

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 "ECJ") and a hearing was held on May 23, 2023. A decision from the ECJ is expected in calendar year 2024. The Company believes it would be eligible to claim a U.S. foreign tax credit for a portion of any incremental Irish corporate income taxes potentially due related to the State Aid Decision.

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 30, 2023, 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 4, "Financial Instruments" for more information.

Note 8 – Leases

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

Payments under the Company's lease arrangements may be fixed or variable, and variable lease payments are primarily based on purchases of output of the underlying leased assets. Lease costs associated with fixed payments on the Company's operating leases were \$ 2.0 billion, \$ 1.9 billion and \$ 1.7 billion for 2023, 2022 and 2021, respectively. Lease costs associated with variable payments on the Company's leases were \$ 13.9 billion, \$ 14.9 billion and \$ 12.9 billion for 2023, 2022 and 2021, respectively.

The Company made \$ 1.9 billion, \$ 1.8 billion and \$ 1.4 billion of fixed cash payments related to operating leases in 2023, 2022 and 2021, respectively. Noncash activities involving right-of-use ("ROU") assets obtained in exchange for lease liabilities were \$ 2.1 billion, \$ 2.8 billion and \$ 3.3 billion for 2023, 2022 and 2021, respectively.

The following table shows ROU assets and lease liabilities, and the associated financial statement line items, as of September 30, 2023 and September 24, 2022 (in millions):

Lease-Related Assets and Liabilities	Financial Statement Line Items	2023	2022
Right-of-use assets:			
Operating leases	Other non-current assets	\$ 10,661	\$ 10,417
Finance leases	Property, plant and equipment, net	1,015	952
Total right-of-use assets		<u>\$ 11,676</u>	<u>\$ 11,369</u>
Lease liabilities:			
Operating leases	Other current liabilities	\$ 1,410	\$ 1,534
	Other non-current liabilities	10,408	9,936
Finance leases	Other current liabilities	165	129
	Other non-current liabilities	859	812
Total lease liabilities		<u>\$ 12,842</u>	<u>\$ 12,411</u>