

**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 25, 2021

or

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

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

Commission File Number: **001-36743**



**Apple Inc.**

(Exact name of Registrant as specified in its charter)

**California**

(State or other jurisdiction  
of incorporation or organization)

**94-2404110**

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

**One Apple Park Way  
Cupertino, California**

(Address of principal executive offices)

**95014**

(Zip Code)

**(408) 996-1010**

(Registrant's telephone number, including area code)

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

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

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. ☒

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 26, 2021, the last business day of the Registrant's most recently completed second fiscal quarter, was approximately \$2,021,360,000,000. 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.

16,406,397,000 shares of common stock were issued and outstanding as of October 15, 2021.

#### DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement relating to its 2022 annual meeting of shareholders (the "2022 Proxy Statement") are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. The 2022 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.

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**Apple Inc.**  
**Form 10-K**  
**For the Fiscal Year Ended September 25, 2021**  
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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 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 the COVID-19 pandemic on the Company's business and results of operations are forward-looking statements. Forward-looking statements can also be identified by words such as "future," "anticipates," "believes," "estimates," "expects," "intends," "plans," "predicts," "will," "would," "could," "can," "may," and similar terms. Forward-looking statements are not guarantees of future performance and the Company's actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed in Part I, Item 1A of 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. In October and November 2020, the Company released iPhone 12, iPhone 12 mini, iPhone 12 Pro and iPhone 12 Pro Max, all with 5G technology. In September 2021, the Company released iPhone 13, iPhone 13 mini, iPhone 13 Pro and iPhone 13 Pro Max.

##### *Mac*

Mac® is the Company's line of personal computers based on its macOS® operating system. In November 2020, the Company released new versions of MacBook Air®, 13-inch MacBook Pro® and Mac mini®, and in May 2021, the Company released a redesigned iMac®, all powered by the Apple M1 chip. In October 2021, the Company released a redesigned MacBook Pro, available in 14- and 16-inch models and powered by the Apple M1 Pro or M1 Max chip.

##### *iPad*

iPad® is the Company's line of multipurpose tablets based on its iPadOS® operating system. In October 2020, the Company released a new iPad Air®, and in April 2021, the Company released a new iPad Pro® powered by the Apple M1 chip. In September 2021, the Company released an updated iPad and a new iPad mini®.

##### *Wearables, Home and Accessories*

Wearables, Home and Accessories includes AirPods®, Apple TV®, Apple Watch®, Beats® products, HomePod®, iPod touch® and accessories. AirPods are the Company's wireless headphones that interact with Siri®. In December 2020, the Company released AirPods Max™, new over-ear wireless headphones, and in October 2021, the Company released the third generation of AirPods. Apple Watch is the Company's line of smart watches based on its watchOS® operating system. In September 2021, the Company announced Apple Watch Series 7, which was available starting in October 2021.

## **Services**

### *Advertising*

The Company's advertising services include various 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 and/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 Music®, which offers users a curated listening experience with on-demand radio stations; Apple News+®, a subscription news and magazine service; and Apple TV+<sup>SM</sup>, which offers exclusive original content. During 2021, the Company released Apple Fitness+<sup>SM</sup>, a personalized fitness service.

### *Payment Services*

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

## **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 consumers, small and mid-sized businesses, and education, enterprise and government 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 2021, the Company's net sales through its direct and indirect distribution channels accounted for 36% and 64%, 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.

Substantially all of the Company's hardware products are manufactured by outsourcing partners that are located primarily in Asia, with some Mac computers manufactured in the U.S. and Ireland.

### **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 devices, accessories, software and services. This includes patents, copyrights, trademarks, service marks, trade dress 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 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 applications to protect innovations arising from its research, development and design, and is currently pursuing thousands of patent applications around the world. Over time, the Company has accumulated a large portfolio of issued patents, including utility patents, design patents and others. The Company also holds copyrights relating to certain aspects of its products and services. No single intellectual property right is solely responsible for protecting the Company's products. The Company believes the duration of its intellectual property rights is adequate relative to the expected lives of its products.

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 it has a talented, motivated, and dedicated team, and is committed to supporting the development of all of its team members and to continuously building on its strong culture. As of September 25, 2021, the Company had approximately 154,000 full-time equivalent employees.

### *Workplace Practices and Policies*

The Company is committed to providing a workplace free of harassment or discrimination based on race, color, religion, sex, sexual orientation, gender identity, national origin, disability, veteran status, caste or other legally protected characteristic. The Company is an equal opportunity employer committed to inclusion and diversity.

### *Compensation and Benefits*

The Company believes that compensation should not only be competitive; it should be equitable and should enable employees to share in the Company's success as shareholders of the Company. 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 to employees around the world.

### *Growth and Development*

The Company invests in tools and resources that support employees' individual growth and development. The Company also provides classes and seminars to foster understanding and critical thinking about the Company's culture, organization and values.

### *Inclusion and Diversity*

The Company is committed to hiring inclusively, providing training and development opportunities, fostering an inclusive culture, and ensuring equitable pay for employees, and is continuing to focus on increasing diverse representation at every level of the Company.

The Company has initiatives in place to implement its commitment to increase diverse representation, including creating diverse interview panels and candidate slates, focusing on robust diversity recruiting efforts, and expanding diversity outreach efforts through organizations that serve and engage talent from underrepresented communities. The Company also offers team members access to ongoing inclusion and diversity education, and support throughout their career journey and helps them find community and connection through employee groups that create spaces for belonging, learning, and growing inclusivity, diversity and equity efforts.

### *Engagement*

The Company believes that open and honest communication among team members, managers and leadership fosters an open, collaborative work environment where everyone can participate, develop and thrive. Team members are encouraged to come to their managers with questions, feedback or concerns, and the Company regularly 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 employees everywhere it operates. The Company identifies potential risks associated with workplace activities in order to develop measures to mitigate possible hazards. The Company supports employees with general safety training and puts specific programs in place for those working in potentially high-hazard environments, including chemical management, laser safety, equipment and machinery safety, hazardous materials management and electrical safety. The Company has taken additional measures during the COVID-19 pandemic, including providing information resources, testing, face masks and personal protective equipment, and case support. The Company also offers special sick leave for employees with possible COVID-19 symptoms, as well as comprehensive health coverage.

**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](https://investor.apple.com/investor-relations/sec-filings/default.aspx) when such reports are available on the SEC's website. The Company periodically provides other information for investors on its corporate website, [www.apple.com](https://www.apple.com), and its investor relations website, [investor.apple.com](https://investor.apple.com). This includes press releases and other information about financial performance, information on environmental, social and corporate governance 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 and financial condition, as well as the price of the Company's stock, can be affected by a number of factors, whether currently known or unknown, including those described below. When any one or more of these risks materialize from time to time, the Company's business, reputation, results of operations and financial condition, as well as the price of the Company's stock, can be materially and adversely affected.

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.

### Risks Related to COVID-19

***The Company's business, results of operations and financial condition, as well as the price of the Company's stock, have been adversely affected and could in the future be materially adversely affected by the COVID-19 pandemic.***

COVID-19 has had, and continues to have, a significant impact around the world, prompting governments and businesses to take unprecedented measures in response. Such measures have included restrictions on travel and business operations, temporary closures of businesses, and quarantine and shelter-in-place orders. The COVID-19 pandemic has at times significantly curtailed global economic activity and caused significant volatility and disruption in global financial markets.

The COVID-19 pandemic and the measures taken by many countries in response have adversely affected and could in the future materially adversely impact the Company's business, results of operations and financial condition, as well as the price of the Company's stock. During the course of the pandemic, certain of the Company's component suppliers and manufacturing and logistical service providers have experienced disruptions, resulting in supply shortages that affected sales worldwide, and similar disruptions could occur in the future. The Company's retail stores, as well as channel partner points of sale, have been temporarily closed at various times. In many cases, as stores and points of sale have reopened, they are subject to operating restrictions to protect public health and the health and safety of employees and customers. The Company has at times required substantially all of its employees to work remotely.

The Company continues to monitor the situation and take appropriate actions in accordance with the recommendations and requirements of relevant authorities. The extent to which the COVID-19 pandemic may impact the Company's operational and financial performance remains uncertain and will depend on many factors outside the Company's control, including the timing, extent, trajectory and duration of the pandemic, the emergence of new variants, the development, availability, distribution and effectiveness of vaccines and treatments, the imposition of protective public safety measures, and the impact of the pandemic on the global economy and demand for consumer products. Additional future impacts on the Company may include, but are not limited to, material adverse effects on demand for the Company's products and services, the Company's supply chain and sales and distribution channels, the Company's ability to execute its strategic plans, and the Company's profitability and cost structure.

To the extent the COVID-19 pandemic adversely affects the Company's business, results of operations, financial condition and stock price, it may also have the effect of heightening many of the other risks described in this Part I, Item 1A 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 inflation, slower growth or recession, new or increased tariffs and other barriers to trade, changes to fiscal and monetary policy, tighter credit, higher interest rates, high unemployment and currency fluctuations can materially adversely affect demand for the Company's products and services. In addition, consumer confidence and spending can be adversely affected in response to financial market volatility, negative financial news, conditions in the real estate and mortgage markets, declines in income or asset values, changes to fuel and other energy costs, labor and healthcare costs and other economic factors.

In addition to an adverse impact on demand for the Company's products, 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. Potential effects include financial instability; inability to obtain credit to finance operations and purchases of the Company's products; and insolvency.

A downturn in the economic environment 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 value of the Company's financial instruments. These and other economic factors can materially adversely affect the Company's business, results of operations and financial condition.

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

Political events, trade and other international disputes, war, terrorism, natural disasters, public health issues, industrial accidents and other business interruptions can harm or disrupt international commerce and the global economy, and could have a material adverse effect on the Company and its customers, suppliers, contract manufacturers, logistics providers, distributors, cellular network carriers and other channel partners.

The Company has a large, global business, and the Company believes that it generally benefits from growth in international trade. Trade and other international disputes can result in tariffs, sanctions, and other measures that restrict international trade and can adversely affect the Company's business. For example, tensions between the U.S. and China have led to a series of tariffs being imposed by the U.S. on imports from China mainland, as well as other business restrictions. Tariffs increase the cost of the Company's products and the components and raw materials that go into making them. These increased costs adversely impact the gross margin that the Company earns on its products. Tariffs can also make the Company's products more expensive for customers, which could make the Company's products less competitive and reduce consumer demand. Countries may also adopt other measures, such as controls on imports or exports of goods, technology or data, that could adversely impact the Company's operations and supply chain and limit the Company's ability to offer its products and services as designed. These measures can require the Company to take various actions, including changing suppliers, restructuring business relationships, and ceasing to offer third-party applications on its platforms. Changing the Company's operations in accordance with new or changed trade restrictions can be expensive, time-consuming, disruptive to the Company's operations and distracting to management. Such restrictions can be announced with little or no advance notice and the Company may not be able to effectively mitigate all adverse impacts from such measures. Political uncertainty surrounding trade and other international disputes could also have a negative effect on consumer confidence and spending, which could 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. In addition, such 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, including pandemics such as the COVID-19 pandemic, and other events beyond the Company's control. Global climate change is resulting in certain types of natural disasters occurring more frequently or with more intense effects. 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, and result in slowdowns and outages to the Company's service offerings. Following an 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.

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 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 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 supply chain and sales and distribution channels, resulting in interruptions of the supply of current products and delays in production ramps of new products.

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 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 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 production ramp-up issues, the availability of application software for the Company's products, 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. 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 Asia. 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 an unanticipated product defect liability 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, military actions, economic, business, labor, environmental, public health or political issues, or international trade disputes.

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 reduced or terminated, and the recoverability of manufacturing process equipment or prepayments can be negatively impacted.

***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 is experiencing high demand and shortages of supply, which has adversely affected, and could materially adversely affect, the Company's ability to obtain sufficient quantities of components and products on commercially reasonable terms or at all. 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. 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. The effects of global or regional economic conditions on the Company's suppliers, described in "*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,*" above, can also affect the Company's ability to obtain components. 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. 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 healthcare. 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, the Company's services from time to time have not performed as anticipated and may not meet customer expectations. 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. In addition, the Company can be exposed to product liability claims, recalls, product replacements or modifications, write-offs of inventory, property, plant and equipment, and/or intangible assets, and significant warranty and other expenses, including litigation costs and regulatory fines. Quality problems can also 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 may 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 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 and can operate incorrectly and can result in dissatisfied customers.

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. The Company only retains a commission from sales of applications and sales of digital services or goods within an application. From time to time, the Company has made changes to its App Store, including actions taken in response to competition, market and legal conditions. The Company may make further business changes in the future. New legislative initiatives, such as the proposed European Union ("EU") Digital Markets Act, could, if enacted, require further changes. The Company is also subject to litigation and investigations relating to the App Store, which have resulted in changes to the Company's business practices, and may in the future result in further changes. These changes could include how and to what extent the Company charges developers for access to its platforms and manages distribution of apps outside of the App Store. This could reduce the volume of sales, and the commission that the Company earns on those sales, would decrease. If the rate of the commission that the Company retains on such sales is reduced, or if it is otherwise narrowed in scope or eliminated, the Company's business, results of operations and financial condition could be materially adversely affected.

***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. The COVID-19 pandemic has also caused additional restrictions on production and increased costs for digital content.

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 continued service and availability of highly skilled employees, including key personnel.***

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

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

The Company distributes its products through cellular network carriers, wholesalers, retailers and resellers, many of whom distribute products from competing manufacturers. The Company also sells its products 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 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 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 network 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 could, among other things, impair the Company's ability to attract and retain customers for its products and services, impact the price of the Company's stock, materially damage commercial relationships, and expose the Company to litigation or government investigations, which could 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.

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 may be 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 vendors' employees or customers into disclosing user names, passwords or other sensitive information, which can, in turn, be used for unauthorized access to the Company's or its vendors' 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 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 adversely affect the Company's business, reputation, results of operations and financial condition.

***The Company's retail stores have required and will continue to require a substantial investment and commitment of resources and are subject to numerous risks and uncertainties.***

The Company's retail stores have required substantial investment in equipment and leasehold improvements, information systems, inventory and personnel. The Company also has entered into substantial lease commitments for retail space. Certain stores have been designed and built to serve as high-profile venues to promote brand awareness. Because of their unique design elements, locations and size, these stores require substantially more investment than the Company's more typical retail stores. Due to the high cost structure associated with the Company's retail stores, a decline in sales or the closure or poor performance of an individual store or multiple stores, including as a result of protective public safety measures in response to the COVID-19 pandemic, could result in significant lease termination costs, write-offs of equipment and leasehold improvements and severance costs.

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 macro-economic 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. 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 injunctions and substantial damages.

Regardless of the merit of particular claims, defending against litigation or responding to government investigations can be expensive, time-consuming, disruptive to the Company's operations and distracting to management. 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.

Except as described in Part I, Item 3 of this Form 10-K under the heading "Legal Proceedings" and in Part II, Item 8 of this Form 10-K in the Notes to Consolidated Financial Statements in Note 10, "Commitments and Contingencies" under the heading "Contingencies," 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.



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 compensatory, punitive or trebled monetary damages, disgorgement of revenue or profits, remedial corporate measures or injunctive relief against the Company, and can require the Company to change its business practices and limit the Company's ability to offer certain products and services, all of which could materially adversely affect the Company's business, 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; product liability; intellectual property ownership and infringement; digital platforms; 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, and climate change.

Compliance with these laws and regulations is onerous and expensive, increasing the cost of conducting the Company's global operations. Changes to 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 or service to customers, requiring changes to the Company's supply chain and business practices or otherwise making the Company's products and services less attractive to customers. 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.

***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 competition, market and legal conditions. The Company may make further business changes in the future. New legislative initiatives, such as the proposed EU Digital Markets Act, could, if enacted, require further changes. These changes could include how and to what extent the Company charges developers for access to its platforms and manages distribution of apps outside of the App Store.

The Company is also currently subject to antitrust investigations 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 the subject of investigations in Europe and other jurisdictions relating to App Store terms and conditions. If such investigations result in adverse findings against the Company, the Company could be exposed to significant fines and may be required to make changes to its App Store business, all of which could materially adversely affect the Company's business, results of operations and financial condition. The Company is also subject to litigation relating to the App Store, which has resulted in changes to the Company's business practices, and may in the future result in further changes.

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 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 other companies to offer their search services on the Company's platforms and apps, 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 could 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 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 other 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 is 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 is handled in a manner not permitted by law or under the Company's agreements with healthcare 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.

Financial data, such as 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 would 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; 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; and the introduction of new products or services, including new products or services with higher cost structures. 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, components 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 currency 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 could be materially adversely affected by foreign currency 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 and 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 currency 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 and non-marketable securities may fluctuate substantially. Therefore, although the Company has not realized any significant losses on its cash, cash equivalents, and marketable and non-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 through third-party cellular network carriers, wholesalers, retailers and resellers. The Company also sells its products 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 25, 2021, 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, 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. 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, or changes in tax laws or their interpretation, including in the U.S. and Ireland.

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, particularly in the U.S. or Ireland, 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, 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 2. Properties**

The Company's headquarters are located in Cupertino, California. As of September 25, 2021, 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**

The Company is subject to legal proceedings and claims that have not been fully resolved and that have arisen in the ordinary course of business. The Company's material legal proceedings are described below and in Part II, Item 8 of this Form 10-K in the Notes to Consolidated Financial Statements in Note 10, "Commitments and Contingencies" under the heading "Contingencies."

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. The Company settled certain matters during the fourth quarter of 2021 that did not individually or in the aggregate have a material impact on the Company's financial condition or operating results.

#### *Epic Games*

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

### **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 15, 2021, there were 23,502 shareholders of record.

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

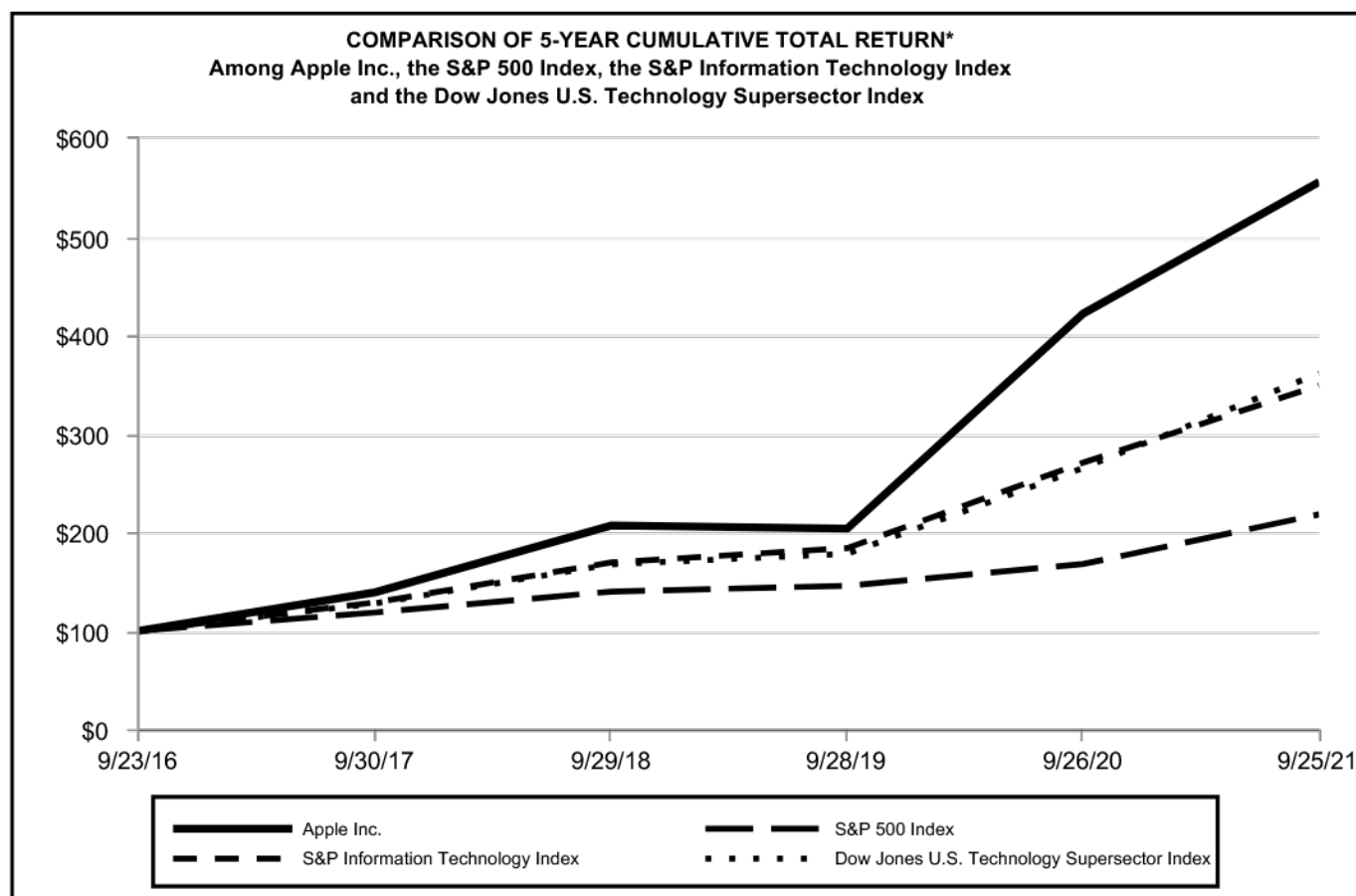
Share repurchase activity during the three months ended September 25, 2021 was as follows (in millions, except number of shares, which are reflected in thousands, and per share amounts):

Periods	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs <sup>(1)</sup>
June 27, 2021 to July 31, 2021:				
Open market and privately negotiated purchases	59,216	\$ 143.54	59,216	
August 1, 2021 to August 28, 2021:				
May 2021 ASR	4,921	<sup>(2)</sup>	4,921	
Open market and privately negotiated purchases	42,343	\$ 147.61	42,343	
August 29, 2021 to September 25, 2021:				
Open market and privately negotiated purchases	35,041	\$ 149.81	35,041	
Total	<u>141,521</u>			<u>\$ 60,851</u>

- (1) As of September 25, 2021, the Company was authorized to purchase up to \$315 billion of the Company's common stock under a share repurchase program announced on April 28, 2021 (the "Program"), of which \$254.1 billion had been utilized. The remaining \$60.9 billion in the table represents the amount available to repurchase shares under the Program as of September 25, 2021. The Program does not obligate the Company to acquire any specific number of shares. Under the Program, shares may be repurchased in privately negotiated and/or open market transactions, including under plans complying with Rule 10b5-1 under the Exchange Act.
- (2) In May 2021, the Company entered into an accelerated share repurchase agreement ("ASR") to purchase up to \$5.0 billion of the Company's common stock. In August 2021, the purchase period for this ASR ended and an additional 5 million shares were delivered and retired. In total, 36 million shares were delivered under this ASR at an average repurchase price of \$137.20.

## Company Stock Performance

The following graph shows a comparison of cumulative total shareholder return, calculated on a dividend-reinvested basis, for the Company, the S&P 500 Index, the S&P Information Technology Index and the Dow Jones U.S. Technology Supersector Index for the five years ended September 25, 2021. The graph assumes \$100 was invested in each of the Company's common stock, the S&P 500 Index, the S&P Information Technology Index and the Dow Jones U.S. Technology Supersector Index as of the market close on September 23, 2016. Note that past stock price performance is not necessarily indicative of future stock price performance.



\* \$100 invested on September 23, 2016 in stock or index, including reinvestment of dividends. Data points are the last day of each fiscal year for the Company's common stock and September 30th for indexes.

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	September 2016	September 2017	September 2018	September 2019	September 2020	September 2021
Apple Inc.	\$ 100	\$ 139	\$ 207	\$ 204	\$ 422	\$ 556
S&P 500 Index	\$ 100	\$ 119	\$ 140	\$ 146	\$ 168	\$ 218
S&P Information Technology Index	\$ 100	\$ 129	\$ 169	\$ 184	\$ 271	\$ 349
Dow Jones U.S. Technology Supersector Index	\$ 100	\$ 128	\$ 168	\$ 178	\$ 265	\$ 362

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 section of this Form 10-K generally discusses 2021 and 2020 items and year-to-year comparisons between 2021 and 2020. Discussions of 2019 items and year-to-year comparisons between 2020 and 2019 are not included in this Form 10-K, 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 26, 2020.*

### Fiscal Year Highlights

#### *COVID-19 Update*

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

During 2021, aspects of the Company's business continued to be affected by the COVID-19 pandemic, with many of the Company's retail stores, as well as channel partner points of sale, temporarily closed at various times, and a significant number of the Company's employees working remotely. The Company has reopened all of its retail stores and substantially all of its other facilities, subject to operating restrictions to protect public health and the health and safety of employees and customers, and it continues to work on safely reopening the remainder of its facilities, subject to local rules and regulations. During the fourth quarter of 2021, certain of the Company's component suppliers and logistical service providers experienced disruptions, resulting in supply shortages that affected sales worldwide. Similar disruptions could occur in the future.

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

#### *Fiscal 2021 Highlights*

Total net sales increased 33% or \$91.3 billion during 2021 compared to 2020, driven by growth in all Products and Services categories. Year-over-year net sales during 2021 also grew in each of the Company's reportable segments.

In April 2021, the Company announced an increase to its current share repurchase program authorization from \$225 billion to \$315 billion and raised its quarterly dividend from \$0.205 to \$0.22 per share beginning in May 2021. During 2021, the Company repurchased \$85.5 billion of its common stock and paid dividends and dividend equivalents of \$14.5 billion.

## Products and Services Performance

The following table shows net sales by category for 2021, 2020 and 2019 (dollars in millions):

	2021	Change	2020	Change	2019
Net sales by category:					
iPhone <sup>(1)</sup>	\$ 191,973	39 %	\$ 137,781	(3)%	\$ 142,381
Mac <sup>(1)</sup>	35,190	23 %	28,622	11 %	25,740
iPad <sup>(1)</sup>	31,862	34 %	23,724	11 %	21,280
Wearables, Home and Accessories <sup>(1)(2)</sup>	38,367	25 %	30,620	25 %	24,482
Services <sup>(3)</sup>	68,425	27 %	53,768	16 %	46,291
Total net sales	<u>\$ 365,817</u>	<u>33 %</u>	<u>\$ 274,515</u>	<u>6 %</u>	<u>\$ 260,174</u>

- (1) Products net sales include amortization of the deferred value of unspecified software upgrade rights, which are bundled in the sales price of the respective product.
- (2) Wearables, Home and Accessories net sales include sales of AirPods, Apple TV, Apple Watch, Beats products, HomePod, iPod touch and accessories.
- (3) Services net sales include sales from the Company's advertising, AppleCare, cloud, digital content, payment and other services. Services net sales also include amortization of the deferred value of services bundled in the sales price of certain products.

### *iPhone*

iPhone net sales increased during 2021 compared to 2020 due primarily to higher net sales from the Company's new iPhone models launched in the first quarter and fourth quarter of 2021 and a favorable mix of iPhone sales.

### *Mac*

Mac net sales increased during 2021 compared to 2020 due primarily to higher net sales of MacBook Air, MacBook Pro and iMac.

### *iPad*

iPad net sales increased during 2021 compared to 2020 due primarily to higher net sales of iPad Air and iPad Pro.

### *Wearables, Home and Accessories*

Wearables, Home and Accessories net sales increased during 2021 compared to 2020 due primarily to higher net sales of accessories and Apple Watch.

### *Services*

Services net sales increased during 2021 compared to 2020 due primarily to higher net sales from advertising, the App Store and cloud services.



## Segment Operating Performance

The Company manages its business primarily on a geographic basis. The Company's reportable segments consist of the Americas, Europe, Greater China, Japan and Rest of Asia Pacific. Americas includes both North and South America. Europe includes European countries, as well as India, the Middle East and Africa. Greater China includes China mainland, Hong Kong and Taiwan. Rest of Asia Pacific includes Australia and those Asian countries not included in the Company's other reportable segments. Although the reportable segments provide similar hardware and software products and similar services, each one is managed separately to better align with the location of the Company's customers and distribution partners and the unique market dynamics of each geographic region. Further information regarding the Company's reportable segments can be found in Part II, Item 8 of this Form 10-K in the Notes to Consolidated Financial Statements in Note 11, "Segment Information and Geographic Data."

The following table shows net sales by reportable segment for 2021, 2020 and 2019 (dollars in millions):

	2021	Change	2020	Change	2019
Net sales by reportable segment:					
Americas	\$ 153,306	23 %	\$ 124,556	7 %	\$ 116,914
Europe	89,307	30 %	68,640	14 %	60,288
Greater China	68,366	70 %	40,308	(8)%	43,678
Japan	28,482	33 %	21,418	— %	21,506
Rest of Asia Pacific	26,356	35 %	19,593	10 %	17,788
Total net sales	<u>\$ 365,817</u>	33 %	<u>\$ 274,515</u>	6 %	<u>\$ 260,174</u>

### Americas

Americas net sales increased during 2021 compared to 2020 due primarily to higher net sales of iPhone, Services and Mac.

### Europe

Europe net sales increased during 2021 compared to 2020 due primarily to higher net sales of iPhone, Services and iPad. The movement of foreign currencies in Europe relative to the U.S. dollar had a net favorable impact on Europe net sales during 2021.

### Greater China

Greater China net sales increased during 2021 compared to 2020 due primarily to higher net sales of iPhone, iPad and Services. The strength of the Chinese renminbi relative to the U.S. dollar had a favorable impact on Greater China net sales during 2021.

### Japan

Japan net sales increased during 2021 compared to 2020 due primarily to higher net sales of iPhone and Services.

### Rest of Asia Pacific

Rest of Asia Pacific net sales increased during 2021 compared to 2020 due primarily to higher net sales of iPhone, iPad and Services. The movement of foreign currencies in the Rest of Asia Pacific relative to the U.S. dollar had a favorable impact on Rest of Asia Pacific net sales during 2021.

## Gross Margin

Products and Services gross margin and gross margin percentage for 2021, 2020 and 2019 were as follows (dollars in millions):

	2021	2020	2019
Gross margin:			
Products	\$ 105,126	\$ 69,461	\$ 68,887
Services	47,710	35,495	29,505
Total gross margin	<u>\$ 152,836</u>	<u>\$ 104,956</u>	<u>\$ 98,392</u>
Gross margin percentage:			
Products	35.3%	31.5%	32.2%
Services	69.7%	66.0%	63.7%
Total gross margin percentage	41.8%	38.2%	37.8%

### Products Gross Margin

Products gross margin increased during 2021 compared to 2020 due primarily to higher Products volume, a different Products mix and the strength in foreign currencies relative to the U.S. dollar. Products gross margin percentage increased during 2021 compared to 2020 due primarily to a different Products mix, improved leverage and the strength in foreign currencies relative to the U.S. dollar.

### Services Gross Margin

Services gross margin increased during 2021 compared to 2020 due primarily to higher Services net sales and a different Services mix. Services gross margin percentage increased during 2021 compared to 2020 due primarily to a different Services mix and improved leverage, partially offset by higher Services costs.

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 2021, 2020 and 2019 were as follows (dollars in millions):

	2021	Change	2020	Change	2019
Research and development	\$ 21,914	17 %	\$ 18,752	16 %	\$ 16,217
Percentage of total net sales	6%		7%		6%
Selling, general and administrative	\$ 21,973	10 %	\$ 19,916	9 %	\$ 18,245
Percentage of total net sales	6%		7%		7%
Total operating expenses	\$ 43,887	13 %	\$ 38,668	12 %	\$ 34,462
Percentage of total net sales	12%		14%		13%

### Research and Development

The year-over-year growth in R&D expense in 2021 was driven primarily by increases in headcount-related expenses, R&D-related professional services and infrastructure-related costs. The Company continues to believe that focused investments in R&D are critical to its future growth and competitive position in the marketplace, and to the development of new and updated products and services that are central to the Company's core business strategy.

### Selling, General and Administrative

The year-over-year growth in selling, general and administrative expense in 2021 was driven primarily by increases in headcount-related expenses, variable selling expenses and professional services.

## Other Income/(Expense), Net

Other income/(expense), net ("OI&E") for 2021, 2020 and 2019 was as follows (dollars in millions):

	2021	Change	2020	Change	2019
Interest and dividend income	\$ 2,843		\$ 3,763		\$ 4,961
Interest expense	(2,645)		(2,873)		(3,576)
Other income/(expense), net	60		(87)		422
Total other income/(expense), net	<u>\$ 258</u>	(68)%	<u>\$ 803</u>	(56)%	<u>\$ 1,807</u>

The year-over-year decrease in OI&E during 2021 was due primarily to lower interest income and net losses on marketable securities, partially offset by positive fair value adjustments on non-marketable securities and lower interest expense on term debt.

## Provision for Income Taxes

Provision for income taxes, effective tax rate and statutory federal income tax rate for 2021, 2020 and 2019 were as follows (dollars in millions):

	2021	2020	2019
Provision for income taxes	\$ 14,527	\$ 9,680	\$ 10,481
Effective tax rate	13.3%	14.4%	15.9%
Statutory federal income tax rate	21%	21%	21%

The Company's effective tax rate for 2021 was lower than the statutory federal income tax rate due primarily to a lower effective tax rate on foreign earnings, tax benefits from share-based compensation and foreign-derived intangible income deductions. The Company's effective tax rate for 2020 was lower than the statutory federal income tax rate due primarily to the lower tax rate on foreign earnings, including the impact of tax settlements, and tax benefits from share-based compensation.

The Company's effective tax rate for 2021 was lower compared to 2020 due primarily to higher tax benefits from foreign-derived intangible income deductions and share-based compensation and the favorable impact of changes in unrecognized tax benefits, partially offset by a one-time adjustment in 2020 of U.S. foreign tax credits in response to regulations issued by the U.S. Department of the Treasury in December 2019.

During 2021, the Company established deferred tax assets ("DTAs") for foreign tax credit carryforwards in Ireland and increased DTAs for R&D tax credit carryforwards in California, which resulted in a combined \$3.5 billion increase in the valuation allowance on the Company's DTAs, with no effect on net income. Management believes it is more likely than not that forecasted income, together with future reversals of existing taxable temporary differences, will be sufficient to realize substantially all of the Company's remaining DTAs.

## Liquidity and Capital Resources

The Company believes its balances of cash, cash equivalents and unrestricted marketable securities, which totaled \$172.6 billion as of September 25, 2021, 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 and other obligations.

### Debt

As of September 25, 2021, the Company had outstanding floating- and fixed-rate notes with varying maturities for an aggregate principal amount of \$118.1 billion (collectively the "Notes"), with \$9.6 billion payable within 12 months. Future interest payments associated with the Notes total \$39.5 billion, with \$2.9 billion payable within 12 months.

The Company also issues unsecured short-term promissory notes ("Commercial Paper") pursuant to a commercial paper program. As of September 25, 2021, the Company had \$6.0 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 retail, corporate, manufacturing and data center space. As of September 25, 2021, the Company had fixed lease payment obligations of \$14.6 billion, with \$1.8 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. Outsourcing partners acquire components and build product based on demand information supplied by the Company, which typically covers periods up to 150 days. As of September 25, 2021, the Company had manufacturing purchase obligations of \$54.8 billion, with \$54.7 billion payable within 12 months. The Company's manufacturing purchase obligations are primarily noncancelable.

### *Other Purchase Obligations*

The Company's other purchase obligations primarily consist of noncancelable obligations to acquire capital assets, including product tooling and manufacturing process equipment, and noncancelable obligations related to advertising, content creation and Internet and telecommunications services. As of September 25, 2021, the Company had other purchase obligations of \$8.3 billion, with \$4.8 billion payable within 12 months.

### *Deemed Repatriation Tax Payable*

As of September 25, 2021, the balance of the deemed repatriation tax payable imposed by the U.S. Tax Cuts and Jobs Act of 2017 (the "Act") was \$24.6 billion, none of which is payable within 12 months.

In addition to its cash requirements, the Company has a capital return program authorized by the Board of Directors. The Program does not obligate the Company to acquire any specific number of shares. As of September 25, 2021, the Company's quarterly cash dividend was \$0.22 per share. The Company intends to increase its dividend on an annual basis, subject to declaration by the Board of Directors.

### **Critical Accounting Estimates**

The preparation of financial statements and related disclosures in conformity with U.S. generally accepted accounting principles ("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 Act and matters related to 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 tax outcome of these matters will not be different from that which is reflected in the Company's reserves. Reserves are adjusted considering changing facts and circumstances, such as the closing of a tax examination or the refinement of an estimate. 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**

### **Interest Rate and Foreign Currency Risk Management**

The Company regularly reviews its foreign exchange forward and option positions and interest rate swaps, both on a stand-alone basis and in conjunction with its underlying foreign currency and interest rate exposures. Given the effective horizons of the Company's risk management activities and the anticipatory nature of the exposures, there can be no assurance these positions will offset more than a portion of the financial impact resulting from movements in either foreign exchange or interest rates. Further, the recognition of the gains and losses related to these instruments may not coincide with the timing of gains and losses related to the underlying economic exposures and, therefore, may adversely affect the Company's financial condition and operating results.

#### **Interest Rate Risk**

The Company's exposure to changes in interest rates relates primarily to the Company's investment portfolio and outstanding debt. While the Company is exposed to global interest rate fluctuations, the Company's interest income and expense are most sensitive to fluctuations in U.S. interest rates. Changes in U.S. interest rates affect the interest earned on the Company's cash, cash equivalents and marketable securities and the fair value of those securities, as well as costs associated with hedging and interest paid on the Company's debt.

The Company's investment policy and strategy are focused on the preservation of capital and supporting the Company's liquidity requirements. The Company uses a combination of internal and external management to execute its investment strategy and achieve its investment objectives. The Company typically invests in highly rated securities, with the primary objective of minimizing the potential risk of principal loss. The Company's investment policy generally requires securities to be investment grade and limits the amount of credit exposure to any one issuer. To provide a meaningful assessment of the interest rate risk associated with the Company's investment portfolio, the Company performed a sensitivity analysis to determine the impact a change in interest rates would have on the value of the investment portfolio assuming a 100 basis point parallel shift in the yield curve. Based on investment positions as of September 25, 2021 and September 26, 2020, a hypothetical 100 basis point increase in interest rates across all maturities would result in a \$4.1 billion and \$3.1 billion incremental decline in the fair market value of the portfolio, respectively. Such losses would only be realized if the Company sold the investments prior to maturity.

As of September 25, 2021 and September 26, 2020, the Company had outstanding floating- and fixed-rate notes with varying maturities for an aggregate carrying amount of \$118.7 billion and \$107.4 billion, respectively. The Company has entered, and in the future may enter, into interest rate swaps to manage interest rate risk on its outstanding term debt. Interest rate swaps allow the Company to effectively convert fixed-rate payments into floating-rate payments or floating-rate payments into fixed-rate payments. Gains and losses on term debt are generally offset by the corresponding losses and gains on the related hedging instrument. A 100 basis point increase in market interest rates would cause interest expense on the Company's debt as of September 25, 2021 and September 26, 2020 to increase by \$186 million and \$218 million on an annualized basis, respectively.

#### **Foreign Currency Risk**

In general, the Company is a net receiver of currencies other than the U.S. dollar. Accordingly, 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. There is a risk that the Company will have to adjust local currency pricing due to competitive pressures when there has been significant volatility in foreign currency exchange rates.

The Company may enter into foreign currency forward and option contracts with financial institutions to protect against foreign exchange risks associated with certain existing assets and liabilities, certain firmly committed transactions, forecasted future cash flows and net investments in foreign subsidiaries. In addition, the Company has entered, and in the future may enter, into foreign currency contracts to partially offset the foreign currency exchange gains and losses on its foreign currency-denominated debt issuances. The Company generally hedges portions of its forecasted foreign currency exposure associated with revenue and inventory purchases, typically for up to 12 months. However, the Company may choose not to hedge certain foreign exchange exposures for a variety of reasons including, but not limited to, accounting considerations or the prohibitive economic cost of hedging particular exposures.

To provide an assessment of the foreign currency risk associated with certain of the Company's foreign currency derivative positions, the Company performed a sensitivity analysis using a value-at-risk ("VAR") model to assess the potential impact of fluctuations in exchange rates. The VAR model consisted of using a Monte Carlo simulation to generate thousands of random market price paths assuming normal market conditions. 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. The VAR model is not intended to represent actual losses but is used as a risk estimation and management tool. Forecasted transactions, firm commitments and assets and liabilities denominated in foreign currencies were excluded from the model. Based on the results of the model, the Company estimates with 95% confidence, a maximum one-day loss in fair value of \$550 million as of September 25, 2021, compared to a maximum one-day loss in fair value of \$551 million as of September 26, 2020. Because the Company uses foreign currency instruments for hedging purposes, the losses in fair value incurred on those instruments are generally offset by increases in the fair value of the underlying exposures.

Actual future gains and losses associated with the Company's investment portfolio, debt and derivative positions may differ materially from the sensitivity analyses performed as of September 25, 2021 due to the inherent limitations associated with predicting the timing and amount of changes in interest rates, foreign currency exchange rates and the Company's actual exposures and positions.

**Item 8. Financial Statements and Supplementary Data**

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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 25, 2021	September 26, 2020	September 28, 2019
Net sales:			
Products	\$ 297,392	\$ 220,747	\$ 213,883
Services	68,425	53,768	46,291
Total net sales	365,817	274,515	260,174
Cost of sales:			
Products	192,266	151,286	144,996
Services	20,715	18,273	16,786
Total cost of sales	212,981	169,559	161,782
Gross margin	152,836	104,956	98,392
Operating expenses:			
Research and development	21,914	18,752	16,217
Selling, general and administrative	21,973	19,916	18,245
Total operating expenses	43,887	38,668	34,462
Operating income	108,949	66,288	63,930
Other income/(expense), net	258	803	1,807
Income before provision for income taxes	109,207	67,091	65,737
Provision for income taxes	14,527	9,680	10,481
Net income	\$ 94,680	\$ 57,411	\$ 55,256
Earnings per share:			
Basic	\$ 5.67	\$ 3.31	\$ 2.99
Diluted	\$ 5.61	\$ 3.28	\$ 2.97
Shares used in computing earnings per share:			
Basic	16,701,272	17,352,119	18,471,336
Diluted	16,864,919	17,528,214	18,595,651

See accompanying Notes to Consolidated Financial Statements.



Apple Inc.

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(In millions)

	Years ended		
	September 25, 2021	September 26, 2020	September 28, 2019
Net income	\$ 94,680	\$ 57,411	\$ 55,256
Other comprehensive income/(loss):			
Change in foreign currency translation, net of tax	501	88	(408)
Change in unrealized gains/losses on derivative instruments, net of tax:			
Change in fair value of derivative instruments	32	79	(661)
Adjustment for net (gains)/losses realized and included in net income	1,003	(1,264)	23
Total change in unrealized gains/losses on derivative instruments	1,035	(1,185)	(638)
Change in unrealized gains/losses on marketable debt securities, net of tax:			
Change in fair value of marketable debt securities	(694)	1,202	3,802
Adjustment for net (gains)/losses realized and included in net income	(273)	(63)	25
Total change in unrealized gains/losses on marketable debt securities	(967)	1,139	3,827
Total other comprehensive income/(loss)	569	42	2,781
Total comprehensive income	\$ 95,249	\$ 57,453	\$ 58,037

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 25, 2021	September 26, 2020
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$ 34,940	\$ 38,016
Marketable securities	27,699	52,927
Accounts receivable, net	26,278	16,120
Inventories	6,580	4,061
Vendor non-trade receivables	25,228	21,325
Other current assets	14,111	11,264
Total current assets	134,836	143,713
Non-current assets:		
Marketable securities	127,877	100,887
Property, plant and equipment, net	39,440	36,766
Other non-current assets	48,849	42,522
Total non-current assets	216,166	180,175
Total assets	\$ 351,002	\$ 323,888
<b>LIABILITIES AND SHAREHOLDERS' EQUITY:</b>		
Current liabilities:		
Accounts payable	\$ 54,763	\$ 42,296
Other current liabilities	47,493	42,684
Deferred revenue	7,612	6,643
Commercial paper	6,000	4,996
Term debt	9,613	8,773
Total current liabilities	125,481	105,392
Non-current liabilities:		
Term debt	109,106	98,667
Other non-current liabilities	53,325	54,490
Total non-current liabilities	162,431	153,157
Total liabilities	287,912	258,549
Commitments and contingencies		
Shareholders' equity:		
Common stock and additional paid-in capital, \$0.00001 par value: 50,400,000 shares authorized; 16,426,786 and 16,976,763 shares issued and outstanding, respectively	57,365	50,779
Retained earnings	5,562	14,966
Accumulated other comprehensive income/(loss)	163	(406)
Total shareholders' equity	63,090	65,339
Total liabilities and shareholders' equity	\$ 351,002	\$ 323,888

See accompanying Notes to Consolidated Financial Statements.

Apple Inc.

**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**

(In millions, except per share amounts)

	Years ended		
	September 25, 2021	September 26, 2020	September 28, 2019
Total shareholders' equity, beginning balances	\$ 65,339	\$ 90,488	\$ 107,147
Common stock and additional paid-in capital:			
Beginning balances	50,779	45,174	40,201
Common stock issued	1,105	880	781
Common stock withheld related to net share settlement of equity awards	(2,627)	(2,250)	(2,002)
Share-based compensation	8,108	6,975	6,194
Ending balances	57,365	50,779	45,174
Retained earnings:			
Beginning balances	14,966	45,898	70,400
Net income	94,680	57,411	55,256
Dividends and dividend equivalents declared	(14,431)	(14,087)	(14,129)
Common stock withheld related to net share settlement of equity awards	(4,151)	(1,604)	(1,029)
Common stock repurchased	(85,502)	(72,516)	(67,101)
Cumulative effects of changes in accounting principles	—	(136)	2,501
Ending balances	5,562	14,966	45,898
Accumulated other comprehensive income/(loss):			
Beginning balances	(406)	(584)	(3,454)
Other comprehensive income/(loss)	569	42	2,781
Cumulative effects of changes in accounting principles	—	136	89
Ending balances	163	(406)	(584)
Total shareholders' equity, ending balances	\$ 63,090	\$ 65,339	\$ 90,488
Dividends and dividend equivalents declared per share or RSU	\$ 0.85	\$ 0.795	\$ 0.75

See accompanying Notes to Consolidated Financial Statements.

**Apple Inc.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In millions)

	Years ended		
	September 25, 2021	September 26, 2020	September 28, 2019
Cash, cash equivalents and restricted cash, beginning balances	\$ 39,789	\$ 50,224	\$ 25,913
Operating activities:			
Net income	94,680	57,411	55,256
Adjustments to reconcile net income to cash generated by operating activities:			
Depreciation and amortization	11,284	11,056	12,547
Share-based compensation expense	7,906	6,829	6,068
Deferred income tax benefit	(4,774)	(215)	(340)
Other	(147)	(97)	(652)
Changes in operating assets and liabilities:			
Accounts receivable, net	(10,125)	6,917	245
Inventories	(2,642)	(127)	(289)
Vendor non-trade receivables	(3,903)	1,553	2,931
Other current and non-current assets	(8,042)	(9,588)	873
Accounts payable	12,326	(4,062)	(1,923)
Deferred revenue	1,676	2,081	(625)
Other current and non-current liabilities	5,799	8,916	(4,700)
Cash generated by operating activities	104,038	80,674	69,391
Investing activities:			
Purchases of marketable securities	(109,558)	(114,938)	(39,630)
Proceeds from maturities of marketable securities	59,023	69,918	40,102
Proceeds from sales of marketable securities	47,460	50,473	56,988
Payments for acquisition of property, plant and equipment	(11,085)	(7,309)	(10,495)
Payments made in connection with business acquisitions, net	(33)	(1,524)	(624)
Purchases of non-marketable securities	(131)	(210)	(1,001)
Proceeds from non-marketable securities	387	92	1,634
Other	(608)	(791)	(1,078)
Cash generated by/(used in) investing activities	(14,545)	(4,289)	45,896
Financing activities:			
Proceeds from issuance of common stock	1,105	880	781
Payments for taxes related to net share settlement of equity awards	(6,556)	(3,634)	(2,817)
Payments for dividends and dividend equivalents	(14,467)	(14,081)	(14,119)
Repurchases of common stock	(85,971)	(72,358)	(66,897)
Proceeds from issuance of term debt, net	20,393	16,091	6,963
Repayments of term debt	(8,750)	(12,629)	(8,805)
Proceeds from/(Repayments of) commercial paper, net	1,022	(963)	(5,977)
Other	(129)	(126)	(105)
Cash used in financing activities	(93,353)	(86,820)	(90,976)
Increase/(Decrease) in cash, cash equivalents and restricted cash	(3,860)	(10,435)	24,311
Cash, cash equivalents and restricted cash, ending balances	\$ 35,929	\$ 39,789	\$ 50,224
Supplemental cash flow disclosure:			
Cash paid for income taxes, net	\$ 25,385	\$ 9,501	\$ 15,263
Cash paid for interest	\$ 2,687	\$ 3,002	\$ 3,423

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 (collectively “Apple” or the “Company”). Intercompany accounts and transactions have been eliminated. In the opinion of the Company’s management, the consolidated financial statements reflect all adjustments, which are normal and recurring in nature, necessary for fair financial statement presentation. The preparation of these consolidated financial statements and accompanying notes in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported. Actual results could differ materially from those estimates. Certain prior period amounts in the 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. The Company’s fiscal years 2021, 2020 and 2019 spanned 52 weeks each. Unless otherwise stated, references to particular years, quarters, months and periods refer to the Company’s fiscal years ended in September and the associated quarters, months and periods of those fiscal years.

#### Recently Adopted Accounting Pronouncements

##### *Financial Instruments – Credit Losses*

At the beginning of the first quarter of 2021, the Company adopted the Financial Accounting Standards Board’s (the “FASB”) Accounting Standards Update (“ASU”) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (“ASU 2016-13”), which modifies the measurement of expected credit losses on certain financial instruments. The Company adopted ASU 2016-13 utilizing the modified retrospective transition method. The adoption of ASU 2016-13 did not have a material impact on the Company’s condensed consolidated financial statements.

#### Advertising Costs

Advertising costs are expensed as incurred and included in selling, general and administrative expenses.

#### Share-Based Compensation

The Company generally measures share-based compensation based on the closing price of the Company’s common stock on the date of grant, and recognizes expense on a straight-line basis for its estimate of equity awards that will ultimately vest. Further information regarding share-based compensation can be found in Note 9, “Benefit Plans.”

#### Earnings Per Share

The following table shows the computation of basic and diluted earnings per share for 2021, 2020 and 2019 (net income in millions and shares in thousands):

	2021	2020	2019
Numerator:			
Net income	\$ 94,680	\$ 57,411	\$ 55,256
Denominator:			
Weighted-average basic shares outstanding	16,701,272	17,352,119	18,471,336
Effect of dilutive securities	163,647	176,095	124,315
Weighted-average diluted shares	16,864,919	17,528,214	18,595,651
Basic earnings per share	\$ 5.67	\$ 3.31	\$ 2.99
Diluted earnings per share	\$ 5.61	\$ 3.28	\$ 2.97

The Company applies the treasury stock method to determine the dilutive effect of potentially dilutive securities. Potentially dilutive securities representing 62 million shares of common stock were excluded from the computation of diluted earnings per share for 2019 because their effect would have been antidilutive.

### **Cash Equivalents and Marketable Securities**

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

The Company's investments in marketable debt securities have been classified and accounted for as available-for-sale. The Company classifies its marketable debt securities as either short-term or long-term based on each instrument's underlying contractual maturity date. Unrealized gains and losses on marketable debt securities classified as available-for-sale are recognized in other comprehensive income/(loss) ("OCI").

The Company's investments in marketable equity securities are classified based on the nature of the securities and their availability for use in current operations. The Company's marketable equity securities are measured at fair value with gains and losses recognized in other income/(expense), net ("OI&E").

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 over the estimated useful lives of the assets, which for buildings is the lesser of 40 years or the remaining life of the building; between one and five years for machinery and equipment, including product tooling and manufacturing process equipment; and the shorter of lease term or useful life for leasehold improvements. Capitalized costs related to internal-use software are amortized on a straight-line basis over the estimated useful lives of the assets, which range from five to seven years. Depreciation and amortization expense on property and equipment was \$9.5 billion, \$9.7 billion and \$11.3 billion during 2021, 2020 and 2019, respectively.

Noncash investing activities involving property, plant and equipment resulted in a net decrease to accounts payable and other current liabilities of \$2.9 billion during 2019.

### **Restricted Cash and Restricted Marketable Securities**

The Company considers cash and marketable securities to be restricted when withdrawal or general use is legally restricted. The Company reports restricted cash as other assets in the Consolidated Balance Sheets, and determines current or non-current classification based on the expected duration of the restriction. The Company reports restricted marketable securities as current or non-current marketable securities in the Consolidated Balance Sheets based on the classification of the underlying securities.

### **Derivative Instruments and Hedging**

All derivative instruments are recorded in the Consolidated Balance Sheets at fair value. The accounting treatment for derivative gains and losses is based on intended use and hedge designation.

Gains and losses arising from amounts that are included in the assessment of cash flow hedge effectiveness are initially deferred in accumulated other comprehensive income/(loss) ("AOCI") and subsequently reclassified into earnings when the hedged transaction affects earnings, and in the same line item in the Consolidated Statements of Operations. For options designated as cash flow hedges, the Company excludes time value from the assessment of hedge effectiveness and recognizes it on a straight-line basis over the life of the hedge in the Consolidated Statements of Operations line item to which the hedge relates. Changes in the fair value of amounts excluded from the assessment of hedge effectiveness are recognized in OCI.

Gains and losses arising from amounts that are included in the assessment of fair value hedge effectiveness are recognized in the Consolidated Statements of Operations line item to which the hedge relates along with offsetting losses and gains related to the change in value of the hedged item. For foreign exchange forward contracts designated as fair value hedges, the Company excludes the forward carry component from the assessment of hedge effectiveness and recognizes it in OI&E on a straight-line basis over the life of the hedge. Changes in the fair value of amounts excluded from the assessment of hedge effectiveness are recognized in OCI.

Gains and losses arising from changes in the fair values of derivative instruments that are not designated as accounting hedges are recognized in the Consolidated Statements of Operations line items to which the derivative instruments relate.

The Company presents derivative assets and liabilities at their gross fair values in the Consolidated Balance Sheets. The Company classifies cash flows related to derivative instruments as operating activities in the Consolidated Statements of Cash Flows.

## **Fair Value Measurements**

The fair values of the Company's money market funds and certain marketable equity securities are based on quoted prices in active markets for identical assets. The valuation techniques used to measure the fair value of the Company's debt instruments and all other 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.

## **Note 2 – Revenue Recognition**

Net sales consist of revenue from the sale of iPhone, Mac, iPad, Services and other products. 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 up to three performance obligations regularly included in arrangements involving the sale of iPhone, Mac, iPad and certain other products. The first 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 performance obligation is the right to receive certain product-related bundled services, which include iCloud®, Siri and Maps. The third performance obligation is the right to receive, on a when-and-if-available basis, future unspecified software upgrades relating to the software bundled with each device. The Company allocates revenue and any related discounts to these performance obligations based on their relative SSPs. Because the Company lacks observable prices for the undelivered performance obligations, 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 the product-related bundled services and unspecified software upgrade rights is deferred and recognized on a straight-line basis over the estimated period they are expected to be provided. Cost of sales related to delivered hardware and bundled software, including estimated warranty costs, are recognized at the time of sale. Costs incurred to provide product-related bundled services and unspecified software upgrade rights are recognized as cost of sales as incurred.

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 has elected not to 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, but not limited to, 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 and certain digital content sold through the Company's other digital content stores, the Company does not obtain control of the product before transferring it to the customer. Therefore, the Company accounts for such sales on a net basis by recognizing in Services net sales only the commission it retains.

The Company has elected to record revenue net of taxes collected from customers that are remitted to governmental authorities, with the collected taxes recorded within other current liabilities until remitted to the relevant government authority.

## Deferred Revenue

As of September 25, 2021 and September 26, 2020, the Company had total deferred revenue of \$11.9 billion and \$10.2 billion, respectively. As of September 25, 2021, the Company expects 64% of total deferred revenue to be realized in less than a year, 26% within one-to-two years, 8% within two-to-three years and 2% in greater than three years.

## Disaggregated Revenue

Net sales disaggregated by significant products and services for 2021, 2020 and 2019 were as follows (in millions):

	2021	2020	2019
iPhone <sup>(1)</sup>	\$ 191,973	\$ 137,781	\$ 142,381
Mac <sup>(1)</sup>	35,190	28,622	25,740
iPad <sup>(1)</sup>	31,862	23,724	21,280
Wearables, Home and Accessories <sup>(1)(2)</sup>	38,367	30,620	24,482
Services <sup>(3)</sup>	68,425	53,768	46,291
Total net sales <sup>(4)</sup>	<u>\$ 365,817</u>	<u>\$ 274,515</u>	<u>\$ 260,174</u>

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

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

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

(4) Includes \$6.7 billion of revenue recognized in 2021 that was included in deferred revenue as of September 26, 2020, \$5.0 billion of revenue recognized in 2020 that was included in deferred revenue as of September 28, 2019, and \$5.9 billion of revenue recognized in 2019 that was included in deferred revenue as of September 29, 2018.

The Company's proportion of net sales by disaggregated revenue source was generally consistent for each reportable segment in Note 11, "Segment Information and Geographic Data" for 2021, 2020 and 2019.



### Note 3 – Financial Instruments

#### Cash, Cash Equivalents and Marketable Securities

The following tables show the Company's cash, cash equivalents and marketable securities by significant investment category as of September 25, 2021 and September 26, 2020 (in millions):

2021							
	Adjusted Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cash and Cash Equivalents	Current Marketable Securities	Non-Current Marketable Securities
Cash	\$ 17,305	\$ —	\$ —	\$ 17,305	\$ 17,305	\$ —	\$ —
Level 1 <sup>(1)</sup> :							
Money market funds	9,608	—	—	9,608	9,608	—	—
Mutual funds	175	11	(1)	185	—	185	—
Subtotal	9,783	11	(1)	9,793	9,608	185	—
Level 2 <sup>(2)</sup> :							
Equity securities	1,527	—	(564)	963	—	963	—
U.S. Treasury securities	22,878	102	(77)	22,903	3,596	6,625	12,682
U.S. agency securities	8,949	2	(64)	8,887	1,775	1,930	5,182
Non-U.S. government securities	20,201	211	(101)	20,311	390	3,091	16,830
Certificates of deposit and time deposits	1,300	—	—	1,300	490	810	—
Commercial paper	2,639	—	—	2,639	1,776	863	—
Corporate debt securities	83,883	1,242	(267)	84,858	—	12,327	72,531
Municipal securities	967	14	—	981	—	130	851
Mortgage- and asset-backed securities	20,529	171	(124)	20,576	—	775	19,801
Subtotal	162,873	1,742	(1,197)	163,418	8,027	27,514	127,877
Total <sup>(3)</sup>	\$ 189,961	\$ 1,753	\$ (1,198)	\$ 190,516	\$ 34,940	\$ 27,699	\$ 127,877
2020							
	Adjusted Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cash and Cash Equivalents	Current Marketable Securities	Non-Current Marketable Securities
Cash	\$ 17,773	\$ —	\$ —	\$ 17,773	\$ 17,773	\$ —	\$ —
Level 1 <sup>(1)</sup> : Money market funds	2,171	—	—	2,171	2,171	—	—
Level 2 <sup>(2)</sup> :							
U.S. Treasury securities	28,439	331	—	28,770	8,580	11,972	8,218
U.S. agency securities	8,604	8	—	8,612	2,009	3,078	3,525
Non-U.S. government securities	19,361	275	(186)	19,450	255	3,329	15,866
Certificates of deposit and time deposits	10,399	—	—	10,399	4,043	6,246	110
Commercial paper	11,226	—	—	11,226	3,185	8,041	—
Corporate debt securities	76,937	1,834	(175)	78,596	—	19,687	58,909
Municipal securities	1,001	22	—	1,023	—	139	884
Mortgage- and asset-backed securities	13,520	314	(24)	13,810	—	435	13,375
Subtotal	169,487	2,784	(385)	171,886	18,072	52,927	100,887
Total <sup>(3)</sup>	\$ 189,431	\$ 2,784	\$ (385)	\$ 191,830	\$ 38,016	\$ 52,927	\$ 100,887

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

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

(3) As of September 25, 2021 and September 26, 2020, total marketable securities included \$17.9 billion and \$18.6 billion, respectively, that was restricted from general use, related to the State Aid Decision (refer to Note 5, "Income Taxes") and other agreements.

The Company may sell certain of its marketable debt securities prior to their stated maturities for reasons including, but not limited to, managing liquidity, credit risk, duration and asset allocation. The following table shows the fair value of the Company's non-current marketable debt securities, by contractual maturity, as of September 25, 2021 (in millions):

Due after 1 year through 5 years	\$	83,755
Due after 5 years through 10 years		23,915
Due after 10 years		20,207
Total fair value	\$	<u>127,877</u>

The Company typically invests in highly rated securities, with the primary objective of minimizing the potential risk of principal loss. The Company's investment policy generally requires securities to be investment grade and limits the amount of credit exposure to any one issuer. Fair values were determined for each individual security in the investment portfolio.

## 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, but not limited to, accounting considerations or the prohibitive economic cost of hedging particular exposures. There can be no assurance the hedges will offset more than a portion of the financial impact resulting from movements in foreign exchange or interest rates.

### Foreign Exchange Risk

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

To protect the Company's foreign currency-denominated term debt or marketable securities from fluctuations in foreign currency exchange rates, the Company may enter into forward contracts, cross-currency swaps or other instruments. The Company designates these instruments as either cash flow or fair value hedges. As of September 25, 2021, the Company's hedged term debt- and marketable securities-related foreign currency transactions are expected to be recognized within 21 years.

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

### Interest Rate Risk

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

The notional amounts of the Company's outstanding derivative instruments as of September 25, 2021 and September 26, 2020 were as follows (in millions):

	2021		2020	
Derivative instruments designated as accounting hedges:				
Foreign exchange contracts	\$	76,475	\$	57,410
Interest rate contracts	\$	16,875	\$	20,700
Derivative instruments not designated as accounting hedges:				
Foreign exchange contracts	\$	126,918	\$	88,636

The gross fair values of the Company's derivative assets and liabilities were not material as of September 25, 2021 and September 26, 2020.

The gains and losses recognized in OCI and amounts reclassified from AOCI to net income for the Company's derivative instruments designated as cash flow hedges were not material in 2021, 2020 and 2019.

The carrying amounts of the Company's hedged items in fair value hedges as of September 25, 2021 and September 26, 2020 were as follows (in millions):

	2021	2020
Hedged assets/(liabilities):		
Current and non-current marketable securities	\$ 15,954	\$ 16,270
Current and non-current term debt	\$ (17,857)	\$ (21,033)

The gains and losses on the Company's derivative instruments designated as fair value hedges and the related hedged item adjustments were not material in 2021, 2020 and 2019.

## Accounts Receivable

### Trade Receivables

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

As of both September 25, 2021 and September 26, 2020, the Company had no customers that individually represented 10% or more of total trade receivables. The Company's cellular network carriers accounted for 42% of total trade receivables as of September 25, 2021.

### Vendor Non-Trade Receivables

The Company has non-trade receivables from certain of its manufacturing vendors resulting from the sale of components to these vendors who manufacture subassemblies or assemble final products for the Company. The Company purchases these components directly from suppliers. As of September 25, 2021, the Company had three vendors that individually represented 10% or more of total vendor non-trade receivables, which accounted for 52%, 11% and 11%. As of September 26, 2020, the Company had two vendors that individually represented 10% or more of total vendor non-trade receivables, which accounted for 57% and 11%.

## Note 4 – Consolidated Financial Statement Details

The following tables show the Company's consolidated financial statement details as of September 25, 2021 and September 26, 2020 (in millions):

### Property, Plant and Equipment, Net

	2021	2020
Land and buildings	\$ 20,041	\$ 17,952
Machinery, equipment and internal-use software	78,659	75,291
Leasehold improvements	11,023	10,283
Gross property, plant and equipment	109,723	103,526
Accumulated depreciation and amortization	(70,283)	(66,760)
Total property, plant and equipment, net	\$ 39,440	\$ 36,766

### Other Non-Current Liabilities

	2021	2020
Long-term taxes payable	\$ 24,689	\$ 28,170
Other non-current liabilities	28,636	26,320
Total other non-current liabilities	\$ 53,325	\$ 54,490

**Other Income/(Expense), Net**

The following table shows the detail of OI&E for 2021, 2020 and 2019 (in millions):

	2021	2020	2019
Interest and dividend income	\$ 2,843	\$ 3,763	\$ 4,961
Interest expense	(2,645)	(2,873)	(3,576)
Other income/(expense), net	60	(87)	422
Total other income/(expense), net	<u>\$ 258</u>	<u>\$ 803</u>	<u>\$ 1,807</u>

**Note 5 – Income Taxes****Provision for Income Taxes and Effective Tax Rate**

The provision for income taxes for 2021, 2020 and 2019, consisted of the following (in millions):

	2021	2020	2019
Federal:			
Current	\$ 8,257	\$ 6,306	\$ 6,384
Deferred	(7,176)	(3,619)	(2,939)
Total	<u>1,081</u>	<u>2,687</u>	<u>3,445</u>
State:			
Current	1,620	455	475
Deferred	(338)	21	(67)
Total	<u>1,282</u>	<u>476</u>	<u>408</u>
Foreign:			
Current	9,424	3,134	3,962
Deferred	2,740	3,383	2,666
Total	<u>12,164</u>	<u>6,517</u>	<u>6,628</u>
Provision for income taxes	<u>\$ 14,527</u>	<u>\$ 9,680</u>	<u>\$ 10,481</u>

The foreign provision for income taxes is based on foreign pretax earnings of \$68.7 billion, \$38.1 billion and \$44.3 billion in 2021, 2020 and 2019, respectively.

A reconciliation of the provision for income taxes, with the amount computed by applying the statutory federal income tax rate (21% in 2021, 2020 and 2019) to income before provision for income taxes for 2021, 2020 and 2019, is as follows (dollars in millions):

	2021	2020	2019
Computed expected tax	\$ 22,933	\$ 14,089	\$ 13,805
State taxes, net of federal effect	1,151	423	423
Impacts of the U.S. Tax Cuts and Jobs Act of 2017	—	(582)	—
Earnings of foreign subsidiaries	(4,715)	(2,534)	(2,625)
Foreign-derived intangible income deduction	(1,372)	(169)	(149)
Research and development credit, net	(1,033)	(728)	(548)
Excess tax benefits from equity awards	(2,137)	(930)	(639)
Other	(300)	111	214
Provision for income taxes	<u>\$ 14,527</u>	<u>\$ 9,680</u>	<u>\$ 10,481</u>
Effective tax rate	<u>13.3%</u>	<u>14.4%</u>	<u>15.9%</u>

## Deferred Tax Assets and Liabilities

As of September 25, 2021 and September 26, 2020, the significant components of the Company's deferred tax assets and liabilities were (in millions):

	2021	2020
Deferred tax assets:		
Amortization and depreciation	\$ 5,575	\$ 8,317
Accrued liabilities and other reserves	5,895	4,934
Lease liabilities	2,406	2,038
Deferred revenue	5,399	1,638
Tax credit carryforwards	4,262	797
Other	1,639	1,612
Total deferred tax assets	25,176	19,336
Less: Valuation allowance	(4,903)	(1,041)
Total deferred tax assets, net	20,273	18,295
Deferred tax liabilities:		
Minimum tax on foreign earnings	4,318	7,045
Right-of-use assets	2,167	1,862
Unrealized gains	203	526
Other	512	705
Total deferred tax liabilities	7,200	10,138
Net deferred tax assets	\$ 13,073	\$ 8,157

Deferred tax assets and liabilities reflect the effects of tax credits and the future income tax effects of temporary differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and are measured using enacted tax rates that apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The Company has elected to record certain deferred tax assets and liabilities in connection with the minimum tax on certain foreign earnings created by the U.S. Tax Cuts and Jobs Act of 2017 (the "Act").

As of September 25, 2021, the Company had \$2.6 billion in foreign tax credit carryforwards in Ireland and \$1.6 billion in California research and development credit carryforwards, both of which can be carried forward indefinitely. A valuation allowance has been recorded for the tax credit carryforwards and a portion of other temporary differences.

## Uncertain Tax Positions

As of September 25, 2021, the total amount of gross unrecognized tax benefits was \$15.5 billion, of which \$6.6 billion, if recognized, would impact the Company's effective tax rate. As of September 26, 2020, the total amount of gross unrecognized tax benefits was \$16.5 billion, of which \$8.8 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 2021, 2020 and 2019, is as follows (in millions):

	2021	2020	2019
Beginning balances	\$ 16,475	\$ 15,619	\$ 9,694
Increases related to tax positions taken during a prior year	816	454	5,845
Decreases related to tax positions taken during a prior year	(1,402)	(791)	(686)
Increases related to tax positions taken during the current year	1,607	1,347	1,697
Decreases related to settlements with taxing authorities	(1,838)	(85)	(852)
Decreases related to expiration of the statute of limitations	(181)	(69)	(79)
Ending balances	\$ 15,477	\$ 16,475	\$ 15,619

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 2015 for the U.S. federal jurisdiction, and after 2014 in certain major foreign jurisdictions, remain subject to examination. Although the timing of resolution and/or closure of examinations is not certain, the Company believes it is reasonably possible that its gross unrecognized tax benefits could decrease in the next 12 months by as much as \$1.2 billion.

## Interest and Penalties

The Company includes interest and penalties related to income tax matters within the provision for income taxes. As of September 25, 2021 and September 26, 2020, the total amount of gross interest and penalties accrued was \$1.5 billion and \$1.4 billion, respectively. The Company recognized interest and penalty expense of \$219 million, \$85 million and \$73 million in 2021, 2020 and 2019, respectively.

## European Commission State Aid Decision

On August 30, 2016, the European 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. 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 European Commission appealed the General Court's decision to the European Court of Justice. The Company believes that any incremental Irish corporate income taxes potentially due related to the State Aid Decision would be creditable against U.S. taxes, subject to any foreign tax credit limitations in the Act.

On an annual basis, the Company may request approval from the Irish Minister for Finance to reduce the recovery amount for certain taxes paid to other countries. As of September 25, 2021, the adjusted recovery amount was €12.7 billion, excluding interest. The adjusted recovery amount plus interest is funded into escrow, where it will remain restricted from general use pending the conclusion of all legal proceedings. Refer to the Cash, Cash Equivalents and Marketable Securities section of Note 3, "Financial Instruments" for more information.

## Note 6 – Leases

The Company has lease arrangements for certain equipment and facilities, including retail, corporate, manufacturing and data center 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. The Company's lease arrangements may contain both lease and nonlease components. The Company has elected to combine and account for lease and nonlease components as a single lease component for leases of retail, corporate, and data center facilities.

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 \$1.7 billion and \$1.5 billion for 2021 and 2020, respectively. Lease costs associated with variable payments on the Company's leases were \$12.9 billion and \$9.3 billion for 2021 and 2020, respectively. Rent expense for operating leases, as previously reported under former lease accounting standards, was \$1.3 billion in 2019.

The Company made \$1.4 billion and \$1.5 billion of fixed cash payments related to operating leases in 2021 and 2020, respectively. Noncash activities involving right-of-use ("ROU") assets obtained in exchange for lease liabilities were \$3.3 billion for 2021 and \$10.5 billion for 2020, including the impact of adopting FASB ASU No. 2016-02, Leases (*Topic 842*) in the first quarter of 2020.

The following table shows ROU assets and lease liabilities, and the associated financial statement line items, as of September 25, 2021 and September 26, 2020 (in millions):

Lease-Related Assets and Liabilities	Financial Statement Line Items	2021	2020
Right-of-use assets:			
Operating leases	Other non-current assets	\$ 10,087	\$ 8,570
Finance leases	Property, plant and equipment, net	861	629
Total right-of-use assets		<u>\$ 10,948</u>	<u>\$ 9,199</u>
Lease liabilities:			
Operating leases	Other current liabilities	\$ 1,449	\$ 1,436
	Other non-current liabilities	9,506	7,745
Finance leases	Other current liabilities	79	24
	Other non-current liabilities	769	637
Total lease liabilities		<u>\$ 11,803</u>	<u>\$ 9,842</u>

Lease liability maturities as of September 25, 2021, are as follows (in millions):

	Operating Leases	Finance Leases	Total
2022	\$ 1,629	\$ 104	\$ 1,733
2023	1,560	123	1,683
2024	1,499	99	1,598
2025	1,251	46	1,297
2026	1,061	26	1,087
Thereafter	5,187	868	6,055
Total undiscounted liabilities	12,187	1,266	13,453
Less: Imputed interest	(1,232)	(418)	(1,650)
Total lease liabilities	\$ 10,955	\$ 848	\$ 11,803

The weighted-average remaining lease term related to the Company's lease liabilities as of September 25, 2021 and September 26, 2020 was 10.8 years and 10.3 years, respectively.

The discount rate related to the Company's lease liabilities as of both September 25, 2021 and September 26, 2020 was 2.0%. The discount rates 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 25, 2021, the Company had \$1.1 billion of future payments under additional leases, primarily for corporate facilities and retail space, that had not yet commenced. These leases will commence between 2022 and 2023, with lease terms ranging from 3 years to 20 years.

## Note 7 – Debt

### Commercial Paper and Repurchase Agreements

The Company issues unsecured short-term promissory notes ("Commercial Paper") pursuant to a commercial paper program. The Company uses net proceeds from the commercial paper program for general corporate purposes, including dividends and share repurchases. As of September 25, 2021 and September 26, 2020, the Company had \$6.0 billion and \$5.0 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 0.06% and 0.62% as of September 25, 2021 and September 26, 2020, respectively. The following table provides a summary of cash flows associated with the issuance and maturities of Commercial Paper for 2021, 2020 and 2019 (in millions):

	2021	2020	2019
Maturities 90 days or less:			
Proceeds from/(Repayments of) commercial paper, net	\$ (357)	\$ 100	\$ (3,248)
Maturities greater than 90 days:			
Proceeds from commercial paper	7,946	6,185	13,874
Repayments of commercial paper	(6,567)	(7,248)	(16,603)
Proceeds from/(Repayments of) commercial paper, net	1,379	(1,063)	(2,729)
Total proceeds from/(repayments of) commercial paper, net	\$ 1,022	\$ (963)	\$ (5,977)

In 2020, the Company entered into agreements to sell certain of its marketable securities with a promise to repurchase the securities at a specified time and amount ("Repos"). Due to the Company's continuing involvement with the marketable securities, the Company accounted for its Repos as collateralized borrowings. The Company entered into \$5.2 billion of Repos during 2020, all of which had been settled as of September 26, 2020.

## Term Debt

As of September 25, 2021, the Company had outstanding floating- and fixed-rate notes with varying maturities for an aggregate principal amount of \$118.1 billion (collectively the “Notes”). The Notes are senior unsecured obligations and interest is payable in arrears. The following table provides a summary of the Company’s term debt as of September 25, 2021 and September 26, 2020:

		2021		2020	
	Maturities (calendar year)	Amount (in millions)	Effective Interest Rate	Amount (in millions)	Effective Interest Rate
2013 – 2020 debt issuances:					
Floating-rate notes	2022	\$ 1,750	0.48% – 0.63%	\$ 2,250	0.60% – 1.39%
Fixed-rate 0.000% – 4.650% notes	2022 – 2060	95,813	0.03% – 4.78%	103,828	0.03% – 4.78%
Second quarter 2021 debt issuance:					
Fixed-rate 0.700% – 2.800% notes	2026 – 2061	14,000	0.75% – 2.81%	—	— %
Fourth quarter 2021 debt issuance:					
Fixed-rate 1.400% – 2.850% notes	2028 – 2061	6,500	1.43% – 2.86%	—	— %
Total term debt		118,063		106,078	
Unamortized premium/(discount) and issuance costs, net		(380)		(314)	
Hedge accounting fair value adjustments		1,036		1,676	
Less: Current portion of term debt		(9,613)		(8,773)	
Total non-current portion of term debt		\$ 109,106		\$ 98,667	

To manage interest rate risk on certain of its U.S. dollar-denominated fixed- or floating-rate notes, the Company has entered into interest rate swaps to effectively convert the fixed interest rates to floating interest rates or the floating interest rates to fixed interest rates on a portion of these notes. Additionally, to manage foreign currency risk on certain of its foreign currency-denominated notes, the Company has entered into foreign 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 Company recognized \$2.6 billion, \$2.8 billion and \$3.2 billion of interest expense on its term debt for 2021, 2020 and 2019, respectively.

The future principal payments for the Company’s Notes as of September 25, 2021, are as follows (in millions):

2022	\$ 9,583
2023	11,391
2024	10,202
2025	10,914
2026	11,408
Thereafter	64,565
Total term debt	<u>\$ 118,063</u>

As of September 25, 2021 and September 26, 2020, the fair value of the Company’s Notes, based on Level 2 inputs, was \$125.3 billion and \$117.1 billion, respectively.



## Note 8 – Shareholders’ Equity

### Share Repurchase Program

As of September 25, 2021, the Company was authorized to purchase up to \$315 billion of the Company’s common stock under a share repurchase program (the “Program”). During 2021, the Company repurchased 656 million shares of its common stock for \$85.5 billion, including 36 million shares delivered under a \$5.0 billion accelerated share repurchase agreement entered into in May 2021, bringing the total utilization under the Program to \$254.1 billion as of September 25, 2021. The Program does not obligate the Company to acquire any specific number of shares. Under the Program, shares may be repurchased in privately negotiated and/or open market transactions, including under plans complying with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

### Shares of Common Stock

The following table shows the changes in shares of common stock for 2021, 2020 and 2019 (in thousands):

	2021	2020	2019
Common stock outstanding, beginning balances	16,976,763	17,772,945	19,019,943
Common stock repurchased	(656,340)	(917,270)	(1,380,819)
Common stock issued, net of shares withheld for employee taxes	106,363	121,088	133,821
Common stock outstanding, ending balances	16,426,786	16,976,763	17,772,945

## Note 9 – Benefit Plans

### 2014 Employee Stock Plan

The 2014 Employee Stock Plan (the “2014 Plan”) is a shareholder-approved plan that provides for broad-based equity grants to employees, including executive officers, and permits the granting of restricted stock units (“RSUs”), stock grants, performance-based awards, stock options and stock appreciation rights, as well as cash bonus awards. RSUs granted under the 2014 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. RSUs granted under the 2014 Plan reduce the number of shares available for grant under the plan by a factor of two times the number of RSUs granted. RSUs canceled and shares withheld to satisfy tax withholding obligations increase the number of shares available for grant under the 2014 Plan utilizing a factor of two times the number of RSUs canceled or shares withheld. All RSUs granted under the 2014 Plan have dividend equivalent rights (“DERs”), which entitle holders of RSUs to the same dividend value per share as holders of common stock. DERs are subject to the same vesting and other terms and conditions as the underlying RSUs. As of September 25, 2021, approximately 760 million shares were reserved for future issuance under the 2014 Plan. Shares subject to outstanding awards under the 2003 Employee Stock Plan that expire, are canceled or otherwise terminate, or are withheld to satisfy tax withholding obligations for RSUs, will also be available for awards under the 2014 Plan.

### Apple Inc. Non-Employee Director Stock Plan

The Apple Inc. Non-Employee Director Stock Plan (the “Director Plan”) is a shareholder-approved plan that (i) permits the Company to grant awards of RSUs or stock options to the Company’s non-employee directors, (ii) provides for automatic initial grants of RSUs upon a non-employee director joining the Board of Directors and automatic annual grants of RSUs at each annual meeting of shareholders, and (iii) permits the Board of Directors to prospectively change the value and relative mixture of stock options and RSUs for the initial and annual award grants and the methodology for determining the number of shares of the Company’s common stock subject to these grants, in each case within the limits set forth in the Director Plan and without further shareholder approval. RSUs granted under the Director Plan reduce the number of shares available for grant under the plan by a factor of two times the number of RSUs granted. The Director Plan expires on November 12, 2027. All RSUs granted under the Director Plan are entitled to DERs, which are subject to the same vesting and other terms and conditions as the underlying RSUs. As of September 25, 2021, approximately 4 million shares were reserved for future issuance under the Director Plan.

### Rule 10b5-1 Trading Plans

During the three months ended September 25, 2021, Section 16 officers Katherine L. Adams, Timothy D. Cook, Luca Maestri, Deirdre O’Brien and Jeffrey Williams had equity trading plans in place in accordance with Rule 10b5-1(c)(1) under the Exchange Act. An equity trading plan is a written document that preestablishes the amounts, prices and dates (or formula for determining the amounts, prices and dates) of future purchases or sales of the Company’s stock, including shares acquired under the Company’s employee and director equity plans.

## Employee Stock Purchase Plan

The Employee Stock Purchase Plan (the “Purchase Plan”) is a shareholder-approved plan under which substantially all employees may voluntarily enroll to purchase the Company’s common stock through payroll deductions at a price equal to 85% of the lower of the fair market values of the stock as of the beginning or the end of six-month offering periods. An employee’s payroll deductions under the Purchase Plan are limited to 10% of the employee’s compensation and employees may not purchase more than \$25,000 of stock during any calendar year. As of September 25, 2021, approximately 96 million shares were reserved for future issuance under the Purchase Plan.

## 401(k) Plan

The Company’s 401(k) Plan is a deferred salary arrangement under Section 401(k) of the Internal Revenue Code. Under the 401(k) Plan, participating U.S. employees may defer a portion of their pretax earnings, up to the U.S. Internal Revenue Service annual contribution limit (\$19,500 for calendar year 2021). The Company matches 50% to 100% of each employee’s contributions, depending on length of service, up to a maximum of 6% of the employee’s eligible earnings.

## Restricted Stock Units

A summary of the Company’s RSU activity and related information for 2021, 2020 and 2019, 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 29, 2018	368,618	\$ 33.65	
RSUs granted	147,409	\$ 53.99	
RSUs vested	(168,350)	\$ 33.80	
RSUs canceled	(21,609)	\$ 40.71	
Balance as of September 28, 2019	326,068	\$ 42.30	
RSUs granted	156,800	\$ 59.20	
RSUs vested	(157,743)	\$ 40.29	
RSUs canceled	(14,347)	\$ 48.07	
Balance as of September 26, 2020	310,778	\$ 51.58	
RSUs granted	89,363	\$ 116.33	
RSUs vested	(145,766)	\$ 50.71	
RSUs canceled	(13,948)	\$ 68.95	
Balance as of September 25, 2021	240,427	\$ 75.16	\$ 35,324

The fair value as of the respective vesting dates of RSUs was \$19.0 billion, \$10.8 billion and \$8.6 billion for 2021, 2020 and 2019, respectively. The majority of RSUs that vested in 2021, 2020 and 2019 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 the cash to the appropriate taxing authorities. The total shares withheld were approximately 53 million, 56 million and 59 million for 2021, 2020 and 2019, 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 for the employees’ tax obligations to taxing authorities were \$6.8 billion, \$3.9 billion and \$3.0 billion in 2021, 2020 and 2019, respectively.

## 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 2021, 2020 and 2019 (in millions):

	2021	2020	2019
Share-based compensation expense	\$ 7,906	\$ 6,829	\$ 6,068
Income tax benefit related to share-based compensation expense	\$ (4,056)	\$ (2,476)	\$ (1,967)

As of September 25, 2021, the total unrecognized compensation cost related to outstanding RSUs and stock options was \$13.6 billion, which the Company expects to recognize over a weighted-average period of 2.5 years.

## Note 10 – Commitments and Contingencies

### Accrued Warranty and Guarantees

The following table shows changes in the Company's accrued warranties and related costs for 2021, 2020 and 2019 (in millions):

	2021	2020	2019
Beginning accrued warranty and related costs	\$ 3,354	\$ 3,570	\$ 3,692
Cost of warranty claims	(2,674)	(2,956)	(3,857)
Accruals for product warranty	2,684	2,740	3,735
Ending accrued warranty and related costs	<u>\$ 3,364</u>	<u>\$ 3,354</u>	<u>\$ 3,570</u>

The Company offers an iPhone Upgrade Program, which is available to customers who purchase a qualifying iPhone in the U.S., the U.K. and China mainland. The iPhone Upgrade Program provides customers the right to trade in that iPhone for a specified amount when purchasing a new iPhone, provided certain conditions are met. The Company accounts for the trade-in right as a guarantee liability and recognizes arrangement revenue net of the fair value of such right, with subsequent changes to the guarantee liability recognized within net sales.

### 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.

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.

Substantially all of the Company's hardware products are manufactured by outsourcing partners that are located primarily in Asia, with some Mac computers manufactured in the U.S. and Ireland.

### 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 payments for content creation, Internet and telecommunications services and supplier arrangements. Future payments under noncancelable unconditional purchase obligations having a remaining term in excess of one year as of September 25, 2021, are as follows (in millions):

2022	\$ 4,551
2023	2,165
2024	984
2025	405
2026	51
Thereafter	28
Total	<u>\$ 8,184</u>

## 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. When a loss related to a legal proceeding or claim is probable and reasonably estimable, the Company accrues its best estimate for the ultimate resolution of the matter. 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. 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, except for the following matters:

### *VirnetX*

VirnetX, Inc. ("VirnetX") filed a lawsuit against the Company alleging that certain of the Company's products infringe on patents owned by VirnetX. On April 11, 2018, a jury returned a verdict against the Company in the U.S. District Court for the Eastern District of Texas (the "Eastern Texas District Court"). The Company appealed the verdict to the U.S. Court of Appeals for the Federal Circuit, which remanded the case back to the Eastern Texas District Court, where a retrial was held in October 2020. The jury returned a verdict against the Company and awarded damages of \$503 million, which the Company has appealed. The Company has challenged the validity of the patents at issue in the retrial at the U.S. Patent and Trademark Office (the "PTO"), and the PTO has declared the patents invalid, subject to further appeal by VirnetX.

### *iOS Performance Management Cases*

On April 5, 2018, several U.S. federal actions alleging violation of consumer protection laws, fraud, computer intrusion and other causes of action related to the Company's performance management feature used in its iPhone operating systems, introduced to certain iPhones in iOS updates 10.2.1 and 11.2, were consolidated through a Multidistrict Litigation process into a single action in the U.S. District Court for the Northern District of California (the "Northern California District Court"). On February 28, 2020, the parties in the Multidistrict Litigation reached a settlement to resolve the U.S. federal and California state class actions. On March 18, 2021, the Northern California District Court granted final approval of the Multidistrict Litigation settlement, which will result in an aggregate payment of \$310 million to settle all claims. The Company continues to believe that its iPhones were not defective, that the performance management feature introduced with iOS updates 10.2.1 and 11.2 was intended to, and did, improve customers' user experience, and that the Company did not make any misleading statements or fail to disclose any material information.

### *French Competition Authority*

On March 16, 2020, the French Competition Authority ("FCA") announced its decision that aspects of the Company's sales and distribution practices in France violate French competition law, and issued a fine of €1.1 billion. The Company strongly disagrees with the FCA's decision, and has appealed.

### *Optis*

Optis Wireless Technology, LLC and related entities ("Optis") filed a lawsuit in the U.S. District Court for the Eastern District of Texas against the Company alleging that certain of the Company's products infringe on patents owned by Optis. On August 11, 2020, a jury returned a verdict against the Company and awarded damages. In post-trial proceedings, the damages portion of the verdict was set aside. A retrial on damages was held in August 2021 and the jury in that proceeding awarded damages of \$300 million against the Company, which the Company plans to appeal.

## **Note 11 – Segment Information and Geographic Data**

The Company reports segment information based on the "management" approach. The management approach designates the internal reporting used by management for making decisions and assessing performance as the source of the Company's reportable 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. The accounting policies of the various segments are the same as those described in Note 1, "Summary of Significant Accounting Policies."

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 includes net sales to third parties, related cost of sales and operating expenses directly attributable to the segment. Advertising expenses are generally included in the geographic segment in which the expenditures are incurred. Operating income for each segment excludes other income and expense and certain expenses managed outside the reportable segments. Costs excluded from segment operating income include various corporate expenses such as research and development, corporate marketing expenses, certain share-based compensation expenses, income taxes, various nonrecurring charges and other separately managed general and administrative costs. The Company does not include intercompany transfers between segments for management reporting purposes.

The following table shows information by reportable segment for 2021, 2020 and 2019 (in millions):

	2021	2020	2019
<b>Americas:</b>			
Net sales	\$ 153,306	\$ 124,556	\$ 116,914
Operating income	\$ 53,382	\$ 37,722	\$ 35,099
<b>Europe:</b>			
Net sales	\$ 89,307	\$ 68,640	\$ 60,288
Operating income	\$ 32,505	\$ 22,170	\$ 19,195
<b>Greater China:</b>			
Net sales	\$ 68,366	\$ 40,308	\$ 43,678
Operating income	\$ 28,504	\$ 15,261	\$ 16,232
<b>Japan:</b>			
Net sales	\$ 28,482	\$ 21,418	\$ 21,506
Operating income	\$ 12,798	\$ 9,279	\$ 9,369
<b>Rest of Asia Pacific:</b>			
Net sales	\$ 26,356	\$ 19,593	\$ 17,788
Operating income	\$ 9,817	\$ 6,808	\$ 6,055

A reconciliation of the Company's segment operating income to the Consolidated Statements of Operations for 2021, 2020 and 2019 is as follows (in millions):

	2021	2020	2019
Segment operating income	\$ 137,006	\$ 91,240	\$ 85,950
Research and development expense	(21,914)	(18,752)	(16,217)
Other corporate expenses, net	(6,143)	(6,200)	(5,803)
Total operating income	<u>\$ 108,949</u>	<u>\$ 66,288</u>	<u>\$ 63,930</u>

The U.S. and China were the only countries that accounted for more than 10% of the Company's net sales in 2021, 2020 and 2019. There was no single customer that accounted for more than 10% of net sales in 2021, 2020 and 2019. Net sales for 2021, 2020 and 2019 and long-lived assets as of September 25, 2021 and September 26, 2020 were as follows (in millions):

	2021	2020	2019
Net sales:			
U.S.	\$ 133,803	\$ 109,197	\$ 102,266
China <sup>(1)</sup>	68,366	40,308	43,678
Other countries	163,648	125,010	114,230
Total net sales	<u>\$ 365,817</u>	<u>\$ 274,515</u>	<u>\$ 260,174</u>
		2021	2020
Long-lived assets:			
U.S.	\$ 28,203	\$ 25,890	
China <sup>(1)</sup>	7,521	7,256	
Other countries	3,716	3,620	
Total long-lived assets	<u>\$ 39,440</u>	<u>\$ 36,766</u>	

- (1) China includes Hong Kong and Taiwan. Long-lived assets located in China consist primarily of product tooling and manufacturing process equipment and assets related to retail stores and related infrastructure.

## 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. as of September 25, 2021 and September 26, 2020, the related consolidated statements of operations, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended September 25, 2021, 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 Apple Inc. at September 25, 2021 and September 26, 2020, and the results of its operations and its cash flows for each of the three years in the period ended September 25, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (the "PCAOB"), Apple Inc.'s internal control over financial reporting as of September 25, 2021, 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 October 28, 2021 expressed an unqualified opinion thereon.

### Basis for Opinion

These financial statements are the responsibility of Apple Inc.'s management. Our responsibility is to express an opinion on Apple Inc.'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 Apple Inc. in accordance with the U.S. federal securities laws and the applicable rules and regulations of the U.S. 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 5 to the financial statements, Apple Inc. is subject to taxation and files income tax returns in the U.S. federal jurisdiction and many state and foreign jurisdictions. As of September 25, 2021, the total amount of gross unrecognized tax benefits was \$15.5 billion, of which \$6.6 billion, if recognized, would impact Apple Inc.'s effective tax rate. Apple Inc. uses significant judgment in the calculation of tax liabilities in estimating the impact of uncertainties in the application of technical merits and complex 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, and the development of the related disclosures.

To evaluate Apple Inc.'s assessment of which tax positions are more likely than not to be sustained, our audit procedures included, among others, reading and evaluating management's assumptions and analysis, and, as applicable, Apple Inc.'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 Apple Inc.'s tax positions based on our knowledge of relevant tax laws and experience with related taxing authorities. For certain tax positions, we also received external legal counsel confirmation letters and discussed the matters with external advisors and Apple Inc. tax personnel. In addition, we evaluated Apple Inc.'s disclosure in relation to these matters included in Note 5 to the financial statements.

/s/ Ernst & Young LLP

We have served as Apple Inc.'s auditor since 2009.

San Jose, California  
October 28, 2021



## 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 25, 2021, 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. maintained, in all material respects, effective internal control over financial reporting as of September 25, 2021, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (the "PCAOB"), the consolidated balance sheets of Apple Inc. as of September 25, 2021 and September 26, 2020, the related consolidated statements of operations, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended September 25, 2021, and the related notes and our report dated October 28, 2021 expressed an unqualified opinion thereon.

### Basis for Opinion

Apple Inc.'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 Apple Inc.'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 Apple Inc. in accordance with the U.S. federal securities laws and the applicable rules and regulations of the U.S. 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 U.S. 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 U.S. 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  
October 28, 2021

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

**Item 9A. Controls and Procedures****Evaluation of Disclosure Controls and Procedures**

Based on an evaluation under the supervision and with the participation of the Company's management, the Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act were effective as of September 25, 2021 to provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and (ii) accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

**Inherent Limitations over Internal Controls**

The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles ("GAAP"). The Company's internal control over financial reporting includes those policies and procedures that:

- (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company's assets;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that the Company's receipts and expenditures are being made only in accordance with authorizations of the Company's management and directors; and
- (iii) 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.

Management, including the Company's Chief Executive Officer and Chief Financial Officer, does not expect that the Company's internal controls will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of internal controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Also, any evaluation of the effectiveness of controls in future periods are subject to the risk that those internal controls may become inadequate because of changes in business conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Management's Annual Report on Internal Control over Financial Reporting**

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Management conducted an assessment of the effectiveness of the Company's internal control over financial reporting based on the criteria set forth in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on the Company's assessment, management has concluded that its internal control over financial reporting was effective as of September 25, 2021 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP. The Company's independent registered public accounting firm, Ernst & Young LLP, has issued an audit report on the Company's internal control over financial reporting, which appears in Part II, Item 8 of this Form 10-K.

**Changes in Internal Control over Financial Reporting**

There were no changes in the Company's internal control over financial reporting during the fourth quarter of 2021, which were identified in connection with management's evaluation required by paragraph (d) of Rules 13a-15 and 15d-15 under the Exchange Act, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## **Item 9B. Other Information**

### **Disclosure Pursuant to Section 13(r) of the Exchange Act**

Under Section 13(r) of the Exchange Act, the Company is required to disclose in its periodic reports if it or any of its affiliates knowingly conducted a transaction or dealing with entities or individuals designated pursuant to certain Executive Orders.

On March 2, 2021, the U.S. Secretary of State designated the Russian Federal Security Service (the “FSB”) as a blocked party under Executive Order 13382. On the same day, the U.S. Department of the Treasury’s Office of Foreign Assets Control updated General License No. 1B to authorize transactions and activities with the FSB that are necessary and ordinarily incident to requesting, receiving, utilizing, paying for, or dealing in certain licenses, permits, certifications or notifications issued or registered by the FSB for the importation, distribution or use of certain information technology products in the Russian Federation.

As previously disclosed in the Company’s Quarterly Report on Form 10-Q for the three-month period ended June 26, 2021, during such period, the Company filed legally required administrative notifications with the FSB in connection with the importation of the Company’s products into the Russian Federation, as permitted by General License No. 1B. The Company did not make any payments, nor did it receive gross revenues or net profits, in connection with such engagement. The Company may in the future engage with the FSB for activities necessary to conduct business in the Russian Federation, in accordance with applicable U.S. laws and regulations.

### **Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections**

Not applicable.

## **PART III**

### **Item 10. Directors, Executive Officers and Corporate Governance**

The information required by this Item is included in the Company’s 2022 Proxy Statement to be filed with the SEC within 120 days after September 25, 2021 in connection with the solicitation of proxies for the Company’s 2022 annual meeting of shareholders, and is incorporated herein by reference.

### **Item 11. Executive Compensation**

The information required by this Item is included in the Company’s 2022 Proxy Statement to be filed with the SEC within 120 days after September 25, 2021, and is incorporated herein by reference.

### **Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The information required by this Item is included in the Company’s 2022 Proxy Statement to be filed with the SEC within 120 days after September 25, 2021, and is incorporated herein by reference.

### **Item 13. Certain Relationships and Related Transactions, and Director Independence**

The information required by this Item is included in the Company’s 2022 Proxy Statement to be filed with the SEC within 120 days after September 25, 2021, and is incorporated herein by reference.

### **Item 14. Principal Accountant Fees and Services**

The information required by this Item is included in the Company’s 2022 Proxy Statement to be filed with the SEC within 120 days after September 25, 2021, and is incorporated herein by reference.

## PART IV

### Item 15. Exhibit and Financial Statement Schedules

#### (a) Documents filed as part of this report

##### (1) All financial statements

Index to Consolidated Financial Statements	Page
<a href="#">Consolidated Statements of Operations for the years ended September 25, 2021, September 26, 2020 and September 28, 2019</a>	29
<a href="#">Consolidated Statements of Comprehensive Income for the years ended September 25, 2021, September 26, 2020 and September 28, 2019</a>	30
<a href="#">Consolidated Balance Sheets as of September 25, 2021 and September 26, 2020</a>	31
<a href="#">Consolidated Statements of Shareholders' Equity for the years ended September 25, 2021, September 26, 2020 and September 28, 2019</a>	32
<a href="#">Consolidated Statements of Cash Flows for the years ended September 25, 2021, September 26, 2020 and September 28, 2019</a>	33
<a href="#">Notes to Consolidated Financial Statements</a>	34
<a href="#">Reports of Independent Registered Public Accounting Firm</a>	52

##### (2) Financial Statement Schedules

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 included in this Form 10-K.

##### (3) Exhibits required by Item 601 of Regulation S-K <sup>(1)</sup>

Exhibit Number	Exhibit Description	Incorporated by Reference		
		Form	Exhibit	Filing Date/Period End Date
3.1	<a href="#">Restated Articles of Incorporation of the Registrant filed on August 3, 2020.</a>	8-K	3.1	8/7/20
3.2	<a href="#">Amended and Restated Bylaws of the Registrant effective as of December 13, 2016.</a>	8-K	3.2	12/15/16
4.1**	<a href="#">Description of Securities of the Registrant.</a>			
4.2	<a href="#">Indenture, dated as of April 29, 2013, between the Registrant and The Bank of New York Mellon Trust Company, N.A., as Trustee.</a>	S-3	4.1	4/29/13
4.3	<a href="#">Officer's Certificate of the Registrant, dated as of May 3, 2013, including forms of global notes representing the Floating Rate Notes due 2016, Floating Rate Notes due 2018, 0.45% Notes due 2016, 1.00% Notes due 2018, 2.40% Notes due 2023 and 3.85% Notes due 2043.</a>	8-K	4.1	5/3/13
4.4	<a href="#">Officer's Certificate of the Registrant, dated as of May 6, 2014, including forms of global notes representing the Floating Rate Notes due 2017, Floating Rate Notes due 2019, 1.05% Notes due 2017, 2.10% Notes due 2019, 2.85% Notes due 2021, 3.45% Notes due 2024 and 4.45% Notes due 2044.</a>	8-K	4.1	5/6/14
4.5	<a href="#">Officer's Certificate of the Registrant, dated as of November 10, 2014, including forms of global notes representing the 1.000% Notes due 2022 and 1.625% Notes due 2026.</a>	8-K	4.1	11/10/14
4.6	<a href="#">Officer's Certificate of the Registrant, dated as of February 9, 2015, including forms of global notes representing the Floating Rate Notes due 2020, 1.55% Notes due 2020, 2.15% Notes due 2022, 2.50% Notes due 2025 and 3.45% Notes due 2045.</a>	8-K	4.1	2/9/15
4.7	<a href="#">Officer's Certificate of the Registrant, dated as of May 13, 2015, including forms of global notes representing the Floating Rate Notes due 2017, Floating Rate Notes due 2020, 0.900% Notes due 2017, 2.000% Notes due 2020, 2.700% Notes due 2022, 3.200% Notes due 2025, and 4.375% Notes due 2045.</a>	8-K	4.1	5/13/15
4.8	<a href="#">Officer's Certificate of the Registrant, dated as of July 31, 2015, including forms of global notes representing the 3.05% Notes due 2029 and 3.60% Notes due 2042.</a>	8-K	4.1	7/31/15

Exhibit Number	Exhibit Description	Incorporated by Reference		
		Form	Exhibit	Filing Date/ Period End Date
4.9	<a href="#">Officer's Certificate of the Registrant, dated as of September 17, 2015, including forms of global notes representing the 1.375% Notes due 2024 and 2.000% Notes due 2027.</a>	8-K	4.1	9/17/15
4.10	<a href="#">Officer's Certificate of the Registrant, dated as of February 23, 2016, including forms of global notes representing the Floating Rate Notes due 2019, Floating Rate Notes due 2021, 1.300% Notes due 2018, 1.700% Notes due 2019, 2.250% Notes due 2021, 2.850% Notes due 2023, 3.250% Notes due 2026, 4.500% Notes due 2036 and 4.650% Notes due 2046.</a>	8-K	4.1	2/23/16
4.11	<a href="#">Supplement No. 1 to the Officer's Certificate of the Registrant, dated as of March 24, 2016.</a>	8-K	4.1	3/24/16
4.12	<a href="#">Officer's Certificate of the Registrant, dated as of August 4, 2016, including forms of global notes representing the Floating Rate Notes due 2019, 1.100% Notes due 2019, 1.550% Notes due 2021, 2.450% Notes due 2026 and 3.850% Notes due 2046.</a>	8-K	4.1	8/4/16
4.13	<a href="#">Officer's Certificate of the Registrant, dated as of February 9, 2017, including forms of global notes representing the Floating Rate Notes due 2019, Floating Rate Notes due 2020, Floating Rate Notes due 2022, 1.550% Notes due 2019, 1.900% Notes due 2020, 2.500% Notes due 2022, 3.000% Notes due 2024, 3.350% Notes due 2027 and 4.250% Notes due 2047.</a>	8-K	4.1	2/9/17
4.14	<a href="#">Officer's Certificate of the Registrant, dated as of May 11, 2017, including forms of global notes representing the Floating Rate Notes due 2020, Floating Rate Notes due 2022, 1.800% Notes due 2020, 2.300% Notes due 2022, 2.850% Notes due 2024 and 3.200% Notes due 2027.</a>	8-K	4.1	5/11/17
4.15	<a href="#">Officer's Certificate of the Registrant, dated as of May 24, 2017, including forms of global notes representing the 0.875% Notes due 2025 and 1.375% Notes due 2029.</a>	8-K	4.1	5/24/17
4.16	<a href="#">Officer's Certificate of the Registrant, dated as of June 20, 2017, including form of global note representing the 3.000% Notes due 2027.</a>	8-K	4.1	6/20/17
4.17	<a href="#">Officer's Certificate of the Registrant, dated as of August 18, 2017, including form of global note representing the 2.513% Notes due 2024.</a>	8-K	4.1	8/18/17
4.18	<a href="#">Officer's Certificate of the Registrant, dated as of September 12, 2017, including forms of global notes representing the 1.500% Notes due 2019, 2.100% Notes due 2022, 2.900% Notes due 2027 and 3.750% Notes due 2047.</a>	8-K	4.1	9/12/17
4.19	<a href="#">Officer's Certificate of the Registrant, dated as of November 13, 2017, including forms of global notes representing the 1.800% Notes due 2019, 2.000% Notes due 2020, 2.400% Notes due 2023, 2.750% Notes due 2025, 3.000% Notes due 2027 and 3.750% Notes due 2047.</a>	8-K	4.1	11/13/17
4.20	<a href="#">Indenture, dated as of November 5, 2018, between the Registrant and The Bank of New York Mellon Trust Company, N.A., as Trustee.</a>	S-3	4.1	11/5/18
4.21	<a href="#">Officer's Certificate of the Registrant, dated as of September 11, 2019, including forms of global notes representing the 1.700% Notes due 2022, 1.800% Notes due 2024, 2.050% Notes due 2026, 2.200% Notes due 2029 and 2.950% Notes due 2049.</a>	8-K	4.1	9/11/19
4.22	<a href="#">Officer's Certificate of the Registrant, dated as of November 15, 2019, including forms of global notes representing the 0.000% Notes due 2025 and 0.500% Notes due 2031.</a>	8-K	4.1	11/15/19
4.23	<a href="#">Officer's Certificate of the Registrant, dated as of May 11, 2020, including forms of global notes representing the 0.750% Notes due 2023, 1.125% Notes due 2025, 1.650% Notes due 2030 and 2.650% Notes due 2050.</a>	8-K	4.1	5/11/20
4.24	<a href="#">Officer's Certificate of the Registrant, dated as of August 20, 2020, including forms of global notes representing the 0.550% Notes due 2025, 1.25% Notes due 2030, 2.400% Notes due 2050 and 2.550% Notes due 2060.</a>	8-K	4.1	8/20/20
4.25	<a href="#">Officer's Certificate of the Registrant, dated as of February 8, 2021, including forms of global notes representing the 0.700% Notes due 2026, 1.200% Notes due 2028, 1.650% Notes due 2031, 2.375% Notes due 2041, 2.650% Notes due 2051 and 2.800% Notes due 2061.</a>	8-K	4.1	2/8/21
4.26	<a href="#">Officer's Certificate of the Registrant, dated as of August 5, 2021, including forms of global notes representing the 1.400% Notes due 2028, 1.700% Notes due 2031, 2.700% Notes due 2051 and 2.850% Notes due 2061.</a>	8-K	4.1	8/5/21
4.27*	<a href="#">Apple Inc. Deferred Compensation Plan.</a>	S-8	4.1	8/23/18

**Incorporated by Reference**

Exhibit Number	Exhibit Description	Incorporated by Reference		
		Form	Exhibit	Filing Date/ Period End Date
10.1*	<a href="#">Employee Stock Purchase Plan, as amended and restated as of March 10, 2015.</a>	8-K	10.1	3/13/15
10.2*	<a href="#">Form of Indemnification Agreement between the Registrant and each director and executive officer of the Registrant.</a>	10-Q	10.2	6/27/09
10.3*	<a href="#">Apple Inc. Non-Employee Director Stock Plan, as amended and restated as of February 13, 2018.</a>	8-K	10.1	2/14/18
10.4*	<a href="#">2014 Employee Stock Plan, as amended and restated as of October 1, 2017.</a>	10-K	10.8	9/30/17
10.5*	<a href="#">Form of Restricted Stock Unit Award Agreement under 2014 Employee Stock Plan effective as of October 14, 2016.</a>	10-K	10.18	9/24/16
10.6*	<a href="#">Form of Restricted Stock Unit Award Agreement under 2014 Employee Stock Plan effective as of September 26, 2017.</a>	10-K	10.20	9/30/17
10.7*	<a href="#">Form of Performance Award Agreement under 2014 Employee Stock Plan effective as of September 26, 2017.</a>	10-K	10.21	9/30/17
10.8*	<a href="#">Form of Restricted Stock Unit Award Agreement under Non-Employee Director Stock Plan effective as of February 13, 2018.</a>	10-Q	10.2	3/31/18
10.9*	<a href="#">Form of Restricted Stock Unit Award Agreement under 2014 Employee Stock Plan effective as of August 21, 2018.</a>	10-K	10.17	9/29/18
10.10*	<a href="#">Form of Performance Award Agreement under 2014 Employee Stock Plan effective as of August 21, 2018.</a>	10-K	10.18	9/29/18
10.11*	<a href="#">Form of Restricted Stock Unit Award Agreement under 2014 Employee Stock Plan effective as of September 29, 2019.</a>	10-K	10.15	9/28/19
10.12*	<a href="#">Form of Performance Award Agreement under 2014 Employee Stock Plan effective as of September 29, 2019.</a>	10-K	10.16	9/28/19
10.13*	<a href="#">Form of Restricted Stock Unit Award Agreement under 2014 Employee Stock Plan effective as of August 18, 2020.</a>	10-K	10.16	9/26/20
10.14*	<a href="#">Form of Performance Award Agreement under 2014 Employee Stock Plan effective as of August 18, 2020.</a>	10-K	10.17	9/26/20
10.15*	<a href="#">Form of CEO Restricted Stock Unit Award Agreement under 2014 Employee Stock Plan effective as of September 27, 2020.</a>	10-Q	10.1	1/28/21
10.16*	<a href="#">Form of CEO Performance Award Agreement under 2014 Employee Stock Plan effective as of September 27, 2020.</a>	10-Q	10.2	1/28/21
21.1**	<a href="#">Subsidiaries of the Registrant.</a>			
23.1**	<a href="#">Consent of Independent Registered Public Accounting Firm.</a>			
24.1**	<a href="#">Power of Attorney (included on the Signatures page of this Annual Report on Form 10-K).</a>			
31.1**	<a href="#">Rule 13a-14(a) / 15d-14(a) Certification of Chief Executive Officer.</a>			
31.2**	<a href="#">Rule 13a-14(a) / 15d-14(a) Certification of Chief Financial Officer.</a>			
32.1***	<a href="#">Section 1350 Certifications of Chief Executive Officer and Chief Financial Officer.</a>			
101**	Inline XBRL Document Set for the consolidated financial statements and accompanying notes in Part II, Item 8, "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.			
104**	Inline XBRL for the cover page of this Annual Report on Form 10-K, included in the Exhibit 101 Inline XBRL Document Set.			

\* Indicates management contract or compensatory plan or arrangement.

\*\* Filed herewith.

\*\*\* Furnished herewith.

(1) Certain instruments defining the rights of holders of long-term debt securities of the Registrant are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. The Registrant hereby undertakes to furnish to the SEC, upon request, copies of any such instruments.

## Item 16. Form 10-K Summary

None.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: October 28, 2021

Apple Inc.

By: /s/ Luca Maestri  
Luca Maestri  
Senior Vice President,  
Chief Financial Officer

## Power of Attorney

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Timothy D. Cook and Luca Maestri, jointly and severally, his or her attorneys-in-fact, each with the power of substitution, for him or her in any and all capacities, to sign any amendments to this Annual Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Name	Title	Date
<u>/s/ Timothy D. Cook</u> TIMOTHY D. COOK	Chief Executive Officer and Director (Principal Executive Officer)	October 28, 2021
<u>/s/ Luca Maestri</u> LUCA MAESTRI	Senior Vice President, Chief Financial Officer (Principal Financial Officer)	October 28, 2021
<u>/s/ Chris Kondo</u> CHRIS KONDO	Senior Director of Corporate Accounting (Principal Accounting Officer)	October 28, 2021
<u>/s/ James A. Bell</u> JAMES A. BELL	Director	October 28, 2021
<u>/s/ Al Gore</u> AL GORE	Director	October 28, 2021
<u>/s/ Andrea Jung</u> ANDREA JUNG	Director	October 28, 2021
<u>/s/ Arthur D. Levinson</u> ARTHUR D. LEVINSON	Director and Chair of the Board	October 28, 2021
<u>/s/ Monica Lozano</u> MONICA LOZANO	Director	October 28, 2021
<u>/s/ Ronald D. Sugar</u> RONALD D. SUGAR	Director	October 28, 2021
<u>/s/ Susan L. Wagner</u> SUSAN L. WAGNER	Director	October 28, 2021

**DESCRIPTION OF THE REGISTRANT'S SECURITIES  
REGISTERED PURSUANT TO SECTION 12 OF THE  
SECURITIES EXCHANGE ACT OF 1934**

As of September 25, 2021, Apple Inc. ("Apple" or the "Company") had eleven classes of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"): (i) Common Stock, \$0.00001 par value per share ("Common Stock"); (ii) 1.000% Notes due 2022 (the "2022 Notes"); (iii) 1.375% Notes due 2024 (the "2024 Notes"); (iv) 0.000% Notes due 2025 (the "0.000% 2025 Notes"); (v) 0.875% Notes due 2025 (the "0.875% 2025 Notes"); (vi) 1.625% Notes due 2026 (the "2026 Notes"); (vii) 2.000% Notes due 2027 (the "2027 Notes"); (viii) 1.375% Notes due 2029 (the "1.375% 2029 Notes"); (ix) 3.050% Notes due 2029 (the "3.050% 2029 Notes"); (x) 0.500% Notes due 2031 (the "2031 Notes"); and (xi) 3.600% Notes due 2042 (the "2042 Notes," and together with the 2022 Notes, the 2024 Notes, the 0.000% 2025 Notes, the 0.875% 2025 Notes, the 2026 Notes, the 2027 Notes, the 1.375% 2029 Notes, the 3.050% 2029 Notes, and the 2031 Notes, the "Notes"). Each of the Company's securities registered under Section 12 of the Exchange Act are listed on The Nasdaq Stock Market LLC.

**DESCRIPTION OF COMMON STOCK**

The following is a description of the rights of Common Stock and related provisions of the Company's Restated Articles of Incorporation (the "Articles") and Amended and Restated Bylaws (the "Bylaws") and applicable California law. This description is qualified in its entirety by, and should be read in conjunction with, the Articles, Bylaws and applicable California law.

**Authorized Capital Stock**

The Company's authorized capital stock consists of 50,400,000,000 shares of Common Stock.

**Common Stock**

***Fully Paid and Nonassessable***

All of the outstanding shares of the Company's Common Stock are fully paid and nonassessable.

***Voting Rights***

The holders of shares of Common Stock are entitled to one vote per share on all matters to be voted on by such holders. Holders of shares of Common Stock are not entitled to cumulative voting rights.

Except as described below or as required by law, all matters to be voted on by shareholders must be approved by the affirmative vote of (i) a majority of the shares present or represented by proxy and voting and (ii) a majority of the shares required to constitute a quorum.

In an election of directors where the number of nominees exceeds the number of directors to be elected, the candidates receiving the highest number of affirmative votes of the shares entitled to be voted for them up to the number of directors to be elected by such shares will be elected.

The Company's entire Board of Directors or any individual director may be removed without cause by an affirmative vote of a majority of the outstanding shares entitled to vote, subject to the provisions of the Company's Bylaws.

Vacancies created by the removal of a director must be filled only by approval of the shareholders, or by the unanimous written consent of all shares entitled to vote. The shareholders may elect a director at any time to fill a vacancy not filled by the directors, but any such election by written consent, other than to fill a vacancy created by removal, requires the consent of a majority of the outstanding shares entitled to vote thereon.

An amendment of the Bylaws or the Articles may be adopted by the vote of the majority of the outstanding shares entitled to vote. Any amendment of the Bylaws specifying or changing a fixed number of directors or the maximum or minimum number or changing from a fixed to a variable board or vice versa may only be adopted by the shareholders; provided, however, that an amendment of the Bylaws or the Articles reducing the fixed number or the minimum number of directors to less than five cannot be adopted if the votes cast against its adoption are equal to more than 16 2/3% of the outstanding shares entitled to vote.



Any shareholders' meeting may be adjourned from time to time by the vote of a majority of the shares present in person or represented by proxy.

### ***Dividends***

The holders of shares of Common Stock are entitled to receive such dividends, if any, as may be declared from time to time by the Company's Board of Directors in its discretion from funds legally available therefor.

### ***Right to Receive Liquidation Distributions***

Upon liquidation, dissolution or winding-up, the holders of shares of Common Stock are entitled to receive pro rata all assets remaining available for distribution to holders of such shares.

### ***No Preemptive or Similar Rights***

Common Stock has no preemptive or other subscription rights, and there are no conversion rights or redemption or sinking fund provisions with respect to such shares of Common Stock.

### **Anti-Takeover Provisions of the Articles, Bylaws and California Law**

Provisions of the Articles and Bylaws may delay or discourage transactions involving an actual or potential change in control of the Company or change in its management, including transactions in which shareholders might otherwise receive a premium for their shares, or transactions that its shareholders might otherwise deem to be in their best interests. Among other things, the Articles and Bylaws:

- provide that, except for a vacancy caused by the removal of a director as provided in the Bylaws, a vacancy on the Company's Board of Directors may be filled by a person selected by a majority of the remaining directors then in office, whether or not less than a quorum, or by a sole remaining director;
- provide that shareholders seeking to present proposals before a meeting of shareholders or to nominate candidates for election as directors at a meeting of shareholders must provide notice in writing in a timely manner, and also specify requirements as to the form and content of a shareholder's notice;
- provide that a shareholder, or group of up to 20 shareholders, that has owned continuously for at least three years shares of Common Stock representing an aggregate of at least 3% of the Company's outstanding shares of Common Stock, may nominate and include in the Company's proxy materials director nominees constituting up to 20% of the Company's Board of Directors, provided that the shareholder(s) and nominee(s) satisfy the requirements in the Bylaws;
- do not provide for cumulative voting rights for the election of directors; and
- provide that special meetings of the shareholders may only be called by two or more members of the Board of Directors, the Chairman of the Board of Directors, the Chief Executive Officer or by one or more holders of shares entitled to cast not less than ten percent (10%) of the votes on the record date established pursuant to the Company's Bylaws.

In addition, as a California corporation, the Company is subject to the provisions of Section 1203 of the California General Corporation Law, which requires it to provide a fairness opinion to its shareholders in connection with their consideration of any proposed "interested party" reorganization transaction.

### **Listing**

The Company's Common Stock is listed on The Nasdaq Stock Market LLC under the trading symbol "AAPL."

## DESCRIPTION OF DEBT SECURITIES

The following description of the Notes is a summary and does not purport to be complete. This description is qualified in its entirety by reference, as applicable, to the Indenture, dated as of April 29, 2013, between Apple Inc. and The Bank of New York Mellon Trust Company, N.A., as trustee (the “2013 Indenture”) and the Indenture, dated as of November 5, 2018, between Apple Inc. and The Bank of New York Mellon Trust Company, N.A., as trustee (the “2018 Indenture,” and together with the 2013 Indenture, the “Indentures”). References in this section to the “Company,” “us,” “we” and “our” are solely to Apple Inc. and not to any of its subsidiaries, unless the context requires otherwise.

### The Notes

Each of the Notes were issued under the applicable Indenture, which provides that debt securities may be issued under such Indenture from time to time in one or more series. The Indentures and the Notes are governed by, and construed in accordance with, the laws of the State of New York. The Indentures do not limit the amount of debt securities that we may issue thereunder. We may, without the consent of the holders of the debt securities of any series, issue additional debt securities ranking equally with, and otherwise similar in all respects to, the debt securities of the series (except for the date of issuance, the date interest begins to accrue and, in certain circumstances, the first interest payment date) so that those additional debt securities will be consolidated and form a single series with the debt securities of the series previously offered and sold; provided, however, that any additional debt securities will have a separate ISIN number unless certain conditions are met.

#### ***The 2022 Notes***

We issued €1,400,000,000 aggregate principal amount of the 2022 Notes on November 10, 2014. The maturity date of the 2022 Notes is November 10, 2022, and interest at a rate of 1.000% per annum is paid annually on November 10 of each year, beginning on November 10, 2015, and on the maturity date. As of October 15, 2021, €1,400,000,000 aggregate principal amount of the 2022 Notes was outstanding.

#### ***The 2024 Notes***

We issued €1,000,000,000 aggregate principal amount of the 2024 Notes on September 17, 2015. The maturity date of the 2024 Notes is January 17, 2024, and interest at a rate of 1.375% per annum is paid annually on January 17 of each year, beginning on January 17, 2016, and on the maturity date. As of October 15, 2021, €1,000,000,000 aggregate principal amount of the 2024 Notes was outstanding.

#### ***The 0.000% 2025 Notes***

We issued €1,000,000,000 aggregate principal amount of the 0.000% 2025 Notes on November 15, 2019. The maturity date of the 0.000% 2025 Notes is November 15, 2025, and interest at a rate of 0.000% per annum is paid annually on November 15 of each year, beginning on November 15, 2020, and on the maturity date. As of October 15, 2021, €1,000,000,000 aggregate principal amount of the 0.000% 2025 Notes was outstanding.

#### ***The 0.875% 2025 Notes***

We issued €1,250,000,000 aggregate principal amount of the 0.875% 2025 Notes on May 24, 2017. The maturity date of the 0.875% 2025 Notes is May 24, 2025, and interest at a rate of 0.875% per annum is paid annually on May 24 of each year, beginning on May 24, 2018, and on the maturity date. As of October 15, 2021, €1,250,000,000 aggregate principal amount of the 0.875% 2025 Notes was outstanding.

#### ***The 2026 Notes***

We issued €1,400,000,000 aggregate principal amount of the 2026 Notes on November 10, 2014. The maturity date of the 2026 Notes is November 10, 2026, and interest at a rate of 1.625% per annum is paid annually on November 10 of each year, beginning on November 10, 2015, and on the maturity date. As of October 15, 2021, €1,400,000,000 aggregate principal amount of the 2026 Notes was outstanding.

### ***The 2027 Notes***

We issued €1,000,000,000 aggregate principal amount of the 2027 Notes on September 17, 2015. The maturity date of the 2027 Notes is September 17, 2027, and interest at a rate of 2.000% per annum is paid annually on September 17 of each year, beginning on September 17, 2016, and on the maturity date. As of October 15, 2021, €1,000,000,000 aggregate principal amount of the 2027 Notes was outstanding.

### ***The 1.375% 2029 Notes***

We issued €1,250,000,000 aggregate principal amount of the 1.375% 2029 Notes on May 24, 2017. The maturity date of the 1.375% 2029 Notes is May 24, 2029, and interest at a rate of 1.375% per annum is paid annually on May 24 of each year, beginning on May 24, 2018, and on the maturity date. As of October 15, 2021, €1,250,000,000 aggregate principal amount of the 1.375% 2029 Notes was outstanding.

### ***The 3.050% 2029 Notes***

We issued £750,000,000 aggregate principal amount of the 3.050% 2029 Notes on July 31, 2015. The maturity date of the 3.050% 2029 Notes is July 31, 2029, and interest at a rate of 3.050% per annum is paid semi-annually on January 31 and July 31 of each year, beginning on January 31, 2016, and on the maturity date. As of October 15, 2021, £750,000,000 aggregate principal amount of the 3.050% 2029 Notes was outstanding.

### ***The 2031 Notes***

We issued €1,000,000,000 aggregate principal amount of the 2031 Notes on November 15, 2019. The maturity date of the 2031 Notes is November 15, 2031, and interest at a rate of 0.500% per annum is paid annually on November 15 of each year, beginning on November 15, 2020, and on the maturity date. As of October 15, 2021, €1,000,000,000 aggregate principal amount of the 2031 Notes was outstanding.

### ***The 2042 Notes***

We issued £500,000,000 aggregate principal amount of the 2042 Notes on July 31, 2015. The maturity date of the 2042 Notes is July 31, 2042, and interest at a rate of 3.600% per annum is paid semi-annually on January 31 and July 31 of each year, beginning on January 31, 2016, and on the maturity date. As of October 15, 2021, £500,000,000 aggregate principal amount of the 2042 Notes was outstanding.

## **Ranking**

The Notes are our senior unsecured indebtedness and rank equally with each other and with all of our other senior unsecured and unsubordinated indebtedness from time to time outstanding. However, the Notes are structurally subordinated to any indebtedness and preferred stock, if any, of our subsidiaries and are effectively subordinated to any secured indebtedness to the extent of the value of the assets securing such indebtedness. Claims of the creditors of our subsidiaries generally have priority with respect to the assets and earnings of such subsidiaries over the claims of our creditors, including holders of the Notes. Accordingly, the Notes are effectively subordinated to creditors, including trade creditors and preferred stockholders, if any, of our subsidiaries. The Indentures do not restrict our ability or that of our subsidiaries to incur additional indebtedness.

## **Payment on the Notes**

All payments of principal of, the redemption price (if any), and interest and additional amounts (if any) on the 2022 Notes, the 2024 Notes, the 0.000% 2025 Notes, the 0.875% 2025 Notes, the 2026 Notes, the 2027 Notes, the 1.375% 2029 Notes and the 2031 Notes are payable in euro, provided that, if the euro is unavailable to the Company due to the imposition of exchange controls or other circumstances beyond the Company's control, or if the euro is no longer being used by the then member states of the European Monetary Union that have adopted the euro as their currency or for the settlement of transactions by public institutions of or within the international banking community, then all payments in respect of the 2022 Notes, the 2024 Notes, the 0.000% 2025 Notes, the 0.875% 2025 Notes, the 2026 Notes, the 2027 Notes, the 1.375% 2029 Notes and the 2031 Notes will be made in U.S. dollars, until the euro is again available to the Company or so used. The amount payable on any date in euro will be converted into U.S. dollars at the rate mandated by the U.S. Federal Reserve Board as of the close of business on the second Business Day prior to the relevant payment date or, in the event the U.S. Federal Reserve Board has not mandated a rate of conversion, on the basis of the most recent U.S. dollar/euro exchange rate published in The Wall Street Journal on or prior to the second Business Day prior to the relevant payment date. Any payment in respect of the 2022 Notes, the

2024 Notes, the 0.000% 2025 Notes, the 0.875% 2025 Notes, the 2026 Notes, the 2027 Notes, the 1.375% 2029 Notes and the 2031 Notes so made in U.S. dollars will not constitute an event of default under such Notes or the applicable Indenture.

With respect to the 2022 Notes, the 2024 Notes, the 0.000% 2025 Notes, the 0.875% 2025 Notes, the 2026 Notes, the 2027 Notes, the 1.375% 2029 Notes and the 2031 Notes, "Business Day" means any day, other than a Saturday or Sunday, (1) which is not a day on which banking institutions in The City of New York or London are authorized or required by law, regulation or executive order to close and (2) on which the Trans-European Automated Real-time Gross Settlement Express Transfer system (the TARGET2 system), or any successor thereto, is open.

All payments of principal of, the redemption price (if any), and interest and additional amounts (if any) on the 3.050% 2029 Notes and the 2042 Notes are payable in pounds sterling, or, if the United Kingdom adopts euro as its lawful currency, in euro. If pounds sterling or, in the event the Notes are redenominated into euro, euro is unavailable to the Company due to the imposition of exchange controls or other circumstances beyond the Company's control or, in the event the notes are redenominated into euro, the euro is no longer being used by the then member states of the European Monetary Union that have adopted the euro as their currency or for the settlement of transactions by public institutions of or within the international banking community, then all payments in respect of the 3.050% 2029 Notes and the 2042 Notes will be made in U.S. dollars until the pound sterling or euro, as the case may be, is again available to the Company or so used. The amount payable on any date in pounds sterling or, in the event such Notes are redenominated into euro, euro will be converted into U.S. dollars at the rate mandated by the U.S. Federal Reserve Board as of the close of business on the second Business Day prior to the relevant payment date or, in the event the U.S. Federal Reserve Board has not mandated a rate of conversion, on the basis of the most recent U.S. dollar/pounds sterling or, in the event the Notes are redenominated into euro, the most recent U.S. dollar/euro exchange rate published in The Wall Street Journal on or prior to the second Business Day prior to the relevant payment date. Any payment in respect of the 3.050% 2029 Notes and the 2042 Notes so made in U.S. dollars will not constitute an event of default under such Notes or the 2013 Indenture.

With respect to the 3.050% 2029 Notes and the 2042 Notes, "Business Day" means any day which is not a day on which banking institutions in The City of New York or London or the relevant place of payment are authorized or required by law, regulation or executive order to close.

### **Payment of Additional Amounts**

The terms of the Notes state that all payments of principal and interest in respect of the Notes will be made free and clear of, and without deduction or withholding for or on account of any present or future taxes, duties, assessments or other governmental charges of whatsoever nature required to be deducted or withheld by the United States or any political subdivision or taxing authority of or in the United States, unless such withholding or deduction is required by law.

All of the Notes also contain a covenant substantially similar to the following:

The Company will, subject to the exceptions and limitations set forth below, pay as additional interest on the Notes such additional amounts ("Additional Amounts") as are necessary in order that the net payment by the Company or the paying agent of the Company for the applicable Notes ("Paying Agent") of the principal of and interest on the Notes to a holder who is not a United States person (as defined below), after withholding or deduction for any present or future tax, assessment or other governmental charge ("Tax") imposed by the United States or a taxing authority in the United States, will not be less than the amount provided in the Notes to be then due and payable; provided, however, that the foregoing obligation to pay Additional Amounts shall not apply:

- (1) to any Tax that is imposed by reason of the holder (or the beneficial owner for whose benefit such holder holds the Notes), or a fiduciary, settlor, beneficiary, member or shareholder of the holder if the holder is an estate, trust, partnership or corporation, or a person holding a power over an estate or trust administered by a fiduciary holder, being considered as:
  - (a) being or having been engaged in a trade or business in the United States or having or having had a permanent establishment in the United States;
  - (b) having a current or former connection with the United States (other than a connection arising solely as a result of the ownership of the Notes, the receipt of any payment or the enforcement of any rights hereunder), including being or having been a citizen or resident of the United States;

- (c) being or having been a personal holding company, a passive foreign investment company or a controlled foreign corporation for U.S. federal income tax purposes or a corporation that has accumulated earnings to avoid U.S. federal income tax;
  - (d) being or having been a “10-percent shareholder” of the Company as defined in Section 871(h)(3) of the Internal Revenue Code of 1986, as amended (the “Code”);
  - (e) being a controlled foreign corporation that is related to the Company within the meaning of Section 864(d)(4) of the Code; or
  - (f) being a bank receiving payments on an extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business;
- (2) to any holder that is not the sole beneficial owner of the Notes, or a portion of the Notes, or that is a fiduciary, partnership or limited liability company, but only to the extent that a beneficial owner with respect to the holder, a beneficiary or settlor with respect to the fiduciary, or a beneficial owner or member of the partnership or limited liability company would not have been entitled to the payment of an additional amount had the beneficiary, settlor, beneficial owner or member received directly its beneficial or distributive share of the payment;
  - (3) to any Tax that would not have been imposed but for the failure of the holder or any other person to comply with certification, identification or information reporting requirements concerning the nationality, residence, identity or connection with the United States of the holder or beneficial owner of the Notes, if compliance is required by statute, by regulation of the United States or any taxing authority therein or by an applicable income tax treaty to which the United States is a party as a precondition to exemption from such Tax (including, but not limited to, the requirement to provide Internal Revenue Service Forms W-8BEN, W-8BEN-E, W-8ECI, or any subsequent versions thereof or successor thereto, and any documentation requirement under an applicable income tax treaty);
  - (4) to any Tax that is imposed otherwise than by withholding by the Company or a Paying Agent from the payment;
  - (5) to any Tax that would not have been imposed but for a change in law, regulation, or administrative or judicial interpretation that becomes effective more than 10 days after the payment becomes due or is duly provided for, whichever occurs later;
  - (6) to any estate, inheritance, gift, sales, excise, transfer, wealth, capital gains or personal property or similar Tax;
  - (7) to any Tax required to be withheld by any paying agent from any payment of principal of or interest on any Note, if such payment can be made without such withholding by at least one other paying agent;
  - (8) to any Tax that would not have been imposed but for the presentation by the holder of any Note, where presentation is required, for payment on a date more than 30 days after the date on which payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later;
  - (9) to any Tax imposed under Sections 1471 through 1474 of the Code (or any amended or successor provisions), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such sections of the Code; or
  - (10) in the case of any combination of items (1) through (9) above.

The Notes are subject in all cases to any tax, fiscal or other law or regulation or administrative or judicial interpretation applicable to the Notes. Except as specifically provided under this heading “—Payment of Additional Amounts,” the Company will not be required to make any payment for any Tax imposed by any government or a political subdivision or taxing authority of or in any government or political subdivision. As used under “—Payment of Additional Amounts” and under “—Redemption for Tax Reasons,” the term “United States” means the United States

of America (including the states and the District of Columbia and any political subdivision thereof), and the term “United States person” means any individual who is a citizen or resident of the United States for U.S. federal income tax purposes, a corporation, partnership or other entity created or organized in or under the laws of the United States, any state of the United States or the District of Columbia (other than a partnership that is not treated as a United States person under any applicable Treasury regulations), or any estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

### **Redemption for Tax Reasons**

If, as a result of any change in, or amendment to, or, in the case of the 0.000% 2025 Notes and the 2031 Notes, introduction of, the laws (or any regulations or rulings promulgated under the laws) of the United States (or any political subdivision or taxing authority of or in the United States), or any change in, or amendments to, an official position regarding the application or interpretation of such laws, regulations or rulings, which change or amendment is announced or becomes effective on or after the date of the applicable prospectus supplement, we become, or based upon a written opinion of independent counsel selected by us, will become obligated to pay additional amounts as described above under the heading “Payments of Additional Amounts” with respect to a series of the Notes, then we may at our option redeem, in whole, but not in part, in the case of the 2022 Notes, the 2024 Notes, the 2026 Notes, the 2027 Notes, the 3.050% 2029 Notes and the 2042 Notes, the Notes of such series on not less than 30 nor more than 60 days’ prior notice, in the case of the 0.875% 2025 Notes and the 1.375% 2029 Notes, the Notes of such series on not less than 15 nor more than 60 days’ notice, and in the case of the 0.000% 2025 Notes and the 2031 Notes, the Notes of such series on not less than 10 nor more than 60 days’ prior notice, in each case at a redemption price equal to 100% of their principal amount, together with interest accrued but unpaid on those Notes to (and, in the case of the 0.000% 2025 Notes and the 2031 Notes, but not including) the date fixed for redemption.

### **Optional Redemption**

We may redeem the 2022 Notes, the 2024 Notes, the 2026 Notes, the 2027 Notes, the 3.050% 2029 Notes and the 2042 Notes at our option, at any time in whole or from time to time in part, at a redemption price equal to the greater of:

- 100% of the principal amount of the Notes to be redeemed; or
- the sum of the present values of the remaining scheduled payments of principal and interest thereon (not including any portion of such payments of interest accrued as of the date of redemption), discounted to the date of redemption on an annual basis (ACTUAL/ACTUAL (ICMA)) at the applicable Comparable Government Bond Rate (as defined below), plus 5 basis points in the case of the 2022 Notes, plus 10 basis points in the case of the 2026 Notes, plus 15 basis points in the case of the 2024 Notes, the 3.050% 2029 Notes and the 2042 Notes and plus 20 basis points in the case of the 2027 Notes.

We may redeem the 0.000% 2025 Notes, the 0.875% 2025 Notes, the 1.375% 2029 Notes and the 2031 Notes at our option, at any time in whole or from time to time in part, prior to the applicable Par Call Date at a redemption price equal to the greater of:

- 100% of the principal amount of the Notes to be redeemed; or
- the sum of the present values of the remaining scheduled payments of principal and interest thereon assuming that the Notes matured on the applicable Par Call Date (not including any portion of such payments of interest accrued as of the date of redemption), discounted to the date of redemption on an annual basis (ACTUAL/ACTUAL (ICMA)) at the applicable Comparable Government Bond Rate (as defined below), plus 10 basis points in the case of the 0.000% 2025 Notes, plus 15 basis points in the case of the 0.875% 2025 Notes and the 2031 Notes, and 20 basis points in the case of the 2029 Notes.

“Par Call Date” means (i) with respect to the 0.000% 2025 Notes, August 15, 2025 (three months prior to the maturity date of the 0.000% 2025 Notes), (ii) with respect to the 0.875% 2025 Notes, February 24, 2025 (three months prior to the maturity date of the 0.875% 2025 Notes), (iii) with respect to the 1.375% 2029 Notes, February 24, 2029 (three months prior to the maturity date of 1.375% 2029 Notes) and (iv) with respect to the 2031 Notes, August 15, 2031 (three months prior to the maturity of the 2031 Notes).

If any of the 0.000% 2025 Notes, the 0.875% 2025 Notes, the 1.375% 2029 Notes or the 2031 Notes are redeemed on or after the applicable Par Call Date, the redemption price for such Notes will equal 100% of the principal amount of the Notes being redeemed.

In each case upon redemption of the Notes, we will pay accrued and unpaid interest on the principal amount being redeemed to, but excluding, the date of redemption.

Installments of interest on Notes being redeemed that are due and payable on interest payment dates falling on or prior to a redemption date shall be payable on the interest payment date to the holders as of the close of business on the relevant regular record date according to the Notes and the applicable Indenture.

“Comparable Government Bond” means, in relation to any Comparable Government Bond Rate calculation for the 2022 Notes, the 2024 Notes, the 2026 Notes and the 2027 Notes, at the discretion of an independent investment bank selected by us, a German government bond whose maturity is closest to the maturity of the Notes being redeemed, or if such independent investment bank in its discretion determines that such similar bond is not in issue, such other German government bond as such independent investment bank may, with the advice of three brokers of, and/or market makers in, German government bonds selected by us, determine to be appropriate for determining the Comparable Government Bond Rate.

“Comparable Government Bond” means, in relation to any Comparable Government Bond Rate calculation for the 3.050% 2029 Notes and the 2042 Notes, at the discretion of an independent investment bank selected by us, a United Kingdom government bond whose maturity is closest to the maturity of the Notes being redeemed, or if such independent investment bank in its discretion determines that such similar bond is not in issue, such other United Kingdom government bond as such independent investment bank may, with the advice of three brokers of, and/or market makers in, United Kingdom government bonds selected by us, determine to be appropriate for determining the Comparable Government Bond Rate.

“Comparable Government Bond” means, in relation to any Comparable Government Bond Rate calculation for the 0.000% 2025 Notes, the 0.875% 2025 Notes, the 1.375% 2029 Notes and the 2031 Notes, at the discretion of an independent investment bank selected by us, a German government bond whose maturity is closest to the applicable Par Call Date of the Notes being redeemed, or if such independent investment bank in its discretion determines that such similar bond is not in issue, such other German government bond as such independent investment bank may, with the advice of three brokers of, and/or market makers in, German government bonds selected by us, determine to be appropriate for determining the Comparable Government Bond Rate.

“Comparable Government Bond Rate” means the price, expressed as a percentage (rounded to three decimal places, with 0.0005 being rounded upwards), at which the gross redemption yield on the Notes, if they were to be purchased at such price on the third business day prior to the date fixed for redemption, would be equal to the gross redemption yield on such business day of the Comparable Government Bond on the basis of the middle market price of the Comparable Government Bond prevailing at 11:00 a.m. (London time) on such business day as determined by an independent investment bank selected by us.

## **Covenants**

The Indentures set forth limited covenants that apply to the Notes. However, these covenants do not, among other things:

- limit the amount of indebtedness or lease obligations that may be incurred by us and our subsidiaries;
- limit our ability or that of our subsidiaries to issue, assume or guarantee debt secured by liens; or
- restrict us from paying dividends or making distributions on our capital stock or purchasing or redeeming our capital stock.

### **Consolidation, Merger and Sale of Assets**

The Indentures provide that we may consolidate with or merge with or into any other person, and may sell, transfer, or lease or convey all or substantially all of our properties and assets to another person; provided that the following conditions are satisfied:

- we are the continuing entity, or the resulting, surviving or transferee person (the “Successor”) is a person (if such person is not a corporation, then the Successor will include a corporate co-issuer of the debt securities) organized and existing under the laws of the United States of America, any state thereof or the District of Columbia and the Successor (if not us) will expressly assume, by supplemental indenture, all of our obligations under the debt securities and the applicable Indenture and, for each security that by its terms provides for conversion, provide for the right to convert such security in accordance with its terms;
- immediately after giving effect to such transaction, no default or event of default under the applicable Indenture has occurred and is continuing; and
- in the case of the 2013 Indenture, the trustee receives from us an officers’ certificate and an opinion of counsel that the transaction and such supplemental indenture, as the case may be, complies with the applicable provisions of the 2013 Indenture.

If we consolidate or merge with or into any other person or sell, transfer, lease or convey all or substantially all of our properties and assets in accordance with the Indentures, the Successor will be substituted for us in the Indentures, with the same effect as if it had been an original party to the Indentures. As a result, the Successor may exercise our rights and powers under the Indentures, and we will be released from all our liabilities and obligations under the Indentures and under the debt securities.

For purposes of this covenant, “person” means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof or any other entity.

### **Events of Default**

Each of the following events are defined in the Indentures as an “event of default” (whatever the reason for such event of default and whether or not it will be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body) with respect to the debt securities of any series:

- (1) default in the payment of any installment of interest on any debt securities of such series for 30 days after becoming due;
- (2) default in the payment of principal of or premium, if any, on any debt securities of such series when it becomes due and payable at its stated maturity, upon optional redemption, upon declaration or otherwise;
- (3) default in the performance, or breach, of any covenant or agreement of ours in the applicable Indenture with respect to the debt securities of such series (other than a covenant or agreement, a default in the performance of which or a breach of which is elsewhere in the applicable Indenture specifically dealt with or that has expressly been included in the applicable Indenture solely for the benefit of a series of debt securities other than such series), which continues for a period of 90 days after written notice to us by the trustee or to us and the trustee by the holders of, in the case of the 2013 Indenture, at least 25% in aggregate principal amount of the outstanding debt securities of that series, and in the case of the 2018 Indenture, at least 33% in aggregate principal amount of the outstanding debt securities of that series;
- (4) we, pursuant to or within the meaning of the Bankruptcy Law:
  - commence a voluntary case or proceeding;
  - consent to the entry of an order for relief against us in an involuntary case or proceeding;



- consent to the appointment of a custodian of us or for all or substantially all of our property;
  - make a general assignment for the benefit of our creditors;
  - file a petition in bankruptcy or answer or consent seeking reorganization or relief;
  - consent to the filing of such petition or the appointment of or taking possession by a custodian; or
  - take any comparable action under any foreign laws relating to insolvency;
- (5) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:
- is for relief against us in an involuntary case, or adjudicates us insolvent or bankrupt;
  - appoints a custodian of us or for all or substantially all of our property; or
  - orders the winding-up or liquidation of us (or any similar relief is granted under any foreign laws);

and the order or decree remains unstayed and in effect for 90 days (or, in the case of the 2018 Indenture, 90 consecutive days); or

- (6) any other event of default provided with respect to debt securities of such series occurs.

“Bankruptcy Law” means Title 11, United States Code or any similar federal or state or foreign law for the relief of debtors. “Custodian” means any custodian, receiver, trustee, assignee, liquidator or other similar official under any Bankruptcy Law.

If an event of default with respect to debt securities of any series (other than an event of default relating to certain events of bankruptcy, insolvency, or reorganization of us) occurs and is continuing, the trustee by notice to us, or the holders of, in the case of the 2013 Indenture, at least 25% in aggregate principal amount of the outstanding debt securities of such series, and in the case of the 2018 Indenture, at least 33% in aggregate principal amount of the outstanding debt securities of such series, by notice to us and the trustee, may, and the trustee at the request of these holders will, declare the principal of and premium, if any, and accrued and unpaid interest on all the debt securities of such series to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest will be due and payable immediately. If an event of default relating to certain events of bankruptcy, insolvency, or reorganization of us occurs and is continuing, the principal of and premium, if any, and accrued and unpaid interest on the debt securities of such series will become and be immediately due and payable without any declaration or other act on the part of the trustee or any holders.

The holders of not less than a majority in aggregate principal amount of the outstanding debt securities of any series may rescind a declaration of acceleration and its consequences, if we have deposited certain sums with the trustee and all events of default with respect to the debt securities of such series, other than the non-payment of the principal or interest which have become due solely by such acceleration, have been cured or waived, as provided in the Indentures.

An event of default for a particular series of debt securities does not necessarily constitute an event of default for any other series of debt securities issued under the Indentures.

We are required to furnish the trustee annually within 120 days after the end of our fiscal year a statement by one of our officers to the effect that, to the best knowledge of such officer, we are not in default in the fulfillment of any of our obligations under the applicable Indenture or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof.

No holder of any debt securities of any series will have any right to institute any judicial or other proceeding with respect to the applicable Indenture, or for the appointment of a receiver or trustee, or for any other remedy unless:

- (1) an event of default has occurred and is continuing and such holder has given the trustee prior written notice of such continuing event of default with respect to the debt securities of such series;

- (2) in the case of the 2013 Indenture, the holders of not less than 25% of the aggregate principal amount of the outstanding debt securities of such series, and in the case of the 2018 Indenture, the holders of not less than 33% of the aggregate principal amount of the outstanding debt securities of such series have requested the trustee to institute proceedings in respect of such event of default;
- (3) the trustee has been offered indemnity reasonably satisfactory to it against its costs, expenses and liabilities in complying with such request;
- (4) the trustee has failed to institute proceedings 60 days after the receipt of such notice, request and offer of indemnity; and
- (5) no direction inconsistent with such written request has been given for 60 days by the holders of a majority in aggregate principal amount of the outstanding debt securities of such series.

The holders of a majority in aggregate principal amount of outstanding debt securities of a series will have the right, subject to certain limitations, to direct the time, method and place of conducting any proceeding for any remedy available to the trustee with respect to the debt securities of that series or exercising any trust or power conferred to the trustee, and to waive certain defaults. Each of the Indentures provides that if an event of default occurs and is continuing, the trustee will exercise such of its rights and powers under such Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs. Subject to such provisions, the trustee will be under no obligation to exercise any of its rights or powers under the applicable Indenture at the request of any of the holders of the debt securities of a series unless they will have offered to the trustee security or indemnity satisfactory to the trustee against the costs, expenses and liabilities which might be incurred by it in compliance with such request.

Notwithstanding the foregoing, the holder of any debt security will have an absolute and unconditional right to receive payment of the principal of and premium, if any, and interest on that debt security on or after the due dates expressed in that debt security and to institute suit for the enforcement of payment.

### **Modification and Waivers**

Modification and amendments of the Indentures and the Notes may be made by us and the trustee with the consent of the holders of not less than a majority in aggregate principal amount of the outstanding series of Notes affected thereby; provided, however, that no such modification or amendment may, without the consent of the holder of each outstanding Note of that series affected thereby:

- change the stated maturity of the principal of, or installment of interest on, any Note;
- reduce the principal amount of any Note or reduce the amount of the principal of any Note which would be due and payable upon a declaration of acceleration of the maturity thereof or reduce the rate of interest on any Note;
- reduce any premium payable on the redemption of any Note or change the date on which any Note may or must be redeemed (in the case of the 2018 Indenture, it being understood that a change to any notice requirement with respect to such date shall not be deemed to be a change of such date);
- change the coin or currency in which the principal of, premium, if any, or interest on any Note is payable;
- impair the right of any holder to institute suit for the enforcement of any payment on or after the stated maturity of any Note (or, in the case of redemption, on or after the redemption date);
- reduce the percentage in principal amount of the outstanding Notes, the consent of whose holders is required in order to take certain actions;
- reduce the requirements for quorum or voting by holders of Notes in the applicable Indenture or the Note;

- modify any of the provisions in the applicable Indenture regarding the waiver of past defaults and the waiver of certain covenants by the holders of Notes except to increase any percentage vote required or to provide that certain other provisions of the applicable Indenture cannot be modified or waived without the consent of the holder of each Notes affected thereby;
- make any change that adversely affects the right to convert or exchange any debt security or decreases the conversion or exchange rate or increases the conversion price of any convertible or exchangeable debt security, unless such decrease or increase is permitted by the terms of the debt securities; or
- modify any of the above provisions.

We and the trustee may, without the consent of any holders, modify or amend the terms of the Indentures and any series of Notes with respect to the following:

- to add to our covenants for the benefit of holders of all or any series of the Notes or to surrender any right or power conferred upon us;
- to evidence the succession of another person to, and the assumption by the successor of our covenants, agreements and obligations under, the applicable Indenture pursuant to the covenant described above under the caption “Covenants—Consolidation, Merger and Sale of Assets”;
- to add any additional events of default for the benefit of holders of all or any series of the Notes;
- to add one or more guarantees, and in the case of the 2018 Indenture, co-obligors, for the benefit of holders of the Notes;
- to secure the Notes pursuant to the covenants of the Indenture;
- to add or appoint a successor or separate trustee or other agent;
- to provide for the issuance of additional debt securities of any series;
- to establish the form or terms of the debt securities of any series as permitted by the Indenture;
- to comply with the rules of any applicable securities depository;
- to provide for uncertificated Notes in addition to or in place of certificated Notes;
- in the case of the 2013 Indenture, to add to, change or eliminate any of the provisions of the 2013 Indenture in respect of one or more series of debt securities; provided that any such addition, change or elimination (a) shall neither (1) apply to any debt security of any series created prior to the execution of such supplemental indenture and entitled to the benefit of such provision nor (2) modify the rights of the holder of any such debt security with respect to such provision or (b) shall become effective only when there is no debt security described in clause (a)(1) outstanding;
- in the case of the 2018 Indenture, to add to, change or eliminate any of the provisions of the 2018 Indenture in respect of one or more series of debt securities; provided that any such addition, change or elimination shall become effective only when there is no outstanding security of any series created prior to the execution of such supplemental indenture that is entitled to the benefit of such provision and as to which such supplemental indenture would apply;
- to cure any ambiguity, omission, defect or inconsistency;
- to change any other provision; provided that the change does not adversely affect the interests of the holders of debt securities of, in the case of the 2013 Indenture any series, and in the case of the 2018 Indenture, any outstanding series, in any material respect;
- to supplement any of the provisions of the applicable Indenture to such extent as shall be necessary to permit or facilitate the defeasance and discharge of any series of Notes pursuant to the Indenture;

provided that any such action shall not adversely affect the interests of the holders of Notes of such series or any other series of debt securities in any material respect;

- to comply with the rules or regulations of any securities exchange or automated quotation system on which any of the Notes may be listed or traded; and
- to add to, change or eliminate any of the provisions of the applicable Indenture as shall be necessary or desirable in accordance with any amendments to the Trust Indenture Act of 1939, as amended, and in the case of the 2013 Indenture, provided that such action does not adversely affect the rights or interests of any holder of debt securities in any material respect.

The holders of at least a majority in aggregate principal amount of the outstanding Notes of any series may, on behalf of the holders of all Notes of that series, waive compliance by us with certain restrictive provisions of the Indentures. The holders of not less than a majority in aggregate principal amount of the outstanding Notes of a series may, on behalf of the holders of all Notes of that series, waive any past default and its consequences under the applicable Indenture with respect to the Notes of that series, except a default (1) in the payment of principal or premium, if any, or interest on Notes of that series or (2) in respect of a covenant or provision of the applicable Indenture that cannot be modified or amended without the consent of the holder of each Note of that series. Upon any such waiver, such default will cease to exist, and any event of default arising therefrom will be deemed to have been cured, for every purpose of the Indenture; however, no such waiver will extend to any subsequent or other default or event of default or impair any rights consequent thereon.

#### **Discharge, Defeasance and Covenant Defeasance**

We may discharge certain obligations to holders of the Notes of a series that have not already been delivered to the trustee for cancellation and that either have become due and payable or will become due and payable within one year (or scheduled for redemption within one year) by depositing with the trustee, in trust, funds in U.S. dollars in an amount sufficient to pay the entire indebtedness including, but not limited to, the principal and premium, if any, and interest to the date of such deposit (if due and payable) or to the maturity thereof or the redemption date of the Notes of that series, as the case may be. We may direct the trustee to invest such funds in U.S. Treasury securities with a maturity of one year or less or in a money market fund that invests solely in short-term U.S. Treasury securities.

The Indentures provide that we may elect either (1) to defease and be discharged from any and all obligations with respect to the Notes of a series (except for, among other things, obligations to register the transfer or exchange of the Notes, to replace temporary or mutilated, destroyed, lost or stolen Notes, to maintain an office or agency with respect to the Notes and to hold moneys for payment in trust) ("legal defeasance") or (2) to be released from our obligations to comply with the restrictive covenants under the applicable Indenture, and any omission to comply with such obligations will not constitute a default or an event of default with respect to the Notes of a series and clauses (3) and (6) under the caption "Events of Default" above will no longer be applied ("covenant defeasance"). Legal defeasance or covenant defeasance, as the case may be, will be conditioned upon, among other things, the irrevocable deposit by us with the trustee, in trust, of an amount in U.S. dollars, or U.S. government obligations (as such term is modified below), or both, applicable to the Notes of that series which through the scheduled payment of principal and interest in accordance with their terms will provide money in an amount sufficient to pay the principal or premium, if any, and interest on the Notes on the scheduled due dates therefor.

If we effect covenant defeasance with respect to the Notes of any series, the amount in U.S. dollars, or U.S. government obligations (as such term is modified below), or both, on deposit with the trustee will be sufficient, in the opinion of a nationally recognized firm of independent accountants, to pay amounts due on the Notes of that series at the time of the stated maturity but may not be sufficient to pay amounts due on the Notes of that series at the time of the acceleration resulting from such event of default. However, we would remain liable to make payment of such amounts due at the time of acceleration.

With respect to the 2022 Notes, the 2024 Notes, the 0.000% 2025 Notes, the 0.875% 2025 Notes, the 2026 Notes, the 2027 Notes, the 1.375% 2029 Notes and the 2031 Notes, the term "U.S. government obligations" shall instead mean (x) any security that is (i) a direct obligation of the German government or (ii) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of the German government the payment of which is fully and unconditionally guaranteed by the German government or the central bank of the German government, which, in either case (x)(i) or (ii), is not callable or redeemable at the option of the issuer thereof, and (y)

certificates, depositary receipts or other instruments which evidence a direct ownership interest in obligations described in clause (x)(i) or (x)(ii) above or in any specific principal or interest payments due in respect thereof.

With respect to the 3.050% 2029 Notes and the 2042 Notes, the term “U.S. government obligations” shall instead mean (x) any security that is (i) a direct obligation of the United Kingdom government or (ii) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of the United Kingdom government the payment of which is fully and unconditionally guaranteed by the United Kingdom government or the central bank of the United Kingdom government, which, in either case (x)(i) or (ii), is not callable or redeemable at the option of the issuer thereof, and (y) certificates, depositary receipts or other instruments which evidence a direct ownership interest in obligations described in clause (x)(i) or (x)(ii) above or in any specific principal or interest payments due in respect thereof.

We will be required to deliver to the trustee an opinion of counsel that the deposit and related defeasance will not cause the holders and beneficial owners of the Notes of that series to recognize income, gain or loss for federal income tax purposes. If we elect legal defeasance, that opinion of counsel must be based upon a ruling from the U.S. Internal Revenue Service or a change in law to that effect.

We may exercise our legal defeasance option notwithstanding our prior exercise of our covenant defeasance option.

### **Book-Entry and Settlement**

The Notes were issued in book-entry form and are represented by global notes deposited with, or on behalf of, a common depositary on behalf of Euroclear and Clearstream, and are registered in the name of the common depositary or its nominee. Except as described herein, certificated notes will not be issued in exchange for beneficial interests in the global notes.

### **Certificated Notes**

Subject to certain conditions, the Notes represented by the global notes are exchangeable for certificated notes in definitive form of like tenor, in minimum denominations of €100,000 principal amount and integral multiples of €1,000 in excess thereof in the case of the 2022 Notes, the 2024 Notes, the 0.000% 2025 Notes, the 0.875% 2025 Notes, the 2026 Notes, the 2027 Notes, the 1.375% 2029 Notes and the 2031 Notes, and in minimum denominations of £100,000 principal amount and integral multiples of £1,000 in excess thereof in the case of the 3.050% 2029 Notes and the 2042 Notes, if:

1. the common depositary notifies us that it is unwilling or unable to continue as depositary or if the common depositary ceases to be eligible under the applicable Indenture and we do not appoint a successor depositary within 90 days;
2. we determine that the Notes will no longer be represented by global securities and execute and deliver to the trustee an order to that effect; or
3. an event of default with respect to the Notes will have occurred and be continuing.

Any Note that is exchangeable as above is exchangeable for certificated notes issuable in authorized denominations and registered in such names as the common depositary shall direct. Subject to the foregoing, a global note is not exchangeable, except for a global note of the same aggregate denomination to be registered in the name of the common depositary or its nominee.

### **The Trustee for the Notes**

The Bank of New York Mellon Trust Company, N.A. is the trustee under the Indentures. We have commercial deposits and custodial arrangements with The Bank of New York Mellon Trust Company, N.A. and its affiliates (“BNYM”). We may enter into similar or other banking relationships with BNYM in the future in the normal course of business. In addition, BNYM acts as trustee and as paying agent with respect to other debt securities issued by us, and may do so for future issuances of debt securities by us as well.

**Subsidiaries of  
Apple Inc.\***

	<b>Jurisdiction of Incorporation</b>
Apple Asia Limited	Hong Kong
Apple Asia LLC	Delaware, U.S.
Apple Canada Inc.	Canada
Apple Computer Trading (Shanghai) Co., Ltd.	China
Apple Distribution International Limited	Ireland
Apple Insurance Company, Inc.	Arizona, U.S.
Apple Japan, Inc.	Japan
Apple Korea Limited	South Korea
Apple Operations Europe Limited	Ireland
Apple Operations International Limited	Ireland
Apple Operations Limited	Ireland
Apple Pty Limited	Australia
Apple Sales International Limited	Ireland
Apple South Asia (Thailand) Limited	Thailand
Braeburn Capital, Inc.	Nevada, U.S.
iTunes K.K.	Japan
Limited Liability Company Apple Rus	Russia

\* Pursuant to Item 601(b)(21)(ii) of Regulation S-K, the names of other subsidiaries of Apple Inc. are omitted because, considered in the aggregate, they would not constitute a significant subsidiary as of the end of the year covered by this report.

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-3 ASR No. 333-228159) of Apple Inc.,
- (2) Registration Statement (Form S-8 No. 333-165214) pertaining to Apple Inc. 2003 Employee Stock Plan and Apple Inc. 2014 Employee Stock Plan,
- (3) Registration Statement (Form S-8 No. 333-226986) pertaining to Apple Inc. Deferred Compensation Plan,
- (4) Registration Statement (Form S-8 No. 333-203698) pertaining to Apple Inc. Employee Stock Purchase Plan,
- (5) Registration Statement (Form S-8 No. 333-195509) pertaining to Apple Inc. 2014 Employee Stock Plan,
- (6) Registration Statement (Form S-8 No. 333-193709) pertaining to Topsy Labs, Inc. 2007 Stock Plan, and
- (7) Registration Statement (Form S-8 No. 333-60455) pertaining to Apple Inc. Non-Employee Director Stock Plan;

of our reports dated October 28, 2021 with respect to the consolidated financial statements of Apple Inc., and the effectiveness of internal control over financial reporting of Apple Inc., included in this Annual Report on Form 10-K for the year ended September 25, 2021.

/s/ Ernst & Young LLP

San Jose, California  
October 28, 2021

**CERTIFICATION**

I, Timothy D. Cook, certify that:

1. I have reviewed this annual report on Form 10-K of Apple Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: October 28, 2021

By: /s/ Timothy D. Cook  
Timothy D. Cook  
Chief Executive Officer



**CERTIFICATION**

I, Luca Maestri, certify that:

1. I have reviewed this annual report on Form 10-K of Apple Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: October 28, 2021

By: /s/ Luca Maestri

Luca Maestri

Senior Vice President,  
Chief Financial Officer

**CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER  
PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Timothy D. Cook, certify, as of the date hereof, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of Apple Inc. on Form 10-K for the fiscal year ended September 25, 2021 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Form 10-K fairly presents in all material respects the financial condition and results of operations of Apple Inc. at the dates and for the periods indicated.

Date: October 28, 2021

By: /s/ Timothy D. Cook

Timothy D. Cook

Chief Executive Officer

I, Luca Maestri, certify, as of the date hereof, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of Apple Inc. on Form 10-K for the fiscal year ended September 25, 2021 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Form 10-K fairly presents in all material respects the financial condition and results of operations of Apple Inc. at the dates and for the periods indicated.

Date: October 28, 2021

By: /s/ Luca Maestri

Luca Maestri

Senior Vice President,  
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Apple Inc. and will be retained by Apple Inc. and furnished to the Securities and Exchange Commission or its staff upon request.