

SELECTED FINANCIAL DATA

Years Ended (Dollars in Millions, Except Per Share Amounts)	Dec 29, 2018	Dec 30, 2017	Dec 31, 2016	Dec 26, 2015	Dec 27, 2014
Net revenue	\$ 70,848	\$ 62,761	\$ 59,387	\$ 55,355	\$ 55,870
Gross margin ¹	\$ 43,737	\$ 39,098	\$ 36,233	\$ 34,679	\$ 35,609
Gross margin percentage ¹	61.7%	62.3%	61.0%	62.6%	63.7%
Research and development ¹	\$ 13,543	\$ 13,035	\$ 12,685	\$ 12,128	\$ 11,537
Marketing, general and administrative ¹	\$ 6,750	\$ 7,452	\$ 8,377	\$ 7,930	\$ 8,136
R&D and MG&A as a percentage of revenue ¹	28.6%	32.6%	35.5%	36.2%	35.2%
Operating income ¹	\$ 23,316	\$ 18,050	\$ 13,133	\$ 14,002	\$ 15,347
Net income ²	\$ 21,053	\$ 9,601	\$ 10,316	\$ 11,420	\$ 11,704
Effective tax rate ²	9.7%	52.8%	20.3%	19.6%	25.9%
Earnings per share ²					
Basic	\$ 4.57	\$ 2.04	\$ 2.18	\$ 2.41	\$ 2.39
Diluted	\$ 4.48	\$ 1.99	\$ 2.12	\$ 2.33	\$ 2.31
Weighted average diluted shares of common stock outstanding	4,701	4,835	4,875	4,894	5,056
Dividends per share of common stock, declared and paid	\$ 1.20	\$ 1.0775	\$ 1.04	\$ 0.96	\$ 0.90
Net cash provided by operating activities	\$ 29,432	\$ 22,110	\$ 21,808	\$ 19,018	\$ 20,418
Additions to property, plant and equipment	\$ 15,181	\$ 11,778	\$ 9,625	\$ 7,326	\$ 10,105
Repurchase of common stock	\$ 10,730	\$ 3,615	\$ 2,587	\$ 3,001	\$ 10,792
Payment of dividends to stockholders	\$ 5,541	\$ 5,072	\$ 4,925	\$ 4,556	\$ 4,409
(Dollars in Millions)	Dec 29, 2018	Dec 30, 2017	Dec 31, 2016	Dec 26, 2015	Dec 27, 2014
Property, plant and equipment, net	\$ 48,976	\$ 41,109	\$ 36,171	\$ 31,858	\$ 33,238
Total assets	\$ 127,963	\$ 123,249	\$ 113,327	\$ 101,459	\$ 90,012
Debt	\$ 26,359	\$ 26,813	\$ 25,283	\$ 22,670	\$ 13,655
Stockholders' equity	\$ 74,563	\$ 69,019	\$ 66,226	\$ 61,085	\$ 55,865
Employees (in thousands)	107.4	102.7	106.0	107.3	106.7

¹ In Q1 2018, we adopted "Retirement Benefits - Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost" on a retrospective basis. As a result of the adoption of this standard, cost of sales, operating expenses, and interest and other, net for periods 2017 and 2016 in the preceding table have been restated.

² In Q4 2017, we recognized a \$5.4 billion higher income tax expense as a result of one-time impacts from Tax Reform. In 2018, our effective tax rate benefited from the reduction of the U.S. statutory federal tax rate.

CONSOLIDATED STATEMENTS OF INCOME

Years Ended (In Millions, Except Per Share Amounts)	Dec 29, 2018	Dec 30, 2017	Dec 31, 2016
Net revenue	\$ 70,848	\$ 62,761	\$ 59,387
Cost of sales	27,111	23,663	23,154
Gross margin	43,737	39,098	36,233
Research and development	13,543	13,035	12,685
Marketing, general and administrative	6,750	7,452	8,377
Restructuring and other charges	(72)	384	1,744
Amortization of acquisition-related intangibles	200	177	294
Operating expenses	20,421	21,048	23,100
Operating income	23,316	18,050	13,133
Gains (losses) on equity investments, net	(125)	2,651	506
Interest and other, net	126	(349)	(703)
Income before taxes	23,317	20,352	12,936
Provision for taxes	2,264	10,751	2,620
Net income	\$ 21,053	\$ 9,601	\$ 10,316
Earnings per share - Basic	\$ 4.57	\$ 2.04	\$ 2.18
Earnings per share - Diluted	\$ 4.48	\$ 1.99	\$ 2.12
Weighted average shares of common stock outstanding:			
Basic	4,611	4,701	4,730
Diluted	4,701	4,835	4,875

See accompanying notes.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years Ended (In Millions)	Dec 29, 2018	Dec 30, 2017	Dec 31, 2016
Net income	\$ 21,053	\$ 9,601	\$ 10,316
Changes in other comprehensive income, net of tax:			
Net unrealized holding gains (losses) on available-for-sale equity investments	—	(434)	415
Net unrealized holding gains (losses) on derivatives	(253)	365	7
Actuarial valuation and other pension benefits (expenses), net	210	317	(364)
Translation adjustments and other	(3)	508	(12)
Other comprehensive income (loss)	(46)	756	46
Total comprehensive income	\$ 21,007	\$ 10,357	\$ 10,362

See accompanying notes.

CONSOLIDATED BALANCE SHEETS

(In Millions, Except Par Value)	Dec 29, 2018	Dec 30, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,019	\$ 3,433
Short-term investments	2,788	1,814
Trading assets	5,843	8,755
Accounts receivable, net of allowance for doubtful accounts of \$33 (\$25 in 2017)	6,722	5,607
Inventories	7,253	6,983
Other current assets	3,162	2,908
Total current assets	28,787	29,500
Property, plant and equipment, net	48,976	41,109
Equity investments	6,042	8,579
Other long-term investments	3,388	3,712
Goodwill	24,513	24,389
Identified intangible assets, net	11,836	12,745
Other long-term assets	4,421	3,215
Total assets	\$ 127,963	\$ 123,249
Liabilities, temporary equity, and stockholders' equity		
Current liabilities:		
Short-term debt	\$ 1,261	\$ 1,776
Accounts payable	3,824	2,928
Accrued compensation and benefits	3,622	3,526
Deferred income	—	1,656
Other accrued liabilities	7,919	7,535
Total current liabilities	16,626	17,421
Debt	25,098	25,037
Contract liabilities	2,049	—
Income taxes payable, non-current	4,897	4,069
Deferred income taxes	1,665	3,046
Other long-term liabilities	2,646	3,791
Commitments and Contingencies (Note 21)		
Temporary equity	419	866
Stockholders' equity:		
Preferred stock, \$0.001 par value, 50 shares authorized; none issued	—	—
Common stock, \$0.001 par value, 10,000 shares authorized; 4,516 shares issued and outstanding (4,687 issued and outstanding in 2017) and capital in excess of par value	25,365	26,074
Accumulated other comprehensive income (loss)	(974)	862
Retained earnings	50,172	42,083
Total stockholders' equity	74,563	69,019
Total liabilities, temporary equity, and stockholders' equity	\$ 127,963	\$ 123,249

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended (In Millions)	Dec 29, 2018	Dec 30, 2017	Dec 31, 2016
Cash and cash equivalents, beginning of period	\$ 3,433	\$ 5,560	\$ 15,308
Cash flows provided by (used for) operating activities:			
Net income	21,053	9,601	10,316
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	7,520	6,752	6,266
Share-based compensation	1,546	1,358	1,444
Amortization of intangibles	1,565	1,377	1,524
(Gains) losses on equity investments, net	155	(2,583)	(432)
Loss on debt conversion and extinguishment	260	476	—
(Gains) losses on divestitures	(497)	(387)	—
Deferred taxes	(1,749)	1,548	257
Changes in assets and liabilities:			
Accounts receivable	(1,714)	(781)	65
Inventories	(214)	(1,300)	119
Accounts payable	211	191	182
Accrued compensation and benefits	(260)	311	291
Customer deposits and prepaid supply agreements	1,367	1,105	—
Income taxes payable and receivable	148	5,230	1,382
Other assets and liabilities	41	(788)	394
Total adjustments	8,379	12,509	11,492
Net cash provided by operating activities	29,432	22,110	21,808
Cash flows provided by (used for) investing activities:			
Additions to property, plant and equipment	(15,181)	(11,778)	(9,625)
Acquisitions, net of cash acquired	(190)	(14,499)	(15,470)
Purchases of available-for-sale debt investments	(3,843)	(2,746)	(9,269)
Sales of available-for-sale debt investments	195	1,833	2,847
Maturities of available-for-sale debt investments	2,968	3,687	5,654
Purchases of trading assets	(9,503)	(13,700)	(12,237)
Maturities and sales of trading assets	12,111	13,970	10,898
Purchases of equity investments	(874)	(1,619)	(963)
Sales of equity investments	2,802	5,236	1,080
Proceeds from divestitures	548	3,124	—
Other investing	(272)	730	1,268
Net cash used for investing activities	(11,239)	(15,762)	(25,817)
Cash flows provided by (used for) financing activities:			
Increase (decrease) in short-term debt, net	460	12	(15)
Issuance of long-term debt, net of issuance costs	423	7,716	2,734
Repayment of debt and debt conversion	(3,026)	(8,080)	(1,500)
Proceeds from sales of common stock through employee equity incentive plans	555	770	1,108
Repurchase of common stock	(10,730)	(3,615)	(2,587)
Payment of dividends to stockholders	(5,541)	(5,072)	(4,925)
Other financing	(748)	(206)	(554)
Net cash provided by (used for) financing activities	(18,607)	(8,475)	(5,739)
Net increase (decrease) in cash and cash equivalents	(414)	(2,127)	(9,748)
Cash and cash equivalents, end of period	\$ 3,019	\$ 3,433	\$ 5,560
Supplemental disclosures:			
Acquisition of property, plant and equipment included in accounts payable and accrued liabilities	\$ 2,340	\$ 1,417	\$ 979
Non-marketable equity investment in McAfee from divestiture	\$ —	\$ 1,078	\$ —
Cash paid during the year for:			
Interest, net of capitalized interest	\$ 448	\$ 624	\$ 682
Income taxes, net of refunds	\$ 3,813	\$ 3,824	\$ 877

See accompanying notes.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In Millions, Except Per Share Amounts)	Common Stock and Capital in Excess of Par Value		Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
	Number of Shares	Amount			
Balance as of December 26, 2015	4,725	\$ 23,411	\$ 60	\$ 37,614	\$ 61,085
Components of comprehensive income, net of tax:					
Net income	—	—	—	10,316	10,316
Other comprehensive income (loss)	—	—	46	—	46
Total comprehensive income					10,362
Proceeds from sales of common stock through employee equity incentive plans, net tax benefit, and other	101	1,322	—	—	1,322
Share-based compensation	—	1,438	—	—	1,438
Repurchase of common stock	(81)	(412)	—	(2,180)	(2,592)
Restricted stock unit withholdings	(15)	(386)	—	(78)	(464)
Cash dividends declared (\$1.04 per share of common stock)	—	—	—	(4,925)	(4,925)
Balance as of December 31, 2016	4,730	25,373	106	40,747	66,226
Components of comprehensive income, net of tax:					
Net income	—	—	—	9,601	9,601
Other comprehensive income (loss)	—	—	756	—	756
Total comprehensive income					10,357
Proceeds from sales of common stock through employee equity incentive plans, net excess tax benefit, and other ¹	70	1,172	—	(1)	1,171
Share-based compensation	—	1,296	—	—	1,296
Convertible debt	—	(894)	—	—	(894)
Repurchase of common stock	(101)	(552)	—	(3,057)	(3,609)
Restricted stock unit withholdings	(12)	(321)	—	(135)	(456)
Cash dividends declared (\$1.0775 per share of common stock)	—	—	—	(5,072)	(5,072)
Balance as of December 30, 2017	4,687	26,074	862	42,083	69,019
Adjustment to opening balance for change in accounting principle	—	—	(1,790)	2,424	634
Opening balance as of December 31, 2017	4,687	26,074	(928)	44,507	69,653
Components of comprehensive income, net of tax:					
Net income	—	—	—	21,053	21,053
Other comprehensive income (loss)	—	—	(46)	—	(46)
Total comprehensive income					21,007
Proceeds from sales of common stock through employee equity incentive plans, net excess tax benefit, and other ¹	56	424	—	—	424
Share-based compensation	—	1,548	—	—	1,548
Temporary equity reduction	—	447	—	—	447
Convertible debt	—	(1,591)	—	—	(1,591)
Repurchase of common stock	(217)	(1,208)	—	(9,650)	(10,858)
Restricted stock unit withholdings	(10)	(329)	—	(197)	(526)
Cash dividends declared (\$1.20 per share of common stock)	—	—	—	(5,541)	(5,541)
Balance as of December 29, 2018	4,516	\$ 25,365	\$ (974)	\$ 50,172	\$ 74,563

¹ Includes approximately \$375 million of non-controlling interest activity due to our acquisition of Mobileye in 2017, which was eliminated in 2018 due to purchase of remaining shares.

See accompanying notes.

FINANCIAL INFORMATION BY QUARTER (UNAUDITED)

2018 for Quarter Ended (In Millions, Except Per Share Amounts)	December 29	September 29	June 30	March 31
Net revenue	\$ 18,657	\$ 19,163	\$ 16,962	\$ 16,066
Gross margin	\$ 11,227	\$ 12,360	\$ 10,419	\$ 9,731
Net income	\$ 5,195	\$ 6,398	\$ 5,006	\$ 4,454
Earnings per share - Basic	\$ 1.14	\$ 1.40	\$ 1.08	\$ 0.95
Earnings per share - Diluted	\$ 1.12	\$ 1.38	\$ 1.05	\$ 0.93
Dividends per share of common stock:				
Declared	\$ —	\$ 0.60	\$ —	\$ 0.60
Paid	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.30
2017 for Quarter Ended (In Millions, Except Per Share Amounts)	December 30	September 30	July 1	April 1
Net revenue	\$ 17,053	\$ 16,149	\$ 14,763	\$ 14,796
Gross margin ¹	\$ 10,778	\$ 10,064	\$ 9,096	\$ 9,160
Net income (loss) ²	\$ (687)	\$ 4,516	\$ 2,808	\$ 2,964
Earnings per share - Basic	\$ (0.15)	\$ 0.96	\$ 0.60	\$ 0.63
Earnings per share - Diluted	\$ (0.15)	\$ 0.94	\$ 0.58	\$ 0.61
Dividends per share of common stock:				
Declared	\$ —	\$ 0.5450	\$ —	\$ 0.5325
Paid	\$ 0.2725	\$ 0.2725	\$ 0.2725	\$ 0.2600

¹ In Q1 2018, we adopted "Retirement Benefits - Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost" on a retrospective basis. As a result of the adoption of this standard, cost of sales, operating expenses, and interest and other, net for the quarterly periods in 2017 in the preceding table have been restated.

² In Q4 2017, we recognized a \$5.4 billion higher income tax expense as a result of one-time impacts from Tax Reform. In 2018, our effective tax rate benefited from the reduction of the U.S. statutory federal tax rate.