

INTEL CORP
Form 10-Q
July 27, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934
For the quarterly period ended June 27, 2015.

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 000-06217

INTEL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

94-1672743

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

2200 Mission College Boulevard, Santa Clara, California

(Address of principal executive offices)

(408) 765-8080

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Shares outstanding of the Registrant's common stock:

Class

Common stock, \$0.001 par value

Outstanding as of July 17, 2015

4,754 million

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

INTEL CORPORATION

CONSOLIDATED CONDENSED STATEMENTS OF INCOME (Unaudited)

(In Millions, Except Per Share Amounts)	Three Months Ended		Six Months Ended	
	Jun 27, 2015	Jun 28, 2014	Jun 27, 2015	Jun 28, 2014
Net revenue	\$13,195	\$13,831	\$25,976	\$26,595
Cost of sales	4,947	4,914	9,998	10,065
Gross margin	8,248	8,917	15,978	16,530
Research and development	3,087	2,859	6,082	5,705
Marketing, general and administrative	1,949	2,061	3,902	4,108
Restructuring and asset impairment charges	248	81	353	218
Amortization of acquisition-related intangibles	68	72	130	145
Operating expenses	5,352	5,073	10,467	10,176
Operating income	2,896	3,844	5,511	6,354
Gains (losses) on equity investments, net	100	95	132	143
Interest and other, net	(13	) (17	) 13	95
Income before taxes	2,983	3,922	5,656	6,592
Provision for taxes	277	1,126	958	1,866
Net income	\$2,706	\$2,796	\$4,698	\$4,726
Basic earnings per share of common stock	\$0.57	\$0.56	\$0.99	\$0.95
Diluted earnings per share of common stock	\$0.55	\$0.55	\$0.96	\$0.92
Cash dividends declared per share of common stock	\$—	\$—	\$0.48	\$0.45
Weighted average shares of common stock outstanding:				
Basic	4,759	4,981	4,750	4,977
Diluted	4,909	5,123	4,912	5,120

See accompanying notes.

INTEL CORPORATION

CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

(In Millions)	Three Months Ended		Six Months Ended	
	Jun 27, 2015	Jun 28, 2014	Jun 27, 2015	Jun 28, 2014
Net income	\$2,706	\$2,796	\$4,698	\$4,726
Other comprehensive income, net of tax:				
Change in net unrealized holding gains (losses) on available-for-sale investments	428	(9	) 86	(86
Change in deferred tax asset valuation allowance	(5	) (2	) (8	) (4
Change in net unrealized holding gains (losses) on derivatives	136	(3	) 47	11
Change in net prior service (costs) credits	2	(1	) 4	(43
Change in actuarial valuation	7	7	19	5
Change in net foreign currency translation adjustment	9	(28	) (169	) (6
Other comprehensive income (loss)	577	(36	) (21	) (123
Total comprehensive income	\$3,283	\$2,760	\$4,677	\$4,603
See accompanying notes.				

INTEL CORPORATION
CONSOLIDATED CONDENSED BALANCE SHEETS (Unaudited)

(In Millions)	Jun 27, 2015	Dec 27, 2014
Assets		
Current assets:		
Cash and cash equivalents	\$4,454	\$2,561
Short-term investments	2,606	2,430
Trading assets	6,810	9,063
Accounts receivable, net	3,860	4,427
Inventories	4,818	4,273
Deferred tax assets	1,895	1,958
Other current assets	2,267	3,018
Total current assets	26,710	27,730
Property, plant and equipment, net of accumulated depreciation of \$49,645 (\$46,471 as of December 27, 2014)	32,683	33,238
Marketable equity securities	7,208	7,097
Other long-term investments	1,727	2,023
Goodwill	11,037	10,861
Identified intangible assets, net	4,226	4,446
Other long-term assets	6,901	6,561
Total assets	\$90,492	\$91,956
Liabilities, temporary equity, and stockholders' equity		
Current liabilities:		
Short-term debt	\$1,118	\$1,604
Accounts payable	2,359	2,748
Accrued compensation and benefits	2,572	3,475
Accrued advertising	1,021	1,092
Deferred income	2,082	2,205
Other accrued liabilities	4,377	4,895
Total current liabilities	13,529	16,019
Long-term debt	12,116	12,107
Long-term deferred tax liabilities	3,251	3,775
Other long-term liabilities	2,996	3,278
Contingencies (Note 21)		
Temporary equity	905	912
Stockholders' equity:		
Preferred stock	—	—
Common stock and capital in excess of par value, 4,755 issued and 4,753 outstanding (4,752 issued and 4,748 outstanding as of December 27, 2014)	22,625	21,781
Accumulated other comprehensive income (loss)	645	666
Retained earnings	34,425	33,418
Total stockholders' equity	57,695	55,865
Total liabilities, temporary equity, and stockholders' equity	\$90,492	\$91,956
See accompanying notes.		

INTEL CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (Unaudited)

(In Millions)	Six Months Ended	
	Jun 27, 2015	Jun 28, 2014
Cash and cash equivalents, beginning of period	\$2,561	\$5,674
Cash flows provided by (used for) operating activities:		
Net income	4,698	4,726
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	3,825	3,600
Share-based compensation	700	586
Restructuring and asset impairment charges	353	218
Excess tax benefit from share-based payment arrangements	(133)	(65)
Amortization of intangibles	465	577
(Gains) losses on equity investments, net	(85)	(90)
Deferred taxes	(725)	(206)
Changes in assets and liabilities:		
Accounts receivable	573	89
Inventories	(489)	235
Accounts payable	(304)	(103)
Accrued compensation and benefits	(1,304)	(813)
Income taxes payable and receivable	(59)	88
Other assets and liabilities	340	112
Total adjustments	3,157	4,228
Net cash provided by operating activities	7,855	8,954
Cash flows provided by (used for) investing activities:		
Additions to property, plant and equipment	(3,792)	(5,517)
Acquisitions, net of cash acquired	(524)	(137)
Purchases of available-for-sale investments	(1,255)	(5,113)
Sales of available-for-sale investments	109	409
Maturities of available-for-sale investments	1,659	5,555
Purchases of trading assets	(5,291)	(6,825)
Maturities and sales of trading assets	7,639	5,544
Collection of loans receivable	166	17
Investments in non-marketable equity investments	(558)	(1,115)
Other investing	103	167
Net cash used for investing activities	(1,744)	(7,015)
Cash flows provided by (used for) financing activities:		
Increase (decrease) in short-term debt, net	(492)	(267)
Excess tax benefit from share-based payment arrangements	133	65
Proceeds from sales of common stock through employee equity incentive plans	474	1,005
Repurchase of common stock	(1,447)	(2,625)
Restricted stock unit withholdings	(399)	(299)
Payment of dividends to stockholders	(2,283)	(2,245)
Collateral associated with repurchase of common stock	325	—
	(325)	—

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Decrease in liability due to return of collateral associated with repurchase of common stock			
Other financing	(205	)	(199)
Net cash used for financing activities	(4,219	)	(4,565)
Effect of exchange rate fluctuations on cash and cash equivalents	1		1
Net increase (decrease) in cash and cash equivalents	1,893		(2,625)
Cash and cash equivalents, end of period	\$4,454		\$3,049
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest, net of capitalized interest	\$80		\$90
Income taxes, net of refunds	\$1,699		\$1,935
See accompanying notes.			

INTEL CORPORATION

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — Unaudited

Note 1: Basis of Presentation

We prepared our interim consolidated condensed financial statements that accompany these notes in conformity with U.S. generally accepted accounting principles, consistent in all material respects with those applied in our Annual Report on Form 10-K for the year ended December 27, 2014 and Form 8-K filed with the U.S. Securities and Exchange Commission (SEC) on June 5, 2015. We have reclassified certain prior period amounts to conform to current period presentation.

We have a 52- or 53-week fiscal year that ends on the last Saturday in December. Fiscal year 2016 is a 53-week fiscal year, and the first quarter of 2016 will be a 14-week quarter.

We have made estimates and judgments affecting the amounts reported in our consolidated condensed financial statements and the accompanying notes. The actual results that we experience may differ materially from our estimates. The interim financial information is unaudited, but reflects all normal adjustments that are, in our opinion, necessary to provide a fair statement of results for the interim periods presented. This interim information should be read in conjunction with the consolidated financial statements in our Annual Report on Form 10-K for the year ended December 27, 2014 and Form 8-K filed with the SEC on June 5, 2015.

Note 2: Recent Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued a new standard to achieve a consistent application of revenue recognition within the U.S., resulting in a single revenue model to be applied by reporting companies under U.S. generally accepted accounting principles. Under the new model, recognition of revenue occurs when a customer obtains control of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, the new standard requires that reporting companies disclose the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. On July 9, 2015, the FASB agreed to delay the effective date by one year. In accordance with the agreed upon delay, the new standard is effective for us beginning in the first quarter of 2018. Early adoption is permitted, but not before the original effective date of the standard. The new standard is required to be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying it recognized at the date of initial application. We have not yet selected a transition method nor have we determined the impact of the new standard on our consolidated condensed financial statements.

Note 3: Fair Value

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining fair value, we consider the principal or most advantageous market in which we would transact, and we consider assumptions that market participants would use when pricing the asset or liability. Our financial assets are measured and recorded at fair value, except for cost method investments, cost method loans receivable, equity method investments, grants receivable, and reverse repurchase agreements with original maturities greater than approximately three months. Substantially all of our liabilities are not measured and recorded at fair value.

Fair Value Hierarchy

The three levels of inputs that may be used to measure fair value are as follows:

Level 1. Quoted prices in active markets for identical assets or liabilities.

Level 2. Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in less active markets, or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data for substantially the full term of the assets or liabilities. Level 2 inputs also include non-binding market consensus prices that can be corroborated with observable market data, as well as quoted prices that were adjusted for security-specific restrictions.

Level 3. Unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of assets or liabilities. Level 3 inputs also include non-binding market consensus prices or non-binding broker quotes that we were unable to corroborate with observable market data.

INTEL CORPORATION

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — Unaudited (Continued)

Assets and Liabilities Measured and Recorded at Fair Value on a Recurring Basis

Assets and liabilities measured and recorded at fair value on a recurring basis at the end of each period were as follows:

(In Millions)	June 27, 2015				December 27, 2014			
	Fair Value Measured and Recorded at Reporting Date Using				Fair Value Measured and Recorded at Reporting Date Using			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Cash equivalents:								
Corporate debt	\$7	\$898	\$—	\$905	\$—	\$48	\$—	\$48
Financial institution instruments	93	2,143	—	2,236	321	1,119	—	1,440
Government debt	—	103	—	103	—	—	—	—
Reverse repurchase agreements	—	318	—	318	—	268	—	268
Short-term investments:								
Corporate debt	342	607	27	976	363	412	31	806
Financial institution instruments	71	1,054	—	1,125	149	1,050	—	1,199
Government debt	162	343	—	505	252	173	—	425
Trading assets:								
Asset-backed securities	—	533	32	565	—	766	58	824
Corporate debt	1,782	615	—	2,397	2,625	339	—	2,964
Financial institution instruments	855	649	—	1,504	1,146	613	—	1,759
Government debt	1,025	1,319	—	2,344	1,295	2,221	—	3,516
Other current assets:								
Derivative assets	—	485	1	486	—	559	2	561
Loans receivable	—	28	—	28	—	505	—	505
Marketable equity securities	7,103	105	—	7,208	7,097	—	—	7,097
Other long-term investments:								
Asset-backed securities	—	1	5	6	—	2	4	6
Corporate debt	395	676	12	1,083	453	728	13	1,194
Financial institution instruments	254	269	—	523	189	319	—	508
Government debt	65	50	—	115	75	240	—	315
Other long-term assets:								
Derivative assets	—	58	16	74	—	35	22	57
Loans receivable	—	464	—	464	—	216	—	216
Total assets measured and recorded at fair value	12,154	10,718	93	22,965	13,965	9,613	130	23,708
Liabilities								
Other accrued liabilities:								
Derivative liabilities	—	398	6	404	—	563	—	563
Other long-term liabilities:								
Derivative liabilities	—	21	—	21	—	17	—	17
Total liabilities measured and recorded at fair value	\$—	\$419	\$6	\$425	\$—	\$580	\$—	\$580

Government debt includes instruments such as non-U.S. government bonds and U.S. agency securities. Financial institution instruments include instruments issued or managed by financial institutions in various forms such as commercial paper, fixed and floating rate bonds, money market fund deposits, and time deposits.

INTEL CORPORATION

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — Unaudited (Continued)

During the first six months of 2015, we transferred corporate debt, government debt, and financial institution instruments of approximately \$1.1 billion from Level 1 to Level 2 of the fair value hierarchy and approximately \$428 million from Level 2 to Level 1 (\$365 million of corporate debt, financial institution instruments, government debt, and marketable equity securities from Level 1 to Level 2 and \$345 million of corporate debt, government debt, and financial institution instruments from Level 2 to Level 1 during the first six months of 2014). Most of these transfers were based on changes in market activity for the underlying securities. Our policy is to reflect transfers between the fair value hierarchy levels at the beginning of the quarter in which a change in circumstances resulted in the transfer.

Investments in Debt Instruments

Debt instruments reflected in the preceding table include investments such as asset-backed securities, corporate debt, financial institution instruments, government debt, and reverse repurchase agreements classified as cash equivalents. We classify our debt instruments as Level 2 when we use observable market prices for identical securities that are traded in less active markets. When observable market prices for identical securities are not available, we price the debt instruments using our own models, such as a discounted cash flow model, or non-binding market consensus prices based on the proprietary valuation models of pricing providers or brokers. When we use non-binding market consensus prices, we corroborate them with quoted market prices for similar instruments or compare them to output from internally-developed pricing models such as a discounted cash flow model. These valuation models incorporate a number of inputs, including non-binding and binding broker quotes; observable market prices for identical or similar instruments; and the internal assumptions of pricing providers or brokers that use observable market inputs and unobservable market inputs that we consider to be not significant. The discounted cash flow model uses observable market inputs, such as LIBOR-based yield curves, currency spot and forward rates, and credit ratings. All significant inputs are derived from or corroborated with observable market data.

The fair values of debt instruments classified as Level 3 are generally derived from discounted cash flow models, performed either by us or our pricing providers, using inputs that we are unable to corroborate with observable market data. We monitor and review the inputs and results of these valuation models to help ensure the fair value measurements are reasonable and consistent with market experience in similar asset classes.

Fair Value Option for Loans Receivable

We elected the fair value option for loans receivable when the interest rate or currency exchange rate risk was hedged at inception with a related derivative instrument. As of June 27, 2015, the fair value of our loans receivable for which we elected the fair value option did not significantly differ from the contractual principal balance based on the contractual currency. Loans receivable are classified within other current assets and other long-term assets. Fair value is determined using a discounted cash flow model, with all significant inputs derived from or corroborated with observable market data. Gains and losses from changes in fair value on the loans receivable and related derivative instruments, as well as interest income, are recorded in interest and other, net. During all periods presented, changes in the fair value of our loans receivable were largely offset by gains or losses on the related derivative instruments, resulting in an insignificant net impact on our consolidated condensed statements of income. Gains and losses attributable to changes in credit risk are determined using observable credit default spreads for the issuer or comparable companies; these gains and losses were insignificant during all periods presented. We did not elect the fair value option for loans receivable when the interest rate or currency exchange rate risk was not hedged at inception with a related derivative instrument. Loans receivable not measured and recorded at fair value are included in the following "Financial Instruments Not Recorded at Fair Value on a Recurring Basis" section.

Assets Measured and Recorded at Fair Value on a Non-Recurring Basis

Our non-marketable equity investments, marketable equity method investments, and non-financial assets, such as intangible assets and property, plant and equipment, are recorded at fair value only if an impairment is recognized. Some of our non-marketable equity investments have been measured and recorded at fair value due to events or circumstances that significantly impacted the fair value of those investments, resulting in other-than-temporary impairments. We classified these investments as Level 3 because the valuations used unobservable inputs that were significant to the fair value measurements and required management judgment due to the absence of quoted market

prices. Impairments recognized on non-marketable equity investments held as of June 27, 2015 were \$41 million during the second quarter of 2015 and \$79 million during the first six months of 2015 (\$37 million during the second quarter of 2014 and \$75 million during the first six months of 2014 on non-marketable equity investments held as of June 28, 2014).

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INTEL CORPORATION

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — Unaudited (Continued)

Financial Instruments Not Recorded at Fair Value on a Recurring Basis

On a quarterly basis, we measure the fair value of our grants receivable, cost method loans receivable, non-marketable cost method investments, reverse repurchase agreements with original maturities greater than approximately three months, and indebtedness carried at amortized cost; however, the assets are recorded at fair value only when an impairment is recognized. The carrying amounts and fair values of financial instruments not recorded at fair value on a recurring basis at the end of each period were as follows:

(In Millions)	June 27, 2015				Fair Value
	Carrying Amount	Fair Value Measured Using			
		Level 1	Level 2	Level 3	
Grants receivable	\$765	\$—	\$767	\$—	\$767
Loans receivable	\$250	\$—	\$250	\$—	\$250
Non-marketable cost method investments	\$1,890	\$—	\$—	\$2,993	\$2,993
Reverse repurchase agreements	\$450	\$—	\$450	\$—	\$450
Short-term debt	\$1,095	\$—	\$1,517	\$—	\$1,517
Long-term debt	\$12,116	\$8,068	\$4,275	\$—	\$12,343
NVIDIA Corporation cross-license agreement liability	\$197	\$—	\$200	\$—	\$200
		December 27, 2014			
(In Millions)	December 27, 2014				Fair Value
	Carrying Amount	Fair Value Measured Using			
		Level 1	Level 2	Level 3	
Grants receivable	\$676	\$—	\$679	\$—	\$679
Loans receivable	\$250	\$—	\$250	\$—	\$250
Non-marketable cost method investments	\$1,769	\$—	\$—	\$2,599	\$2,599
Reverse repurchase agreements	\$450	\$—	\$450	\$—	\$450
Short-term debt	\$1,588	\$—	\$2,145	\$—	\$2,145
Long-term debt	\$12,107	\$11,467	\$1,309	\$—	\$12,776
NVIDIA Corporation cross-license agreement liability	\$395	\$—	\$399	\$—	\$399

The fair value of our grants receivable is determined using a discounted cash flow model, which discounts future cash flows using an appropriate yield curve. As of June 27, 2015 and December 27, 2014, the carrying amount of our grants receivable was classified within other current assets and other long-term assets, as applicable.

The carrying amount and fair value of loans receivable exclude loans measured and recorded at a fair value of \$492 million as of June 27, 2015 (\$721 million as of December 27, 2014). The fair value of our loans receivable and reverse repurchase agreements, including those held at fair value, is determined using a discounted cash flow model.

All significant inputs in the models are derived from or corroborated with observable market data, such as LIBOR-based yield curves, currency spot and forward rates, and credit ratings. The credit quality of these assets remains high, with credit ratings of A+/A1 for the majority of our loans receivable and reverse repurchase agreements as of June 27, 2015.

INTEL CORPORATION

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — Unaudited (Continued)

As of June 27, 2015 and December 27, 2014, the unrealized loss position of our non-marketable cost method investments was insignificant. Our non-marketable cost method investments are valued using a qualitative and quantitative analysis of events or circumstances that impact the fair value of the investment. Qualitative analysis of our investments involves understanding our investee's revenue and earnings trends relative to pre-defined milestones and overall business prospects; the technological feasibility of our investee's products and technologies; the general market conditions in the investee's industry or geographic area, including adverse regulatory or economic changes; and the management and governance structure of the investee. Quantitative assessments of the fair value of our investments are developed using the market and income approaches. The market approach includes the use of financial metrics and ratios of comparable public companies, such as revenue, earnings, comparable performance multiples, recent financing rounds, the terms of the investees' issued interests, and the level of marketability of the investments. The selection of comparable companies requires management judgment and is based on a number of factors, including comparable companies' sizes, growth rates, industries, and development stages. The income approach includes the use of a discounted cash flow model, which requires significant estimates regarding investees' revenue, costs, and discount rates based on the risk profile of comparable companies. Estimates of revenue and costs are developed using available market, historical, and forecast data. We measure the fair value of our non-marketable cost method investments as close to the end of the period as feasible.

The carrying amount and fair value of short-term debt exclude drafts payable. Our short-term debt recognized at amortized cost includes our 2009 junior subordinated convertible debentures due 2039 (2009 debentures). During the second quarter of 2015, the 2009 debentures were classified as short-term debt on the consolidated condensed balance sheets and convertible at the option of the holder during the third quarter of 2015. For further information, see the "Borrowings" note in Part II, Item 8 of our Annual Report on Form 10-K for the year ended December 27, 2014 and Form 8-K filed with the SEC on June 5, 2015. Our long-term debt recognized at amortized cost is comprised of our senior notes and our convertible debentures. The fair value of our senior notes are classified as Level 1 when we use quoted prices in active markets and Level 2 when the quoted prices are from less active markets. The fair value of our 2009 and 2005 convertible debentures is determined using discounted cash flow models with observable market inputs, and takes into consideration variables such as interest rate changes, comparable instruments, subordination discount, and credit-rating changes, and is therefore classified as Level 2.

The NVIDIA Corporation (NVIDIA) cross-license agreement liability in the preceding table was incurred as a result of entering into a long-term patent cross-license agreement with NVIDIA in January 2011, pursuant to which we agreed to make payments to NVIDIA over six years. As of June 27, 2015 the carrying amount of the liability arising from the agreement was classified within other accrued liabilities based on the expected timing of the underlying payments (\$200 million in January 2016 treated as cash used for financing activities). As of December 27, 2014, the carrying amount of the liability arising from the agreement was classified within other accrued liabilities and other long-term liabilities, based on the expected timing of the underlying payments (\$200 million in each of January 2015 and 2016 treated as cash used for financing activities). The fair value is determined using a discounted cash flow model, which discounts future cash flows using our incremental borrowing rates.

INTEL CORPORATION

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — Unaudited (Continued)

Note 4: Cash and Investments

Cash and investments at the end of each period were as follows:

(In Millions)	Jun 27, 2015	Dec 27, 2014
Available-for-sale investments	\$ 14,785	\$ 13,038
Cash	892	805
Equity method investments	1,615	1,446
Loans receivable	742	971
Non-marketable cost method investments	1,890	1,769
Reverse repurchase agreements	768	718
Trading assets	6,810	9,063
Total cash and investments	\$ 27,502	\$ 27,810

Available-for-Sale Investments

Available-for-sale investments at the end of each period were as follows:

(In Millions)	June 27, 2015				December 27, 2014			
	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Asset-backed securities	\$ 8	\$ —	\$ (2)	\$ 6	\$ 8	\$ —	\$ (2)	\$ 6
Corporate debt	2,951	18	(5)	2,964	2,040	13	(5)	2,048
Financial institution instruments	3,884	1	(1)	3,884	3,146	2	(1)	3,147
Government debt	722	1	—	723	741	—	(1)	740
Marketable equity securities	3,302	3,911	(5)	7,208	3,318	3,779	—	7,097
Total available-for-sale investments	\$ 10,867	\$ 3,931	\$ (13)	\$ 14,785	\$ 9,253	\$ 3,794	\$ (9)	\$ 13,038

Government debt includes instruments such as non-U.S. government bonds and U.S. agency securities. Financial institution instruments include instruments issued or managed by financial institutions in various forms such as commercial paper, fixed and floating rate bonds, money market fund deposits, and time deposits. Substantially all time deposits were issued by institutions outside the U.S. as of June 27, 2015 and December 27, 2014.

For information on the unrealized holding gains (losses) on available-for-sale investments reclassified out of accumulated other comprehensive income (loss) into the consolidated condensed statements of income, see "Note 20: Other Comprehensive Income (Loss)."

During the second quarter of 2015, we sold available-for-sale investments for proceeds of \$66 million, none of which was related to sales of cash and cash equivalents (\$594 million in the second quarter of 2014, of which \$273 million related to sales of cash and cash equivalents). During the first six months of 2015, we sold available-for-sale investments for proceeds of \$109 million, none of which was related to sales of cash and cash equivalents (\$873 million in the first six months of 2014 of which \$378 million related to sales of cash and cash equivalents). The gross realized gains on sales of available-for-sale investments were \$43 million in the second quarter of 2015 and \$85 million in the first six months of 2015 (\$69 million in the second quarter of 2014 and \$136 million in the first six months of 2014).

INTEL CORPORATION

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — Unaudited (Continued)

The amortized cost and fair value of available-for-sale debt investments, by contractual maturity, as of June 27, 2015, were as follows:

(In Millions)	Cost	Fair Value
Due in 1 year or less	\$5,717	\$5,732
Due in 1–2 years	933	933
Due in 2–5 years	789	789
Instruments not due at a single maturity date	126	123
Total	\$7,565	\$7,577

Equity Method Investments

IM Flash Technologies, LLC

Micron Technology, Inc. (Micron) and Intel formed IM Flash Technologies, LLC (IMFT) in 2006 to manufacture NAND flash memory products for Micron and Intel. During 2012, we amended the operating agreement for IMFT and entered into agreements with Micron that modified our joint venture relationship.

The amended operating agreement extended the term of IMFT to 2024, unless earlier terminated under certain terms and conditions, and provides that IMFT may manufacture certain emerging memory technologies in addition to NAND flash memory. The amended agreement provides for certain buy-sell rights. Intel has the ability to cause Micron to buy our interest in IMFT. If we exercise this put right, Micron would set the closing date of the transaction within two years following such election and could elect to receive financing from us for one to two years. Subsequent to our put right, and commencing in January 2018, Micron has the right to call our interest in IMFT with the closing date to be effective within one year. Additionally, our agreements with Micron include a supply agreement for Micron to supply us with NAND flash memory products. These agreements also extend and expand our NAND joint development program with Micron to include emerging memory technologies.

As of June 27, 2015, we own a 49% interest in IMFT. The carrying value of our investment was \$835 million as of June 27, 2015 (\$713 million as of December 27, 2014) and is classified within other long-term assets.

IMFT is a variable interest entity. All costs of the IMFT joint venture will be passed on to Micron and Intel pursuant to our purchase agreements. Intel's portion of IMFT costs, primarily related to product purchases and production-related services, was approximately \$105 million in the second quarter of 2015 and approximately \$200 million in the first six months of 2015 (approximately \$100 million in the second quarter of 2014 and approximately \$205 million in the first six months of 2014). The amount due to IMFT for product purchases and services provided was approximately \$65 million as of June 27, 2015 (approximately \$60 million as of December 27, 2014).

IMFT depends on Micron and Intel for any additional cash needs. Our known maximum exposure to loss approximated the carrying value of our investment balance in IMFT, which was \$835 million as of June 27, 2015. Except for the amount due to IMFT for product purchases and services, we did not have any additional liabilities recognized on our consolidated condensed balance sheets in connection with our interests in this joint venture as of June 27, 2015. Our potential future losses could be higher than the carrying amount of our investment, as Intel and Micron are liable for other future operating costs or obligations of IMFT. Future cash calls could also increase our investment balance and the related exposure to loss. In addition, because we are currently committed to purchasing 49% of IMFT's production output and production-related services, we may be required to purchase products at a cost in excess of realizable value.

We have determined that we do not have the characteristics of a consolidating investor in the variable interest entity and, therefore, we account for our interest in IMFT using the equity method of accounting.

Cloudera, Inc.

During 2014, we invested in Cloudera, Inc. (Cloudera). Our fully-diluted ownership interest in Cloudera is 17% as of June 27, 2015. Our investment is accounted for under the equity and cost methods of accounting based on the rights associated with different securities we own, and is classified within other long-term assets. The carrying value of our equity method investment was \$278 million and of our cost method investment was \$454 million as of June 27, 2015 (\$280 million for our equity method investment and \$454 million for our cost method investment as of December 27,

2014).

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INTEL CORPORATION

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — Unaudited (Continued)

Trading Assets

As of June 27, 2015 and December 27, 2014, substantially all of our trading assets were marketable debt instruments. Net gains related to trading assets still held at the reporting date were \$48 million in the second quarter of 2015 and net losses were \$85 million in the first six months of 2015 (net losses of \$11 million in the second quarter of 2014 and net gains of \$54 million in the first six months of 2014). Net losses on the related derivatives were \$45 million in the second quarter of 2015 and net gains were \$81 million in the first six months of 2015 (net gains of \$9 million in the second quarter of 2014 and net losses of \$56 million in the first six months of 2014).

Investment in Tsinghua Unigroup Ltd.

During 2014, we entered into a series of agreements with Tsinghua Unigroup Ltd. (Tsinghua Unigroup), an operating subsidiary of Tsinghua Holdings Co. Ltd., to, among other things, jointly develop Intel® architecture- and communications-based solutions for smartphones. We have also agreed to invest up to 9.0 billion Chinese yuan (approximately \$1.5 billion as of the date of the agreement) for a minority stake of approximately 20% of a holding company under Tsinghua Unigroup. Subsequent to the end of the second quarter of 2015 and prior to the filing of this Form 10-Q, we invested approximately \$1.0 billion to complete the first phase of the equity investment. Despite our 20% equity ownership, we have determined we will not have significant influence over the company and, therefore, we will account for our interest using the cost method of accounting. Subject to regulatory approvals and other closing conditions, the second phase of the investment will require additional funding of approximately \$500 million. This phase of the investment will allow us to maintain a 20% equity ownership.

Note 5: Inventories

We compute inventory cost on a first-in, first-out basis. Costs incurred to manufacture our products are included in the valuation of inventory beginning in the quarter in which a product meets the technical criteria to qualify for sale to customers. Prior to qualification for sale, costs that do not meet the criteria for research and development (R&D) are included in cost of sales in the period incurred. Inventories at the end of each period were as follows:

(In Millions)	Jun 27, 2015	Dec 27, 2014
Raw materials	\$490	\$462
Work in process	2,668	2,375
Finished goods	1,660	1,436
Total inventories	\$4,818	\$4,273

Note 6: Derivative Financial Instruments

Our primary objective for holding derivative financial instruments is to manage currency exchange rate risk and interest rate risk, and, to a lesser extent, equity market risk, commodity price risk, and credit risk. When possible, we enter into master netting arrangements with counterparties to mitigate credit risk in derivative transactions. A master netting arrangement may allow counterparties to net settle amounts owed to each other as a result of multiple, separate derivative transactions. Generally, our master netting agreements allow for net settlement in case of certain triggering events such as bankruptcy or default of one of the counterparties to the transaction. We may also elect to exchange cash collateral with certain of our counterparties on a regular basis. For presentation on our consolidated condensed balance sheets, we do not offset fair value amounts recognized for derivative instruments under master netting arrangements. Our derivative financial instruments are recorded at fair value and are included in other current assets, other long-term assets, other accrued liabilities, or other long-term liabilities.

INTEL CORPORATION

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — Unaudited (Continued)

Currency Exchange Rate Risk

We are exposed to currency exchange rate risk, and generally hedge our exposures with currency forward contracts, currency interest rate swaps, or currency options. Substantially all of our revenue is transacted in U.S. dollars. However, a significant amount of our operating expenditures and capital purchases is incurred in or exposed to other currencies, primarily the euro, the Chinese yuan, the Japanese yen, and the Israeli shekel. We have established balance sheet and forecasted transaction currency risk management programs to protect against fluctuations in the fair value and the volatility of the functional currency equivalent of future cash flows caused by changes in exchange rates. Our non-U.S.-dollar-denominated investments in debt instruments and loans receivable are generally hedged with offsetting currency forward contracts or currency interest rate swaps. We may also hedge currency risk arising from funding foreign currency denominated forecasted investments. These programs reduce, but do not eliminate, the impact of currency exchange movements.

Our currency risk management programs include:

Currency derivatives with cash flow hedge accounting designation that utilize currency forward contracts and currency options to hedge exposures to the variability in the U.S.-dollar equivalent of anticipated non-U.S.-dollar-denominated cash flows. These instruments generally mature within 12 months. For these derivatives, we report the after-tax gain or loss from the effective portion of the hedge as a component of accumulated other comprehensive income (loss), and we reclassify it into earnings in the same period or periods in which the hedged transaction affects earnings, and in the same line item on the consolidated condensed statements of income as the impact of the hedged transaction.

Currency derivatives without hedge accounting designation that utilize currency forward contracts or currency interest rate swaps to economically hedge the functional currency equivalent cash flows of recognized monetary assets and liabilities, non-U.S.-dollar-denominated debt instruments classified as trading assets, and hedges of non-U.S.-dollar-denominated loans receivable are recognized at fair value. The substantial majority of these mature within 12 months. Changes in the functional currency equivalent cash flows of the underlying assets and liabilities are approximately offset by the changes in the fair value of the related derivatives. We record net gains or losses in the line item on the consolidated condensed statements of income most closely associated with the related exposures, primarily in interest and other, net, except for equity-related gains or losses, which we primarily record in gains (losses) on equity investments, net.

Interest Rate Risk

Our primary objective for holding investments in debt instruments is to preserve principal while maximizing yields. We generally swap the returns on our investments in fixed-rate debt instruments with remaining maturities longer than six months into U.S. dollar three-month LIBOR-based returns, unless management specifically approves otherwise. These swaps are settled at various interest payment times involving cash payments at each interest and principal payment date, with the majority of the contracts having quarterly payments.

Our interest rate risk management programs include:

- Interest rate derivatives with cash flow hedge accounting designation that utilize interest rate swap agreements to modify the interest characteristics of debt instruments. For these derivatives, we report the after-tax gain or loss from the effective portion of the hedge as a component of accumulated other comprehensive income (loss), and we reclassify it into earnings in the same period or periods in which the hedged transaction affects earnings, and in the same line item on the consolidated condensed statements of income as the impact of the hedged transaction.

Interest rate derivatives without hedge accounting designation that utilize interest rate swaps and currency interest rate swaps in economic hedging transactions, including hedges of non-U.S.-dollar-denominated debt instruments classified as trading assets and hedges of non-U.S.-dollar-denominated loans receivable recognized at fair value. Floating interest rates on the swaps generally reset on a quarterly basis. Changes in fair value of the debt instruments classified as trading assets and loans receivable recognized at fair value are generally offset by changes in the fair value of the related derivatives, both of which are recorded in interest and other, net.

INTEL CORPORATION

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — Unaudited (Continued)

Equity Market Risk

Our investments include marketable equity securities and equity derivative instruments. We typically do not attempt to reduce or eliminate our equity market exposure through hedging activities at the inception of our investments. Before we enter into hedge arrangements, we evaluate legal, market, and economic factors, as well as the expected timing of disposal to determine whether hedging is appropriate. Our equity market risk management program may include equity derivatives with or without hedge accounting designation that utilize warrants, equity options, or other equity derivatives. We recognize changes in the fair value of such derivatives in gains (losses) on equity investments, net. We also utilize total return swaps to offset changes in liabilities related to the equity market risks of certain deferred compensation arrangements. Gains and losses from changes in fair value of these total return swaps are generally offset by the losses and gains on the related liabilities, both of which are recorded in cost of sales and operating expenses.

Volume of Derivative Activity

Total gross notional amounts for outstanding derivatives (recorded at fair value) at the end of each period were as follows:

(In Millions)	Jun 27, 2015	Dec 27, 2014	Jun 28, 2014
Currency forwards	\$12,051	\$15,578	\$12,212
Currency interest rate swaps	4,789	5,446	4,908
Embedded debt derivatives	3,600	3,600	3,600
Interest rate swaps	1,006	1,347	1,318
Total return swaps	1,107	1,056	1,040
Other	72	49	61
Total	\$22,625	\$27,076	\$23,139

The gross notional amounts for currency forwards and currency interest rate swaps (presented by currency) at the end of each period were as follows:

(In Millions)	Jun 27, 2015	Dec 27, 2014	Jun 28, 2014
Chinese yuan	\$3,380	\$3,097	\$1,498
Euro	6,193	7,486	5,942
Israeli shekel	1,632	2,489	1,995
Japanese yen	2,846	3,779	3,188
Other	2,789	4,173	4,497
Total	\$16,840	\$21,024	\$17,120

During the fourth quarter of 2014, we entered into \$1.5 billion of forward contracts to hedge our anticipated equity funding of the Tsinghua Unigroup investment. The hedges were designated as cash flow hedges and the related gains and losses attributable to changes in the spot rates will be recognized in accumulated other comprehensive income (loss) until the Tsinghua Unigroup shares are either disposed of or impaired. As the shares are either disposed of or impaired, we will reclassify the gains or losses from accumulated other comprehensive income (loss) to gains (losses) on equity investments, net as an offset to the gain or loss recognized for the share disposal or impairment. Hedge gains and losses attributable to changes in the forward rates will be recognized in interest and other, net. During the second quarter of 2015, we discontinued cash flow hedge accounting treatment for \$478 million of forward contracts since we could no longer assert that funding is probable to occur within the initially specified timeline. Hedge losses accumulated in other comprehensive income related to these de-designated forward contracts are insignificant.

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NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — Unaudited (Continued)

Fair Value of Derivative Instruments in the Consolidated Condensed Balance Sheets

The fair value of our derivative instruments at the end of each period were as follows:

(In Millions)	June 27, 2015				December 27, 2014			
	Other	Other	Other	Other	Other	Other	Other	Other
	Current Assets	Long-Term Assets	Accrued Liabilities	Long-Term Liabilities	Current Assets	Long-Term Assets	Accrued Liabilities	Long-Term Liabilities
Derivatives designated as hedging instruments:								
Currency forwards	\$50	\$ 4	\$276	\$ 4	\$6	\$ 1	\$497	\$ 9
Total derivatives designated as hedging instruments	50	4	276	4	6	1	497	9
Derivatives not designated as hedging instruments:								
Currency forwards	89	—	83	—	207	—	44	—
Currency interest rate swaps	344	54	35	—	344	34	7	—
Embedded debt derivatives	—	—	—	17	—	—	4	8
Interest rate swaps	1	—	4	—	3	—	11	—
Other	2	16	6	—	1	22	—	—
Total derivatives not designated as hedging instruments	436	70	128	17	555	56	66	8
Total derivatives	\$486	\$ 74	\$404	\$ 21	\$561	\$ 57	\$563	\$ 17

INTEL CORPORATION

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — Unaudited (Continued)

Amounts Offset in the Consolidated Condensed Balance Sheets

The gross amounts of our derivative instruments and reverse repurchase agreements subject to master netting arrangements with various counterparties and cash and non-cash collateral posted under such agreements at the end of each period were as follows:

		June 27, 2015			Gross Amounts Not Offset in the Balance Sheet		
(In Millions)	Gross Amounts Recognized	Gross Amounts Offset in the Balance Sheet	Net Amounts Presented in the Balance Sheet	Financial Instruments	Cash and Non-Cash Collateral Received or Pledged	Net Amount	
Assets:							
Derivative assets subject to master netting arrangements	\$540	\$—	\$540	\$(293)	\$(178)	\$69	
Reverse repurchase agreements	768	—	768	—	(768)	—	
Total assets	1,308	—	1,308	(293)	(946)	69	
Liabilities:							
Derivative liabilities subject to master netting arrangements	413	—	413	(293)	(48)	72	
Total liabilities	\$413	\$—	\$413	\$(293)	\$(48)	\$72	
		December 27, 2014			Gross Amounts Not Offset in the Balance Sheet		
(In Millions)	Gross Amounts Recognized	Gross Amounts Offset in the Balance Sheet	Net Amounts Presented in the Balance Sheet	Financial Instruments	Cash and Non-Cash Collateral Received or Pledged	Net Amount	
Assets:							
Derivative assets subject to master netting arrangements	\$559	\$—	\$559	\$(365)	\$(78)	\$116	
Reverse repurchase agreements	718	—	718	—	(718)	—	
Total assets	1,277	—	1,277	(365)	(796)	116	
Liabilities:							
Derivative liabilities subject to master netting arrangements	559	—	559	(365)	(80)	114	
Total liabilities	\$559	\$—	\$559	\$(365)	\$(80)	\$114	

INTEL CORPORATION

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — Unaudited (Continued)

Derivatives in Cash Flow Hedging Relationships

The before-tax gains (losses), attributed to the effective portion of cash flow hedges, recognized in other comprehensive income (loss) for each period were as follows:

(In Millions)	Three Months Ended		Six Months Ended		
	Jun 27, 2015	Jun 28, 2014	Jun 27, 2015	Jun 28, 2014	
Currency forwards	\$29	\$5	\$(200	) \$40
Other	—	(1) —	(3)
Total	\$29	\$4	\$(200	) \$37

Gains and losses on derivative instruments in cash flow hedging relationships related to hedge ineffectiveness and amounts excluded from effectiveness testing, were insignificant during all periods presented in the preceding tables. Additionally, for all periods presented, there was an insignificant impact on results of operations from discontinued cash flow hedges, which arises when forecasted transactions are probable of not occurring.

For information on the unrealized holding gains (losses) on derivatives reclassified out of accumulated other comprehensive income into the consolidated condensed statements of income, see "Note 20: Other Comprehensive Income (Loss)."

Derivatives Not Designated as Hedging Instruments

The effects of derivative instruments not designated as hedging instruments on the consolidated condensed statements of income for each period were as follows:

(In Millions)	Location of Gains (Losses) Recognized in Income on Derivatives	Three Months Ended		Six Months Ended		
		Jun 27, 2015	Jun 28, 2014	Jun 27, 2015	Jun 28, 2014	
Currency forwards	Interest and other, net	\$4	\$(7	) \$(14	) \$(22)
Currency interest rate swaps	Interest and other, net	(50	) 26	203	(28)
Interest rate swaps	Interest and other, net	1	(4	) (5	) (4)
Total return swaps	Various	11	45	42	58	
Other	Various	(5	) 1	(14	) 2	
Total		\$(39	) \$61	\$212	\$6	

Note 7: Acquisitions

During the first six months of 2015, we completed three acquisitions qualifying as business combinations in exchange for acquisition date consideration of \$571 million, most of which was cash consideration. Substantially all of the consideration was allocated to goodwill, acquisition-related developed technology, and acquisition-related customer relationships. Included in these acquisitions is our acquisition of Lantiq Semiconductor (Lantiq), intended to extend Intel's success in cable home gateways into DSL and fiber markets. We acquired Lantiq in the second quarter of 2015 for acquisition date cash consideration of \$383 million, most of which was allocated to goodwill, acquisition-related developed technology, and acquisition-related customer relationships. The operating results of Lantiq are included in our Client Computing Group operating segment.

The completed acquisitions in the first six months of 2015, both individually and in the aggregate, were not significant to our results of operations. For information on goodwill by operating segment, see "Note 8: Goodwill" and for information on the classification of intangible assets, see "Note 9: Identified Intangible Assets."

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NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — Unaudited (Continued)

Pending Acquisition of Altera Corporation

During the second quarter of 2015, we entered into a definitive agreement to acquire Altera Corporation (Altera) in an all-cash transaction expected to close within six to nine months from the date of the agreement. Upon completion of the acquisition, each outstanding share of Altera common stock and, subject to certain exceptions, each share of Altera common stock underlying vested stock option awards, restricted stock unit awards and performance-based restricted stock unit awards will be converted into the right to receive \$54.00 per share in cash, without interest. As of the date we entered into the agreement, the transaction had an approximate value of \$16.7 billion. This transaction is subject to certain regulatory approvals and customary closing conditions, including the approval of Altera's stockholders.

Note 8: Goodwill

Goodwill activity for the first six months of 2015 was as follows:

(In Millions)	Dec 27, 2014	Acquisitions	Currency Exchange and Other	Jun 27, 2015
Client Computing Group	\$3,708	\$144	\$—	\$3,852
Data Center Group	2,376	—	—	2,376
Internet of Things Group	428	—	—	428
Software and services operating segments	4,236	—	(155)	4,081
All other	113	187	—	300
Total	\$10,861	\$331	\$(155)	\$11,037

During the first quarter of 2015, we combined the PC Client Group and the Mobile and Communications Group to create the Client Computing Group. All prior-period amounts have been retrospectively adjusted to reflect our new organizational structure. For further information, see "Note 22: Operating Segments Information."

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NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — Unaudited (Continued)

Note 9: Identified Intangible Assets

Identified intangible assets at the end of each period were as follows:

(In Millions)	June 27, 2015		
	Gross Assets	Accumulated Amortization	Net
Acquisition-related developed technology	\$3,074	\$(2,347)	\$727
Acquisition-related customer relationships	1,750	(1,093)	657
Acquisition-related trade names	61	(53)	8
Licensed technology and patents	3,089	(1,225)	1,864
Identified intangible assets subject to amortization	7,974	(4,718)	3,256
Acquisition-related trade names	767	—	767
Other intangible assets	203	—	203
Identified intangible assets not subject to amortization	970	—	970
Total identified intangible assets	\$8,944	\$(4,718)	\$4,226

(In Millions)	December 27, 2014		
	Gross Assets	Accumulated Amortization	Net
Acquisition-related developed technology	\$3,009	\$(2,192)	\$817
Acquisition-related customer relationships	1,698	(1,001)	697
Acquisition-related trade names	61	(49)	12
Licensed technology and patents	3,153	(1,224)	1,929
Identified intangible assets subject to amortization	7,921	(4,466)	3,455
Acquisition-related trade names	788	—	788
Other intangible assets	203	—	203
Identified intangible assets not subject to amortization	991	—	991
Total identified intangible assets	\$8,912	\$(4,466)	\$4,446

Amortization expenses, with presentation location on the consolidated condensed statements of income, for each period were as follows:

(In Millions)	Location	Three Months Ended		Six Months Ended	
		Jun 27, 2015	Jun 28, 2014	Jun 27, 2015	Jun 28, 2014
Acquisition-related developed technology	Cost of sales	\$75	\$147	\$195	\$293
Acquisition-related customer relationships	Amortization of acquisition-related intangibles	66	69	126	139
Acquisition-related trade names	Amortization of acquisition-related intangibles	2	3	4	6
Licensed technology and patents	Cost of sales	71	71	140	139
Total amortization expenses		\$214	\$290	\$465	\$577

Based on identified intangible assets that are subject to amortization as of June 27, 2015, we expect future amortization expenses for each period to be as follows:

(In Millions)	Remainder of 2015	2016	2017	2018	2019
Acquisition-related developed technology	\$147	\$256			