated or open market transactions, including under plans complying with Rule 10b5-1 under the Exchange Act.

Company Stock Performance

The following graph shows a comparison of five-year cumulative total shareholder return, calculated on a dividend-reinvested basis, for the Company, the S&P 500 Index and the Dow Jones U.S. Technology Supersector Index. The graph assumes $100 was invested in each of the Company's common stock, the S&P 500 Index and the Dow Jones U.S. Technology Supersector Index as of the market close on September 27, 2019. Past stock price performance is not necessarily indicative of future stock price performance.



	September 2019	September 2020	September 2021	September 2022	September 2023	September 2024
Apple Inc.	$ 100	$ 207	$ 273	$ 281	$ 322	$ 430
S&P 500 Index	$ 100	$ 113	$ 156	$ 131	$ 155	$ 210
Dow Jones U.S. Technology Supersector Index	$ 100	$ 146	$ 216	$ 156	$ 215	$ 322

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the consolidated financial statements and accompanying notes included in Part II, Item 8 of this Form 10-K. This Item generally discusses 2024 and 2023 items and year-to-year comparisons between 2024 and 2023. Discussions of 2022 items and year-to-year comparisons between 2023 and 2022 are not included, and can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2023.

Product, Service and Software Announcements

The Company announces new product, service and software offerings at various times during the year. Significant announcements during fiscal year 2024 included the following:

First Quarter 2024:

- MacBook Pro 14-in.;
- MacBook Pro 16-in.; and
- iMac.

Second Quarter 2024:

- MacBook Air 13-in.; and
- MacBook Air 15-in.

Third Quarter 2024:

- iPad Air;
- iPad Pro;
- iOS 18, macOS Sequoia, iPadOS 18, watchOS 11, visionOS 2 and tvOS 18, updates to the Company's operating systems; and
- Apple Intelligence™, a personal intelligence system that uses generative models.

Fourth Quarter 2024:

- iPhone 16, iPhone 16 Plus, iPhone 16 Pro and iPhone 16 Pro Max;
- Apple Watch Series 10; and
- AirPods 4.

Fiscal Period

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, which occurred in the first quarter of 2023. The Company's fiscal years 2024 and 2022 spanned 52 weeks each, whereas fiscal year 2023 spanned 53 weeks.

Macroeconomic Conditions

Macroeconomic conditions, including inflation, interest rates and currency fluctuations, have directly and indirectly impacted, and could in the future materially impact, the Company's results of operations and financial condition.

Segment Operating Performance

The following table shows net sales by reportable segment for 2024, 2023 and 2022 (dollars in millions):

	2024	Change	2023	Change	2022
Americas	$ 167,045	3 %	$ 162,560	(4)%	$ 169,658
Europe	101,328	7 %	94,294	(1)%	95,118
Greater China	66,952	(8)%	72,559	(2)%	74,200
Japan	25,052	3 %	24,257	(7)%	25,977
Rest of Asia Pacific	30,658	4 %	29,615	1 %	29,375
Total net sales	$ 391,035	2 %	$ 383,285	(3)%	$ 394,328

Americas

Americas net sales increased during 2024 compared to 2023 due primarily to higher net sales of Services.

Europe

Europe net sales increased during 2024 compared to 2023 due primarily to higher net sales of Services and iPhone.

Greater China

Greater China net sales decreased during 2024 compared to 2023 due primarily to lower net sales of iPhone and iPad. The weakness in the renminbi relative to the U.S. dollar had an unfavorable year-over-year impact on Greater China net sales during 2024.

Japan

Japan net sales increased during 2024 compared to 2023 due primarily to higher net sales of iPhone. The weakness in the yen relative to the U.S. dollar had an unfavorable year-over-year impact on Japan net sales during 2024.

Rest of Asia Pacific

Rest of Asia Pacific net sales increased during 2024 compared to 2023 due primarily to higher net sales of Services. The weakness in foreign currencies relative to the U.S. dollar had a net unfavorable year-over-year impact on Rest of Asia Pacific net sales during 2024.

Products and Services Performance

The following table shows net sales by category for 2024, 2023 and 2022 (dollars in millions):

	2024	Change	2023	Change	2022
iPhone	$ 201,183	— %	$ 200,583	(2)%	$ 205,489
Mac	29,984	2 %	29,357	(27)%	40,177
iPad	26,694	(6)%	28,300	(3)%	29,292
Wearables, Home and Accessories	37,005	(7)%	39,845	(3)%	41,241
Services [(1)]	96,169	13 %	85,200	9 %	78,129
Total net sales	$ 391,035	2 %	$ 383,285	(3)%	$ 394,328

(1) Services net sales include amortization of the deferred value of services bundled in the sales price of certain products.

iPhone

iPhone net sales were relatively flat during 2024 compared to 2023.

Mac

Mac net sales increased during 2024 compared to 2023 due primarily to higher net sales of laptops.

iPad

iPad net sales decreased during 2024 compared to 2023 due primarily to lower net sales of iPad Pro and the entry-level iPad models, partially offset by higher net sales of iPad Air.

Wearables, Home and Accessories

Wearables, Home and Accessories net sales decreased during 2024 compared to 2023 due primarily to lower net sales of Wearables and Accessories.

Services

Services net sales increased during 2024 compared to 2023 due primarily to higher net sales from advertising, the App Store® and cloud services.

Gross Margin

Products and Services gross margin and gross margin percentage for 2024, 2023 and 2022 were as follows (dollars in millions):

	2024	2023	2022
Gross margin:			
Products	$ 109,633	$ 108,803	$ 114,728
Services	71,050	60,345	56,054
Total gross margin	$ 180,683	$ 169,148	$ 170,782
Gross margin percentage:			
Products	37.2 %	36.5 %	36.3 %
Services	73.9 %	70.8 %	71.7 %
Total gross margin percentage	46.2 %	44.1 %	43.3 %

Products Gross Margin

Products gross margin and Products gross margin percentage increased during 2024 compared to 2023 due to cost savings, partially offset by a different Products mix and the weakness in foreign currencies relative to the U.S. dollar.

Services Gross Margin

Services gross margin increased during 2024 compared to 2023 due primarily to higher Services net sales.

Services gross margin percentage increased during 2024 compared to 2023 due to a different Services mix.

The Company's future gross margins can be impacted by a variety of factors, as discussed in Part I, Item 1A of this 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 2024, 2023 and 2022 were as follows (dollars in millions):

	2024	Change	2023	Change	2022
Research and development	$ 31,370	5 %	$ 29,915	14 %	$ 26,251
Percentage of total net sales	8 %		8 %		7 %
Selling, general and administrative	$ 26,097	5 %	$ 24,932	(1)%	$ 25,094
Percentage of total net sales	7 %		7 %		6 %
Total operating expenses	$ 57,467	5 %	$ 54,847	7 %	$ 51,345
Percentage of total net sales	15 %		14 %		13 %

Research and Development

The growth in R&D expense during 2024 compared to 2023 was driven primarily by increases in headcount-related expenses.

Selling, General and Administrative

Selling, general and administrative expense increased $1.2 billion during 2024 compared to 2023.

Provision for Income Taxes

Provision for income taxes, effective tax rate and statutory federal income tax rate for 2024, 2023 and 2022 were as follows (dollars in millions):

	2024	2023	2022
Provision for income taxes	$ 29,749	$ 16,741	$ 19,300
Effective tax rate	24.1 %	14.7 %	16.2 %
Statutory federal income tax rate	21 %	21 %	21 %

The Company's effective tax rate for 2024 was higher than the statutory federal income tax rate due primarily to a one-time income tax charge of $10.2 billion, net, related to the State Aid Decision (refer to Note 7, "Income Taxes" in the Notes to Consolidated Financial Statements in Part II, Item 8 of this Form 10-K) and state income taxes, partially offset by a lower effective tax rate on foreign earnings, the impact of the U.S. federal R&D credit, and tax benefits from share-based compensation.

The Company's effective tax rate for 2024 was higher compared to 2023 due primarily to a one-time income tax charge of $10.2 billion, net, related to the State Aid Decision, a higher effective tax rate on foreign earnings and lower tax benefits from share-based compensation.

Liquidity and Capital Resources

The Company believes its balances of unrestricted cash, cash equivalents and marketable securities, which totaled $140.8 billion as of September 28, 2024, 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 material cash requirements include the following contractual obligations:

Debt

As of September 28, 2024, the Company had outstanding fixed-rate notes with varying maturities for an aggregate principal amount of $97.3 billion (collectively the "Notes"), with $10.9 billion payable within 12 months. Future interest payments associated with the Notes total $38.5 billion, with $2.6 billion payable within 12 months.

The Company also issues unsecured short-term promissory notes pursuant to a commercial paper program. As of September 28, 2024, the Company had $10.0 billion of commercial paper outstanding, all of which was payable within 12 months.

Leases

The Company has lease arrangements for certain equipment and facilities, including corporate, data center, manufacturing and retail space. As of September 28, 2024, the Company had fixed lease payment obligations of $15.6 billion, with $2.0 billion payable within 12 months.

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. As of September 28, 2024, the Company had manufacturing purchase obligations of $53.0 billion, with $52.9 billion payable within 12 months.

Other Purchase Obligations

The Company's other purchase obligations primarily consist of noncancelable obligations to acquire capital assets, including assets related to product manufacturing, and noncancelable obligations related to supplier arrangements, licensed intellectual property and content, and distribution rights. As of September 28, 2024, the Company had other purchase obligations of $12.0 billion, with $4.1 billion payable within 12 months.

Deemed Repatriation Tax Payable

As of September 28, 2024, the balance of the deemed repatriation tax payable imposed by the U.S. Tax Cuts and Jobs Act of 2017 (the "TCJA") was $16.5 billion, with $7.2 billion expected to be paid within 12 months.

State Aid Decision Tax Payable

As of September 28, 2024, the Company had an obligation to pay €14.2 billion or $15.8 billion to Ireland in connection with the State Aid Decision, all of which was expected to be paid within 12 months. The funds necessary to settle the obligation were held in escrow as of September 28, 2024, and restricted from general use.

Capital Return Program

In addition to its contractual cash requirements, the Company has an authorized share repurchase program. The program does not obligate the Company to acquire a minimum amount of shares. As of September 28, 2024, the Company's quarterly cash dividend was $0.25 per share. The Company intends to increase its dividend on an annual basis, subject to declaration by the Board.

In May 2024, the Company announced a new share repurchase program of up to $110 billion and raised its quarterly dividend from $0.24 to $0.25 per share beginning in May 2024. During 2024, the Company repurchased $95.0 billion of its common stock and paid dividends and dividend equivalents of $15.2 billion.

Recent Accounting Pronouncements

Income Taxes

In December 2023, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* ("ASU 2023-09"), which will require the Company to disclose specified additional information in its income tax rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold. ASU 2023-09 will also require the Company to disaggregate its income taxes paid disclosure by federal, state and foreign taxes, with further disaggregation required for significant individual jurisdictions. The Company will adopt ASU 2023-09 in its fourth quarter of 2026 using a prospective transition method.

Segment Reporting

In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* ("ASU 2023-07"), which will require the Company to disclose segment expenses that are significant and regularly provided to the Company's chief operating decision maker ("CODM"). In addition, ASU 2023-07 will require the Company to disclose the title and position of its CODM and how the CODM uses segment profit or loss information in assessing segment performance and deciding how to allocate resources. The Company will adopt ASU 2023-07 in its fourth quarter of 2025 using a retrospective transition method.

Critical Accounting Estimates

The preparation of financial statements and related disclosures in conformity with U.S. generally accepted accounting principles ("GAAP") 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 Consolidated Financial Statements in Part II, Item 8 of this Form 10-K describes the significant accounting policies and methods used in the preparation of the Company's consolidated financial statements. Management bases its estimates on historical experience and on various other assumptions it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities.

Uncertain Tax Positions

The Company is subject to income taxes in the U.S. and numerous foreign jurisdictions. The evaluation of the Company's uncertain tax positions involves significant judgment in the interpretation and application of GAAP and complex domestic and international tax laws, including the TCJA and the allocation of international taxation rights between countries. Although management believes the Company's reserves are reasonable, no assurance can be given that the final outcome of these uncertainties will not be different from that reflected in the Company's reserves. Reserves are adjusted considering changing facts and circumstances, such as the closing of a tax examination. Resolution of these uncertainties in a manner inconsistent with management's expectations could have a material impact on the Company's financial condition and operating results.

Legal and Other Contingencies

The Company is subject to various legal proceedings and claims that arise in the ordinary course of business, the outcomes of which are inherently uncertain. The Company records a liability when it is probable that a loss has been incurred and the amount is reasonably estimable, the determination of which requires significant judgment. Resolution of legal matters in a manner inconsistent with management's expectations could have a material impact on the Company's financial condition and operating results.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to economic risk from interest rates and foreign exchange rates. The Company uses various strategies to manage these risks; however, they may still impact the Company's consolidated financial statements.

Interest Rate Risk

The Company is primarily exposed to fluctuations in U.S. interest rates and their impact on the Company's investment portfolio and term debt. Increases in interest rates will negatively affect the fair value of the Company's investment portfolio and increase the interest expense on the Company's term debt. To protect against interest rate risk, the Company may use derivative instruments, offset interest rate–sensitive assets and liabilities, or control duration of the investment and term debt portfolios.

The following table sets forth potential impacts on the Company's investment portfolio and term debt, including the effects of any associated derivatives, that would result from a hypothetical increase in relevant interest rates as of September 28, 2024 and September 30, 2023 (dollars in millions):

Interest Rate Sensitive Instrument	Hypothetical Interest Rate Increase	Potential Impact	2024	2023
Investment portfolio	100 basis points, all tenors	Decline in fair value	$ 2,755	$ 3,089
Term debt	100 basis points, all tenors	Increase in annual interest expense	$ 139	$ 194

Foreign Exchange Rate Risk

The Company's exposure to foreign exchange rate risk relates primarily to the Company being a net receiver of currencies other than the U.S. dollar. Changes in exchange rates, and in particular a strengthening of the U.S. dollar, will negatively affect the Company's net sales and gross margins as expressed in U.S. dollars. Fluctuations in exchange rates may also affect the fair values of certain of the Company's assets and liabilities. To protect against foreign exchange rate risk, the Company may use derivative instruments, offset exposures, or adjust local currency pricing of its products and services. However, the Company may choose to not hedge certain foreign currency exposures for a variety of reasons, including accounting considerations or prohibitive cost.

The Company applied a value-at-risk ("VAR") model to its foreign currency derivative positions to assess the potential impact of fluctuations in exchange rates. The VAR model used a Monte Carlo simulation. The VAR is the maximum expected loss in fair value, for a given confidence interval, to the Company's foreign currency derivative positions due to adverse movements in rates. Based on the results of the model, the Company estimates, with 95% confidence, a maximum one-day loss in fair value of $538 million and $669 million as of September 28, 2024 and September 30, 2023, respectively. Changes in the Company's underlying foreign currency exposures, which were excluded from the assessment, generally offset changes in the fair values of the Company's foreign currency derivatives.

Item 8. Financial Statements and Supplementary Data

All financial statement schedules have been omitted, since the required information is not applicable or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements and accompanying notes.

Apple Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except number of shares, which are reflected in thousands, and per-share amounts)

	Years ended		
	September 28, 2024	**September 30, 2023**	**September 24, 2022**
Net sales:			
Products	$ 294,866	$ 298,085	$ 316,199
Services	96,169	85,200	78,129
Total net sales	391,035	383,285	394,328
Cost of sales:			
Products	185,233	189,282	201,471
Services	25,119	24,855	22,075
Total cost of sales	210,352	214,137	223,546
Gross margin	180,683	169,148	170,782
Operating expenses:			
Research and development	31,370	29,915	26,251
Selling, general and administrative	26,097	24,932	25,094
Total operating expenses	57,467	54,847	51,345
Operating income	123,216	114,301	119,437
Other income/(expense), net	269	(565)	(334)
Income before provision for income taxes	123,485	113,736	119,103
Provision for income taxes	29,749	16,741	19,300
Net income	$ 93,736	$ 96,995	$ 99,803
Earnings per share:			
Basic	$ 6.11	$ 6.16	$ 6.15
Diluted	$ 6.08	$ 6.13	$ 6.11
Shares used in computing earnings per share:			
Basic	15,343,783	15,744,231	16,215,963
Diluted	15,408,095	15,812,547	16,325,819

See accompanying Notes to Consolidated Financial Statements.

Apple Inc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)

	Years ended		
	September 28, 2024	September 30, 2023	September 24, 2022
Net income	$ 93,736	$ 96,995	$ 99,803
Other comprehensive income/(loss):			
Change in foreign currency translation, net of tax	395	(765)	(1,511)
Change in unrealized gains/losses on derivative instruments, net of tax:			
Change in fair value of derivative instruments	(832)	323	3,212
Adjustment for net (gains)/losses realized and included in net income	(1,337)	(1,717)	(1,074)
Total change in unrealized gains/losses on derivative instruments	(2,169)	(1,394)	2,138
Change in unrealized gains/losses on marketable debt securities, net of tax:			
Change in fair value of marketable debt securities	5,850	1,563	(12,104)
Adjustment for net (gains)/losses realized and included in net income	204	253	205
Total change in unrealized gains/losses on marketable debt securities	6,054	1,816	(11,899)
Total other comprehensive income/(loss)	4,280	(343)	(11,272)
Total comprehensive income	$ 98,016	$ 96,652	$ 88,531

See accompanying Notes to Consolidated Financial Statements.

Apple Inc.

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

	September 28, 2024	September 30, 2023
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 29,943	$ 29,965
Marketable securities	35,228	31,590
Accounts receivable, net	33,410	29,508
Vendor non-trade receivables	32,833	31,477
Inventories	7,286	6,331
Other current assets	14,287	14,695
Total current assets	152,987	143,566
Non-current assets:		
Marketable securities	91,479	100,544
Property, plant and equipment, net	45,680	43,715
Other non-current assets	74,834	64,758
Total non-current assets	211,993	209,017
Total assets	$ 364,980	$ 352,583
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	$ 68,960	$ 62,611
Other current liabilities	78,304	58,829
Deferred revenue	8,249	8,061
Commercial paper	9,967	5,985
Term debt	10,912	9,822
Total current liabilities	176,392	145,308
Non-current liabilities:		
Term debt	85,750	95,281
Other non-current liabilities	45,888	49,848
Total non-current liabilities	131,638	145,129
Total liabilities	308,030	290,437
Commitments and contingencies		
Shareholders' equity:		
Common stock and additional paid-in capital, $0.00001 par value: 50,400,000 shares authorized; 15,116,786 and 15,550,061 shares issued and outstanding, respectively	83,276	73,812
Accumulated deficit	(19,154)	(214)
Accumulated other comprehensive loss	(7,172)	(11,452)
Total shareholders' equity	56,950	62,146
Total liabilities and shareholders' equity	$ 364,980	$ 352,583

See accompanying Notes to Consolidated Financial Statements.

Apple Inc.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In millions, except per-share amounts)

	Years ended		
	September 28, 2024	September 30, 2023	September 24, 2022
Total shareholders' equity, beginning balances	$ 62,146	$ 50,672	$ 63,090
Common stock and additional paid-in capital:			
Beginning balances	73,812	64,849	57,365
Common stock issued	1,423	1,346	1,175
Common stock withheld related to net share settlement of equity awards	(3,993)	(3,521)	(2,971)
Share-based compensation	12,034	11,138	9,280
Ending balances	83,276	73,812	64,849
Retained earnings/(Accumulated deficit):			
Beginning balances	(214)	(3,068)	5,562
Net income	93,736	96,995	99,803
Dividends and dividend equivalents declared	(15,218)	(14,996)	(14,793)
Common stock withheld related to net share settlement of equity awards	(1,612)	(2,099)	(3,454)
Common stock repurchased	(95,846)	(77,046)	(90,186)
Ending balances	(19,154)	(214)	(3,068)
Accumulated other comprehensive income/(loss):			
Beginning balances	(11,452)	(11,109)	163
Other comprehensive income/(loss)	4,280	(343)	(11,272)
Ending balances	(7,172)	(11,452)	(11,109)
Total shareholders' equity, ending balances	$ 56,950	$ 62,146	$ 50,672
Dividends and dividend equivalents declared per share or RSU	$ 0.98	$ 0.94	$ 0.90

See accompanying Notes to Consolidated Financial Statements.

Apple Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Years ended		
	September 28, 2024	September 30, 2023	September 24, 2022
Cash, cash equivalents, and restricted cash and cash equivalents, beginning balances	$ 30,737	$ 24,977	$ 35,929
Operating activities:			
Net income	93,736	96,995	99,803
Adjustments to reconcile net income to cash generated by operating activities:			
Depreciation and amortization	11,445	11,519	11,104
Share-based compensation expense	11,688	10,833	9,038
Other	(2,266)	(2,227)	1,006
Changes in operating assets and liabilities:			
Accounts receivable, net	(3,788)	(1,688)	(1,823)
Vendor non-trade receivables	(1,356)	1,271	(7,520)
Inventories	(1,046)	(1,618)	1,484
Other current and non-current assets	(11,731)	(5,684)	(6,499)
Accounts payable	6,020	(1,889)	9,448
Other current and non-current liabilities	15,552	3,031	6,110
Cash generated by operating activities	118,254	110,543	122,151
Investing activities:			
Purchases of marketable securities	(48,656)	(29,513)	(76,923)
Proceeds from maturities of marketable securities	51,211	39,686	29,917
Proceeds from sales of marketable securities	11,135	5,828	37,446
Payments for acquisition of property, plant and equipment	(9,447)	(10,959)	(10,708)
Other	(1,308)	(1,337)	(2,086)
Cash generated by/(used in) investing activities	2,935	3,705	(22,354)
Financing activities:			
Payments for taxes related to net share settlement of equity awards	(5,441)	(5,431)	(6,223)
Payments for dividends and dividend equivalents	(15,234)	(15,025)	(14,841)
Repurchases of common stock	(94,949)	(77,550)	(89,402)
Proceeds from issuance of term debt, net	—	5,228	5,465
Repayments of term debt	(9,958)	(11,151)	(9,543)
Proceeds from/(Repayments of) commercial paper, net	3,960	(3,978)	3,955
Other	(361)	(581)	(160)
Cash used in financing activities	(121,983)	(108,488)	(110,749)
Increase/(Decrease) in cash, cash equivalents, and restricted cash and cash equivalents	(794)	5,760	(10,952)
Cash, cash equivalents, and restricted cash and cash equivalents, ending balances	$ 29,943	$ 30,737	$ 24,977
Supplemental cash flow disclosure:			
Cash paid for income taxes, net	$ 26,102	$ 18,679	$ 19,573

See accompanying Notes to Consolidated Financial Statements.

Apple Inc.

Notes to Consolidated Financial Statements

Note 1 – Summary of Significant Accounting Policies

Basis of Presentation and Preparation

The consolidated financial statements include the accounts of Apple Inc. and its wholly owned subsidiaries. The preparation of these consolidated financial statements and accompanying notes in conformity with GAAP requires the use of management estimates. Certain prior period amounts in the consolidated financial statements and accompanying notes have been reclassified to conform to the current period's presentation.

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, which occurred in the first fiscal quarter of 2023. The Company's fiscal years 2024 and 2022 spanned 52 weeks each, whereas fiscal year 2023 spanned 53 weeks. 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.

Revenue

The Company records revenue net of taxes collected from customers that are remitted to governmental authorities.

Share-Based Compensation

The Company recognizes share-based compensation expense on a straight-line basis for its estimate of equity awards that will ultimately vest.

Cash Equivalents

All highly liquid investments with maturities of three months or less at the date of purchase are treated as cash equivalents.

Marketable Securities

The cost of securities sold is determined using the specific identification method.

Inventories

Inventories are measured using the first-in, first-out method.

Property, Plant and Equipment

Depreciation on property, plant and equipment is recognized on a straight-line basis.

Derivative Instruments

The Company presents derivative assets and liabilities at their gross fair values in the Consolidated Balance Sheets.

Income Taxes

The Company records certain deferred tax assets and liabilities in connection with the minimum tax on certain foreign earnings created by the TCJA.

Leases

The Company combines and accounts for lease and nonlease components as a single lease component for leases of corporate, data center and retail facilities.

Note 2 – Revenue

The Company recognizes revenue at the amount to which it expects to be entitled when control of the products or services is transferred to its customers. Control is generally transferred when the Company has a present right to payment and title and the significant risks and rewards of ownership of products or services are transferred to its customers. For most of the Company's Products net sales, control transfers when products are shipped. For the Company's Services net sales, control transfers over time as services are delivered. Payment for Products and Services net sales is collected within a short period following transfer of control or commencement of delivery of services, as applicable.

The Company records reductions to Products net sales related to future product returns, price protection and other customer incentive programs based on the Company's expectations and historical experience.

For arrangements with multiple performance obligations, which represent promises within an arrangement that are distinct, the Company allocates revenue to all distinct performance obligations based on their relative stand-alone selling prices ("SSPs"). When available, the Company uses observable prices to determine SSPs. When observable prices are not available, SSPs are established that reflect the Company's best estimates of what the selling prices of the performance obligations would be if they were sold regularly on a stand-alone basis. The Company's process for estimating SSPs without observable prices considers multiple factors that may vary depending upon the unique facts and circumstances related to each performance obligation including, where applicable, prices charged by the Company for similar offerings, market trends in the pricing for similar offerings, product-specific business objectives and the estimated cost to provide the performance obligation.

The Company has identified the performance obligations regularly included in arrangements involving the sale of iPhone, Mac and iPad. The first material performance obligation, which represents the substantial portion of the allocated sales price, is the hardware and bundled software delivered at the time of sale. The second material performance obligation is the right to receive certain product-related bundled services, which include iCloud®, Siri® and Maps. The Company allocates revenue and any related discounts to all of its performance obligations based on their relative SSPs. Because the Company lacks observable prices for product-related bundled services, the allocation of revenue is based on the Company's estimated SSPs. Revenue allocated to the delivered hardware and bundled software is recognized when control has transferred to the customer, which generally occurs when the product is shipped. Revenue allocated to product-related bundled services is deferred and recognized on a straight-line basis over the estimated period they are expected to be provided.

For certain long-term service arrangements, the Company has performance obligations for services it has not yet delivered. For these arrangements, the Company does not have a right to bill for the undelivered services. The Company has determined that any unbilled consideration relates entirely to the value of the undelivered services. Accordingly, the Company has not recognized revenue, and does not disclose amounts, related to these undelivered services.

For the sale of third-party products where the Company obtains control of the product before transferring it to the customer, the Company recognizes revenue based on the gross amount billed to customers. The Company considers multiple factors when determining whether it obtains control of third-party products, including evaluating if it can establish the price of the product, retains inventory risk for tangible products or has the responsibility for ensuring acceptability of the product. For third-party applications sold through the App Store, the Company does not obtain control of the product before transferring it to the customer. Therefore, the Company accounts for all third-party application–related sales on a net basis by recognizing in Services net sales only the commission it retains.

Net sales disaggregated by significant products and services for 2024, 2023 and 2022 were as follows (in millions):

	2024	2023	2022
iPhone	$ 201,183	$ 200,583	$ 205,489
Mac	29,984	29,357	40,177
iPad	26,694	28,300	29,292
Wearables, Home and Accessories	37,005	39,845	41,241
Services (1)	96,169	85,200	78,129
Total net sales	$ 391,035	$ 383,285	$ 394,328

(1) Services net sales include amortization of the deferred value of services bundled in the sales price of certain products.

Total net sales include $7.7 billion of revenue recognized in 2024 that was included in deferred revenue as of September 30, 2023, $8.2 billion of revenue recognized in 2023 that was included in deferred revenue as of September 24, 2022, and $7.5 billion of revenue recognized in 2022 that was included in deferred revenue as of September 25, 2021.

The Company's proportion of net sales by disaggregated revenue source was generally consistent for each reportable segment in Note 13, "Segment Information and Geographic Data" for 2024, 2023 and 2022, except in Greater China, where iPhone revenue represented a moderately higher proportion of net sales.

As of September 28, 2024 and September 30, 2023, the Company had total deferred revenue of $12.8 billion and $12.1 billion, respectively. As of September 28, 2024, the Company expects 64% of total deferred revenue to be realized in less than a year, 25% within one-to-two years, 9% within two-to-three years and 2% in greater than three years.

Note 3 – Earnings Per Share

The following table shows the computation of basic and diluted earnings per share for 2024, 2023 and 2022 (net income in millions and shares in thousands):

	2024	2023	2022
Numerator:			
Net income	$ 93,736	$ 96,995	$ 99,803
Denominator:			
Weighted-average basic shares outstanding	15,343,783	15,744,231	16,215,963
Effect of dilutive share-based awards	64,312	68,316	109,856
Weighted-average diluted shares	15,408,095	15,812,547	16,325,819
Basic earnings per share	$ 6.11	$ 6.16	$ 6.15
Diluted earnings per share	$ 6.08	$ 6.13	$ 6.11

Approximately 24 million restricted stock units ("RSUs") were excluded from the computation of diluted earnings per share for 2023 because their effect would have been antidilutive.

Note 4 – 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 September 28, 2024 and September 30, 2023 (in millions):

	2024						
	Adjusted Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cash and Cash Equivalents	Current Marketable Securities	Non-Current Marketable Securities
Cash	$ 27,199	$ —	$ —	$ 27,199	$ 27,199	$ —	$ —
Level 1:							
Money market funds	778	—	—	778	778	—	—
Mutual funds	515	105	(3)	617	—	617	—
Subtotal	1,293	105	(3)	1,395	778	617	—
Level 2 [1]:							
U.S. Treasury securities	16,150	45	(516)	15,679	212	4,087	11,380
U.S. agency securities	5,431	—	(272)	5,159	155	703	4,301
Non-U.S. government securities	17,959	93	(484)	17,568	1,158	10,810	5,600
Certificates of deposit and time deposits	873	—	—	873	387	478	8
Commercial paper	1,066	—	—	1,066	28	1,038	—
Corporate debt securities	65,622	270	(1,953)	63,939	26	16,027	47,886
Municipal securities	412	—	(7)	405	—	190	215
Mortgage- and asset-backed securities	24,595	175	(1,403)	23,367	—	1,278	22,089
Subtotal	132,108	583	(4,635)	128,056	1,966	34,611	91,479
Total [2][3]	$ 160,600	$ 688	$ (4,638)	$ 156,650	$ 29,943	$ 35,228	$ 91,479

	2023						
	Adjusted Cost	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**	**Cash and Cash Equivalents**	**Current Marketable Securities**	**Non-Current Marketable Securities**
Cash	$ 28,359	$ —	$ —	$ 28,359	$ 28,359	$ —	$ —
Level 1:							
Money market funds	481	—	—	481	481	—	—
Mutual funds and equity securities	442	12	(26)	428	—	428	—
Subtotal	923	12	(26)	909	481	428	—
Level 2 (1):							
U.S. Treasury securities	19,406	—	(1,292)	18,114	35	5,468	12,611
U.S. agency securities	5,736	—	(600)	5,136	36	271	4,829
Non-U.S. government securities	17,533	6	(1,048)	16,491	—	11,332	5,159
Certificates of deposit and time deposits	1,354	—	—	1,354	1,034	320	—
Commercial paper	608	—	—	608	—	608	—
Corporate debt securities	76,840	6	(5,956)	70,890	20	12,627	58,243
Municipal securities	628	—	(26)	602	—	192	410
Mortgage- and asset-backed securities	22,365	6	(2,735)	19,636	—	344	19,292
Subtotal	144,470	18	(11,657)	132,831	1,125	31,162	100,544
Total (3)	$ 173,752	$ 30	$ (11,683)	$ 162,099	$ 29,965	$ 31,590	$ 100,544

(1) The valuation techniques used to measure the fair values of the Company's Level 2 financial instruments, which generally have counterparties with high credit ratings, are based on quoted market prices or model-driven valuations using significant inputs derived from or corroborated by observable market data.

(2) As of September 28, 2024, cash and cash equivalents included $2.6 billion held in escrow and restricted from general use. These restricted cash and cash equivalents were designated to settle the Company's obligation related to the State Aid Decision (refer to Note 7, "Income Taxes").

(3) As of September 28, 2024 and September 30, 2023, total marketable securities included $13.2 billion and $13.8 billion, respectively, held in escrow and restricted from general use. The September 28, 2024 restricted marketable securities were designated to settle the Company's obligation related to the State Aid Decision (refer to Note 7, "Income Taxes").

As of September 28, 2024, 86% of the Company's non-current marketable debt securities other than mortgage- and asset-backed securities had maturities between 1 and 5 years, 10% between 5 and 10 years, and 4% greater than 10 years. As of September 28, 2024, 14% of the Company's non-current mortgage- and asset-backed securities had maturities between 1 and 5 years, 9% between 5 and 10 years, and 77% greater than 10 years.

The Company's investments in marketable debt securities have been classified and accounted for as available-for-sale. The Company classifies marketable debt securities as either current or non-current based on each instrument's underlying maturity.

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.

The Company classifies cash flows related to derivative instruments in the same section of the Consolidated Statements of Cash Flows as the items being hedged, which are generally classified as operating activities.

Foreign Exchange Rate Risk

To protect gross margins from fluctuations in foreign exchange rates, the Company may use forwards, options 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 exchange rates, the Company may use forwards, cross-currency swaps or other instruments. The Company designates these instruments as either cash flow or fair value hedges. As of September 28, 2024, the maximum length of time over which the Company is hedging its exposure to the variability in future cash flows for term debt–related foreign currency transactions is 18 years.

The Company may also use derivative instruments that are not designated as accounting hedges to protect gross margins from certain fluctuations in foreign exchange rates, as well as to offset a portion of the foreign currency 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 use 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 September 28, 2024 and September 30, 2023 were as follows (in millions):

	2024	2023
Derivative instruments designated as accounting hedges:		
Foreign exchange contracts	$ 64,069	$ 74,730
Interest rate contracts	$ 14,575	$ 19,375
Derivative instruments not designated as accounting hedges:		
Foreign exchange contracts	$ 91,493	$ 104,777

The carrying amounts of the Company's hedged items in fair value hedges as of September 28, 2024 and September 30, 2023 were as follows (in millions):

	2024	2023
Hedged assets/(liabilities):		
Current and non-current marketable securities	$ —	$ 14,433
Current and non-current term debt	$ (13,505)	$ (18,247)

Accounts Receivable

Trade Receivables

The Company's third-party cellular network carriers accounted for 38% and 41% of total trade receivables as of September 28, 2024 and September 30, 2023, respectively. The Company requires third-party credit support or collateral from certain customers to limit credit risk.

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. The Company does not reflect the sale of these components in products net sales. Rather, the Company recognizes any gain on these sales as a reduction of products cost of sales when the related final products are sold by the Company. As of September 28, 2024, the Company had two vendors that individually represented 10% or more of total vendor non-trade receivables, which accounted for 44% and 23%. As of September 30, 2023, the Company had two vendors that individually represented 10% or more of total vendor non-trade receivables, which accounted for 48% and 23%.

Note 5 – Property, Plant and Equipment

The following table shows the Company's gross property, plant and equipment by major asset class and accumulated depreciation as of September 28, 2024 and September 30, 2023 (in millions):

	2024	2023
Land and buildings	$ 24,690	$ 23,446
Machinery, equipment and internal-use software	80,205	78,314
Leasehold improvements	14,233	12,839
Gross property, plant and equipment	119,128	114,599
Accumulated depreciation	(73,448)	(70,884)
Total property, plant and equipment, net	$ 45,680	$ 43,715

Depreciation expense on property, plant and equipment was $8.2 billion, $8.5 billion and $8.7 billion during 2024, 2023 and 2022, respectively.

Note 6 – Consolidated Financial Statement Details

The following tables show the Company's consolidated financial statement details as of September 28, 2024 and September 30, 2023 (in millions):

Other Non-Current Assets

	2024	2023
Deferred tax assets	$ 19,499	$ 17,852
Other non-current assets	55,335	46,906
Total other non-current assets	$ 74,834	$ 64,758

Other Current Liabilities

	2024	2023
Income taxes payable	$ 26,601	$ 8,819
Other current liabilities	51,703	50,010
Total other current liabilities	$ 78,304	$ 58,829

Other Non-Current Liabilities

	2024	2023
Income taxes payable	$ 9,254	$ 15,457
Other non-current liabilities	36,634	34,391
Total other non-current liabilities	$ 45,888	$ 49,848

Note 7 – Income Taxes

European Commission State Aid Decision

On August 30, 2016, the Commission announced its decision that Ireland granted state aid to the Company by providing tax opinions in 1991 and 2007 concerning the tax allocation of profits of the Irish branches of two subsidiaries of the Company (the "State Aid Decision"). The State Aid Decision ordered Ireland to calculate and recover additional taxes from the Company for the period June 2003 through December 2014. Irish legislative changes, effective as of January 2015, eliminated the application of the tax opinions from that date forward. The recovery amount was calculated to be €13.1 billion, plus interest of €1.2 billion.

From time to time, the Company requested approval from the Irish Minister for Finance to reduce the recovery amount for certain taxes paid to other countries. As of September 28, 2024, the adjusted recovery amount of €12.7 billion plus interest of €1.2 billion was held in escrow and restricted from general use. The total balance of the escrow, including net unrealized investment gains, was €14.2 billion or $15.8 billion as of September 28, 2024, of which $2.6 billion was classified as cash and cash equivalents and $13.2 billion was classified as current marketable securities in the Consolidated Balance Sheet. Refer to the Cash, Cash Equivalents and Marketable Securities section of Note 4, "Financial Instruments" for more information.

The Company and Ireland appealed the State Aid Decision to the General Court of the Court of Justice of the European Union (the “General Court”). On July 15, 2020, the General Court annulled the State Aid Decision. On September 25, 2020, the Commission appealed the General Court’s decision to the European Court of Justice (the “ECJ”) and a hearing was held on May 23, 2023. On September 10, 2024, the ECJ announced that it had set aside the 2020 judgment of the General Court and confirmed the Commission’s 2016 State Aid Decision. As a result, during the fourth quarter of 2024 the Company recorded a one-time income tax charge of $10.2 billion, net, which represents $15.8 billion payable to Ireland via release of the escrow, partially offset by a U.S. foreign tax credit of $4.8 billion and a decrease in unrecognized tax benefits of $823 million.

Provision for Income Taxes and Effective Tax Rate

The provision for income taxes for 2024, 2023 and 2022, consisted of the following (in millions):

	2024	2023	2022
Federal:			
Current	$ 5,571	$ 9,445	$ 7,890
Deferred	(3,080)	(3,644)	(2,265)
Total	2,491	5,801	5,625
State:			
Current	1,726	1,570	1,519
Deferred	(298)	(49)	84
Total	1,428	1,521	1,603
Foreign:			
Current	25,483	8,750	8,996
Deferred	347	669	3,076
Total	25,830	9,419	12,072
Provision for income taxes	$ 29,749	$ 16,741	$ 19,300

Foreign pretax earnings were $77.3 billion, $72.9 billion and $71.3 billion in 2024, 2023 and 2022, respectively.

A reconciliation of the provision for income taxes to the amount computed by applying the statutory federal income tax rate (21% in 2024, 2023 and 2022) to income before provision for income taxes for 2024, 2023 and 2022, is as follows (dollars in millions):

	2024	2023	2022
Computed expected tax	$ 25,932	$ 23,885	$ 25,012
State taxes, net of federal effect	1,162	1,124	1,518
Impact of the State Aid Decision	10,246	—	—
Earnings of foreign subsidiaries	(5,311)	(5,744)	(4,366)
Research and development credit, net	(1,397)	(1,212)	(1,153)
Excess tax benefits from equity awards	(893)	(1,120)	(1,871)
Other	10	(192)	160
Provision for income taxes	$ 29,749	$ 16,741	$ 19,300
Effective tax rate	24.1 %	14.7 %	16.2 %

Deferred Tax Assets and Liabilities

As of September 28, 2024 and September 30, 2023, the significant components of the Company's deferred tax assets and liabilities were (in millions):

	2024	2023
Deferred tax assets:		
Capitalized research and development	$ 10,739	$ 6,294
Tax credit carryforwards	8,856	8,302
Accrued liabilities and other reserves	6,114	6,365
Deferred revenue	3,413	4,571
Lease liabilities	2,410	2,421
Unrealized losses	1,173	2,447
Other	2,168	2,343
Total deferred tax assets	34,873	32,743
Less: Valuation allowance	(8,866)	(8,374)
Total deferred tax assets, net	26,007	24,369
Deferred tax liabilities:		
Depreciation	2,551	1,998
Right-of-use assets	2,125	2,179
Minimum tax on foreign earnings	1,674	1,940
Unrealized gains	—	511
Other	455	490
Total deferred tax liabilities	6,805	7,118
Net deferred tax assets	$ 19,202	$ 17,251

As of September 28, 2024, the Company had $5.1 billion in foreign tax credit carryforwards in Ireland and $3.6 billion in California R&D credit carryforwards, both of which can be carried forward indefinitely. A valuation allowance has been recorded for the credit carryforwards and a portion of other temporary differences.

Uncertain Tax Positions

As of September 28, 2024, the total amount of gross unrecognized tax benefits was $22.0 billion, of which $10.8 billion, if recognized, would impact the Company's effective tax rate. As of September 30, 2023, the total amount of gross unrecognized tax benefits was $19.5 billion, of which $9.5 billion, if recognized, would have impacted the Company's effective tax rate.

The aggregate change in the balance of gross unrecognized tax benefits, which excludes interest and penalties, for 2024, 2023 and 2022, is as follows (in millions):

	2024	2023	2022
Beginning balances	$ 19,454	$ 16,758	$ 15,477
Increases related to tax positions taken during a prior year	1,727	2,044	2,284
Decreases related to tax positions taken during a prior year	(386)	(1,463)	(1,982)
Increases related to tax positions taken during the current year	2,542	2,628	1,936
Decreases related to settlements with taxing authorities	(1,070)	(19)	(28)
Decreases related to expiration of the statute of limitations	(229)	(494)	(929)
Ending balances	$ 22,038	$ 19,454	$ 16,758

The Company is subject to taxation and files income tax returns in the U.S. federal jurisdiction and many state and foreign jurisdictions. Tax years after 2017 for the U.S. federal jurisdiction, and after 2014 in certain major foreign jurisdictions, remain subject to examination. Although the timing of resolution or closure of examinations is not certain, the Company believes it is reasonably possible that its gross unrecognized tax benefits could decrease between approximately $5 billion and $13 billion in the next 12 months, primarily related to intercompany transfer pricing and deemed repatriation tax.

Note 8 – Leases

The Company has lease arrangements for certain equipment and facilities, including corporate, data center, manufacturing and retail space. These leases typically have original terms not exceeding 10 years and generally contain multiyear renewal options, some of which are reasonably certain of exercise.

Payments under the Company's lease arrangements may be fixed or variable, and variable lease payments are primarily based on purchases of output of the underlying leased assets. Lease costs associated with fixed payments on the Company's operating leases were $2.0 billion for both 2024 and 2023 and $1.9 billion for 2022. Lease costs associated with variable payments on the Company's leases were $13.8 billion, $13.9 billion and $14.9 billion for 2024, 2023 and 2022, respectively.

The Company made fixed cash payments related to operating leases of $1.9 billion in both 2024 and 2023 and $1.8 billion in 2022. Noncash activities involving right-of-use ("ROU") assets obtained in exchange for lease liabilities were $1.0 billion, $2.1 billion and $2.8 billion for 2024, 2023 and 2022, respectively.

The following table shows ROU assets and lease liabilities, and the associated financial statement line items, as of September 28, 2024 and September 30, 2023 (in millions):

Lease-Related Assets and Liabilities	Financial Statement Line Items	2024	2023
Right-of-use assets:			
Operating leases	Other non-current assets	$ 10,234	$ 10,661
Finance leases	Property, plant and equipment, net	1,069	1,015
Total right-of-use assets		$ 11,303	$ 11,676
Lease liabilities:			
Operating leases	Other current liabilities	$ 1,488	$ 1,410
	Other non-current liabilities	10,046	10,408
Finance leases	Other current liabilities	144	165
	Other non-current liabilities	752	859
Total lease liabilities		$ 12,430	$ 12,842

Lease liability maturities as of September 28, 2024, are as follows (in millions):

	Operating Leases	Finance Leases	Total
2025	$ 1,820	$ 171	$ 1,991
2026	1,914	131	2,045
2027	1,674	59	1,733
2028	1,360	38	1,398
2029	1,187	36	1,223
Thereafter	5,563	837	6,400
Total undiscounted liabilities	13,518	1,272	14,790
Less: Imputed interest	(1,984)	(376)	(2,360)
Total lease liabilities	$ 11,534	$ 896	$ 12,430

The weighted-average remaining lease term related to the Company's lease liabilities as of September 28, 2024 and September 30, 2023 was 10.3 years and 10.6 years, respectively. The discount rate related to the Company's lease liabilities as of September 28, 2024 and September 30, 2023 was 3.1% and 3.0%, respectively. The discount rates related to the Company's lease liabilities are generally based on estimates of the Company's incremental borrowing rate, as the discount rates implicit in the Company's leases cannot be readily determined.

As of September 28, 2024, the Company had $849 million of fixed payment obligations under additional leases, primarily for corporate facilities and retail space, that had not yet commenced. These leases will commence between 2025 and 2026, with lease terms ranging from less than 1 year to 21 years.

Note 9 – Debt

Commercial Paper

The Company issues unsecured short-term promissory notes 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 September 28, 2024 and September 30, 2023, the Company had $10.0 billion and $6.0 billion of commercial paper outstanding, respectively, with maturities generally less than nine months. The weighted-average interest rate of the Company's commercial paper was 5.00% and 5.28% as of September 28, 2024 and September 30, 2023, respectively. The following table provides a summary of cash flows associated with the issuance and maturities of commercial paper for 2024, 2023 and 2022 (in millions):

	2024	2023	2022
Maturities 90 days or less:			
Proceeds from/(Repayments of) commercial paper, net	$ 3,960	$ (1,333)	$ 5,264
Maturities greater than 90 days:			
Proceeds from commercial paper	—	—	5,948
Repayments of commercial paper	—	(2,645)	(7,257)
Proceeds from/(Repayments of) commercial paper, net	—	(2,645)	(1,309)
Total proceeds from/(repayments of) commercial paper, net	$ 3,960	$ (3,978)	$ 3,955

Term Debt

The Company has outstanding Notes, which are senior unsecured obligations with interest payable in arrears. The following table provides a summary of the Company's term debt as of September 28, 2024 and September 30, 2023:

		2024		2023	
	Maturities (calendar year)	Amount (in millions)	Effective Interest Rate	Amount (in millions)	Effective Interest Rate
2013 – 2023 debt issuances:					
Fixed-rate 0.000% – 4.850% notes	2024 – 2062	$ 97,341	0.03% – 6.65%	$ 106,572	0.03% – 6.72%
Total term debt principal		97,341		106,572	
Unamortized premium/(discount) and issuance costs, net		(321)		(356)	
Hedge accounting fair value adjustments		(358)		(1,113)	
Total term debt		96,662		105,103	
Less: Current portion of term debt		(10,912)		(9,822)	
Total non-current portion of term debt		$ 85,750		$ 95,281	

To manage interest rate risk on certain of its U.S. dollar–denominated fixed-rate notes, the Company uses interest rate swaps to effectively convert the fixed interest rates to floating interest rates on a portion of these notes. Additionally, to manage foreign exchange rate risk on certain of its foreign currency–denominated notes, the Company uses cross-currency swaps to effectively convert these notes to U.S. dollar–denominated notes.

The effective interest rates for the Notes include the interest on the Notes, amortization of the discount or premium and, if applicable, adjustments related to hedging.

The future principal payments for the Company's Notes as of September 28, 2024, are as follows (in millions):

2025	$ 10,930
2026	12,342
2027	9,936
2028	7,800
2029	5,153
Thereafter	51,180
Total term debt principal	$ 97,341

As of September 28, 2024 and September 30, 2023, the fair value of the Company's Notes, based on Level 2 inputs, was $88.4 billion and $90.8 billion, respectively.

Note 10 – Shareholders' Equity

Share Repurchase Program

During 2024, the Company repurchased 499 million shares of its common stock for $95.0 billion. The Company's share repurchase programs do not obligate the Company to acquire a minimum amount of shares. Under the programs, shares may be repurchased in privately negotiated or open market transactions, including under plans complying with Rule 10b5-1 under the Exchange Act.

Shares of Common Stock

The following table shows the changes in shares of common stock for 2024, 2023 and 2022 (in thousands):

	2024	2023	2022
Common stock outstanding, beginning balances	15,550,061	15,943,425	16,426,786
Common stock repurchased	(499,372)	(471,419)	(568,589)
Common stock issued, net of shares withheld for employee taxes	66,097	78,055	85,228
Common stock outstanding, ending balances	15,116,786	15,550,061	15,943,425

Note 11 – Share-Based Compensation

2022 Employee Stock Plan

The Apple Inc. 2022 Employee Stock Plan (the "2022 Plan") is a shareholder-approved plan that provides for broad-based equity grants to employees, including executive officers, and permits the granting of RSUs, stock grants, performance-based awards, stock options and stock appreciation rights. RSUs granted under the 2022 Plan generally vest over four years, based on continued employment, and are settled upon vesting in shares of the Company's common stock on a one-for-one basis. All RSUs granted under the 2022 Plan have dividend equivalent rights, which entitle holders of RSUs to the same dividend value per share as holders of common stock. A maximum of approximately 1.3 billion shares were authorized for issuance pursuant to 2022 Plan awards at the time the plan was approved on March 4, 2022.

2014 Employee Stock Plan

The Apple Inc. 2014 Employee Stock Plan, as amended and restated (the "2014 Plan"), is a shareholder-approved plan that provided for broad-based equity grants to employees, including executive officers. The 2014 Plan permitted the granting of the same types of equity awards with substantially the same terms as the 2022 Plan. The 2014 Plan also permitted the granting of cash bonus awards. In the third quarter of 2022, the Company terminated the authority to grant new awards under the 2014 Plan.

Restricted Stock Units

A summary of the Company's RSU activity and related information for 2024, 2023 and 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	91,674	$ 150.70	
RSUs vested	(115,861)	$ 72.12	
RSUs canceled	(14,739)	$ 99.77	
Balance as of September 24, 2022	201,501	$ 109.48	
RSUs granted	88,768	$ 150.87	
RSUs vested	(101,878)	$ 97.31	
RSUs canceled	(8,144)	$ 127.98	
Balance as of September 30, 2023	180,247	$ 135.91	
RSUs granted	80,456	$ 173.78	
RSUs vested	(87,633)	$ 127.59	
RSUs canceled	(9,744)	$ 140.80	
Balance as of September 28, 2024	163,326	$ 158.73	$ 37,204

The fair value as of the respective vesting dates of RSUs was $15.8 billion, $15.9 billion and $18.2 billion for 2024, 2023 and 2022, respectively. The majority of RSUs that vested in 2024, 2023 and 2022 were net share settled such that the Company withheld shares with a value equivalent to the employees' obligation for the applicable income and other employment taxes, and remitted cash to the appropriate taxing authorities. The total shares withheld were approximately 31 million, 37 million and 41 million for 2024, 2023 and 2022, respectively, and were based on the value of the RSUs on their respective vesting dates as determined by the Company's closing stock price. Total payments to taxing authorities for employees' tax obligations were $5.6 billion in both 2024 and 2023 and $6.4 billion in 2022.

Share-Based Compensation

The following table shows share-based compensation expense and the related income tax benefit included in the Consolidated Statements of Operations for 2024, 2023 and 2022 (in millions):

	2024	2023	2022
Share-based compensation expense	$ 11,688	$ 10,833	$ 9,038
Income tax benefit related to share-based compensation expense	$ (3,350)	$ (3,421)	$ (4,002)

As of September 28, 2024, the total unrecognized compensation cost related to outstanding RSUs was $19.4 billion, which the Company expects to recognize over a weighted-average period of 2.4 years.

Note 12 – Commitments, Contingencies and Supply Concentrations

Unconditional Purchase Obligations

The Company has entered into certain off–balance sheet commitments that require the future purchase of goods or services ("unconditional purchase obligations"). The Company's unconditional purchase obligations primarily consist of supplier arrangements, licensed intellectual property and content, and distribution rights. Future payments under unconditional purchase obligations with a remaining term in excess of one year as of September 28, 2024, are as follows (in millions):

2025	$ 3,206
2026	2,440
2027	1,156
2028	3,121
2029	633
Thereafter	670
Total	$ 11,226

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.

Concentrations in the Available Sources of Supply of Materials and Product

Although most components essential to the Company's business are generally available from multiple sources, certain components are currently obtained from single or limited sources. The Company also competes for various components with other participants in the markets for smartphones, personal computers, tablets, wearables and accessories. Therefore, many components used by the Company, including those that are available from multiple sources, are at times subject to industry-wide shortage and significant commodity pricing fluctuations.

The Company uses some custom components that are not commonly used by its competitors, and new products introduced by the Company often utilize custom components available from only one source. When a component or product uses new technologies, initial capacity constraints may exist until the suppliers' yields have matured or their manufacturing capacities have increased. The continued availability of these components at acceptable prices, or at all, may be affected if suppliers decide to concentrate on the production of common components instead of components customized to meet the Company's requirements.

Substantially all of the Company's hardware products are manufactured by outsourcing partners that are located primarily in China mainland, India, Japan, South Korea, Taiwan and Vietnam.

Note 13 – Segment Information and Geographic Data

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.

The Company evaluates the performance of its reportable segments based on net sales and operating income. Net sales for geographic segments are generally based on the location of customers and sales through the Company's retail stores located in those geographic locations. Operating income for each segment consists of net sales to third parties, related cost of sales, and operating expenses directly attributable to the segment. The information provided to the Company's chief operating decision maker for purposes of making decisions and assessing segment performance excludes asset information.

The following table shows information by reportable segment for 2024, 2023 and 2022 (in millions):

	2024	2023	2022
Americas:			
Net sales	$ 167,045	$ 162,560	$ 169,658
Operating income	$ 67,656	$ 60,508	$ 62,683
Europe:			
Net sales	$ 101,328	$ 94,294	$ 95,118
Operating income	$ 41,790	$ 36,098	$ 35,233
Greater China:			
Net sales	$ 66,952	$ 72,559	$ 74,200
Operating income	$ 27,082	$ 30,328	$ 31,153
Japan:			
Net sales	$ 25,052	$ 24,257	$ 25,977
Operating income	$ 12,454	$ 11,888	$ 12,257
Rest of Asia Pacific:			
Net sales	$ 30,658	$ 29,615	$ 29,375
Operating income	$ 13,062	$ 12,066	$ 11,569

A reconciliation of the Company's segment operating income to the Consolidated Statements of Operations for 2024, 2023 and 2022 is as follows (in millions):

	2024	2023	2022
Segment operating income	$ 162,044	$ 150,888	$ 152,895
Research and development expense	(31,370)	(29,915)	(26,251)
Other corporate expenses, net (1)	(7,458)	(6,672)	(7,207)
Total operating income	$ 123,216	$ 114,301	$ 119,437

(1) Includes general and administrative compensation costs, various nonrecurring charges, and other separately managed costs.

The following tables show net sales for 2024, 2023 and 2022 and long-lived assets as of September 28, 2024 and September 30, 2023 for countries that individually accounted for 10% or more of the respective totals, as well as aggregate amounts for the remaining countries (in millions):

	2024	2023	2022
Net sales:			
U.S.	$ 142,196	$ 138,573	$ 147,859
China (1)	66,952	72,559	74,200
Other countries	181,887	172,153	172,269
Total net sales	$ 391,035	$ 383,285	$ 394,328

	2024	2023
Long-lived assets:		
U.S.	$ 35,664	$ 33,276
China (1)	4,797	5,778
Other countries	5,219	4,661
Total long-lived assets	$ 45,680	$ 43,715

(1) China includes Hong Kong and Taiwan.

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Apple Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Apple Inc. (the "Company") as of September 28, 2024 and September 30, 2023, the related consolidated statements of operations, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended September 28, 2024, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company at September 28, 2024 and September 30, 2023, and the results of its operations and its cash flows for each of the three years in the period ended September 28, 2024, in conformity with U.S. generally accepted accounting principles ("GAAP").

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of September 28, 2024, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated November 1, 2024 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosure to which it relates.

	Uncertain Tax Positions
Description of the Matter	As discussed in Note 7 to the financial statements, the Company is subject to income taxes in the U.S. and numerous foreign jurisdictions. As of September 28, 2024, the total amount of gross unrecognized tax benefits was \$22.0 billion, of which \$10.8 billion, if recognized, would impact the Company's effective tax rate. In accounting for some of the uncertain tax positions, the Company uses significant judgment in the interpretation and application of GAAP and complex domestic and international tax laws. Auditing management's evaluation of whether an uncertain tax position is more likely than not to be sustained and the measurement of the benefit of various tax positions can be complex, involves significant judgment, and is based on interpretations of tax laws and legal rulings.

How We Addressed the Matter in Our Audit	We tested controls relating to the evaluation of uncertain tax positions, including controls over management's assessment as to whether tax positions are more likely than not to be sustained, management's process to measure the benefit of its tax positions that qualify for recognition, and the related disclosures. We evaluated the Company's assessment of which tax positions are more likely than not to be sustained and the related measurement of the amount of tax benefit that qualifies for recognition. Our audit procedures included, among others, reading and evaluating management's assumptions and analysis, and, as applicable, the Company's communications with taxing authorities, that detailed the basis and technical merits of the uncertain tax positions. We involved our tax subject matter resources in assessing the technical merits of certain of the Company's tax positions based on our knowledge of relevant tax laws and experience with related taxing authorities. For a certain tax position, we also received an external legal counsel confirmation letter and discussed the matter with external advisors and the Company's tax personnel. In addition, we evaluated the Company's disclosure in relation to these matters included in Note 7 to the financial statements.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2009.

San Jose, California
November 1, 2024

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Apple Inc.

Opinion on Internal Control Over Financial Reporting

We have audited Apple Inc.'s internal control over financial reporting as of September 28, 2024, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the "COSO criteria"). In our opinion, Apple Inc. (the "Company") maintained, in all material respects, effective internal control over financial reporting as of September 28, 2024, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of September 28, 2024 and September 30, 2023, the related consolidated statements of operations, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended September 28, 2024, and the related notes and our report dated November 1, 2024 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

San Jose, California
November 1, 2024