

appendix A

Financial Statement Information

This appendix includes financial information for (1) **Apple**, (2) **Google**, and (3) **Samsung**. Apple states that it designs, manufactures, and markets mobile communication and media devices, personal computers, and portable digital music players, and sells a variety of related software, services, peripherals, networking solutions, and third-party digital content and applications; it competes with both Google and Samsung in the United States and globally. The information in this appendix is taken from annual 10-K reports (or annual report for Samsung) filed with the SEC or other regulatory agency. An **annual report** is a summary of a company's financial results for the year along with its current financial condition and future plans. This report is directed to external users of financial information, but it also affects the actions and decisions of internal users.

A company often uses an annual report to showcase itself and its products. Many annual reports include photos, diagrams, and illustrations related to the company. The primary objective of annual reports, however, is the financial section, which communicates much information about a company, with most data drawn from the accounting information system. The content of a typical annual report's financial section follows.

- Letter to Shareholders
- Financial History and Highlights
- Quantitative and Qualitative Disclosures about Risk Factors
- Management Discussion and Analysis
- Management's Report on Financial Statements and on Internal Controls
- Report of Independent Accountants (Auditor's Report) and on Internal Controls
- Financial Statements
- Notes to Financial Statements
- Directors, Officers, and Corporate Governance
- Executive Compensation
- Accounting Fees and Services

This appendix provides the financial statements for Apple (plus selected notes), Google, and Samsung. (Note: Google is part of **Alphabet**; we refer to Alphabet as "Google" because of its global familiarity and because Google makes up 99% of Alphabet's revenues.) The appendix is organized as follows:

- **Apple** A-2 through A-9
- **Google** A-10 through A-13
- **Samsung** A-14 through A-17

APPLE
GOOGLE
Samsung

Many assignments at the end of each chapter refer to information in this appendix. We encourage readers to spend time with these assignments; they are especially useful in showing the relevance and diversity of accounting and reporting.

Special note: The SEC maintains the EDGAR (**E**lectronic **D**ata **G**athering, **A**nalysis, and **R**etrieval) database at **SEC.gov** for U.S. filers. The **Form 10-K** is the annual report form for most companies. It provides electronically accessible information. The **Form 10-KSB** is the annual report form filed by small businesses. It requires slightly less information than the Form 10-K. One of these forms must be filed within 90 days after the company's fiscal year-end. (Forms 10-K405, 10-KT, 10-KT405, and 10-KSB405 are slight variations of the usual form due to certain regulations or rules.)

Apple Inc.
CONSOLIDATED BALANCE SHEETS

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

	September 29, 2018	September 30, 2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 25,913	\$ 20,289
Marketable securities	40,388	53,892
Accounts receivable, net	23,186	17,874
Inventories	3,956	4,855
Vendor non-trade receivables	25,809	17,799
Other current assets	12,087	13,936
Total current assets	131,339	128,645
Non-current assets:		
Marketable securities	170,799	194,714
Property, plant and equipment, net	41,304	33,783
Other non-current assets	22,283	18,177
Total non-current assets	234,386	246,674
Total assets	\$ 365,725	\$ 375,319
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 55,888	\$ 44,242
Other current liabilities	32,687	30,551
Deferred revenue	7,543	7,548
Commercial paper	11,964	11,977
Term debt	8,784	6,496
Total current liabilities	116,866	100,814
Non-current liabilities		
Deferred revenue	2,797	2,836
Term debt	93,735	97,207
Other non-current liabilities	45,180	40,415
Total non-current liabilities	141,712	140,458
Total liabilities	258,578	241,272
Commitments and contingencies		
Shareholders' equity		
Common stock and additional paid-in capital, \$0.00001 par value: 12,600,000 shares authorized; 4,754,986 and 5,126,201 shares issued and outstanding, respectively	40,201	35,867
Retained earnings	70,400	98,330
Accumulated other comprehensive income (loss)	(3,454)	(150)
Total shareholders' equity	107,147	134,047
Total liabilities and shareholders' equity	\$ 365,725	\$ 375,319

See accompanying Notes to Consolidated Financial Statements.



Apple Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except number of shares which are reflected in thousands and per share amounts)

Years ended	September 29, 2018	September 30, 2017	September 24, 2016
Net sales	\$ 265,595	\$ 229,234	\$ 215,639
Cost of sales	163,756	141,048	131,376
Gross margin	101,839	88,186	84,263
Operating expenses			
Research and development	14,236	11,581	10,045
Selling, general and administrative	16,705	15,261	14,194
Total operating expenses	30,941	26,842	24,239
Operating income	70,898	61,344	60,024
Other income (expense), net	2,005	2,745	1,348
Income before provision for income taxes	72,903	64,089	61,372
Provision for income taxes	13,372	15,738	15,685
Net income	\$ 59,531	\$ 48,351	\$ 45,687
Earnings per share:			
Basic	\$ 12.01	\$ 9.27	\$ 8.35
Diluted	\$ 11.91	\$ 9.21	\$ 8.31
Shares used in computing earnings per share:			
Basic	4,955,377	5,217,242	5,470,820
Diluted	5,000,109	5,251,692	5,500,281

See accompanying Notes to Consolidated Financial Statements.

Apple Inc.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)

Years ended	September 29, 2018	September 30, 2017	September 24, 2016
Net income	\$ 59,531	\$ 48,351	\$ 45,687
Other comprehensive income/(loss):			
Change in foreign currency translation, net of tax effects of \$(1), \$(77) and \$8, respectively	(525)	224	75
Change in unrealized gains/losses on derivative instruments:			
Change in fair value of derivatives, net of tax benefit (expense) of \$(149), \$(478) and \$(7), respectively	523	1,315	7
Adjustment for net (gains) losses realized and included in net income, net of tax expense (benefit) of \$(104), \$475 and \$131, respectively	382	(1,477)	(741)
Total change in unrealized gains/losses on derivative instruments, net of tax	905	(162)	(734)
Change in unrealized gains/losses on marketable securities:			
Change in fair value of marketable securities, net of tax benefit (expense) of \$1,156, \$425 and \$(863), respectively	(3,407)	(782)	1,582
Adjustment for net (gains) losses realized and included in net income, net of tax expense (benefit) of \$21, \$35 and \$(31), respectively	1	(64)	56
Total change in unrealized gains/losses on marketable securities, net of tax	(3,406)	(846)	1,638
Total other comprehensive income (loss)	(3,026)	(784)	979
Total comprehensive income	\$ 56,505	\$ 47,567	\$ 46,666

See accompanying Notes to Consolidated Financial Statements.



Apple Inc.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

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

	Common Stock and Additional Paid-In Capital		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	Shares	Amount			
Balances as of September 26, 2015	5,578,753	\$ 27,416	\$ 92,284	\$ (345)	\$ 119,355
Net income	—	—	45,687	—	45,687
Other comprehensive income (loss)	—	—	—	979	979
Dividends and dividend equivalents declared at \$2.18 per share or RSU	—	—	(12,188)	—	(12,188)
Repurchase of common stock	(279,609)	—	(29,000)	—	(29,000)
Share-based compensation	—	4,262	—	—	4,262
Common stock issued, net of shares withheld for employee taxes	37,022	(806)	(419)	—	(1,225)
Tax benefit from equity awards, including transfer pricing adjustments	—	379	—	—	379
Balances as of September 24, 2016	5,336,166	31,251	96,364	634	128,249
Net income	—	—	48,351	—	48,351
Other comprehensive income (loss)	—	—	—	(784)	(784)
Dividends and dividend equivalents declared at \$2.40 per share or RSU	—	—	(12,803)	—	(12,803)
Repurchase of common stock	(246,496)	—	(33,001)	—	(33,001)
Share-based compensation	—	4,909	—	—	4,909
Common stock issued, net of shares withheld for employee taxes	36,531	(913)	(581)	—	(1,494)
Tax benefit from equity awards, including transfer pricing adjustments	—	620	—	—	620
Balances as of September 30, 2017	5,126,201	35,867	98,330	(150)	134,047
Cumulative effect of change in accounting principle	—	—	278	(278)	—
Net income	—	—	59,531	—	59,531
Other comprehensive income (loss)	—	—	—	(3,026)	(3,026)
Dividends and dividend equivalents declared at \$2.72 per share or RSU	—	—	(13,735)	—	(13,735)
Repurchase of common stock	(405,549)	—	(73,056)	—	(73,056)
Share-based compensation	—	5,443	—	—	5,443
Common stock issued, net of shares withheld for employee taxes	34,334	(1,109)	(948)	—	(2,057)
Balances as of September 29, 2018	4,754,986	\$ 40,201	\$ 70,400	\$ (3,454)	\$ 107,147

See accompanying Notes to Consolidated Financial Statements.



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

Years ended	September 29, 2018	September 30, 2017	September 24, 2016
Cash and cash equivalents, beginning of the year	\$ 20,289	\$ 20,484	\$ 21,120
Operating activities:			
Net income	59,531	48,351	45,687
Adjustments to reconcile net income to cash generated by operating activities:			
Depreciation and amortization	10,903	10,157	10,505
Share-based compensation expense	5,340	4,840	4,210
Deferred income tax expense (benefit)	(32,590)	5,966	4,938
Other	(444)	(166)	486
Changes in operating assets and liabilities:			
Accounts receivable, net	(5,322)	(2,093)	527
Inventories	828	(2,723)	217
Vendor non-trade receivables	(8,010)	(4,254)	(51)
Other current and non-current assets	(423)	(5,318)	1,055
Accounts payable	9,175	8,966	2,117
Deferred revenue	(44)	(626)	(1,554)
Other current and non-current liabilities	38,490	1,125	(1,906)
Cash generated by operating activities	77,434	64,225	66,231
Investing activities:			
Purchases of marketable securities	(71,356)	(159,486)	(142,428)
Proceeds from maturities of marketable securities	55,881	31,775	21,258
Proceeds from sales of marketable securities	47,838	94,564	90,536
Payments for acquisition of property, plant and equipment	(13,313)	(12,451)	(12,734)
Payments made in connection with business acquisitions, net	(721)	(329)	(297)
Purchases of non-marketable securities	(1,871)	(521)	(1,388)
Proceeds from non-marketable securities	353	126	—
Other	(745)	(124)	(924)
Cash generated by (used in) investing activities	16,066	(46,446)	(45,977)
Financing activities:			
Proceeds from issuance of common stock	669	555	495
Payments for taxes related to net share settlement of equity awards	(2,527)	(1,874)	(1,570)
Payments for dividends and dividend equivalents	(13,712)	(12,769)	(12,150)
Repurchases of common stock	(72,738)	(32,900)	(29,722)
Proceeds from issuance of term debt, net	6,969	28,662	24,954
Repayments of term debt	(6,500)	(3,500)	(2,500)
Change in commercial paper, net	(37)	3,852	(397)
Cash used in financing activities	(87,876)	(17,974)	(20,890)
Increase (decrease) in cash and cash equivalents	5,624	(195)	(636)
Cash and cash equivalents, end of the year	\$ 25,913	\$ 20,289	\$ 20,484
Supplemental cash flow disclosure:			
Cash paid for income taxes, net	\$ 10,417	\$ 11,591	\$ 10,444
Cash paid for interest	\$ 3,022	\$ 2,092	\$ 1,316

See accompanying Notes to Consolidated Financial Statements.





APPLE INC. SELECTED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Basis of Presentation and Preparation

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 Company's fiscal year is the 52- or 53-week period that ends on the last Saturday of September. The Company's fiscal years 2018 and 2016 spanned 52 weeks each, whereas fiscal year 2017 included 53 weeks. A 14th week was included in the first fiscal quarter of 2017, as is done every five or six years, to realign the Company's fiscal quarters with calendar quarters. Unless otherwise stated, references to particular years, quarters, months and periods refer to the Company's fiscal years ended in September and the associated quarters, months and periods of those fiscal years.

Revenue Recognition

Net sales consist primarily of revenue from the sale of hardware, software, digital content and applications, accessories, and service and support contracts. The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable and collection is probable. Product is considered delivered to the customer once it has been shipped and title, risk of loss and rewards of ownership have been transferred. For most of the Company's product sales, these criteria are met at the time the product is shipped. For online sales to individuals, for some sales to education customers in the U.S., and for certain other sales, the Company defers revenue until the customer receives the product because the Company retains a portion of the risk of loss on these sales during transit. For payment terms in excess of the Company's standard payment terms, revenue is recognized as payments become due unless the Company has positive evidence that the sales price is fixed or determinable, such as a successful history of collection, without concession, on comparable arrangements. The Company recognizes revenue from the sale of hardware products, software bundled with hardware that is essential to the functionality of the hardware and third-party digital content sold on the iTunes Store in accordance with general revenue recognition accounting guidance. The Company recognizes revenue in accordance with industry-specific software accounting guidance for the following types of sales transactions: (i) standalone sales of software products, (ii) sales of software upgrades and (iii) sales of software bundled with hardware not essential to the functionality of the hardware.

For the sale of most third-party products, the Company recognizes revenue based on the gross amount billed to customers because the Company establishes its own pricing for such products, retains related inventory risk for physical

products, is the primary obligor to the customer and assumes the credit risk for amounts billed to its customers. For third-party applications sold through the App Store and Mac App Store and certain digital content sold through the iTunes Store, the Company does not determine the selling price of the products and is not the primary obligor to the customer. Therefore, the Company accounts for such sales on a net basis by recognizing in net sales only the commission it retains from each sale. The portion of the gross amount billed to customers that is remitted by the Company to third-party app developers and certain digital content owners is not reflected in the Company's Consolidated Statements of Operations.

The Company records deferred revenue when it receives payments in advance of the delivery of products or the performance of services. This includes amounts that have been deferred for unspecified and specified software upgrade rights and non-software services that are attached to hardware and software products. The Company sells gift cards redeemable at its retail and online stores, and also sells gift cards redeemable on iTunes Store, App Store, Mac App Store, TV App Store and Book Store for the purchase of digital content and software. The Company records deferred revenue upon the sale of the card, which is relieved upon redemption of the card by the customer. Revenue from AppleCare service and support contracts is deferred and recognized over the service coverage periods. AppleCare service and support contracts typically include extended phone support, repair services, web-based support resources and diagnostic tools offered under the Company's standard limited warranty.

The Company records reductions to revenue for estimated commitments related to price protection and other customer incentive programs. For transactions involving price protection, the Company recognizes revenue net of the estimated amount to be refunded. For the Company's other customer incentive programs, the estimated cost of these programs is recognized at the later of the date at which the Company has sold the product or the date at which the program is offered. The Company also records reductions to revenue for expected future product returns based on the Company's historical experience. Revenue is recorded net of taxes collected from customers that are remitted to governmental authorities, with the collected taxes recorded as current liabilities until remitted to the relevant government authority.

For multi-element arrangements that include hardware products containing software essential to the hardware product's functionality, undelivered software elements that relate to the hardware product's essential software, and undelivered non-software services, the Company allocates revenue to all deliverables based on their relative selling prices.





Apple Inc. Notes—continued

For sales of iPhone, iPad, Mac and certain other products, the Company has indicated it may from time to time provide future unspecified software upgrades to the device's essential software and/or non-software services free of charge. The Company has identified up to three deliverables regularly included in arrangements involving the sale of these devices. The Company allocates revenue between these deliverables using the relative selling price method. Revenue allocated to the delivered hardware and the related essential software is recognized at the time of sale, provided the other conditions for revenue recognition have been met. Revenue allocated to the embedded unspecified software upgrade rights and the non-software services is deferred and recognized on a straight-line basis over the estimated period the software upgrades and non-software services are expected to be provided. Cost of sales related to delivered hardware and related essential software, including estimated warranty costs, are recognized at the time of sale. Costs incurred to provide non-software services are recognized as cost of sales as incurred, and engineering and sales and marketing costs are recognized as operating expenses as incurred.

Shipping Costs

Amounts billed to customers related to shipping and handling are classified as revenue, and the Company's shipping and handling costs are classified as cost of sales.

Advertising Costs

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

Other Income and Expense

\$ millions	2018	2017	2016
Interest and dividend income	\$ 5,686	\$ 5,201	\$ 3,999
Interest expense	(3,240)	(2,323)	(1,456)
Other expense, net	(441)	(133)	(1,195)
Total other income (expense), net	\$ 2,005	\$ 2,745	\$ 1,348

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 marketable debt and equity 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. Marketable equity securities, including mutual funds, are classified as short-term based on the nature of the securities and their availability for use in current operations. The cost of securities sold is determined using the specific identification method.

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.

As of September 29, 2018, the Company had one customer that represented 10% or more of total trade receivables, which accounted for 10%. As of September 30, 2017, the Company had two customers that individually represented 10% or more of total trade receivables, each of which accounted for 10%. The Company's cellular network carriers accounted for 59% of total trade receivables as of both September 29, 2018 and September 30, 2017.

Inventories

Inventories are computed 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 30 years or the remaining life of the underlying 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 three to five years. Depreciation and amortization expense on property and equipment was \$9.3 billion, \$8.2 billion and \$8.3 billion during 2018, 2017 and 2016, respectively.

Property, Plant and Equipment, Net

(\$ millions)	2018	2017
Land and buildings	\$ 16,216	\$ 13,587
Machinery, equipment and internal-use software	65,982	54,210
Leasehold improvements	8,205	7,279
Gross property, plant and equipment	90,403	75,076
Accumulated depreciation and amortization	(49,099)	(41,293)
Total property, plant and equipment, net	\$ 41,304	\$ 33,783

Fair Value Measurements

The Company's valuation techniques used to measure the fair value of money market funds and certain marketable equity securities are derived from quoted prices in active markets for identical assets or liabilities. 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.



Apple Inc. Notes—continued**Financial Instruments**

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.

Accrued Warranty and Indemnification

The following table shows changes in the Company's accrued warranties and related costs for 2018 and 2017:

\$ millions	2018	2017
Beginning accrued warranty and related costs	\$ 3,834	\$ 3,702
Cost of warranty claims	(4,115)	(4,322)
Accruals for product warranty	3,973	4,454
Ending accrued warranty and related costs	\$ 3,692	\$ 3,834

Other Non-Current Liabilities

\$ millions	2018	2017
Long-term taxes payable	\$33,589	\$ 257
Deferred tax liabilities	426	31,504
Other non-current liabilities	11,165	8,654
Total other non-current liabilities	\$45,180	\$40,415

Term Debt

As of September 29, 2018, the Company had outstanding floating- and fixed-rate notes with varying maturities for an aggregate principal amount of \$104.2 billion (collectively the "Notes"). The Notes are senior unsecured obligations, and interest is payable in arrears.

The Company recognized \$3.0 billion, \$2.2 billion and \$1.4 billion of interest expense on its term debt for 2018, 2017 and 2016, respectively.

The future principal payments for the Company's Notes as of September 29, 2018 are as follows (in millions):

2019	\$ 8,707
2020	10,183
2021	8,750
2022	8,583
2023	9,395
Thereafter	58,485
Total	\$104,193

As of September 29, 2018 and September 30, 2017, the fair value of the Company's Notes, based on Level 2 inputs, was \$103.2 billion and \$106.1 billion, respectively.

Share Repurchase Program

During 2018, the Company repurchased 405.5 million shares of its common stock for \$73.1 billion in connection

with two separate share repurchase programs. Of the \$73.1 billion, \$44.0 billion was repurchased under the Company's previous share repurchase program of up to \$210 billion, thereby completing that program. On May 1, 2018, the Company announced the Board of Directors had authorized a new program to repurchase up to \$100 billion of the Company's common stock. The remaining \$29.0 billion repurchased during 2018 was in connection with the new share repurchase program. The Company's new share repurchase program does not obligate it to acquire any specific number of shares. Under this 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").

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 adjudicated. The outcome of litigation is inherently uncertain. If one or more legal matters were resolved against the Company in a reporting period for amounts in excess of 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 in excess of a recorded accrual, with respect to loss contingencies for asserted legal and other claims, except for the following matters:

VirnetX VirnetX, Inc. filed two lawsuits in the U.S. District Court for the Eastern District of Texas against the Company alleging that certain Company products infringe four patents relating to network communications technology. The Company believes it will prevail on the merits.

Qualcomm On January 20, 2017, the Company filed a lawsuit against Qualcomm Incorporated and affiliated parties in the U.S. District Court for the Southern District of California seeking, among other things, to enjoin Qualcomm from requiring the Company to pay royalties at the rate demanded by Qualcomm. The Company believes it will prevail on the merits of the case and has accrued its best estimate for the ultimate resolution of this matter.

Segment Information and Geographic Data

Net sales by product (mil.)	2018	2017	2016
iPhone	\$166,699	\$141,319	\$136,700
iPad	18,805	19,222	20,628
Mac	25,484	25,850	22,831
Services	37,190	29,980	24,348
Other Products	17,417	12,863	11,132
Total net sales	\$265,595	\$229,234	\$215,639



Apple Inc. Notes—continued

Reportable segment (mil.)	2018	2017	2016
Americas:			
Net sales	\$ 112,093	\$ 96,600	\$ 86,613
Operating income	\$ 34,864	\$ 30,684	\$ 28,172
Europe:			
Net sales	\$ 62,420	\$ 54,938	\$ 49,952
Operating income	\$ 19,955	\$ 16,514	\$ 15,348
Greater China:			
Net sales	\$ 51,942	\$ 44,764	\$ 48,492
Operating income	\$ 19,742	\$ 17,032	\$ 18,835
Japan:			
Net sales	\$ 21,733	\$ 17,733	\$ 16,928
Operating income	\$ 9,500	\$ 8,097	\$ 7,165
Rest of Asia Pacific:			
Net sales	\$ 17,407	\$ 15,199	\$ 13,654
Operating income	\$ 6,181	\$ 5,304	\$ 4,781

A reconciliation of the Company's segment operating income to the Consolidated Statements of Operations for 2018, 2017 and 2016 is as follows:

\$ millions	2018	2017	2016
Segment operating income	\$ 90,242	\$ 77,631	\$ 74,301
Research and development expense	(14,236)	(11,581)	(10,045)
Other corporate expenses, net	(5,108)	(4,706)	(4,232)
Total operating income	<u>\$ 70,898</u>	<u>\$ 61,344</u>	<u>\$ 60,024</u>

Selected Financial Data

(in millions, except number of shares, which are reflected in thousands, and per share amounts).

	2018	2017	2016	2015	2014
Net sales	\$ 265,595	\$ 229,234	\$ 215,639	\$ 233,715	\$ 182,795
Net income	\$ 59,531	\$ 48,351	\$ 45,687	\$ 53,394	\$ 39,510
Earnings per share:					
Basic	\$ 12.01	\$ 9.27	\$ 8.35	\$ 9.28	\$ 6.49
Diluted	\$ 11.91	\$ 9.21	\$ 8.31	\$ 9.22	\$ 6.45
Cash dividends declared per share	\$ 2.72	\$ 2.40	\$ 2.18	\$ 1.98	\$ 1.82
Shares used in computing earnings per share:					
Basic	4,955,377	5,217,242	5,470,820	5,753,421	6,085,572
Diluted	5,000,109	5,251,692	5,500,281	5,793,069	6,122,663
Total cash, cash equivalents and marketable securities	\$ 237,100	\$ 268,895	\$ 237,585	\$ 205,666	\$ 155,239
Total assets	\$ 365,725	\$ 375,319	\$ 321,686	\$ 290,345	\$ 231,839
Non-current portion of term debt	\$ 93,735	\$ 97,207	\$ 75,427	\$ 53,329	\$ 28,987
Other non-current liabilities	\$ 45,180	\$ 40,415	\$ 36,074	\$ 33,427	\$ 24,826



Google Inc. (Alphabet Inc.)^a
CONSOLIDATED BALANCE SHEETS

(In millions, except share and par value amounts which are reflected in thousands,
and par value per share amounts)

	December 31, 2017	December 31, 2018
Assets		
Current assets		
Cash and cash equivalents	\$ 10,715	\$ 16,701
Marketable securities	91,156	92,439
Total cash, cash equivalents, and marketable securities	101,871	109,140
Accounts receivable, net of allowance of \$674 and \$729	18,336	20,838
Income taxes receivable, net	369	355
Inventory	749	1,107
Other current assets	2,983	4,236
Total current assets	124,308	135,676
Non-marketable investments	7,813	13,859
Deferred income taxes	680	737
Property and equipment, net	42,383	59,719
Intangible assets, net	2,692	2,220
Goodwill	16,747	17,888
Other non-current assets	2,672	2,693
Total assets	\$ 197,295	\$ 232,792
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 3,137	\$ 4,378
Accrued compensation and benefits	4,581	6,839
Accrued expenses and other current liabilities	10,177	16,958
Accrued revenue share	3,975	4,592
Deferred revenue	1,432	1,784
Income taxes payable, net	881	69
Total current liabilities	24,183	34,620
Long-term debt	3,969	4,012
Deferred revenue, non-current	340	396
Income taxes payable, non-current	12,812	11,327
Deferred income taxes	430	1,264
Other long-term liabilities	3,059	3,545
Total liabilities	44,793	55,164
Commitments and Contingencies		
Stockholders' equity:		
Convertible preferred stock, \$0.001 par value per share, 100,000 shares authorized; no shares issued and outstanding	0	0
Class A and Class B common stock, and Class C capital stock and additional paid-in capital, \$0.001 par value per share: 15,000,000 shares authorized (Class A 9,000,000, Class B 3,000,000, Class C 3,000,000); 694,783 (Class A 298,470, Class B 46,972, Class C 349,341) and 695,556 (Class A 299,242, Class B 46,636, Class C 349,678) shares issued and outstanding	40,247	45,049
Accumulated other comprehensive loss	(992)	(2,306)
Retained earnings	113,247	134,885
Total stockholders' equity	152,502	177,628
Total liabilities and stockholders' equity	\$ 197,295	\$ 232,792

^aGoogle is part of Alphabet, but we loosely refer to Alphabet as "Google" because of its global familiarity and that Google provides 99% of Alphabet's \$136.819 billion in revenues.

See accompanying notes.



Google Inc. (Alphabet Inc.)^a
CONSOLIDATED STATEMENTS OF INCOME
(In millions)

Year Ended December 31	2016	2017	2018
Revenues	\$ 90,272	\$ 110,855	\$ 136,819
Costs and expenses			
Cost of revenues	35,138	45,583	59,549
Research and development	13,948	16,625	21,419
Sales and marketing	10,485	12,893	16,333
General and administrative	6,985	6,872	8,126
European Commission fines	0	2,736	5,071
Total costs and expenses	66,556	84,709	110,498
Income from operations	23,716	26,146	26,321
Other income (expense), net	434	1,047	8,592
Income before income taxes	24,150	27,193	34,913
Provision for income taxes	4,672	14,531	4,177
Net income	\$ 19,478	\$ 12,662	\$ 30,736

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See accompanying notes.

Google Inc. (Alphabet Inc.)^a
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)

Year Ended December 31	2016	2017	2018
Net income	\$ 19,478	\$ 12,662	\$ 30,736
Other comprehensive income (loss):			
Change in foreign currency translation adjustment	(599)	1,543	(781)
Available-for-sale investments:			
Change in net unrealized gains (losses)	(314)	307	88
Less: reclassification adjustment for net (gains) losses included in net income	221	105	(911)
Net change (net of tax effect of \$0, \$0, and \$156)	(93)	412	(823)
Cash flow hedges:			
Change in net unrealized gains (losses)	515	(638)	290
Less: reclassification adjustment for net (gains) losses included in net income	(351)	93	98
Net change (net of tax effect of \$64, \$247, and \$103)	164	(545)	388
Other comprehensive income (loss)	(528)	1,410	(1,216)
Comprehensive income	\$ 18,950	\$ 14,072	\$ 29,520

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See accompanying notes.



Google Inc. (Alphabet Inc.)^a
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In millions, except share amounts which are reflected in thousands)

	Class A and Class B Common Stock, Class C Capital Stock and Additional Paid-In Capital		Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity
	Shares	Amount			
Balance as of December 31, 2015	687,348	\$ 32,982	\$ (1,874)	\$ 89,223	\$ 120,331
Cumulative effect of accounting change	0	180	0	(133)	47
Common and capital stock issued	9,106	298	0	0	298
Stock-based compensation expense	0	6,700	0	0	6,700
Tax withholding related to vesting of restricted stock units	0	(3,597)	0	0	(3,597)
Repurchases of capital stock	(5,161)	(256)	0	(3,437)	(3,693)
Net income	0	0	0	19,478	19,478
Other comprehensive loss	0	0	(528)	0	(528)
Balance as of December 31, 2016	691,293	36,307	(2,402)	105,131	139,036
Cumulative effect of accounting change	0	0	0	(15)	(15)
Common and capital stock issued	8,652	212	0	0	212
Stock-based compensation expense	0	7,694	0	0	7,694
Tax withholding related to vesting of restricted stock units	0	(4,373)	0	0	(4,373)
Repurchases of capital stock	(5,162)	(315)	0	(4,531)	(4,846)
Sale of subsidiary shares	0	722	0	0	722
Net income	0	0	0	12,662	12,662
Other comprehensive income	0	0	1,410	0	1,410
Balance as of December 31, 2017	694,783	40,247	(992)	113,247	152,502
Cumulative effect of accounting change	0	0	(98)	(599)	(697)
Common and capital stock issued	8,975	148	0	0	148
Stock-based compensation expense	0	9,353	0	0	9,353
Tax withholding related to vesting of restricted stock units and other	0	(4,782)	0	0	(4,782)
Repurchases of capital stock	(8,202)	(576)	0	(8,499)	(9,075)
Sale of subsidiary shares	0	659	0	0	659
Net income	0	0	0	30,736	30,736
Other comprehensive loss	0	0	(1,216)	0	(1,216)
Balance as of December 31, 2018	695,556	\$ 45,049	\$ (2,306)	\$ 134,885	\$ 177,628

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See accompanying notes.



Google Inc. (Alphabet Inc.)^a
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

Year Ended December 31	2016	2017	2018
Operating activities			
Net income	\$ 19,478	\$ 12,662	\$ 30,736
Adjustments:			
Depreciation and impairment of property and equipment	5,267	6,103	8,164
Amortization and impairment of intangible assets	877	812	871
Stock-based compensation expense	6,703	7,679	9,353
Deferred income taxes	(38)	258	778
(Gain) loss on debt and equity securities, net	73	37	(6,650)
Other	376	294	(189)
Changes in assets and liabilities, net of effects of acquisitions:			
Accounts receivable	(2,578)	(3,768)	(2,169)
Income taxes, net	3,125	8,211	(2,251)
Other assets	312	(2,164)	(1,207)
Accounts payable	110	731	1,067
Accrued expenses and other liabilities	1,515	4,891	8,614
Accrued revenue share	593	955	483
Deferred revenue	223	390	371
Net cash provided by operating activities	36,036	37,091	47,971
Investing activities			
Purchases of property and equipment	(10,212)	(13,184)	(25,139)
Proceeds from disposals of property and equipment	240	99	98
Purchases of marketable securities	(84,509)	(92,195)	(50,158)
Maturities and sales of marketable securities	66,895	73,959	48,507
Purchases of non-marketable investments	(1,109)	(1,745)	(2,073)
Maturities and sales of non-marketable investments	494	533	1,752
Cash collateral related to securities lending	(2,428)	0	0
Investments in reverse repurchase agreements	450	0	0
Acquisitions, net of cash acquired, and purchases of intangible assets	(986)	(287)	(1,491)
Proceeds from collection of notes receivable	0	1,419	0
Net cash used in investing activities	(31,165)	(31,401)	(28,504)
Financing activities			
Net payments related to stock-based award activities	(3,304)	(4,166)	(4,993)
Repurchases of capital stock	(3,693)	(4,846)	(9,075)
Proceeds from issuance of debt, net of costs	8,729	4,291	6,766
Repayments of debt	(10,064)	(4,377)	(6,827)
Proceeds from sale of subsidiary shares	0	800	950
Net cash used in financing activities	(8,332)	(8,298)	(13,179)
Effect of exchange rate changes on cash and cash equivalents	(170)	405	(302)
Net increase (decrease) in cash and cash equivalents	(3,631)	(2,203)	5,986
Cash and cash equivalents at beginning of period	16,549	12,918	10,715
Cash and cash equivalents at end of period	\$ 12,918	\$ 10,715	\$ 16,701
Supplemental disclosures of cash flow information			
Cash paid for taxes, net of refunds	\$ 1,643	\$ 6,191	\$ 5,671
Cash paid for interest, net of amounts capitalized	\$ 84	\$ 84	\$ 69

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See accompanying notes.





Samsung Electronics Co., Ltd. and Subsidiaries
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<i>(In millions of Korean won)</i>	December 31, 2018	December 31, 2017
Assets	KRW	KRW
Current assets		
Cash and cash equivalents	30,340,505	30,545,130
Short-term financial instruments	65,893,797	49,447,696
Short-term available-for-sale financial assets	—	3,191,375
Short-term financial assets at amortized cost	2,703,693	—
Short-term financial assets at fair value through profit or loss	2,001,948	—
Trade receivables	33,867,733	27,695,995
Non-trade receivables	3,080,733	4,108,961
Advance payments	1,361,807	1,753,673
Prepaid expenses	4,136,167	3,835,219
Inventories	28,984,704	24,983,355
Other current assets	2,326,337	1,421,060
Total current assets	174,697,424	146,982,464
Non-current assets		
Long-term available-for-sale financial assets	—	7,752,180
Held-to-maturity financial assets	—	106,751
Long-term financial assets at amortized cost	238,309	—
Financial assets at fair value through other comprehensive income	7,301,351	—
Financial assets at fair value through profit or loss	775,427	—
Investment in associates and joint ventures	7,313,206	6,802,351
Property, plant and equipment	115,416,724	111,665,648
Intangible assets	14,891,598	14,760,483
Long-term prepaid expenses	5,009,679	3,434,375
Net defined benefit assets	562,356	825,892
Deferred income tax assets	5,468,002	5,061,687
Other non-current assets	7,683,168	4,360,259
Total assets	339,357,244	301,752,090
Liabilities and Equity		
Current liabilities		
Trade payables	8,479,916	9,083,907
Short-term borrowings	13,586,660	15,767,619
Other payables	10,711,536	13,899,633
Advances received	820,265	1,249,174
Withholdings	951,254	793,582
Accrued expenses	20,339,687	13,996,273
Income tax payable	8,720,050	7,408,348
Current portion of long-term liabilities	33,386	278,619
Provisions	4,384,038	4,294,820
Other current liabilities	1,054,718	403,139
Total current liabilities	69,081,510	67,175,114
Non-current liabilities		
Debentures	961,972	953,361
Long-term borrowings	85,085	1,814,446
Long-term other payables	3,194,043	2,043,729
Net defined benefit liabilities	504,064	389,922
Deferred income tax liabilities	15,162,523	11,710,781
Provisions	663,619	464,324
Other non-current liabilities	1,951,251	2,708,985
Total liabilities	91,604,067	87,260,662

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.





Samsung Electronics Co., Ltd. and Subsidiaries
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

For the year ended December 31	2018	2017
<i>(In millions of Korean won)</i>	KRW	KRW
Revenue	243,771,415	239,575,376
Cost of sales	132,394,411	129,290,661
Gross profit	111,377,004	110,284,715
Selling and administrative expenses	52,490,335	56,639,677
Operating profit	58,886,669	53,645,038
Other non-operating income	1,485,037	3,010,657
Other non-operating expense	1,142,018	1,419,648
Share of profit of associates and joint ventures	539,845	201,442
Financial income	9,999,321	9,737,391
Financial expense	8,608,896	8,978,913
Profit before income tax	61,159,958	56,195,967
Income tax expense	16,815,101	14,009,220
Profit for the period	44,344,857	42,186,747
Profit attributable to owners of the parent	43,890,877	41,344,569
Profit attributable to non-controlling interests	453,980	842,178
Earnings per share		
—Basic	6,461	5,997
—Diluted	6,461	5,997

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Samsung Electronics Co., Ltd. and Subsidiaries
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the year ended December 31	2018	2017
<i>(In millions of Korean won)</i>	KRW	KRW
Profit for the period	44,344,857	42,186,747
Other comprehensive income (loss)		
Items not to be reclassified to profit or loss subsequently:		
Changes in value of financial assets at fair value through other comprehensive income, net of tax	(235,865)	—
Share of other comprehensive income (loss) of associates and joint ventures, net of tax	(10,631)	(6,347)
Remeasurement of net defined benefit liabilities (assets), net of tax	(410,151)	414,247
Items to be reclassified to profit or loss subsequently:		
Changes in value of available-for-sale financial assets, net of tax	—	511,207
Share of other comprehensive income (loss) of associates and joint ventures, net of tax	6,688	(49,256)
Foreign currency translation, net of tax	590,638	(6,334,987)
Gain (loss) on valuation of derivatives	47,079	(37,121)
Other comprehensive loss for the period, net of tax	(12,242)	(5,502,257)
Total comprehensive income for the period	44,332,615	36,684,490
Comprehensive income attributable to:		
Owners of the parent	43,882,473	35,887,505
Non-controlling interests	450,142	796,985

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.





Samsung Electronics Co., Ltd. and Subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In millions of Korean won)

2017 KRW	Preference shares	Ordinary shares	Share premium	Retained earnings	Other Components of equity	Accumulated other comprehensive income attributable to assets held- for-sale	Equity attributable to owners of the parent	Non controlling interests	Total
Balance as at January 1, 2017	119,467	778,047	4,403,893	193,086,317	(11,934,586)	(28,810)	186,424,328	6,538,705	192,963,033
Profit for the period	—	—	—	41,344,569	—	—	41,344,569	842,178	42,186,747
Changes in value of available-for-sale financial assets, net of tax	—	—	—	—	489,150	—	489,150	22,057	511,207
Share of other comprehensive income (loss) of associates and joint ventures, net of tax	—	—	—	—	(54,300)	—	(54,300)	(1,303)	(55,603)
Foreign currency translation, net of tax	—	—	—	—	(6,289,926)	28,810	(6,261,116)	(73,871)	(6,334,987)
Remeasurement of net defined benefit liabilities (assets), net of tax	—	—	—	—	406,323	—	406,323	7,924	414,247
Gain (loss) on valuation of derivatives	—	—	—	—	(37,121)	—	(37,121)	—	(37,121)
Total comprehensive income (loss)	—	—	—	41,344,569	(5,485,874)	28,810	35,887,505	796,985	36,684,490
Dividends	—	—	—	(6,747,123)	—	—	(6,747,123)	(64,277)	(6,811,400)
Capital transaction under common control	—	—	—	—	(2,992)	—	(2,992)	15,114	12,122
Changes in consolidated entities	—	—	—	—	(2,699)	—	(2,699)	(9,352)	(12,051)
Acquisition of treasury stock	—	—	—	—	(8,350,424)	—	(8,350,424)	—	(8,350,424)
Retirement of treasury stock	—	—	—	(11,872,563)	11,872,563	—	—	—	—
Others	—	—	—	—	4,821	—	4,821	837	5,658
Total transactions with owners	—	—	—	(18,619,686)	3,521,269	—	(15,098,417)	(57,678)	(15,156,095)
Balance as at December 31, 2017	119,467	778,047	4,403,893	215,811,200	(13,899,191)	—	207,213,416	7,278,012	214,491,428
Balance as at January 1, 2018	119,467	778,047	4,403,893	215,811,200	(13,899,191)	—	207,213,416	7,278,012	214,491,428
Cumulative effect of changes in accounting policy	—	—	—	246,529	(261,734)	—	(15,205)	—	(15,205)
Restated total equity at the beginning of the financial year	119,467	778,047	4,403,893	216,057,729	(14,160,925)	—	207,198,211	7,278,012	214,476,223
Profit for the period	—	—	—	43,890,877	—	—	43,890,877	453,980	44,344,857
Changes in value of financial assets at fair value through other comprehensive income, net of tax	—	—	—	(3,007)	(236,343)	—	(239,350)	3,485	(235,865)
Share of other comprehensive income (loss) of associates and joint ventures, net of tax	—	—	—	—	(4,036)	—	(4,036)	93	(3,943)
Foreign currency translation, net of tax	—	—	—	—	579,260	—	579,260	11,378	590,638
Remeasurement of net defined benefit liabilities (assets), net of tax	—	—	—	—	(391,357)	—	(391,357)	(18,794)	(410,151)
Gain (loss) on valuation of derivatives	—	—	—	—	47,079	—	47,079	—	47,079
Total comprehensive income (loss)	—	—	—	43,887,870	(5,397)	—	43,882,473	450,142	44,332,615
Dividends	—	—	—	(10,143,345)	—	—	(10,143,345)	(50,657)	(10,194,002)
Capital transaction under common control	—	—	—	—	1,719	—	1,719	7,991	9,710
Changes in consolidated entities	—	—	—	—	—	—	—	41	41
Acquisition of treasury stock	—	—	—	—	(875,111)	—	(875,111)	—	(875,111)
Retirement of treasury stock	—	—	—	(7,103,298)	7,103,298	—	—	—	—
Others	—	—	—	—	5,046	—	5,046	(1,345)	3,701
Total transactions with owners	—	—	—	(17,246,643)	6,234,952	—	(11,011,691)	(43,970)	(11,055,661)
Balance as at December 31, 2018	119,467	778,047	4,403,893	242,698,956	(7,931,370)	—	240,068,993	7,684,184	247,753,177

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.





Samsung Electronics Co., Ltd. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended December 31	2018	2017
<i>(In millions of Korean won)</i>	KRW	KRW
Cash flows from operating activities		
Profit for the period	44,344,857	42,186,747
Adjustments	43,604,573	36,211,232
Changes in assets and liabilities arising from operating activities	(9,924,366)	(10,620,547)
Cash generated from operations	78,025,064	67,777,432
Interest received	1,788,520	1,581,117
Interest paid	(548,272)	(542,715)
Dividends received	215,992	173,305
Income tax paid	(12,449,441)	(6,827,098)
Net cash inflow from operating activities	67,031,863	62,162,041
Cash flows from investing activities		
Net (increase) decrease in short-term financial instruments	(12,368,298)	387,627
Net acquisition of short-term financial assets at amortized cost	(1,436,844)	—
Net acquisition of short-term financial assets at fair value through profit or loss	(139,668)	—
Disposal of short-term available-for-sale financial assets	—	499,856
Disposal of long-term financial instruments	255,850	1,750,221
Acquisition of long-term financial instruments	(7,678,654)	(1,079,355)
Disposal of long-term available-for-sale financial assets	—	191,826
Acquisition of long-term available-for-sale financial assets	—	(358,497)
Acquisition of held-to-maturity financial assets	—	(106,751)
Acquisition of financial assets at amortized cost	(158,716)	—
Disposal of financial assets at fair value through other comprehensive income	16,211	—
Acquisition of financial assets at fair value through other comprehensive income	(456,134)	—
Disposal of financial assets at fair value through profit or loss	80,138	—
Acquisition of financial assets at fair value through profit or loss	(193,848)	—
Disposal of investment in associates and joint ventures	148	355,926
Acquisition of investment in associates and joint ventures	(51,226)	(25,293)
Disposal of property, plant and equipment	556,973	308,354
Acquisition of property, plant and equipment	(29,556,406)	(42,792,234)
Disposal of intangible assets	11,935	733
Acquisition of intangible assets	(1,020,517)	(983,740)
Cash outflow from business combinations	(99,108)	(8,754,268)
Cash inflow from business transfers	—	1,248,834
Others	(2,289)	(28,455)
Net cash outflow from investing activities	(52,240,453)	(49,385,216)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(2,046,470)	2,730,676
Acquisition of treasury stock	(875,111)	(8,350,424)
Proceeds from long-term borrowings and debentures	3,580	998,311
Repayment of long-term borrowings and debentures	(1,986,597)	(1,140,803)
Dividends paid	(10,193,695)	(6,804,297)
Net increase in non-controlling interests	8,071	5,670
Net cash outflow from financing activities	(15,090,222)	(12,560,867)
Effect of exchange rate changes on cash and cash equivalents	94,187	(1,782,270)
Net decrease in cash and cash equivalents	(204,625)	(1,566,312)
Cash and cash equivalents		
Beginning of the period	30,545,130	32,111,442
End of the period	30,340,505	30,545,130

The above consolidated statements of cash flows should be read in conjunction with the accompanying notes.

