ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is provided in addition to the accompanying consolidated financial statements and notes to assist readers in understanding our results of operations, financial condition, and cash flows. MD&A is organized as follows:

- *Overview*. Discussion of our business and overall analysis of financial and other highlights affecting the company in order to provide context for the remainder of MD&A.
- *Critical Accounting Estimates*. Accounting estimates that we believe are most important to understanding the assumptions and judgments incorporated in our reported financial results and forecasts.
- *Results of Operations*. An analysis of our financial results comparing 2013 to 2012 and comparing 2012 to 2011.
- *Liquidity and Capital Resources*. An analysis of changes in our balance sheets and cash flows, and discussion of our financial condition and potential sources of liquidity.
- *Fair Value of Financial Instruments*. Discussion of the methodologies used in the valuation of our financial instruments.
- *Contractual Obligations and Off-Balance-Sheet Arrangements*. Overview of contractual obligations, contingent liabilities, commitments, and off-balance-sheet arrangements outstanding as of December 28, 2013, including expected payment schedule.

The various sections of this MD&A contain a number of forward-looking statements that involve a number of risks and uncertainties. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," "continues," "may," "will," "should," and variations of such words and similar expressions are intended to identify such forward-looking statements. In addition, any statements that refer to projections of our future financial performance, our anticipated growth and trends in our businesses, uncertain events or assumptions, and other characterizations of future events or circumstances are forward-looking statements. Such statements are based on our current expectations and could be affected by the uncertainties and risk factors described throughout this filing and particularly in "Risk Factors" in Part I, Item 1A of this Form 10-K. Our actual results may differ materially, and these forward-looking statements do not reflect the potential impact of any divestitures, mergers, acquisitions, or other business combinations that had not been completed as of February 14, 2014.

Overview

Our results of operations for each period were as follows:

(Dollars in Millions, Except Per Share Amounts)	Three Months Ended			Twelve Months Ended		
	Dec. 28, 2013	Sept. 28, 2013	Change	Dec. 28, 2013	Dec. 29, 2012	Change
Net revenue	$ 13,834	$ 13,483	$ 351	$ 52,708	$ 53,341	$ (633)
Gross margin	$ 8,571	$ 8,414	$ 157	$ 31,521	$ 33,151	$ (1,630)
Gross margin percentage	62.0%	62.4%	(0.4)%	59.8%	62.1%	(2.3)%
Operating income	$ 3,549	$ 3,504	$ 45	$ 12,291	$ 14,638	$ (2,347)
Net income	$ 2,625	$ 2,950	$ (325)	$ 9,620	$ 11,005	$ (1,385)
Diluted earnings per common share	$ 0.51	$ 0.58	$ (0.07)	$ 1.89	$ 2.13	$ (0.24)

Revenue for 2013 was down 1% from 2012. PCCG experienced lower platform unit sales in the first half of the year, but saw offsetting growth in the back half as the PC market began to show signs of stabilization. DCG continued to benefit from the build out of Internet cloud computing and the strength of our product portfolio resulting in increased platform volumes for DCG for the year. Higher factory start-up costs for our next-generation 14nm process technology led to a decrease in gross margin compared to 2012. In response to the current business environment and to better align resources, management approved several restructuring actions including targeted workforce reductions as well as the exit of certain businesses and facilities. These actions resulted in restructuring and asset impairment charges of $240 million for 2013.

Our Q4 2013 revenue of $13.8 billion was up 3% from Q3 2013. The sequential increase was a result of stabilization in the PC market which generated 3% higher platform unit sales for PCCG. Gross margin remained flat sequentially as lower platform unit costs were offset by higher factory start-up costs for our 14nm process technology. The platform unit cost decline is attributable to our 22nm process technology coming down the cost curve as we ramp the 4th generation Intel Core processor family products in multiple fabrication facilities.

In 2013, we introduced many new product technologies across all of our businesses. Our product launches included the 4th generation Intel Core processor family, Intel Xeon 22nm processors, and Intel Atom microarchitecture platforms. As 2013 progressed, we shifted our focus and investment strategy in order to increase our cadence for bringing innovative products to market. One example is the announcement of Intel Quark SoC which is an ultra-low power and cost architecture designed for the Internet of Things, from industrial machines to future wearable devices.

The cash generation from our business remained strong with cash from operations of $20.8 billion in 2013. We ended the year with an investment portfolio of $20.1 billion, which consisted of cash and cash equivalents, short-term investments, and trading assets. We returned $4.5 billion to stockholders through dividends and repurchased $2.1 billion of common stock through our common stock repurchase program. We purchased $10.7 billion in capital assets as we continued making investments in new architectures and product offerings. In January 2014, the Board of Directors declared a cash dividend of $0.225 per common share to be paid in Q1 2014.

Looking ahead to 2014, we expect revenue and gross margin to remain flat. We believe our product offerings and architectures will enable innovation and allow for future growth in the PC market through all-in-ones, 2 in 1s, convertibles and detachables. The launch of new low-power, high-performance products will continue to expand our footprint in tablets and our Internet of Things business. We also continue to make progress with the industry's first 14nm manufacturing process and our second generation 3-D transistors (code-named "Broadwell"). Our second generation 3-D transistors will begin production in Q1 2014 and is expected to launch in the second half of 2014. As we continue to align resources to focus on tablets, low-power SoCs, and the data center, we will also streamline our overall investment position in order to hold spending flat for the year.

Our Business Outlook for Q1 2014 and full-year 2014 includes, where applicable, our current expectations for revenue, gross margin percentage, spending (R&D plus MG&A), and capital expenditures. We will keep our most current Business Outlook publicly available on our Investor Relations web site *www.intc.com*. This Business Outlook is not incorporated by reference in this Form 10-K. We expect that our corporate representatives will, from time to time, meet publicly or privately with investors and others, and may reiterate the forward-looking statements contained in the Business Outlook or in this Form 10-K.

The statements in the Business Outlook and forward-looking statements in this Form 10-K are subject to revision during the course of the year in our quarterly earnings releases and SEC filings and at other times. The forward-looking statements in the Business Outlook will be effective through the close of business on March 14, 2014, unless updated earlier. From the close of business on March 14, 2014, until our quarterly earnings release is published, currently scheduled for April 15, 2014, we will observe a "quiet period." During the quiet period, the Business Outlook and other forward-looking statements first published in our Form 8-K filed on January 16, 2014, and other forward-looking statements disclosed in the company's news releases and filings with the SEC, as reiterated or updated as applicable in this Form 10-K, should be considered historical, speaking as of prior to the quiet period only and not subject to update. During the quiet period, our representatives will not comment on our Business Outlook or our financial results or expectations. The exact timing and duration of the routine quiet period, and any others that we utilize from time to time, may vary at our discretion.

Critical Accounting Estimates

The methods, estimates, and judgments that we use in applying our accounting policies have a significant impact on the results that we report in our consolidated financial statements. Some of our accounting policies require us to make difficult and subjective judgments, often as a result of the need to make estimates regarding matters that are inherently uncertain. Our most critical accounting estimates include:

- the valuation of non-marketable equity investments and the determination of other-than-temporary impairments, which impact gains (losses) on equity investments, net when we record impairments;
- the assessment of recoverability of long-lived assets (property, plant and equipment; goodwill; and identified intangibles), which impacts gross margin or operating expenses when we record asset impairments or accelerate their depreciation or amortization;
- the recognition and measurement of current and deferred income taxes (including the measurement of uncertain tax positions), which impact our provision for taxes;
- the valuation of inventory, which impacts gross margin; and
- the recognition and measurement of loss contingencies, which impact gross margin or operating expenses when we recognize a loss contingency, revise the estimate for a loss contingency, or record an asset impairment.

In the following section, we discuss these policies further, as well as the estimates and judgments involved.

Non-Marketable Equity Investments

We regularly invest in non-marketable equity instruments of private companies, which range from early-stage companies that are often still defining their strategic direction to more mature companies with established revenue streams and business models. The carrying value of our non-marketable equity investment portfolio, excluding equity derivatives, totaled $2.3 billion as of December 28, 2013 ($2.2 billion as of December 29, 2012).

Our non-marketable equity investments are recorded using the cost method or the equity method of accounting, depending on the facts and circumstances of each investment. Our non-marketable equity investments are classified within other long-term assets on the consolidated balance sheets.

Non-marketable equity investments are inherently risky, and their success depends on product development, market acceptance, operational efficiency, and other key business factors. The companies could fail or not be able to raise additional funds when needed, or they may receive lower valuations with less favorable investment terms than previous financings. These events could cause our investments to become impaired. In addition, financial market volatility could negatively affect our ability to realize value in our investments through liquidity events such as initial public offerings, mergers, and private sales. For further information about our investment portfolio risks, see "Risk Factors" in Part I, Item 1A of this Form 10-K.

We determine the fair value of our non-marketable equity investments portfolio quarterly for disclosure purposes; however, the investments are recorded at fair value only if an impairment charge is recognized. We determine the fair value of our non-marketable equity investments using the market and income approaches. The market approach includes the use of financial metrics and ratios of comparable public companies, such as projected revenue, earnings, and comparable performance multiples. 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 the 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. The valuation of these non-marketable equity investments also takes into account variables such as conditions reflected in the capital markets, recent financing activities by the investees, the investees' capital structures, the terms of the investees' issued interests, and the lack of marketability of the investments.

For non-marketable equity investments, the measurement of fair value requires significant judgment and includes quantitative and qualitative analysis of identified events or circumstances that impact the fair value of the investment, such as:

- the investee's revenue and earnings trends relative to pre-defined milestones and overall business prospects;
- the technological feasibility of the investee's products and technologies;
- the general market conditions in the investee's industry or geographic area, including adverse regulatory and economic changes;
- factors related to the investee's ability to remain in business, such as the investee's liquidity, debt ratios, and the rate at which the investee is using its cash; and
- the investee's receipt of additional funding at a lower valuation.

If the fair value of an investment is below our carrying value, we determine whether the investment is other-than-temporarily impaired based on our quantitative and qualitative analysis, which includes assessing the severity and duration of the impairment and the likelihood of recovery before disposal. If the investment is considered to be other-than-temporarily impaired, we write down the investment to its fair value. Impairments of non-marketable equity investments were $112 million in 2013 ($104 million in 2012 and $63 million in 2011).

Long-Lived Assets

Property, Plant and Equipment

We assess property, plant and equipment for impairment when events or changes in circumstances indicate that the carrying value of the assets or the asset grouping may not be recoverable. Factors that we consider in deciding when to perform an impairment review include significant under-performance of a business or product line in relation to expectations, significant negative industry or economic trends, and significant changes or planned changes in our use of the assets. We measure the recoverability of assets that we will continue to use in our operations by comparing the carrying value of the asset grouping to our estimate of the related total future undiscounted net cash flows. If an asset grouping's carrying value is not recoverable through the related undiscounted cash flows, the asset grouping is considered to be impaired. We measure the impairment by comparing the difference between the asset grouping's carrying value and its fair value. Property, plant and equipment is considered a non-financial asset and is recorded at fair value only if an impairment charge is recognized.

Impairments are determined for groups of assets related to the lowest level of identifiable independent cash flows. Due to our asset usage model and the interchangeable nature of our semiconductor manufacturing capacity, we must make subjective judgments in determining the independent cash flows that can be related to specific asset groupings. In addition, as we make manufacturing process conversions and other factory planning decisions, we must make subjective judgments regarding the remaining useful lives of assets, primarily process-specific semiconductor manufacturing tools and building improvements. When we determine that the useful lives of assets are shorter than we had originally estimated, we accelerate the rate of depreciation over the assets' new, shorter useful lives. Based on our analysis, impairments and accelerated depreciation of our property, plant, and equipment was $172 million in 2013 ($73 million in 2012 and $100 million in 2011).

Goodwill

Goodwill is recorded when the purchase price for an acquisition exceeds the estimated fair value of the net tangible and identified intangible assets acquired. Goodwill is allocated to our reporting units based on relative fair value of the future benefit of the purchased operations to our existing business units as well as the acquired business unit. Reporting units may be operating segments as a whole or an operation one level below an operating segment, referred to as a component. Our reporting units are consistent with the operating segments identified in "Note 27: Operating Segments and Geographic Information" in Part II, Item 8 of this Form 10-K.

We perform an annual impairment assessment in the fourth quarter of each year, or more frequently if indicators of potential impairment exist, to determine whether it is more likely than not that the fair value of a reporting unit in which goodwill resides is less than its carrying value. For reporting units in which this assessment concludes that it is more likely than not that the fair value is more than its carrying value, goodwill is not considered impaired and we are not required to perform the two-step goodwill impairment test. Qualitative factors considered in this assessment include industry and market considerations, overall financial performance, and other relevant events and factors affecting the reporting unit.

For reporting units in which the impairment assessment concludes that it is more likely than not that the fair value is less than its carrying value, we perform the first step of the goodwill impairment test, which compares the fair value of the reporting unit to its carrying value. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is not considered impaired and we are not required to perform additional analysis. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then we must perform the second step of the goodwill impairment test to determine the implied fair value of the reporting unit's goodwill. If we determine during the second step that the carrying value of a reporting unit's goodwill exceeds its implied fair value, we record an impairment loss equal to the difference.

Determining the fair value of a reporting unit involves the use of significant estimates and assumptions. Our goodwill impairment test uses a weighting of the income method and the market method to estimate a reporting unit's fair value. The income method is based on a discounted future cash flow approach that uses the following reporting unit estimates: revenue, based on assumed market segment growth rates and our assumed market segment share; estimated costs; and appropriate discount rates based on a reporting unit's weighted average cost of capital as determined by considering the observable weighted average cost of capital of comparable companies. Our estimates of market segment growth, our market segment share, and costs are based on historical data, various internal estimates, and a variety of external sources. These estimates are developed as part of our routine long-range planning process. The same estimates are also used in planning for our long-term manufacturing and assembly and test capacity needs as part of our capital budgeting process, and for long-term and short-term business planning and forecasting. We test the reasonableness of the inputs and outcomes of our discounted cash flow analysis against available comparable market data. The market method is based on financial multiples of comparable companies and applies a control premium. A reporting unit's carrying value represents the assignment of various assets and liabilities, excluding certain corporate assets and liabilities, such as cash, investments, and debt.

For the annual impairment assessment in 2013, we determined that for each of our reporting units with significant amounts of goodwill, it was more likely than not that the fair value of the reporting units exceeded the carrying value. As a result, we concluded that performing the first step of the goodwill impairment test was not necessary for those reporting units. During the fourth quarter of each of the prior three fiscal years, we have completed our annual impairment assessments and concluded that goodwill was not impaired in any of these years.

Identified Intangibles

We make judgments about the recoverability of purchased finite-lived intangible assets whenever events or changes in circumstances indicate that an impairment may exist. Recoverability of finite-lived intangible assets is measured by comparing the carrying amount of the asset to the future undiscounted cash flows that the asset is expected to generate. We perform an annual impairment assessment in the fourth quarter of each year for indefinite-lived intangible assets, or more frequently if indicators of potential impairment exist, to determine whether it is more likely than not that the carrying value of the assets may not be recoverable. Recoverability of indefinite-lived intangible assets is measured by comparing the carrying amount of the asset to the future discounted cash flows that the asset is expected to generate. If we determine that an individual asset is impaired, the amount of any impairment is measured as the difference between the carrying value and the fair value of the impaired asset.

The assumptions and estimates used to determine future values and remaining useful lives of our intangible and other long-lived assets are complex and subjective. They can be affected by various factors, including external factors such as industry and economic trends, and internal factors such as changes in our business strategy and our forecasts for specific product lines. Based on our impairment assessment, we recognized impairment charges of $17 million in 2013 ($21 million in 2012 and $10 million in 2011).

Income Taxes

We must make estimates and judgments in determining the provision for taxes for financial statement purposes. These estimates and judgments occur in the calculation of tax credits, benefits, and deductions, and in the calculation of certain tax assets and liabilities that arise from differences in the timing of recognition of revenue and expense for tax and financial statement purposes, as well as the interest and penalties related to uncertain tax positions. Significant changes in these estimates may result in an increase or decrease to our tax provision in a subsequent period.

We must assess the likelihood that we will be able to recover our deferred tax assets. If recovery is not more likely than not, we must increase our provision for taxes by recording a valuation allowance against the deferred tax assets that we estimate will not ultimately be recoverable. We believe that we will ultimately recover the deferred tax assets recorded on our consolidated balance sheets. However, should a change occur in our ability to recover our deferred tax assets, our tax provision would increase in the period in which we determined that the recovery is not more likely than not. Recovery of a portion of our deferred tax assets is impacted by management’s plans with respect to holding or disposing of certain investments; therefore, changes in management’s plans with respect to holding or disposing of investments could affect our future provision for taxes.

We recognize liabilities for uncertain tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining whether the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. If we determine that a tax position will more likely than not be sustained on audit, the second step requires us to estimate and measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. We consider many factors when evaluating and estimating our tax positions and tax benefits, which may require periodic adjustments and may not accurately forecast actual outcomes. Determining whether an uncertain tax position is effectively settled requires judgment. Such a change in recognition or measurement would result in the recognition of a tax benefit or an additional charge to the tax provision.

We have not recognized U.S. deferred income taxes on certain undistributed non-U.S. earnings because we plan to indefinitely reinvest such earnings outside the U.S. Remittances of non-U.S. earnings are based on estimates and judgments of projected cash flow needs as well as the working capital and investment requirements of our non-U.S. and U.S. operations. Material changes in our estimates of cash, working capital, and investment needs in the various jurisdictions could require repatriation of indefinitely reinvested non-U.S. earnings, which would be subject to U.S. income taxes and applicable non-U.S. income and withholding taxes.

Inventory

Intel has a product development lifecycle that corresponds with substantive engineering milestones. These engineering milestones are regularly and consistently applied in assessing the point at which our activities, and associated costs, change in nature from R&D to cost of sales. In order for a product to be manufactured in high volumes and sold to our customers under our standard warranty, it must meet our rigorous technical quality specifications. This milestone is known as product release qualification (PRQ). We have identified PRQ as the point at which the costs incurred to manufacture our products are included in the valuation of inventory.

To determine which costs can be included in the valuation of inventory, we must determine normal capacity at our manufacturing and assembly and test facilities, based on historical loadings compared to total available capacity. If the factory loadings are below the established normal capacity level, a portion of our manufacturing overhead costs would not be included in the cost of inventory; therefore, it would be recognized as cost of sales in that period, which would negatively impact our gross margin. We refer to these costs as excess capacity charges. Excess capacity charges were $319 million in 2013 ($540 million in 2012 and $46 million in 2011).

Inventory is valued at the lower of cost or market based upon assumptions about future demand and market conditions. Product-specific facts and circumstances reviewed in the inventory valuation process include a review of our customer base, the stage of the product life cycle of our products, consumer confidence, customer acceptance of our products, and an assessment of selling price in relation to product cost. If the estimated market value of the inventory is less than the carrying value, we write down the inventory and record the difference as a charge to cost of sales.

The valuation of inventory also requires us to estimate obsolete and excess inventory as well as inventory that is not of saleable quality. The demand forecast is utilized in the development of our short-term manufacturing plans to enable consistency between inventory valuation and build decisions. The estimate of future demand is compared to work-in-process and finished goods inventory levels to determine the amount, if any, of obsolete or excess inventory. If our demand forecast for specific products is greater than actual demand and we fail to reduce manufacturing output accordingly, we could be required to write off inventory, which would negatively impact our gross margin.

Loss Contingencies

We are subject to various legal and administrative proceedings and asserted and potential claims, as well as accruals related to repair or replacement of parts in connection with product errata and product warranties that arise in the ordinary course of business. An estimated loss from such contingencies is recognized as a charge to income if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Disclosure of a loss contingency is required if there is at least a reasonable possibility that a material loss has been incurred. The outcomes of legal and administrative proceedings and claims, and the estimation of product warranties and asset impairments, are subject to significant uncertainty. Significant judgment is required in both the determination of probability and the determination as to whether a loss is reasonably estimable. With respect to estimating the losses associated with repairing and replacing parts in connection with product errata, we make judgments with respect to the return rates to our customers, our customers' return rates, and the costs to repair or replace parts. At least quarterly, we review the status of each significant matter, and we may revise our estimates. These revisions could have a material impact on our results of operations and financial position.

Accounting Changes

For a description of accounting changes, see “ Note 3: Accounting Changes” in Part II, Item 8 of this Form 10-K.

Results of Operations

Certain consolidated statements of income data as a percentage of net revenue for each period were as follows:

	2013		2012		2011	
(Dollars in Millions, Except Per Share Amounts)	Dollars	% of Net Revenue	Dollars	% of Net Revenue	Dollars	% of Net Revenue
Net revenue	**$ 52,708**	**100.0 %**	**$ 53,341**	**100.0%**	**$ 53,999**	**100.0%**
Cost of sales	21,187	40.2 %	20,190	37.9%	20,242	37.5%
Gross margin	**31,521**	**59.8 %**	**33,151**	**62.1%**	**33,757**	**62.5%**
Research and development	10,611	20.1 %	10,148	19.0%	8,350	15.4%
Marketing, general and administrative	8,088	15.3 %	8,057	15.1%	7,670	14.2%
Restructuring and asset impairment charges	240	0.5 %	—	—%	—	—%
Amortization of acquisition-related intangibles	291	0.6 %	308	0.6%	260	0.5%
Operating income	**12,291**	**23.3 %**	**14,638**	**27.4%**	**17,477**	**32.4%**
Gains (losses) on equity investments, net	471	0.9 %	141	0.3%	112	0.2%
Interest and other, net	(151)	(0.3)%	94	0.2%	192	0.3%
Income before taxes	**12,611**	**23.9 %**	**14,873**	**27.9%**	**17,781**	**32.9%**
Provision for taxes	2,991	5.7 %	3,868	7.3%	4,839	8.9%
Net income	**$ 9,620**	**18.3 %**	**$ 11,005**	**20.6%**	**$ 12,942**	**24.0%**
Diluted earnings per common share	**$ 1.89**		**$ 2.13**		**$ 2.39**	

Our net revenue for 2013 decreased by $633 million, or 1%, compared to 2012. The PCCG and DCG platform unit sales decreased by 3%. Additionally, lower netbook platform and feature and entry phone component unit sales contributed to the decrease. These decreases were partially offset by higher PCCG and DCG platform average selling prices, which were up 2%, as well as higher ISG platform average selling prices.

Our overall gross margin dollars for 2013 decreased by $1.6 billion, or 5%, compared to 2012. The decrease was due in large part to $1.8 billion of higher factory start-up costs primarily for our next-generation 14nm process technology. To a lesser extent, lower overall revenue from our Other IA operating segments, primarily in our phone and mobile component businesses and netbook group, as well as lower PCCG and DCG platform revenue contributed to the decrease. These decreases were partially offset by higher ISG platform revenue, approximately $325 million of lower PCCG and DCG platform unit costs, and $221 million of lower excess capacity charges.

Our overall gross margin percentage decreased to 59.8% in 2013 from 62.1% in 2012. The decrease in the gross margin percentage was primarily due to the gross margin percentage decrease in PCCG. We derived most of our overall gross margin dollars in 2013 and 2012 from the sale of platforms in the PCCG and DCG operating segments.

Our net revenue for 2012, which included 52 weeks, decreased by $658 million, or 1%, compared to 2011, which included 53 weeks. The PCCG and DCG platform unit sales decreased 1% while average selling prices were unchanged. Additionally, lower netbook platform unit sales and Multi-Comm average selling prices, primarily discrete modems, contributed to the decrease. These decreases were partially offset by our McAfee operating segment, which we acquired in the Q1 2011. McAfee contributed $469 million of additional revenue in 2012 compared to 2011.

Our overall gross margin dollars for 2012 decreased by $606 million, or 2%, compared to 2011. The decrease was due in large part to $494 million of excess capacity charges, as well as lower revenue from the PCCG and DCG platform. To a lesser extent, approximately $390 million of higher unit costs on the PCCG and DCG platform as well as lower netbook and Multi-Comm revenue contributed to the decrease. The decrease was partially offset by $643 million of lower factory start-up costs as we transition from our 22nm process technology to R&D of our next-generation 14nm process technology, as well as $422 million of charges recorded in 2011 to repair and replace materials and systems impacted by a design issue related to our Intel® 6 Series Express Chipset family. The decrease was also partially offset by the two additional months of results from our acquisition of McAfee, which occurred on February 28, 2011, contributing approximately $334 million of additional gross margin dollars in 2012 compared to 2011. The amortization of acquisition-related intangibles resulted in a $557 million reduction to our overall gross margin dollars in 2012, compared to $482 million in 2011, primarily due to acquisitions completed in Q1 2011.

Our overall gross margin percentage in 2012 was flat from 2011 as higher excess capacity charges and higher unit costs on the PCCG and DCG platform were offset by lower factory start-up costs and no impact in 2012 for a design issue related to our Intel 6 Series Express Chipset family. We derived a substantial majority of our overall gross margin dollars in 2012 and 2011 from the sale of platforms in the PCCG and DCG operating segments.

PC Client Group

The revenue and operating income for the PCCG operating segment for each period were as follows:

(In Millions)	2013	2012	2011
Net revenue	$ 33,039	$ 34,504	$ 35,624
Operating income	$ 11,827	$ 13,106	$ 14,840

Net revenue for the PCCG operating segment decreased by $1.5 billion, or 4%, in 2013 compared to 2012. PCCG platform unit sales were down 3% primarily on softness in traditional PC demand during the first nine months of the year. The decrease in revenue was driven by lower notebook and desktop platform unit sales which were down 4% and 2%, respectively. PCCG platform average selling prices were flat, with 6% higher desktop platform average selling prices offset by 4% lower notebook platform average selling prices.

Operating income decreased by $1.3 billion, or 10%, in 2013 compared to 2012, which was driven by $1.5 billion of lower gross margin, partially offset by $200 million of lower operating expenses. The decrease in gross margin was driven by $1.5 billion of higher factory start-up costs primarily on our next-generation 14nm process technology as well as lower PCCG platform revenue. These decreases were partially offset by approximately $520 million of lower PCCG platform unit costs, $260 million of lower excess capacity charges, and higher sell-through of previously non-qualified units.

Net revenue for the PCCG operating segment decreased by $1.1 billion, or 3%, in 2012 compared to 2011. PCCG revenue was negatively impacted by the growth of tablets as these devices compete with PCs for consumer sales. Platform average selling prices and unit sales decreased 2% and 1%, respectively. The decrease was driven by 6% lower notebook platform average selling prices and 5% lower desktop platform unit sales. These decreases were partially offset by a 4% increase in desktop platform average selling prices and a 2% increase in notebook platform unit sales.

Operating income decreased by $1.7 billion, or 12%, in 2012 compared to 2011 driven by $644 million of lower gross margin and $1.1 billion of higher operating expenses. The decrease in gross margin was primarily due to lower platform revenue. Additionally, $457 million of higher excess capacity charges and approximately $350 million of higher platform unit costs contributed to the decrease. These decreases were partially offset by $785 million of lower factory start-up costs as we transition from manufacturing start-up costs related to our 22nm process technology to R&D of our next-generation 14nm process technology. Additionally, the first half of 2011 included $422 million of charges recorded to repair and replace materials and systems impacted by the design issue related to our Intel 6 Series Express Chipset family.

Data Center Group

The revenue and operating income for the DCG operating segment for each period were as follows:

(In Millions)	2013	2012	2011
Net revenue	$ 11,238	$ 10,511	$ 9,911
Operating income	$ 5,164	$ 5,020	$ 5,053

Net revenue for the DCG operating segment increased by $727 million, or 7%, in 2013 compared to 2012. DCG platform average selling prices and unit sales were up 4% and 3%, respectively. Our platform unit sales continued to benefit from growth in the Internet cloud computing and high performance computing market segments.

Operating income increased $144 million, or 3%, in 2013 compared to 2012 with $148 million of higher gross margin offset by higher operating expenses. Gross margin was positively impacted by higher platform revenue, partially offset by $274 million of higher factory start-up costs for our next-generation 14nm process technology, and approximately $190 million of higher DCG platform unit costs.

Net revenue for the DCG operating segment increased by $600 million, or 6%, in 2012 compared to 2011. The increase in revenue was due to 6% higher platform average selling prices, slightly offset by 1% lower platform unit sales. Our platform average selling prices benefited from significant growth in the Internet cloud computing and high performance computing market segments. This was offset by weakness in the enterprise server market segment.

Operating income decreased by $33 million in 2012 compared to 2011 as $356 million of higher gross margin was more than offset by $389 million of higher operating expenses. The increase in gross margin was primarily due to higher platform revenue.

Other Intel Architecture Operating Segments

The revenue and operating income (loss) for the other Intel architecture operating segments, including ISG, Multi-Comm, the Tablet Group, the Phone Group, the Service Provider Group, the Netbook Group, and the New Devices Group for each period were as follows:

(In Millions)	2013	2012	2011
Net revenue	$ 4,092	$ 4,378	$ 5,005
Operating income (loss)	$ (2,445)	$ (1,377)	$ (577)

Net revenue for the Other IA operating segments decreased by $286 million, or 7%, in 2013 compared to 2012. The decrease was primarily due to lower netbook platform, feature and entry phone components, and Multi-Comm unit sales. To a lesser extent, lower Multi-Comm average selling prices contributed to the decrease. These decreases were partially offset by higher ISG revenue on increased platform average selling prices.

Operating results for the Other IA operating segments decreased by $1.1 billion in 2013 compared to 2012. The decline in operating results was primarily due to approximately $590 million of higher operating expenses in the Other IA operating segments on R&D investments in our smartphone and tablet products as well as higher cost of sales as we ramp our tablet business. Additionally, lower netbook platform and Multi-Comm revenue contributed to the decrease. These decreases were partially offset by higher ISG revenue.

Net revenue for the Other IA operating segments decreased by $627 million, or 13%, in 2012 compared to 2011. The decrease was primarily due to lower netbook platform unit sales and lower Multi-Comm average selling prices. To a lesser extent, lower netbook platform average selling prices contributed to the decrease. These decreases were partially offset by higher ISG platform average selling prices.

Operating results for the Other IA operating segments decreased by $800 million from an operating loss of $577 million in 2011 to an operating loss of $1.4 billion in 2012. The decline in operating results was primarily due to lower netbook revenue and higher operating expenses in the Other IA operating segments. To a lesser extent, lower Multi-Comm revenue contributed to the decrease.

Software and Services Operating Segments

The revenue and operating income (loss) for the SSG operating segments, including McAfee, the Wind River Software Group, and the Software and Services Group, for each period were as follows:

(In Millions)	2013	2012	2011
Net revenue	$ 2,502	$ 2,381	$ 1,870
Operating income (loss)	$ 1	$ (11)	$ (32)

Net revenue for the SSG operating segments increased by $121 million in 2013 compared to 2012. The increase was primarily driven by higher McAfee revenue.

The operating results for the SSG operating segments increased by $12 million in 2013 compared to 2012. The increase was primarily driven by higher McAfee revenue, partially offset by higher McAfee operating expenses.

Net revenue for the SSG operating segments increased by $511 million in 2012 compared to 2011. The increase was primarily due to two months of incremental revenue from McAfee of $469 million. McAfee was acquired on February 28, 2011.

The operating results for the SSG operating segments increased by $21 million in 2012 compared to 2011. The increase was primarily due to higher McAfee revenue, partially offset by higher McAfee operating expenses.

Operating Expenses

Operating expenses for each period were as follows:

(Dollars In Millions)	2013	2012	2011
Research and development (R&D)	$ 10,611	$ 10,148	$ 8,350
Marketing, general and administrative (MG&A)	$ 8,088	$ 8,057	$ 7,670
R&D and MG&A as percentage of net revenue	35%	34%	30%
Restructuring and asset impairment charges	$ 240	$ —	$ —
Amortization of acquisition-related intangibles	$ 291	$ 308	$ 260

Research and Development. R&D spending increased by $463 million, or 5%, in 2013 compared to 2012. The increase was driven by higher investments in our products, primarily smartphones and tablets, as well higher compensation expenses due to annual salary increases. This increase was partially offset by lower process development costs as we transitioned from R&D to manufacturing for our 14nm process technology.

R&D spending increased by $1.8 billion, or 22%, in 2012 compared to 2011. The increase was driven by investments in our products for smartphones, tablets, Ultrabook devices, and data centers. Additionally, R&D spending increased due to higher process development costs for our 14nm process technology, higher compensation expenses mainly due to annual salary increases, additional expenses for acquisitions made in Q1 2011, and higher costs related to the development of 450mm wafer technology.

Marketing, General and Administrative. MG&A expenses increased by $31 million in 2013 compared to 2012, and increased by $387 million, or 5%, in 2012 compared to 2011. The increase in 2012 compared to 2011 was primarily due to two additional months of McAfee expenses in 2012 and higher compensation expenses, due to annual salary increases as well as an increase in the number of employees.

Restructuring and Asset Impairment Charges. In response to the current business environment, during 2013, management approved several restructuring actions including targeted workforce reductions as well as exit of certain businesses and facilities. These actions include the wind down of our 200mm wafer fabrication facility in Massachusetts, which we expect to cease production by the end of 2014. These targeted reductions will enable the company to better align our resources in areas providing the greatest benefit in the changing market.

Restructuring and asset impairment charges for each period were as follows:

(In Millions)	2013	2012	2011
Employee severance and benefit arrangements	$ 201	$ —	$ —
Asset impairments	39	—	—
Total restructuring and asset impairment charges	**$ 240**	**$ —**	**$ —**

The restructuring and asset impairment activity for 2013 was as follows:

(In Millions)	Employee Severance and Benefits	Asset Impairments	Total
Accrued restructuring balance as of December 29, 2012	$ —	$ —	$ —
Additional accruals	195	39	234
Adjustments	6	—	6
Cash payments	(18)	—	(18)
Non-cash settlements	—	(39)	(39)
Accrued restructuring balance as of December 28, 2013	**$ 183**	**$ —**	**$ 183**

We recorded the additional accruals and adjustments as restructuring and asset impairment charges in the consolidated statements of income within the "all other" operating segment. The charges incurred during 2013 include $201 million related to employee severance and benefit arrangements, which impacted approximately 3,900 employees. The accrued restructuring balance as of December 28, 2013, relates to employee severance and benefits which are expected to be paid within the next 12 months and was recorded as a current liability within accrued compensation and benefits in the consolidated balance sheets.

We estimate that employee severance and benefit charges to date will result in gross annual savings of approximately $400 million, which will be realized within R&D, cost of sales, and MG&A. We began to realize these savings in Q4 2013 and expect to fully realize these savings by Q1 2015.

We may incur additional charges in the future for employee severance and benefit arrangements, as well as facility-related or other exit activities, as we continue to align our resources to meet the needs of the business.

Amortization of Acquisition-Related Intangibles. Amortization of acquisition-related intangibles decreased by $17 million, or 6%, in 2013 compared to 2012 and increased by $48 million, or 18%, in 2012 compared to 2011. The increase in 2012 compared to 2011 was primarily due to the full year of amortization of intangibles in 2012 related to the acquisitions of McAfee and the WLS business of Infineon, both completed in Q1 2011. For further information, see "Note 8: Acquisitions" and "Note 11: Identified Intangible Assets" in Part II, Item 8 of this Form 10-K.

Share-Based Compensation

Share-based compensation totaled $1.1 billion in 2013 ($1.1 billion in 2012 and $1.1 billion in 2011). Share-based compensation was included in cost of sales and operating expenses.

As of December 28, 2013, unrecognized share-based compensation costs and the weighted average periods over which the costs are expected to be recognized were as follows:

(Dollars in Millions)	Unrecognized Share-Based Compensation Costs	Weighted Average Period
Stock options	$ 75	1.1 years
Restricted stock units	$ 1,625	1.2 years

As of December 28, 2013, there was $13 million in unrecognized share-based compensation costs related to the rights to acquire common stock under our stock purchase plan. We expect to recognize those costs over a period of approximately one and a half months.

Gains (Losses) on Equity Investments and Interest and Other

Gains (losses) on equity investments, net and interest and other, net for each period were as follows:

(In Millions)	2013	2012	2011
Gains (losses) on equity investments, net	$ 471	$ 141	$ 112
Interest and other, net	$ (151)	$ 94	$ 192

We recognized higher net gains on equity investments in 2013 compared to 2012 due to higher gains on sales of equity investments, partially offset by lower gains on third-party merger transactions. Net gains on equity investments were higher in 2012 compared to 2011 due to lower equity method losses and higher gains on third-party merger transactions, partially offset by lower gains on sales of equity investments.

Net gains on equity investments for 2013 included gains of $439 million on the sales of our interest in Clearwire Communications, LLC (Clearwire LLC) and our shares in Clearwire Corporation in Q3 2013. For further information on these transactions, see "Note 5: Cash and Investments" in Part II, Item 8 of this Form 10-K. Net gains on equity investments for 2011 included a gain of $150 million on the sale of shares in VMware, Inc. Our share of equity method investee losses recognized in 2011 was primarily related to Clearwire LLC ($145 million) and these losses reduced our carrying value in Clearwire LLC to zero.

We recognized an interest and other net loss in 2013 compared to a net gain in 2012. We recognized a net loss in 2013 due to an increase in interest expense related to the issuance of our $6.2 billion aggregate principal amount of senior unsecured notes in Q4 2012. Additionally, in Q2 2012 we received proceeds from an insurance claim related to the floods in Thailand.

Interest and other, net decreased in 2012 compared to 2011, primarily due to a $164 million gain recognized upon formation of the Intel-GE Care Innovations, LLC (Care Innovations) joint venture in Q1 2011 and higher interest expense in 2012.

Provision for Taxes

Our provision for taxes and effective tax rate for each period were as follows:

(Dollars in Millions)	2013	2012	2011
Income before taxes	$ 12,611	$ 14,873	$ 17,781
Provision for taxes	$ 2,991	$ 3,868	$ 4,839
Effective tax rate	23.7%	26.0%	27.2%

The U.S. R&D tax credit was reenacted in January 2013 retroactive to the beginning of 2012. The majority of the decrease in our effective tax rate was driven by the recognition of the 2012 U.S R&D tax credit in Q1 2013. The effective tax rate was also positively impacted by the recognition of the 2013 impact of the U.S. R&D tax credit, partially offset by a lower percentage of our profits generated in lower tax jurisdictions in 2013 compared to 2012.

We generated a higher percentage of our profits from lower tax jurisdictions in 2012 compared to 2011, positively impacting our effective tax rate for 2012. This impact was partially offset by the U.S. R&D tax credit that was not reinstated during 2012.

Liquidity and Capital Resources

(Dollars in Millions)	Dec 28, 2013	Dec 29, 2012
Cash and cash equivalents, short-term investments, and marketable debt instruments included in trading assets	$ 20,087	$ 18,162
Other long-term investments, and reverse repurchase agreements with original maturities greater than approximately three months	$ 1,873	$ 543
Short-term and long-term debt	$ 13,446	$ 13,448
Debt as percentage of stockholders' equity	23.1%	26.3%

Sources and Uses of Cash

(In Millions)

In summary, our cash flows for each period were as follows:

(In Millions)	2013	2012	2011
Net cash provided by operating activities	$ 20,776	$ 18,884	$ 20,963
Net cash used for investing activities	(18,073)	(14,060)	(10,301)
Net cash used for financing activities	(5,498)	(1,408)	(11,100)
Effect of exchange rate fluctuations on cash and cash equivalents	(9)	(3)	5
Net increase (decrease) in cash and cash equivalents	**$ (2,804)**	**$ 3,413**	**$ (433)**

Operating Activities

Cash provided by operating activities is net income adjusted for certain non-cash items and changes in certain assets and liabilities.

For 2013 compared to 2012, the $1.9 billion increase in cash provided by operating activities was due to changes in working capital, partially offset by lower net income in 2013. Income taxes paid, net of refunds, in 2013 compared to 2012 were $1.1 billion lower due to lower income before taxes in 2013 and 2012 income tax overpayments.

Changes in assets and liabilities as of December 28, 2013, compared to December 29, 2012, included lower income taxes payable and receivable resulting from a reduction in taxes due in 2013, and lower inventories due to the sell-through of older-generation products, partially offset by the ramp of 4th generation Intel Core Processor family products.

For 2013, our three largest customers accounted for 44% of our net revenue (43% in 2012 and 2011), with Hewlett-Packard Company accounting for 17% of our net revenue (18% in 2012 and 19% in 2011), Dell accounting for 15% of our net revenue (14% in 2012 and 15% in 2011), and Lenovo accounting for 12% of our net revenue (11% in 2012 and 9% in 2011). These three customers accounted for 34% of our accounts receivable as of December 28, 2013 (33% as of December 29, 2012).

For 2012 compared to 2011, the $2.1 billion decrease in cash provided by operating activities was due to lower net income and changes in our working capital, partially offset by adjustments for non-cash items. The adjustments for noncash items were higher due primarily to higher depreciation in 2012 compared to 2011, partially offset by increases in non-acquisition-related deferred tax liabilities as of December 31, 2011.

Investing Activities

Investing cash flows consist primarily of capital expenditures; investment purchases, sales, maturities, and disposals; as well as cash used for acquisitions.

The increase in cash used for investing activities in 2013 compared to 2012 was primarily due to an increase in purchases of available-for-sale investments and a decrease in maturities and sales of trading assets, partially offset by an increase in maturities and sales of available-for-sale investments and a decrease in purchases of licensed technology and patents. Our capital expenditures were $10.7 billion in 2013 ($11.0 billion in 2012 and $10.8 billion in 2011).

Cash used for investing activities increased in 2012 compared to 2011 primarily due to net purchases of available-for-sale investments and trading assets in 2012, as compared to net maturities and sales of available-for-sale investments and trading assets in 2011, partially offset by a decrease in cash paid for acquisitions. Net purchases of available-for-sale investments in 2012 included our purchase of $3.2 billion of equity securities in ASML in Q3 2012.

Financing Activities

Financing cash flows consist primarily of repurchases of common stock, payment of dividends to stockholders, issuance and repayment of long-term debt, and proceeds from the sale of shares through employee equity incentive plans.

The increase in cash used for financing activities in 2013 compared to 2012 was primarily due to the issuance of long-term debt in 2012 and fewer repurchases of common stock under our authorized common stock repurchase program in 2013. We have an ongoing authorization, originally approved by our Board of Directors in October 2005, and subsequently amended, to repurchase up to $45 billion in shares of our common stock in the open market or negotiated transactions. During 2013, we repurchased $2.1 billion of common stock under our authorized common stock repurchase program compared to $4.8 billion in 2012. As of December 28, 2013, $3.2 billion remained available for repurchase under the existing repurchase authorization limit. We base our level of common stock repurchases on internal cash management decisions, and this level may fluctuate. Proceeds from the sale of shares through employee equity incentive plans totaled $1.6 billion in 2013 compared to $2.1 billion in 2012. Our total dividend payments were $4.5 billion in 2013 compared to $4.4 billion in 2012. We have paid a cash dividend in each of the past 85 quarters. In January 2014, our Board of Directors declared a cash dividend of $0.225 per common share for Q1 2014. The dividend is payable on March 1, 2014 to stockholders of record on February 7, 2014.

The decrease in cash used for financing activities in 2012 compared to 2011, was primarily due to fewer repurchases of common stock under our authorized common stock repurchase program and, to a lesser extent, the issuance of a higher amount of long-term debt in 2012 compared to 2011.

Liquidity

Cash generated by operations is our primary source of liquidity. We maintain a diverse investment portfolio that we continually analyze based on issuer, industry, and country. As of December 28, 2013, cash and cash equivalents, short-term investments, and marketable debt instruments included in trading assets totaled $20.1 billion ($18.2 billion as of December 29, 2012). In addition to the $20.1 billion, we have $1.9 billion in other long-term investments, and reverse repurchase agreements with original maturities greater than approximately three months that we include when assessing our sources of liquidity. Most of our investments in debt instruments are in A/A2 or better rated issuances, and the majority of the issuances are rated AA-/Aa3 or better.

Our commercial paper program provides another potential source of liquidity. We have an ongoing authorization from our Board of Directors to borrow up to $3.0 billion, including through the issuance of commercial paper. Maximum borrowings under our commercial paper program during 2013 were $300 million, although no commercial paper remained outstanding as of December 28, 2013. Our commercial paper was rated A-1+ by Standard & Poor's and P-1 by Moody's as of December 28, 2013. We also have an automatic shelf registration statement on file with the SEC, pursuant to which we may offer an unspecified amount of debt, equity, and other securities. In 2012, we utilized this shelf registration statement and issued $6.2 billion aggregate principal amount of senior unsecured notes. The proceeds from the sale of these notes were used for general corporate purposes and to repurchase shares of our common stock pursuant to our authorized common stock repurchase program. For further information on the terms of the notes, see "Note 16: Borrowings" in Part II, Item 8 of this Form 10-K.

As of December 28, 2013, $11.3 billion of our cash and cash equivalents, short-term investments, and marketable debt instruments included in trading assets was held by our non-U.S. subsidiaries. Of the $11.3 billion held by our non-U.S. subsidiaries, approximately $2.1 billion was available for use in the U.S. without incurring additional U.S. income taxes in excess of the amounts already accrued in our financial statements as of December 28, 2013. The remaining amount of non-U.S. cash and cash equivalents, short-term investments, and marketable debt instruments included in trading assets has been indefinitely reinvested and, therefore, no U.S. current or deferred taxes have been accrued and this amount is earmarked for near-term investment in our operations outside the U.S. and future acquisitions of non-U.S. entities. We believe our U.S. sources of cash and liquidity are sufficient to meet our business needs in the U.S. and do not expect that we will need to repatriate the funds we have designated as indefinitely reinvested outside the U.S. Under current tax laws, should our plans change and we were to choose to repatriate some or all of the funds we have designated as indefinitely reinvested outside the U.S., such amounts would be subject to U.S. income taxes and applicable non-U.S. income and withholding taxes.

We believe that we have the financial resources needed to meet business requirements for the next 12 months, including capital expenditures for worldwide manufacturing and assembly and test; working capital requirements; and potential dividends, common stock repurchases, acquisitions, and strategic investments.

Fair Value of Financial Instruments

When determining fair value, we consider the principal or most advantageous market in which we would transact, and we consider assumptions, such as an obligor's credit risk, that market participants would use when pricing the asset or liability. For further information, see "Fair Value" in "Note 2: Accounting Policies" in Part II, Item 8 of this Form 10-K.

Marketable Debt Instruments

As of December 28, 2013, our assets measured and recorded at fair value on a recurring basis included $20.3 billion of marketable debt instruments. Of these instruments, $7.2 billion was classified as Level 1, $13.0 billion as Level 2, and $59 million as Level 3.

Our balance of marketable debt instruments that are measured and recorded at fair value on a recurring basis and classified as Level 1 was classified as such due to the use of observable market prices for identical securities that are traded in active markets. We evaluate security-specific market data when determining whether the market for a debt security is active.

Of the $13.0 billion of marketable debt instruments measured and recorded at fair value on a recurring basis and classified as Level 2, approximately 60% was classified as Level 2 due to the use of a discounted cash flow model, and approximately 40% was classified as such due to the use of non-binding market consensus prices that were corroborated with observable market data.

Our marketable debt instruments that are measured and recorded at fair value on a recurring basis and classified as Level 3, are classified as such because the fair values 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 ensure the fair value measurements are reasonable and consistent with market experience in similar asset classes.

Loans Receivable and Reverse Repurchase Agreements

As of December 28, 2013, our assets measured and recorded at fair value on a recurring basis included $805 million of loans receivable and $400 million of reverse repurchase agreements. All of these investments were classified as Level 2, as the fair value is determined using a discounted cash flow model with all significant inputs derived from or corroborated with observable market data.

Marketable Equity Securities

As of December 28, 2013, our assets measured and recorded at fair value on a recurring basis included $6.2 billion of marketable equity securities. All of these securities were classified as Level 1 because the valuations were based on quoted prices for identical securities in active markets. Our assessment of an active market for our marketable equity securities generally takes into consideration the number of days that each individual equity security trades over a specified period.

Contractual Obligations

The following table summarizes our significant contractual obligations as of December 28, 2013:

(In Millions)	Payments Due by Period Total	Less Than 1 Year	1–3 Years	3–5 Years	More Than 5 Years
Operating lease obligations	$ 870	$ 208	$ 298	$ 166	$ 198
Capital purchase obligations[1]	5,503	5,375	125	—	3
Other purchase obligations and commitments[2]	1,859	772	744	307	36
Long-term debt obligations[3]	22,372	429	2,360	3,761	15,822
Other long-term liabilities[4, 5]	1,496	569	663	144	120
Total[6]	**$ 32,100**	**$ 7,353**	**$ 4,190**	**$ 4,378**	**$ 16,179**

[1] *Capital purchase obligations represent commitments for the construction or purchase of property, plant and equipment. They were not recorded as liabilities on our consolidated balance sheets as of December 28, 2013, as we had not yet received the related goods or taken title to the property.*

[2] *Other purchase obligations and commitments include payments due under various types of licenses and agreements to purchase goods or services, as well as payments due under non-contingent funding obligations. Funding obligations include agreements to fund various projects with other companies.*

[3] *Amounts represent principal and interest cash payments over the life of the debt obligations, including anticipated interest payments that are not recorded on our consolidated balance sheets. Any future settlement of convertible debt would impact our cash payments.*

[4] *We are unable to reliably estimate the timing of future payments related to uncertain tax positions; therefore, $188 million of long-term income taxes payable has been excluded from the preceding table. However, long-term income taxes payable, recorded on our consolidated balance sheets, included these uncertain tax positions, reduced by the associated federal deduction for state taxes and U.S. tax credits arising from non-U.S. income taxes.*

[5] *Amounts represent future cash payments to satisfy other long-term liabilities recorded on our consolidated balance sheets, including the short-term portion of these long-term liabilities. Expected required contributions to our U.S. and non-U.S. pension plans and other postretirement benefit plans of $62 million to be made during 2014 are also included; however, funding projections beyond 2014 are not practicable to estimate.*

[6] *Total excludes contractual obligations already recorded on our consolidated balance sheets as current liabilities except for the short-term portions of long-term debt obligations and other long-term liabilities.*

Contractual obligations for purchases of goods or services, included in other purchase obligations and commitments in the preceding table, include agreements that are enforceable and legally binding on Intel and that specify all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum, or variable price provisions; and the approximate timing of the transaction. For obligations with cancellation provisions, the amounts included in the preceding table were limited to the non-cancelable portion of the agreement terms or the minimum cancellation fee.

We have entered into certain agreements for the purchase of raw materials that specify minimum prices and quantities based on a percentage of the total available market or based on a percentage of our future purchasing requirements. Due to the uncertainty of the future market and our future purchasing requirements, as well as the non-binding nature of these agreements, obligations under these agreements are not included in the preceding table. Our purchase orders for other products are based on our current manufacturing needs and are fulfilled by our vendors within short time horizons. In addition, some of our purchase orders represent authorizations to purchase rather than binding agreements.

Contractual obligations that are contingent upon the achievement of certain milestones are not included in the preceding table. These obligations include milestone-based co-marketing agreements, contingent funding/payment obligations, and milestone-based equity investment funding. These arrangements are not considered contractual obligations until the milestone is met by the third party. During 2012, we entered into a series of agreements with ASML intended to accelerate the development of 450mm wafer technology and EUV lithography. Intel agreed to provide R&D funding totaling €829 million over five years and committed to advance purchase orders for a specified number of tools from ASML. Our remaining obligation, contingent upon ASML achieving certain milestones, is approximately €738 million, or $1.0 billion, as of December 28, 2013. As our obligation is contingent upon ASML achieving certain milestones, we have not included this obligation in the preceding table.

For the majority of restricted stock units granted, the number of shares issued on the date the restricted stock units vest is net of the minimum statutory withholding requirements that we pay in cash to the appropriate taxing authorities on behalf of our employees. The obligation to pay the relevant taxing authority is not included in the preceding table, as the amount is contingent upon continued employment. In addition, the amount of the obligation is unknown, as it is based in part on the market price of our common stock when the awards vest.

The expected timing of payments of the obligations in the preceding table is estimated based on current information. Timing of payments and actual amounts paid may be different, depending on the time of receipt of goods or services, or changes to agreed-upon amounts for some obligations.

Off-Balance-Sheet Arrangements

As of December 28, 2013, we did not have any significant off-balance-sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are affected by changes in non-U.S. currency exchange rates, interest rates, and equity prices. All of the potential changes presented below are based on sensitivity analyses performed on our financial positions as of December 28, 2013, and December 29, 2012. Actual results may differ materially.

Currency Exchange Rates

In general, we economically hedge currency risks of non-U.S.-dollar-denominated investments in debt instruments and loans receivable with currency forward contracts or currency interest rate swaps. Gains and losses on these non-U.S.-currency investments are generally offset by corresponding losses and gains on the related hedging instruments.

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 Japanese yen, and the Israeli shekel. We have established balance sheet and forecasted transaction currency risk management programs to protect against fluctuations in fair value and the volatility of the functional currency equivalent of future cash flows caused by changes in exchange rates. We generally utilize currency forward contracts in these hedging programs. These programs reduce, but do not eliminate, the impact of currency exchange movements. For further information, see "Risk Factors" in Part I, Item 1A of this Form 10-K. We considered the historical trends in currency exchange rates and determined that it was reasonably possible that a weighted average adverse change of 20% in currency exchange rates could be experienced in the near term. Such an adverse change, after taking into account balance sheet hedges only and offsetting recorded monetary asset and liability positions, would have resulted in an adverse impact on income before taxes of less than $40 million as of December 28, 2013 (less than $80 million as of December 29, 2012).

Interest Rates

We generally hedge interest rate risks of fixed-rate debt instruments with interest rate swaps. Gains and losses on these investments are generally offset by corresponding losses and gains on the related hedging instruments.

We are exposed to interest rate risk related to our investment portfolio and indebtedness. Our indebtedness includes our debt issuances and the liability associated with a long-term patent cross-license agreement with NVIDIA Corporation. The primary objective of our investments in debt instruments is to preserve principal while maximizing yields, which generally track the U.S. dollar three-month LIBOR. A hypothetical decrease in interest rates of up to 1.0% would have resulted in an increase in the fair value of our indebtedness of approximately $1.1 billion as of December 28, 2013 (an increase of approximately $1.5 billion as of December 29, 2012). A hypothetical decrease in benchmark interest rates of up to 1.0%, after taking into account investment hedges, would have resulted in an increase in the fair value of our investment portfolio of approximately $10 million as of December 28, 2013 (an increase of approximately $10 million as of December 29, 2012). The fluctuations in fair value of our investment portfolio and indebtedness reflect only the direct impact of the change in interest rates. Other economic variables, such as equity market fluctuations and changes in relative credit risk, could result in a significantly higher decline in the fair value of our net investment position. For further information on how credit risk is factored into the valuation of our investment portfolio and debt issuances, see "Note 4: Fair Value" in Part II, Item 8 of this Form 10-K.

Equity Prices

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 the investment. 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 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.