

## 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, 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 R&D, 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 2017, 2016 and 2015 (in millions):

|                       | 2017      | 2016      | 2015      |
|-----------------------|-----------|-----------|-----------|
| Americas:             |           |           |           |
| Net sales             | \$ 96,600 | \$ 86,613 | \$ 93,864 |
| Operating income      | \$ 30,684 | \$ 28,172 | \$ 31,186 |
| Europe:               |           |           |           |
| Net sales             | \$ 54,938 | \$ 49,952 | \$ 50,337 |
| Operating income      | \$ 16,514 | \$ 15,348 | \$ 16,527 |
| Greater China:        |           |           |           |
| Net sales             | \$ 44,764 | \$ 48,492 | \$ 58,715 |
| Operating income      | \$ 17,032 | \$ 18,835 | \$ 23,002 |
| Japan:                |           |           |           |
| Net sales             | \$ 17,733 | \$ 16,928 | \$ 15,706 |
| Operating income      | \$ 8,097  | \$ 7,165  | \$ 7,617  |
| Rest of Asia Pacific: |           |           |           |
| Net sales             | \$ 15,199 | \$ 13,654 | \$ 15,093 |
| Operating income      | \$ 5,304  | \$ 4,781  | \$ 5,518  |

A reconciliation of the Company’s segment operating income to the Consolidated Statements of Operations for 2017, 2016 and 2015 is as follows (in millions):

|                                  | 2017      | 2016      | 2015      |
|----------------------------------|-----------|-----------|-----------|
| Segment operating income         | \$ 77,631 | \$ 74,301 | \$ 83,850 |
| Research and development expense | (11,581)  | (10,045)  | (8,067)   |
| Other corporate expenses, net    | (4,706)   | (4,232)   | (4,553)   |
| Total operating income           | \$ 61,344 | \$ 60,024 | \$ 71,230 |