AMGEN INC
Form DEF 14A
April 11, 2018
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the registrant Filed by a party other than the registrant

Check the appropriate box:

Preliminary Proxy Statement

CONFIDENTIAL, FOR USE OF THE COMMISSION ONLY (AS PERMITTED BY RULE 14A-6(E)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Section 240.14a-12

AMGEN INC.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of filing fee (check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

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(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount Previously Paid:

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Robert A. Bradway

Chairman of the Board,

Chief Executive Officer and President

Amgen Inc.

One Amgen Center Drive

Thousand Oaks, CA 91320-1799

April 11, 2018

Dear Fellow Stockholder:

You are invited to attend the 2018 Annual Meeting of Stockholders, or Annual Meeting, of Amgen Inc. to be held on Tuesday, May 22, 2018, at 11:00 A.M., local time, at the Four Seasons Hotel Westlake Village, Two Dole Drive, Westlake Village, California 91362.

Our Company: At Amgen, our mission is to serve patients; this mission guides our unwavering commitment to deliver breakthrough treatments for unmet medical needs. In 2017, we secured 80 country/product launches of new medicines in new indications around the world. We advanced the largest early pipeline in Amgen s history and set the stage for continued innovation in the years to come. Our products span six therapeutic areas cardiovascular, oncology/hematology, neuroscience, inflammation, nephrology, and bone health and we make a significant difference in the fight against serious illness. We continue to seek new treatments for serious diseases and lowering the cost burden that these diseases place on society.

Business Strategy: Our strategy is clear in six focused therapeutic areas we seek to develop innovative medicines that address important unmet medical needs in the fight against serious illness. Our strategy includes an integrated set of activities we are pursuing to strengthen our competitive position in our industry. In addition to our significant commitment to innovative research and development, we are developing branded biosimilars, expanding our global geographic reach, deploying next-generation biomanufacturing facilities, improving drug delivery systems, adhering to a disciplined approach to capital allocation while investing for long-term growth, and transforming Amgen for the future. In the Compensation Discussion and Analysis section of this proxy, we further discuss our progress for 2017 against these objectives. In 2017, we had consistent, strong execution of our strategy and remained focused on generating long-term stockholder value and built on a strong record of delivering superior returns to our stockholders. A clear measure of our success is the number of patients reached and helped by our medicines throughout the world.

Stockholder Engagement: We are also guided by the perspectives of our stockholders as expressed through direct engagement with us throughout the year and at our Annual Meeting. Since our 2017 annual meeting of stockholders, in addition to our outreach by our executives and Investor Relations department to investors, we have engaged in governance-focused outreach activities and discussions with the governance teams for stockholders comprising approximately 52% of our outstanding shares. Topics discussed included our business and financial performance, our governance and executive compensation programs, including the direct link to our business strategy, and our corporate responsibility and sustainability initiatives. Feedback received during these meetings is shared with the full Board of Directors and informed Board decisions. The conversations held with our stockholders are beneficial, and we look forward to continuing our dialogue in the coming year.

I look forward to sharing more about our Company at the Annual Meeting. In addition to the business to be transacted and described in the accompanying Notice of Annual Meeting of Stockholders, I will discuss recent developments during the past year, the substantial progress we made on our strategic priorities for 2017, and respond to comments and questions.

On behalf of the Board of Directors, I thank you for your participation and investment in Amgen. We look forward to seeing you on May 22. As a final note and also on behalf of the Board of Directors, I would like to thank David Baltimore and François de Carbonnel who are not standing for re-election, for their years of wise counsel and guidance for Amgen.

Sincerely,

Robert A. Bradway

Chairman of the Board,

Chief Executive Officer and President

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Amgen Inc.

One Amgen Center Drive

Thousand Oaks, California 91320-1799

Notice of Annual Meeting of Stockholders

To be Held on May 22, 2018

To the Stockholders of Amgen Inc.:

Date and Time: Tuesday, May 22, 2018 at 11:00 A.M., local time

Location: Four Seasons Hotel Westlake Village, Two Dole Drive, Westlake Village, California 91362

Record Date: March 23, 2018. Amgen stockholders of record at the close of business on the record date are entitled to receive notice of, and vote at, the 2018 Annual Meeting of Stockholders, or Annual Meeting, and any continuation, postponement or adjournment thereof.

Mail Date: We intend to mail the Notice Regarding the Availability of Proxy Materials, or the proxy statement and proxy card, as applicable, on or about April 11, 2018 to our stockholders of record on the record date.

Items of Business:

1. To elect 13 directors to the Board of Directors of Amgen for a term of office expiring at the 2019 annual meeting of stockholders. The nominees for election to the Board of Directors are Dr. Wanda M. Austin, Mr. Robert A. Bradway, Dr. Brian J. Druker, Mr. Robert A. Eckert, Mr. Greg C. Garland, Mr. Fred Hassan, Dr. Rebecca M. Henderson, Mr. Frank C. Herringer, Mr. Charles M. Holley, Jr., Dr. Tyler Jacks, Ms. Ellen J. Kullman, Dr. Ronald D. Sugar and Dr. R. Sanders Williams;
2. To hold an advisory vote to approve our executive compensation;
3. To ratify the selection of Ernst & Young LLP as our independent registered public accountants for the fiscal year ending December 31, 2018;
4. To consider one stockholder proposal for an annual report on the extent to which risks related to public concern over drug pricing strategies are integrated into our executive incentive compensation, if properly presented at the meeting; and
5. To transact such other business as may properly come before the Annual Meeting or any continuation, postponement or adjournment thereof.

Attendance: If you plan to attend the Annual Meeting, you will need an admittance ticket and proof of ownership of our Common Stock as of the close of business on March 23, 2018. Please read INFORMATION CONCERNING VOTING AND SOLICITATION Attendance at the Annual Meeting in the accompanying proxy statement.

Voting: **Your vote is important, regardless of the number of shares that you own**. Whether or not you plan to attend the Annual Meeting in person, it is important that your shares be represented and voted. Please read the Notice of Annual Meeting of Stockholders and proxy statement with care and follow the voting instructions to ensure that your shares are represented. By submitting your proxy promptly, you will save the Company the expense of further proxy solicitation. We encourage you to submit your proxy as soon as possible by Internet, by telephone or by signing, dating and returning all proxy cards or instruction forms provided to you.

By Order of the Board of Directors

Jonathan P. Graham

Secretary

Thousand Oaks, California

April 11, 2018

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Proxy Statement Summary

Proxy Statement Summary

This summary contains highlights about our Company and the upcoming 2018 Annual Meeting of Stockholders, or Annual Meeting. This summary does not contain all of the information that you should consider in advance of the meeting and we encourage you to read the entire proxy statement before voting.

2018 Annual Meeting of Stockholders

Date and Time: Tuesday, May 22, 2018 at 11:00 A.M., local time

Location: Four Seasons Hotel Westlake Village, Two Dole Drive, Westlake Village, California 91362

Record Date: March 23, 2018

Mail Date: We intend to mail the Notice Regarding the Availability of Proxy Materials, or the proxy statement and proxy card, as applicable, on or about April 11, 2018 to our stockholders.

Voting Matters and Board Recommendations

Matter	Our Board Vote Recommendation
Item 1: Election of 13 Nominees to the Board of Directors (page 7)	FOR each Director Nominee
Item 2: Advisory Vote to Approve Our Executive Compensation (page 27)	FOR

Item 3:	Ratification of Selection of Independent Registered Public Accountants (page 86)	FOR
Item 4:	Stockholder Proposal For An Annual Report on the Extent To Which Risks Related to Public Concern Over Drug Pricing Strategies Are Integrated Into Our Executive Incentive Compensation (page 88)	AGAINST

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Proxy Statement Summary

Item 1: Election of 13 Nominees to the Board of Directors (Page 7)

nee	Age	Director Since	Audit	Governance and Nominating	Executive	Compensation and Management Development	Equity Award	Corp Responsi Compli
a M. Austin	63	2017	M					M
t A. Bradway	55	2011			C		M	
J. Druker[(1)]	62	Initial Election						
t A. Eckert	63	2012		M	M	C	C	

C. Garland	60	2013		C	M	M	M	
Hassan	72	2015	M			M		
ca M. Henderson	57	2009	M					M
C. Herringer	75	2004	M	M	M			
es M. Holley, Jr.	61	2017	C					M
Jacks	57	2012	M			M		
J. Kullman	62	2016	M	M				
d D. Sugar	69	2010		M	M			C
nders Williams	69	2014		M				M

C indicates Chair of the committee.
M indicates member of the committee.

(1) Dr. Druker is standing for initial election to the Board of Directors, or Board. Dr. Druker has been appointed to the Audit Committee and the Corporate Responsibility and Compliance Committee, effective as of the Annual

Meeting and subject to his election to the Board by our stockholders.

Corporate Governance Highlights and Best Practices

* For our director nominees.

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Proxy Statement Summary

We Have Implemented Governance Best Practices

We continuously monitor developments and best practices in corporate governance and consider stockholder feedback when enhancing our governance structures. Below are highlights of our key governance practices:

Proxy Access *(pages 17 and 96)*

- *up to 20 eligible stockholders that own 3% of shares*
- *for 3 years who meet the requirements set forth in our Bylaws*
- *can nominate the greater of 20% or two nominees*

Majority Voting Standard for Director Elections *(pages 16 and 94)*

Stockholders May Act By Written Consent *(page 17)*

Stockholders Have a Right to Call Special Meetings (15% threshold requirement) *(page 17)*

No Supermajority Vote Provisions in Articles or Bylaws *(page 17)*

Highly Independent Board 12 of our 13 director nominees *(page 21)*

Strong Refreshment Practices With 9 New Directors Since 2012 Average Board tenure of approximately 4.8 years for our director nominees *(pages 8 and 16)*

Annual Anonymous Board and Committee Evaluation Process *(page 21)*

All Directors Meet Our Board of Directors Guidelines for Director Qualifications and Evaluations *(Appendix A)*

Robust Lead Independent Director Role *(page 17)*

Significant Stock Ownership Requirements for Directors and Officers *(pages 59 and 79)*

Corporate Responsibility and Compliance Committee *(page 23)*

Enterprise Risk Management Program and Annual Detailed Compensation Risk Analysis overseen by Board and Compensation and Management Development Committee, respectively *(pages 18 and 26)*

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR EACH OF THE 13 NAMED NOMINEES.

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Proxy Statement Summary

Item 2: Advisory Vote to Approve Our Executive Compensation (Page 27)

2017 Target Total Direct Compensation Mix

We pay for performance, and pay outcomes reflect the achievements of our Named Executive Officers, or NEOs, against our strategic priorities.

We use median values as the reference point for each element of compensation at all levels, including our NEOs. We consider performance, job scope, and contribution in our final pay decisions.

Our compensation program is directly linked to our performance and strategy. Each year, our Compensation and Management Development Committee approves Company performance goals under our annual cash incentive programs that are designed to focus our staff on delivering financial and operational objectives to drive annual performance, advance strategic priorities, and position us for longer-term success. Based on our overall performance in 2017 compared to the pre-established Company performance goals of our annual cash incentive award program, we achieved 115% of our target bonus opportunity.

Performance units earned for the 2015-2017 (January 30, 2015 to January 30, 2018) performance period were based on an earned payout percentage of 93.4% reflecting the Company s three-year Total Shareholder Return, or TSR, performance at the 46.7th percentile relative to the TSRs of the companies in the Standard & Poor s 500 Index, or S&P 500, during the performance period. Our beginning stock price and ending stock price for purposes of the 2015-2017 performance period are each the average daily closing price of a share of our Common Stock for the beginning and last twenty trading days of the performance period ($154.49 and $186.61, respectively). Separately, but of note, Amgen s 2015-2017 three-year TSR (30.0%) outperformed that of the average TSR of our 2017 peer group (11.6%).

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2017 Performance

2017 Annual Cash Incentive Program

Goal	Weighting	% of Target Earned
1. Financial Performance		
Revenues	30%	110.6%
Non-GAAP Net Income[1]	30%	116.8%
2. Progress Innovative Pipeline		
Execute Key Clinical Studies and Regulatory Filings	20%	123.0%
	5%	201.7%

Advance Early Pipeline

3. Deliver Annual Priorities		
Execute Critical Launches and Long-Term Commercial Objectives	10%	76.0%
Realize Functional Transformation Objectives	5%	90.4%
Composite Score		**Achieved 115.0%**

Long-Term Incentive Performance Award Program

Long-Term Incentive Program	**Equity Weighting**	**% of Target Earned**
Performance Units (2015-2017 performance period)	50%	93.4%

(1) Non-Generally Accepted Accounting Principles net income for purposes of the 2017 Company performance goals of our annual cash incentive award program is reported and reconciled in **Appendix B**.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE APPROVAL OF THE ADVISORY RESOLUTION INDICATING THE APPROVAL OF THE COMPENSATION OF THE

COMPANY S NAMED EXECUTIVE OFFICERS.

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Item 3: Ratification of Selection of Independent Registered Public Accountants (Page 86)

The Audit Committee of the Board has selected Ernst & Young LLP, or Ernst & Young, as our independent registered public accountants for the fiscal year ending December 31, 2018.

Ernst & Young has served as our independent registered public accounting firm since the Company s inception in 1980.

Each year, the Audit Committee evaluates the qualifications and performance of the Company s independent registered public accountants and determines whether to re-engage the current independent registered public accountants.

Based on this evaluation, the Audit Committee believes that the continued retention of Ernst & Young is in the best interests of the Company and its stockholders.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR RATIFICATION OF OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS.

Item 4: Stockholder Proposal (Page 88)

Stockholders have informed the Company that they intend to present a proposal at our Annual Meeting.

The proposal relates to the request for an annual report on the extent to which risks related to public concern over drug pricing strategies are integrated into our executive incentive compensation.

The Board has thoroughly considered the proposal and believes that it is NOT in the Company s or stockholders best interests for the reasons identified starting on page 89 of the proxy statement, which include the following:

- The proposal s underlying subject matter is our drug pricing and capital allocation decisions. Such decisions are integral to our ordinary course operations and the proposed report would put us at a competitive disadvantage and be unduly burdensome while not providing meaningful additional information to stockholders;

- We already provide public disclosure regarding the factors that are integrated into our incentive compensation policies and the risks related to compensation; and

- We remain focused on delivering breakthrough treatments for unmet medical needs and are committed to working with the entire healthcare community to ensure continued innovation and enable patient access to needed medicines.

THE BOARD STRONGLY AND UNANIMOUSLY RECOMMENDS THAT YOU VOTE AGAINST THE STOCKHOLDER PROPOSAL FOR AN ANNUAL REPORT ON THE EXTENT TO WHICH RISKS RELATED TO PUBLIC CONCERN OVER DRUG PRICING STRATEGIES ARE INTEGRATED INTO OUR EXECUTIVE INCENTIVE COMPENSATION.

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Item 1 Election of Directors

Item 1

Election of Directors

Under our governing documents, the Board of Directors, or Board, has the power to set the number of directors from time to time by resolution. We currently have 14 authorized directors serving on our Board. Wanda M. Austin was appointed to serve on our Board effective December 11, 2017. Based upon the recommendation of our Governance and Nominating Committee, the Board has nominated each of the director nominees set forth below to stand for re-election, or in the case of Dr. Austin and Brian J. Druker to stand for initial election by our stockholders, in each case for a one-year term expiring at our 2019 annual meeting of stockholders and until his or her successor is elected and qualified, or until his or her earlier retirement, resignation,

disqualification, removal or death. David Baltimore and François de Carbonnel will retire from our Board and have not been nominated for re-election at the 2018 Annual Meeting of Stockholders, or Annual Meeting. The Board has fixed the authorized number of directors at 13 to be effective as of the close of the Annual Meeting and the election by stockholders of the nominees standing for election. The independent members of the Board have elected Robert A. Eckert to continue to serve as our lead independent director, subject to his re-election to the Board by our stockholders at the Annual Meeting. As lead independent director, Mr. Eckert will continue to have the specific and significant duties as discussed under Corporate Governance.

Nominees to the Board

Nominee	Age	Director Since	Audit	Governance and Nominating	Executive	Compensation and Management Development	Equity Award	Corporate Responsibility and Compliance
	63	2017	M					M

Wanda M. Austin								
Robert A. Bradway	55	2011			C		M	
Brian J. Druker[1]	62	Initial Election						
Robert A. Eckert	63	2012		M	M	C	C	
Greg C. Garland	60	2013		C	M	M	M	
Fred Hassan	72	2015	M			M		
Rebecca M. Henderson	57	2009	M					M
Frank C. Herringer	75	2004	M	M	M			
Charles M. Holley, Jr.	61	2017	C					M
Tyler Jacks	57	2012	M			M		
Ellen J. Kullman	62	2016	M	M				

Ronald D. Sugar	69	2010	M	M		C
R. Sanders Williams	69	2014	M			M

C indicates Chair of the committee.
Mindicates member of the committee.

(1) Dr. Druker is standing for initial election to the Board. Dr. Druker has been appointed to the Audit Committee and the Corporate Responsibility and Compliance Committee, effective as of the Annual Meeting and subject to his election to the Board by our stockholders.

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Item 1 Election of Directors

* For our director nominees.

Vacancies on the Board (including any vacancy created by an increase in the size of the Board) may be filled only by a majority of the directors remaining in office, even though less than a quorum of the Board. A director elected by the Board to fill a vacancy (including a vacancy created by an increase in the size of the Board) will serve until the next annual meeting of stockholders and until such director s successor is elected and qualified, or until such director s earlier retirement, resignation, disqualification, removal or death.

Each nominee has agreed to serve if elected and the Board has no reason to believe that any nominee will be unable to serve. However, if any nominee should become unavailable for election prior to the Annual Meeting (an event that currently is not anticipated by the Board) the proxies will be voted in favor of the election of a substitute nominee or nominees proposed by the Board or, alternatively, the number of directors may be reduced accordingly by the Board.

Summary of Director Nominee Core Experiences and Skills

Our Board possesses a deep and broad set of skills and experiences that facilitate strong oversight and strategic direction for a leading global innovator in biomedicine. The following chart summarizes the competencies of each director nominee to be represented on our Board. The details of each director s competencies are included in each director s profile.

The lack of a for a particular item does not mean that the director does not possess that qualification, characteristic, skill or experience. Each of our Board members have experience and/or skills in the enumerated areas, however, the is designed to indicate that a director has particular strength in that area.

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Item 1 Election of Directors

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR EACH OF THE NAMED NOMINEES. PROXIES WILL BE VOTED FOR THE ELECTION OF THE NOMINEES UNLESS OTHERWISE SPECIFIED.

Set forth below is biographical information for each nominee and a summary of the specific qualifications, attributes, skills and experiences which led our Board to conclude that each nominee should serve on the Board at this time. All of our directors meet the qualifications and skills of our Amgen Inc. Board of Directors Guidelines for Director Qualifications and Evaluations included in this proxy statement as **Appendix A**. There are no family relationships among any of our directors or among any of our directors and our executive officers.

Wanda M. Austin

Director since: 2017

Age: 63

Committees:

Audit

Corporate Responsibility and Compliance

Other Public Company Boards:

Chevron Corporation

Wanda M. Austin has served as a director of the Company since December 11, 2017. Dr. Austin was first identified to the Governance and Nominating Committee as a potential director candidate by a non-employee member of the Board. She is the retired President and Chief Executive Officer of The Aerospace Corporation, a leading architect of the United States national security space programs, where she served from 2008 until her retirement in 2016. From 2004 to 2007, Dr. Austin was Senior Vice President, National Systems Group of The Aerospace Corporation. Dr. Austin joined The Aerospace Corporation in 1979 and served in various positions from 1979 until 2004.

Dr. Austin has served as an Adjunct Research Professor at the University of Southern California s Viterbi School of Engineering since 2007. She is the co-founder of MakingSpace, where she serves as a motivational speaker on STEM education. Dr. Austin has been a director of Chevron Corporation, a petroleum, exploration, production and refining company, since 2016, serving on its Board Nominating and Governance Committee and Public Policy Committee. Dr. Austin is a trustee of the University of Southern

California and previously served on the boards of directors of the National Geographic Society and the Space Foundation. Dr. Austin received an undergraduate degree from Franklin & Marshall College, a master s degree from the University of Pittsburgh and a doctorate from the University of Southern California. She is a member of the National Academy of Engineering.

Qualifications

The Board concluded that Dr. Austin should serve on the Board based on her leadership and management experience as a chief executive officer, her extensive background in science, technology, and government affairs in a highly regulated industry, and her public board experience.

Robert A. Bradway

Director since: 2011

Age: 55

Committees:

Equity Award

Executive (Chair)

Other Public Company Boards:

The Boeing Company

Robert A. Bradway has served as our director since 2011 and Chairman of the Board since 2013. Mr. Bradway has been our President since 2010 and Chief Executive Officer since 2012. From 2010 to 2012, Mr. Bradway served as our Chief Operating Officer. Mr. Bradway joined Amgen in 2006 as Vice President, Operations Strategy and served as Executive Vice President and Chief Financial Officer from 2007 to 2010. Prior to joining Amgen, he was a Managing Director at Morgan Stanley in London where, beginning in 2001, he had responsibility for the firm s banking department and corporate finance activities in Europe.

Mr. Bradway has been a director of The Boeing Company, an aerospace company and manufacturer of commercial airplanes, defense, space and securities systems, since 2016, serving on its Audit and Finance committees. From 2011 to May 2017, Mr. Bradway was a director of Norfolk Southern Corporation, a transportation company. He has served on the board of trustees of the University of Southern California since 2014 and on the advisory board of the Leonard D. Schaeffer Center for Health Policy and Economics at that university since 2012. Mr. Bradway holds a bachelor s degree in biology from Amherst College and a master s degree in business administration from Harvard Business School.

Qualifications

The Board concluded that Mr. Bradway should serve on the Board based on his thorough knowledge of all aspects of our business, combined with his leadership and management skills having previously served as our President and Chief Operating Officer and as our Chief Financial Officer.

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Item 1 Election of Directors

Brian J. Druker

Director since: Standing for initial election to the Board

Age: 62

Committees: If elected by stockholders, Dr. Druker is expected to serve on the following committees:

Audit

Corporate Responsibility and Compliance

Brian J. Druker is standing for initial election to the Company s Board and will be appointed as a director effective as of the Company s 2018 Annual Meeting of Stockholders subject to his election by stockholders. Dr. Druker was first identified to the Governance and Nominating Committee as a potential director candidate by non-employee members of the Board. He joined Oregon Health & Science University, or OHSU, in 1993 and is currently a physician-scientist and professor of medicine. Dr. Druker has served as the director of the OHSU Knight Cancer Institute since 2007, associate dean for oncology of the OHSU School of Medicine since 2010, and the JELD-WEN chair of leukemia research at OHSU since 2001. He has been an investigator with the Howard Hughes Medical Institute, a nonprofit medical research organization, since 2002.

Dr. Druker has served on the scientific advisory boards of Aptose Biosciences Inc., a biotechnology company, since 2013, and Grail, Inc., a biotechology company, since 2016. In 2011, he founded Blueprint Medicines Corporation, a biopharmaceutical company, and remains as a scientific advisor to this company. In 2006, he founded MolecularMD, a privately-held molecular diagnostics company.

Dr. Druker has received numerous awards, including the Lasker-DeBakey Clinical Research Award in 2009, the Japan Prize in Healthcare and Medical Technology in 2012, and the Albany Medical Center Prize in 2013, for influential work in the development of STI571 (Gleevec®) for the treatment of chronic myeloid leukemia. He was elected to the National Academy of Sciences in 2012 as well as the National Academy of Medicine in 2007. Dr. Druker received both an undergraduate degree and his doctorate from the University of California, San Diego.

Qualifications

The Board concluded that Dr. Druker should serve on the Board based on his extensive scientific research and expertise leading an important academic institution, conducting highly significant research in the area of oncology, and directly managing the care of cancer patients.

Robert A. Eckert

Lead Independent Director

Director since: 2012

Age: 63

Committees:

Compensation and Management Development (Chair)

Equity Award (Chair)

Executive

Governance and Nominating

Other Public Company Boards:

McDonald s Corporation

Robert A. Eckert is our lead independent director. Mr. Eckert has been an Operating Partner at Friedman Fleischer & Lowe, a private equity firm, since 2014. Mr. Eckert was the Chief Executive Officer of Mattel, Inc., a toy design, manufacture and marketing company, having held this position from 2000 through 2011, and its Chairman of the Board from 2000 through 2012. He was President and Chief Executive Officer of Kraft Foods Inc., a consumer packaged food and beverage company, from 1997 to 2000, Group Vice President from 1995 to 1997, President of the Oscar Mayer Foods Division from 1993 to 1995 and held various other senior executive and other positions from 1977 to 1992.

Mr. Eckert has been a director of McDonald s Corporation, a company which franchises and operates McDonald s restaurants in the global restaurant industry, since 2003, serving as the Chair of the Public Policy and Strategy Committee and a member of the Executive and Governance Committees. Mr. Eckert was a director of Smart & Final Stores, Inc., a warehouse store, from 2013 until 2014 prior to it becoming a publicly-traded company. Mr. Eckert also has served as a director of Levi Strauss & Co., a privately-held jeans and casual wear manufacturer, since 2010. He was appointed director of Eyemart Express Holdings LLC, a privately-held eyewear retailer and portfolio company of Friedman Fleischer & Lowe, in 2015. Mr. Eckert is on the Global Advisory Board of the Kellogg School of Management at Northwestern University and serves on the Eller College National Board of Advisors at the University of Arizona. Mr. Eckert received an undergraduate degree from the University of Arizona and a master's degree in business administration from the Kellogg School of Management at Northwestern University.

Qualifications

The Board concluded that Mr. Eckert should serve on our Board because of Mr. Eckert s long-tenured experience as a chief executive officer of large public companies, his broad international experience in marketing and business development, and his valuable leadership experience.

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Item 1 Election of Directors

Greg C. Garland

Director since: 2013

Age: 60

Committees:

- Compensation and Management Development
- Equity Award
- Executive
- Governance and Nominating (Chair)

Other Public Company Boards:

- Phillips 66[1]

Greg C. Garland is the Chairman and Chief Executive Officer of Phillips 66, an energy manufacturing and logistics company with midstream, chemical, refining and marketing and specialties businesses created through the repositioning of ConocoPhillips, having held this position since 2012. Mr. Garland chairs the Executive Committee of Phillips 66.[1] Prior to Phillips 66, Mr. Garland served as Senior Vice President, Exploration and Production, Americas of ConocoPhillips from 2010 to 2012. He was President and Chief Executive Officer of Chevron Phillips Chemical Company (now a joint venture between Phillips 66 and Chevron) from 2008 to 2010 and Senior Vice President, Planning and Specialty Chemicals from 2000 to 2008. Mr. Garland served in various positions at Phillips Petroleum Company from 1980 to 2000. Mr. Garland is a member of the Engineering Advisory Council for Texas A&M University. Mr. Garland received an undergraduate degree from Texas A&M University.

Qualifications

The Board concluded that Mr. Garland should serve on our Board because of Mr. Garland s experience as a chief executive officer and his over 30 years of international experience in a highly regulated industry.

(1) Mr. Garland also serves as Chairman and Chief Executive Officer of Phillips 66 Partners LP, a master limited partnership and wholly-owned subsidiary of Phillips 66 without any employees.

Fred Hassan

Director since: 2015

Age: 72

Committees:

Audit

Compensation and Management Development

Other Public Company Boards:

Intrexon Corporation

Time Warner Inc.

Audit Committee financial expert

Fred Hassan is Special Limited Partner at Warburg Pincus LLC, a global private equity investment institution, since 2017. Mr. Hassan was Partner and Managing Director at Warburg Pincus LLC from 2011 to 2017 and, prior to that, served as Senior Advisor from 2009 to 2010. Mr. Hassan was Chairman of the Board and Chief Executive Officer of Schering-Plough Corporation from 2003 to 2009. Prior to this, Mr. Hassan was Chairman, President and Chief Executive Officer of Pharmacia Corporation, from 2001 to 2003. Before assuming these roles, he had served as President and Chief Executive Officer of Pharmacia Corporation from its creation in 2000 as a result of the merger of Pharmacia & Upjohn, Inc. with Monsanto Company. He was President and Chief Executive Officer of Pharmacia & Upjohn, Inc. beginning in 1997. Mr. Hassan previously held senior positions with Wyeth (formerly known as American Home Products), including that of Executive Vice President with responsibility for its pharmaceutical and medical products businesses, and served as a member of the board from 1995 to 1997. Prior to that, Mr. Hassan held various roles at Sandoz Pharmaceuticals and headed its U.S. pharmaceuticals businesses.

Mr. Hassan has been a director of Time Warner Inc., a media company, since 2009, serving on its Nominating and Governance and Compensation and Human Development Committees; and Intrexon Corporation, a synthetic biology company, since 2016, serving on its Compensation Committee. Mr. Hassan was a director of Avon Products, Inc., a manufacturer and marketer of beauty and related products, from 1999 until 2013 and served on its Compensation and Management Development, Nominating and Corporate Governance and Audit Committees, as lead independent director from 2009 to 2012, and Chairman of the Board between January and April 2013. Mr. Hassan was Chairman of the Board of Bausch & Lomb, from 2010 until its acquisition by Valeant Pharmaceuticals International, Inc., a pharmaceutical company, in 2013. Mr. Hassan served on the board of directors and Compensation and Audit Committees of Valeant Pharmaceuticals International, Inc. from 2013 to 2014. Mr. Hassan received an undergraduate degree from Imperial College of Science and Technology, University of London and a master s degree in business administration from Harvard Business School.

Qualifications

The Board concluded that Mr. Hassan should serve on the Board based on his global experience as a public company chief executive officer, his particular knowledge and experience in the healthcare and pharmaceutical industries,

including overseeing businesses with significant research and development operations, his diversified financial and business expertise, as well as prior public company board experience. Given his financial and leadership experience, Mr. Hassan has been determined to be an Audit Committee financial expert by our Board.

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Item 1 Election of Directors

Rebecca M. Henderson

Director since: 2009

Age: 57

Committees:

Audit

Corporate Responsibility and Compliance

Other Public Company Boards:

IDEXX Laboratories, Inc.

Rebecca M. Henderson has been the John and Natty McArthur University Professor at Harvard University since 2011. From 2009 to 2011, Dr. Henderson served as the Senator John Heinz Professor of Environmental Management at Harvard Business School. Prior to this, she was a professor of management at the Massachusetts Institute of Technology, or MIT, for 21 years, having been the Eastman Kodak LFM Professor of Management since 1999. Since 1995, she has also been a Research Associate at the National Bureau of Economic Research. She specializes in technology strategy and the broader strategic problems faced by companies in high technology industries.

Dr. Henderson has been a director of IDEXX Laboratories, Inc., a company which provides diagnostic and information technology-based products and services for veterinary, food and water applications, since 2003, chairing its Finance Committee and serving on its Nominating and Governance Committee. Dr. Henderson has also served as a director of the Ember Corporation, a privately-held semiconductor chip manufacturer, and on its Compensation Committee, from 2001 to July 2009. She has further been a director of Linbeck Construction Corporation, a privately-held facility solutions company, from 2000 until 2004. Dr. Henderson has published articles, papers and reviews in a range of scholarly journals. Dr. Henderson received an undergraduate degree from MIT and a doctorate from Harvard University.

Qualifications

The Board concluded that Dr. Henderson should serve on the Board because Dr. Henderson s study of the complex strategy issues faced by high technology companies provides valuable insight into the Company s strategic and technology issues.

Frank C. Herringer

Director since: 2004

Age: 75

Committees:

Audit

Executive

Governance and Nominating

Other Public Company Boards:

The Charles Schwab Corporation

Audit Committee financial expert

Frank C. Herringer has been a director of the Board of Transamerica Corporation, a financial services company since 1986, serving as Chairman of the board of directors from 1995 to 2015. Mr. Herringer was an executive with Transamerica for 20 years, including its Chief Executive Officer from 1991 until its acquisition by Aegon N.V., a life insurance, pensions and asset management company, in 1999, subsequently serving on Aegon s Executive Board for one year. Mr. Herringer was a director of Aegon U.S. Holding Corporation from 1999 until its merger into Transamerica Corporation in 2015.

Mr. Herringer has been a director of The Charles Schwab Corporation, a brokerage and banking company, since 1996, serving on its Compensation Committee and chairing its Nominating and Corporate Governance Committee. Mr. Herringer is a member of the Board of Trustees of the California Pacific Medical Center Foundation, a not-for-profit organization which develops philanthropic resources for the California Pacific Medical Center, a privately-held, not-for-profit academic medical center, since 2013. Mr. Herringer was a director of Safeway Inc., a food and drug retailer, from 2008 until 2015, serving on its Executive Compensation and Executive Committees and chairing its Nominating and Corporate Governance Committee. Mr. Herringer was a director of Cardax, Inc., a biotechnology company, from 2014 to 2015, serving on its Compensation Committee and chairing its Governance and Nominating Committee, and was a director of its parent company, Cardax Pharmaceuticals, Inc., from 2006 until 2015. From 2002 to 2005, Mr. Herringer was a director of AT&T Corporation, and a member of its Audit and Compensation Committees. In 2004, Mr. Herringer was named an Outstanding Director of the Year by the Outstanding Directors Exchange. Mr. Herringer received an undergraduate degree and master s degree in business administration from Dartmouth College.

Qualifications

The Board concluded that Mr. Herringer should serve on the Board based on his background as chief executive officer and board chair of a public company, his management and leadership skills, and his career-long focus on corporate financial performance, prospects and strategy. Given his financial and leadership experience, Mr. Herringer has been determined to be an Audit Committee financial expert by our Board.

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Item 1 Election of Directors

Charles M. Holley, Jr.

Director since: 2017

Age: 61

Committees:

Audit (Chair)

Corporate Responsibility and Compliance

Audit Committee financial expert

Charles M. Holley, Jr. is the former Executive Vice President and Chief Financial Officer for Wal-Mart Stores, Inc., or Walmart, where he served from 2010 to 2015 and as Executive Vice President between January 1, 2016 and January 31, 2016. Prior to this, Mr. Holley served as Executive Vice President, Finance and Treasurer of Walmart from 2007 to 2010. From 2005 to 2006, he served as Senior Vice President. Prior to that, Mr. Holley was Senior Vice President and Controller from 2003 to 2005. Mr. Holley served various roles in Wal-Mart International from 1994 through 2002. Prior to this, Mr. Holley served in various roles at Tandy Corporation. He spent more than ten years with Ernst & Young LLP. Mr. Holley is an Independent Senior Advisor, U.S. CFO Program, Deloitte LLP, a privately-held provider of audit, consulting, tax, and advisory services, since 2016.

Mr. Holley serves on the Advisory Council for the McCombs School of Business at the University of Texas at Austin and the University of Texas Presidents Development Board.

Qualifications

The Board concluded that Mr. Holley should serve on the Board based on his experience as a chief financial officer of a global public company, his financial acumen, and his management and leadership skills. Given his financial and leadership experience, Mr. Holley has been determined to be an Audit Committee financial expert by our Board.

Tyler Jacks

Director since: 2012

Age: 57

Committees:

Audit

Compensation and Management Development

Other Public Company Boards:

Thermo Fisher Scientific, Inc.

Tyler Jacks joined the faculty of Massachusetts Institute of Technology, or MIT, in 1992 and is currently the David H. Koch Professor of Biology and director of the David H. Koch Institute for Integrative Cancer Research, which brings together biologists and engineers to improve detection, diagnosis and treatment of cancer, a position he has held since 2007. Dr. Jacks has been an investigator with the Howard Hughes Medical Institute, a nonprofit medical research organization, since 1994.

Dr. Jacks has been a director of Thermo Fisher Scientific, Inc., a life sciences supply company, since 2009, serving on its Strategy and Finance Committee and scientific advisory board and chairing its Science and Technology Committee. In 2006, he co-founded T2 Biosystems, Inc., a biotechnology company, and served on its scientific advisory board until 2013. Dr. Jacks has served on the scientific advisory board of SQZ Biotech, a privately-held biotechnology company, since 2015. He was a consultant scientific advisor to Epizyme, Inc., a biopharmaceutical company, from 2007 to 2017. Dr. Jacks served on the scientific advisory board of Aveo Pharmaceuticals Inc., a biopharmaceutical company, from 2001 until 2013. In 2015, Dr. Jacks founded Dragonfly Therapeutics, Inc., a privately-held biopharmaceutical company, and serves as co-Chair of its scientific advisory board. He was appointed to the National Cancer Advisory Board, which advises and assists the Director of the National Cancer Institute with respect to the National Cancer Program, in 2011 and served as Chair until 2016. In 2016, Dr. Jacks was named to a blue ribbon panel of scientists and advisors established as a working group of the National Cancer Advisory Board and served as co-Chair advising the Cancer Moonshot℠ Task Force. Dr. Jacks was a director of MIT s Center for Cancer Research from 2001 to 2007 and received numerous awards including the Paul Marks Prize for Cancer Research and the American Association for Cancer Research Award for Outstanding Achievement. He was elected to the National Academy of Sciences as well as the National Academy of Medicine in 2009 and received the MIT Killian Faculty Achievement Award in 2015. Dr. Jacks received an undergraduate degree from Harvard University and his doctorate from the University of California, San Francisco.

Qualifications

The Board concluded that Dr. Jacks should serve on the Board based on his extensive scientific expertise relevant to our industry, including his broad experience as a cancer researcher, pioneering uses of technology to study cancer-associated genes, and service on several scientific advisory boards and membership in the National Cancer Advisory Board.

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Item 1 Election of Directors

Ellen J. Kullman

Director since: 2016

Age: 62

Committees:

Audit

Governance and Nominating

Other Public Company Boards:

Goldman Sachs Group, Inc.

United Technologies Corporation

Audit Committee financial expert

Ellen J. Kullman is the former President, Chair and Chief Executive Officer of E.I. du Pont de Nemours and Company, or DuPont, a science and technology-based company, where she served from 2009 to 2015. Prior to this, Ms. Kullman served as President of DuPont from 2008 to 2009. From 2006 through 2008, she served as Executive Vice President of DuPont. Prior to that, Ms. Kullman was Group Vice President, DuPont Safety and Protection. Ms. Kullman has been a director of United Technologies Corporation, a technology products and services company, since 2011, serving on its Committee on Compensation and Executive Development and chairing its Committee on Governance and Public Policy. Ms. Kullman has been a director of Goldman Sachs Group, Inc., an investment banking firm, since 2016, serving on its Compensation, Corporate Governance and Nominating, and Risk Committees. Ms. Kullman served as a director of General Motors, from 2004 to 2008, serving on its Audit Committee.

Ms. Kullman has also served as a director of Carbon3D, Inc., a privately-held 3D printing company, since 2016. Ms. Kullman has served on the Board of Trustees of Northwestern University since 2016 and on the Board of Overseers of Tufts University School of Engineering since 2006. She served as Chair of the US-China Business Council from 2013 to 2015. In 2016, Ms. Kullman joined the board of directors of Dell Technologies, a privately-held technology company, and the Temasek Americas Advisory Panel of Temasek Holdings (Private) Limited, a privately-held investment company based in Singapore. Ms. Kullman received a bachelor of science in mechanical engineering degree from Tufts University and a master s degree from the Kellogg School of Management at Northwestern University.

Qualifications

The Board concluded that Ms. Kullman should serve on the Board based on her lengthy global experience as a public company chief executive officer and board chair, her management and leadership skills, and her experience with scientific operations, all of which provide valuable insight into the operations of our Company. Given her leadership and financial experience, Ms. Kullman has been determined to be an Audit Committee financial expert by our Board.

Ronald D. Sugar

Director since: 2010

Age: 69

Committees:

Corporate Responsibility and Compliance (Chair)

Executive

Governance and Nominating

Other Public Company Boards:

Air Lease Corporation

Apple Inc.

Chevron Corporation

Ronald D. Sugar is the retired Chairman of the Board and Chief Executive Officer of Northrop Grumman Corporation, a global aerospace and defense company, having held these posts from 2003 through 2009.

Dr. Sugar has been a director of Chevron Corporation, a petroleum, exploration, production and refining company, since 2005, serving as the lead director and on the Management Compensation Committee and chairing the Board Nominating and Governance Committee. Dr. Sugar has been a director of Apple Inc., a manufacturer and seller of, among other things, personal computers, mobile communication and media devices, since 2010, chairing the Audit and Finance Committee. Dr. Sugar has been a director of Air Lease Corporation, an aircraft leasing company, since 2010, chairing the Compensation Committee and serving on the Nominating and Corporate Governance Committee. Since 2010, he has been a senior advisor to Ares Management LLC, a privately-held asset manager and registered investment advisor. In 2014, Dr. Sugar joined the Temasek Americas Advisory Panel of Temasek Holdings (Private) Limited, a privately-held investment company based in Singapore. Dr. Sugar is a member of the National Academy of Engineering, trustee of the University of Southern California, member of the UCLA Anderson School of Management Board of Advisors, and director of the Los Angeles Philharmonic Association.

Qualifications

The Board concluded that Dr. Sugar should serve on our Board because Dr. Sugar s board and senior executive-level expertise, including his experience as chief executive officer and board chair of a large, highly regulated, public company and his insight in the areas of operations, government affairs, science, technology and finance.

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Item 1 Election of Directors

R. Sanders Williams

Director since: 2014

Age: 69

Committees:

Corporate Responsibility and Compliance

Governance and Nominating

Other Public Company Boards:

Laboratory Corporation of America Holdings

R. Sanders Williams is the Chief Executive Officer of Gladstone Foundation, a not-for-profit organization supporting the Gladstone Institutes, a non-profit biomedical research enterprise, and President Emeritus of Gladstone Institutes since 2018. Dr. Williams has been a Professor of Medicine at the University of California, San Francisco since 2010. Dr. Williams was both President of Gladstone Institutes and its Robert W. and Linda L. Mahley Distinguished Professor of Medicine, from 2010 to 2017. Prior to this, Dr. Williams served as Senior Vice Chancellor of the Duke University School of Medicine from 2008 to 2010 and Dean of the Duke University School of Medicine from 2001 to 2008. He was the founding Dean of the Duke-NUS Graduate Medical School, Singapore, from 2003 to 2008 and served on its Governing Board from 2003 to 2010. From 1990 to 2001, Dr. Williams was Chief of Cardiology and Director of the Ryburn Center for Molecular Cardiology at the University of Texas, Southwestern Medical Center.

Dr. Williams has been a director of the Laboratory Corporation of America Holdings, a diagnostic technologies company, since 2007, serving on the Audit Committee and chairing the Quality and Compliance Committee. Dr. Williams was a director of Bristol-Myers Squibb Company, a pharmaceutical company, from 2006 until 2013. Dr. Williams has served on the board of directors of the Gladstone Foundation, a non-profit institution that is distinct from Gladstone Institutes, since 2012 and on the board of directors of Exploratorium, a non-profit science museum and learning center located in San Francisco, since 2011. Dr. Williams was elected to the National Academy of Medicine in 2002. Dr. Williams received his undergraduate degree from

Princeton University and his doctorate from Duke University.

Qualifications

The Board concluded that Dr. Williams should serve on the Board because of his broad medical and scientific background, including his leadership roles in domestic and academic science settings, his deep experience in cardiology, oversight of governance of multi-hospital healthcare provider systems, leadership and development of international medical programs in Asia, and prior industry board experience.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR EACH OF THE ABOVE 13 NAMED NOMINEES.

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Corporate Governance

Corporate Governance

Board of Directors Corporate Governance Highlights

Our Board of Directors, or Board, is governed by our Amgen Board of Directors Corporate Governance Principles which are amended from time to time to incorporate certain current best practices in corporate governance. Our Corporate Governance Principles may be found on our website at *www.amgen.com* and are available in print upon written request to the Company s Secretary at our principal executive offices at One Amgen Center Drive, Thousand Oaks, California 91320-1799. The Board s corporate governance practices and stockholder rights include the following:

Board Governance Practices

Lead Independent Director. The independent members of the Board elect a lead independent director on an annual basis. The lead independent director has robust responsibilities and authorities as discussed below. Robert A. Eckert currently serves as our lead independent director.

Regular Executive Sessions of Independent Directors. Our independent directors meet privately on a regular basis. Our lead independent director presides at such meetings.

Majority Approval Required for Director Elections. If an incumbent director up for re-election at a meeting of stockholders fails to receive a majority of affirmative votes in an uncontested election, the Board will adhere to the director resignation policy as provided in the Amended and Restated Bylaws of Amgen Inc., or Bylaws.

Board Access to Management. We afford our directors ready access to our management. Key members of management attend Board and committee meetings to present information concerning various aspects of the Company, its operations and results. The Corporate Responsibility and Compliance Committee, or Compliance Committee, members also have regular meetings in executive session with our Chief Compliance Officer, and the Audit Committee members have regular meetings in executive session with our internal and external auditors and separate meetings in executive session with our head of Corporate Audit.

Board Authority to Retain Outside Advisors. Our Board committees have the authority to retain outside advisors. The Audit Committee has the sole authority to appoint, compensate, retain and oversee the independent registered public accountants. The Compensation and Management Development Committee, or Compensation Committee, has the sole authority to appoint, compensate, retain and oversee compensation advisors for senior management compensation review. The Governance and Nominating Committee, or Governance Committee, has the sole authority to appoint, retain and replace search firms to identify director candidates and compensation advisors for our directors compensation review.

Director Limitation on Number of Boards. A director who is currently serving as our Chief Executive Officer, or CEO, should not serve on more than two outside public company boards. No director should serve on more than five outside public company boards.

Director Tenure. Our average Board tenure is approximately 4.8 years for our director nominees.

Director Retirement Age. The Board has established a retirement age of 72. A director is expected to retire from the Board on the day of the annual meeting of stockholders following his or her 72nd birthday. After due consideration, the Board has waived the retirement age with respect to Fred Hassan and Frank C. Herringer based on its determination that it would be beneficial to have Messrs. Hassan and Herringer continue to serve as directors due to their Company knowledge and experience as well as financial acumen in the case of Mr. Herringer and deep industry experience in the case of Mr. Hassan.

Director Changes in Circumstances Evaluated. If a director has a substantial change in principal business or professional affiliation or responsibility, including a change in principal occupation, he or she shall offer his or her resignation to the chairman of the Governance Committee. The Governance Committee determines whether to accept the resignation based on what it believes to be in the best interests of the Company and our stockholders.

Director Outside Relationships Require Pre-Approval. Without the prior approval of disinterested members of the Board, directors should not enter into any transaction or relationship with the Company in which they will have a financial or a personal interest or any transaction that otherwise involves a conflict of interest.

Director Conflicts of Interest. If an actual or potential conflict of interest arises for a director or a situation arises giving the appearance of an actual or potential conflict, the director must promptly inform the Chairman of the Board, or Chairman, or the chairman of the Governance Committee. All directors recuse themselves from any discussion or decision found to affect their personal, business or professional interests.

Regular Board and Committee Evaluations. The Board and the Audit, Compensation, Compliance and Governance Committees each have an annual evaluation process. We provide more information regarding the Board and committee evaluations on page 21.

Solicitation of Stockholder Perspectives. The Board believes that engagement with stockholders is the source of valuable information and perspectives on the Company. The Board has requested that management solicit input from investors on behalf of the Board and the lead independent director may also meet directly with stockholders when appropriate. We provide more information regarding the stockholder engagement program on page 38.

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Corporate Governance

Stockholder Rights

Proxy Access. Our Bylaws permit proxy access for director nominations. Eligible stockholders with an ownership threshold of 3% who have held their shares for at least 3 years and who otherwise meet the requirements set forth in our Bylaws may have their nominees consisting of the greater of 20% or two nominees of our Board included in our proxy materials. Up to 20 eligible stockholders may group together to reach the 3% ownership threshold. In the course of designing our proxy access provisions, we carefully considered each element in the interest of our stockholders as a whole, including that the number of stockholders who may group together (20) would afford those stockholders likely to utilize proxy access with the opportunity to do so.

Written Consent. Our Amgen Inc. Restated Certificate of Incorporation, or Certificate of Incorporation, permits stockholders to act by written consent in lieu of a meeting upon the request of the holders of at least 15% of our outstanding common shares who otherwise meet the requirements of our Certificate of Incorporation.

Special Meetings. Our Bylaws permit stockholders to call a special meeting upon the written request of the holders of at least 15% of our outstanding common shares who otherwise meet the requirements set forth in our Bylaws.

No Supermajority Vote Provisions in Certificate of Incorporation or Bylaws. We have a simple majority voting standard to amend our Certificate of Incorporation and Bylaws and to approve major mergers and acquisitions.

Leadership Structure

Our current leadership structure and governing documents permit the roles of Chairman and CEO to be filled by the same or different individuals. The Board has currently determined that it is in the best interests of the Company and our stockholders to have Robert A. Bradway, our CEO and President, serve as Chairman, coupled with an active lead independent director. As such, Mr. Bradway holds the position of Chairman, CEO and President, and Mr. Eckert has served as the lead independent director since the May 19, 2016 annual meeting of stockholders, or 2016 Annual Meeting.

Corporate Governance Structure. The Board believes our corporate governance structure, with its strong emphasis on Board independence, an active lead independent director and strong Board and committee involvement, provides sound and robust oversight of management.

Lead Independent Director. The lead independent director is elected by the independent members of the Board on an annual basis. Mr. Eckert has been elected as the lead independent director effective since the 2016 Annual Meeting and was re-elected by our Board on March 7, 2018 to continue to serve as lead independent director subject to his re-election to the Board by our stockholders at the Annual Meeting.

In such position, the lead independent director serves as a means for regular communication between the independent directors and Mr. Bradway, keeping Mr. Bradway apprised of any concerns, issues or determinations made during the independent sessions, and consults with Mr. Bradway on other matters pertinent to the Company and the Board. The lead independent director s additional responsibilities include:

Presiding at meetings of the Board at which the Chairman is not present, including executive sessions of the independent directors;

Serving as a liaison between the Chairman and the independent directors;

Previewing the information to be provided to the Board;
Approving meeting agendas for the Board;

Assuring that there is sufficient time for discussion of all meeting agenda items;

Organizing and leading the Board s evaluation of the CEO;

Being responsible for leading the Board s annual self-assessment;

Having the authority to call meetings of the independent directors; and

If requested by major stockholders, ensuring that he/she is available for consultation and direct communication.

Key Committees Composed of Independent Directors. The Audit, Compensation, Compliance and Governance Committees are each composed solely of independent directors and provide independent oversight of management. In addition, the Audit, Compensation and Compliance Committees meet in executive session on a regular basis with no members of management present (unless otherwise requested by the committee). Each of our committees effectively manages its Board-delegated duties and communicates regularly with the Chairman and members of management. In addition, the Compensation Committee has an effective process for monitoring and evaluating Mr. Bradway s compensation and performance. Each committee chair provides a report on committee meetings held to the full Board at each regular meeting of the Board.

Independent Directors Sessions. On a regular basis, the independent directors meet in an executive session without Mr. Bradway to review Company performance, management effectiveness, proposed programs and transactions and

the Board meeting agenda items. These independent sessions are organized and chaired by our lead independent director.

Annual Assessment. As part of the Board s annual self-evaluation process, the Board reviews its leadership structure and whether combining or separating the roles of Chairman and CEO is in the best interests of the Company and our stockholders.

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Corporate Governance

Benefits of Combined Leadership Structure. The Board believes that the Company and our stockholders have been best served by having Mr. Bradway in the role of Chairman and CEO for the following reasons:

Mr. Bradway is most familiar with our business and the unique challenges we face. Mr. Bradway s day-to-day insight into our challenges facilitates a timely deliberation by the Board of important matters.

Mr. Bradway has and will continue to identify agenda items and lead effective discussions on the important matters affecting us. Mr. Bradway s knowledge and extensive experience regarding our operations and the highly-regulated industries and markets in which we compete position him to identify and prioritize matters for Board review and deliberation.

As Chairman and CEO, Mr. Bradway serves as an important bridge between the Board and management and provides critical leadership for carrying out our strategic initiatives and confronting our challenges. The Board believes that Mr. Bradway brings a unique, stockholder-focused insight to assist the Company to most effectively execute its strategy and business plans to maximize stockholder value.

The strength and effectiveness of the communications between Mr. Bradway as our Chairman and Mr. Eckert as our lead independent director result in effective Board oversight of the issues, plans and prospects of our Company.

This leadership structure provides the Board with more complete and timely information about the Company, a unified structure and consistent leadership direction internally and externally and provides a collaborative and collegial environment for Board decision making.

Flexibility of the Leadership Structure. The Board is committed to high standards of corporate governance. The Board values its flexibility to select, from time to time, a leadership structure that is most able to serve the Company s and stockholders best interests based on the qualifications of individuals available and circumstances existing at the time. As such, the Board regularly evaluates whether combining or separating the roles of Chairman and CEO is in the best interests of the Company and our stockholders. The Board believes that a policy limiting its flexibility to choose a leadership structure that will enable the Company to most effectively execute its strategy and business plans to maximize stockholder value would be detrimental to the Company and our stockholders.

The Board s Role in Risk Oversight

Our Board oversees an enterprise-wide approach to risk management, which is designed to support the achievement of the Company s objectives, including strategic priorities to improve long-term financial and operational performance and enhance stockholder value. Our Board believes that a fundamental part of risk management is understanding the risks that we face, monitoring these risks and adopting appropriate control and mitigation of these risks. We believe that the risk management areas that are fundamental to the success of our annual and strategic plans include the areas of product development, safety, supply, quality, value and access, sales and promotion, business development, as well as protecting our assets (financial, intellectual property and information (including cybersecurity)), all of which are managed cross-functionally by senior executive management reporting directly to our CEO.

We have implemented an Enterprise Risk Management, or ERM, program, which is a Company-wide effort to identify, assess, manage, report and monitor enterprise risks and risk areas that may affect our ability to achieve the Company s objectives. The ERM program involves our Board and management and is overseen by one of our senior executive officers. Enterprise risks are identified and managed by management and the business functions and, as discussed below, are overseen by the Board or the appropriate Board committee.

The Board discusses enterprise risks with our senior management on a regular basis, including as a part of its annual strategic planning process, annual budget review and approval, capital plan review and approval and through reviews of compliance issues in the applicable committees of our Board, as appropriate.

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Corporate Governance

While the Board has the ultimate oversight responsibility for the risk management process, various committees of the Board are structured to oversee specific risks, as follows:

Committee	Primary Risk Oversight Responsibility
Audit Committee	Oversees financial risk, such as capital risk, financial compliance risk and internal controls over financial reporting.
Corporate Responsibility and Compliance Committee	Oversees non-financial compliance risk, such as regulatory risks associated with the requirements of the Federal health care program, Food and Drug Administration, and the Corporate Integrity Agreement, and risks associated with pricing and access, information security, including cybersecurity, and our reputation. Also oversees staff member compliance with the Code of Conduct.
Compensation and Management Development Committee	Evaluates whether the right management talent is in place and oversees succession planning. Also oversees our compensation policies and practices, including whether such policies and practices balance risk-taking and rewards in an appropriate manner as discussed further below.
Governance and Nominating Committee	Oversees the assessment of each member of the Board s independence, as well as the effectiveness of our Corporate Governance Principles and Board of Directors Code of Conduct.

At each regular meeting, or more frequently as needed, the Board considers reports from each of the committees set forth above, which reports may provide additional detail on risk management issues and management s response.

Board Meetings

The Board held seven meetings in 2017 and all of the directors attended at least 75% of the total number of meetings of the Board and committees on which they served. Wanda M. Austin was appointed to the Board effective in December 2017 and attended all meetings of the Board and committees on which she served after the date of her

appointment. It is the Company s policy that all current directors attend our annual meetings of stockholders barring unforeseen circumstances or irresolvable conflicts. Thirteen of the then-current members of the Board were present at our 2017 annual meeting of stockholders, or 2017 Annual Meeting.

Communication With the Board

Our annual meeting of stockholders provides an opportunity each year for stockholders to ask questions of, or otherwise communicate directly with, members of the Board on appropriate matters. In addition, stockholders may communicate in writing with any particular director, any committee of the Board, or the directors as a group, by sending such written communication to our Secretary at our principal executive offices at One Amgen Center Drive, Thousand Oaks, California 91320-1799. Copies of written communications received at such address will be provided to the Board or the relevant director unless such communications are considered, in the reasonable judgment of our Secretary, to be inappropriate for submission to the intended recipient(s). Examples of stockholder communications that would be considered inappropriate for submission to the Board include, without limitation, customer complaints, solicitations, communications that do

not relate directly or indirectly to our business or communications that relate to improper or irrelevant topics. The Secretary or his designee may analyze and prepare a response to the information contained in communications received and may deliver a copy of the communication to other Company staff members or agents who are responsible for analyzing or responding to complaints or requests. Communications concerning potential director nominees submitted by any of our stockholders will be forwarded to the chairman of the Governance Committee.

For information on our engagement with our stockholders since the 2017 Annual Meeting, please see page 38 of our Compensation Discussion and Analysis.

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Corporate Governance

Board Committees and Charters

The Board has four key standing committees: Governance Committee; Audit Committee; Compliance Committee; and Compensation Committee. The Compensation Committee has delegated certain responsibilities to an Equity Award Committee. In addition, an Executive Committee of the Board has all of the powers and authority of the Board in the management of our business and affairs, except with respect to certain enumerated matters, including Board composition and compensation, changes to our Certificate of Incorporation or any other matter expressly prohibited by law or our Certificate of Incorporation.

The Executive Committee did not meet in 2017. The Board maintains charters for each of these standing committees. In addition, the Board has adopted a written set of Corporate Governance Principles and a Board of Directors Code of Conduct that generally formalize practices we have in place. To view the charters of our standing Board committees, our Corporate Governance Principles and the Board of Directors code of conduct, please visit our website at *www.amgen.com.*

Governance and Nominating Committee	**Description and Key Responsibilities:**
Current Members: Greg C. Garland (Chair) David Baltimore Robert A. Eckert Frank C. Herringer Ellen J. Kullman	Determines Board membership qualifications and maintains, with the approval of the Board, guidelines for selecting nominees to serve on the Board and considering stockholder recommendations for nominees. Such guidelines are included in this proxy statement as **Appendix A**. Selects, evaluates and recommends to the Board nominees to stand for election at the annual meeting of stockholders and to fill vacancies as they arise as more fully described in Director Qualifications and Review of Board Diversity below.

Ronald D. Sugar R. Sanders Williams **Number of Meetings Held in 2017: 5** *Each member has been determined by the Board to be independent under The NASDAQ Stock Market listing standards and the requirements of the Securities and Exchange Commission, or SEC.*	Reviews the performance of the Board and its committees and is responsible for director education. Recommends to the Board nominees for appointment as executive officers and certain other officers. Evaluates and makes recommendations to our Board regarding compensation for non-employee Board members. Any Board member who is also an employee of the Company does not receive separate compensation for service on the Board. Oversees the Board s Corporate Governance Principles and a code of conduct applicable to members of the Board and monitors the independence of the Board.

Director Qualifications and Review of Board Diversity

Our Governance Committee is responsible for determining Board membership qualifications and for selecting, evaluating and recommending to the Board nominees for annual election to the Board and to fill vacancies as they arise. The Governance Committee reviews periodically with the Board the composition and size of the Board, each committee s performance and makes recommendations, as necessary, so that the Board reflects the appropriate balance of knowledge, experience, skills, expertise and diversity advisable for the Board as a whole and contains at least the minimum number of independent directors required by applicable laws and regulations.

The Governance Committee maintains guidelines for selecting nominees to serve on the Board and for considering stockholder recommendations for nominees. The Amgen Inc. Board of Directors Guidelines for Director Qualifications and Evaluations are included in this proxy statement as **Appendix A**. Among other things, Board

members should possess demonstrated breadth and depth of management and leadership experience, financial and/or business acumen or relevant industry or scientific experience, integrity and high ethical standards, sufficient time to devote to the Company s business, the ability to oversee, as a director, the Company s business and affairs for the benefit of our stockholders, the ability to comply with the Amgen Board of Directors Code of Conduct and a demonstrated ability to think independently and work collaboratively. In addition, although the Governance Committee does not maintain a diversity policy, the Governance Committee considers diversity in its determinations. Diversity includes race, ethnicity, age and gender and is also broadly construed to take into consideration many other factors, including industry knowledge, operational experience and scientific and academic expertise, geography and personal backgrounds.

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Regular Board and Committee Evaluations

The Board and the Audit, Compensation, Compliance and Governance Committees each have an annual evaluation process which focuses on their roles, effectiveness, and fulfillment of their fiduciary duties.

1. Initiation	Formal annual anonymous evaluations of the full Board as well as the Audit, Compensation, Compliance, and Governance Committees are compiled and distributed Overseen by the Governance Committee
2. Evaluation and Assessment	Directors provide feedback regarding Board or committee Composition and structure Role and effectiveness Fulfillment of fiduciary duties Meetings and materials Board interaction with management
3. Review	The lead independent director speaks with each member of the Board for one-on-one discussion

		Each committee and the full Board conduct separate discussions in executive session
4.	**Incorporation of Feedback**	Follow-up items are addressed at subsequent Board or committee meetings and any committee actions are reported back to the full Board

The Audit, Compensation, Compliance and Governance Committees each completed their assessments in October 2017 for further evaluation by the Governance Committee in December 2017. The Board completed its evaluation in December 2017. Each committee and the

Board was satisfied with its performance and each was considered to be operating effectively, with appropriate balance among governance, oversight, strategic and operational matters.

Director Independence

At least annually, the Governance Committee reviews the independence of each non-employee director and makes recommendations to the Board and the Board affirmatively determines whether each director qualifies as independent. Each director must keep the Governance Committee fully and promptly informed as to any development that may affect the director s independence.

The Board has determined that each of our non-employee directors is and Frank J. Biondi, Jr. and Judith C. Pelham, who served as directors during part of 2017, were independent during 2017 under The NASDAQ Stock Marketing listing standards and the requirements of the SEC. The Board also determined that Brian J. Druker, who is standing for initial election to the Board, is independent. Mr. Bradway is not independent based on his service as our CEO and President. Mr. Bradway is the only director who also serves us in a management capacity. In making its independence determinations, the Board reviewed direct and indirect transactions and relationships between each director, or any member of his or her immediate family, and us or one of our subsidiaries or affiliates based on information provided by the director, our records and publicly available information.

All of the reviewed transactions and arrangements were entered into in the ordinary course of business and none of the business transactions, donations or grants involved an amount that (i) exceeded the greater of

5% of the recipient entity s revenues or $200,000 with respect to transactions where a director or any member of his or her immediate family or spouse served in any capacity or (ii) exceeded $10,000 with respect to professional or consulting services provided by entities at which directors serve as professors or employees. The following types and categories of transactions, relationships and arrangements were considered by our Board in making its independence determinations:

Each of the independent directors (or their immediate family members) currently serves or has previously served within the last three years as a professor, trustee, director, or member of a board, advisory board, council or committee for one or more colleges, universities or non-profit, charitable organizations, including research or scientific institutions, to which The Amgen Foundation, Inc. has made matching donations under our Amgen matching gift program that is available to all of our employees and directors, or has made grants.

Each of the independent directors (or their immediate family members) currently serves or has previously served within the last three years as a member of the board of directors or the board of trustees or an advisory board for an entity with which Amgen has business transactions or to which Amgen makes donations or grants. The business transactions include, among other things,

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purchasing supplies, equipment and software licenses, payment of fees and expenses relating to repair and maintenance, utilities, clinical trials, research and development and training, sponsorship of healthcare programs and conferences and investment management, financial advisory and consulting services.

Drs. Baltimore, Druker, Henderson, Jacks and Williams currently serve as professors for universities to which Amgen has made payments for certain business transactions such as symposiums, conferences and exhibits, postdoctoral research programs, clinical
trials, training and research and development, software licenses and maintenance, as well as for grants.

None of the directors directly or indirectly provides any professional or consulting services to us and none of the directors currently has or has had any direct or indirect material interest in any of the above transactions and arrangements. The Board determined that these transactions and arrangements did not warrant a determination that the director was not independent.

Governance Committee Processes and Procedures for Considering and Determining Director Compensation

The Governance Committee has the authority to evaluate and make recommendations to our Board regarding director compensation.

The Governance Committee conducts this evaluation periodically by reviewing our director compensation practices against the practices of an appropriate peer group and the Governance Committee may determine to make recommendations to our Board regarding possible changes to director compensation. The Governance Committee conducted such an assessment in 2017 and no changes were made to director compensation.

The Governance Committee has the authority to retain consultants to advise on director compensation matters. During 2017, the
Governance Committee engaged Frederic W. Cook and Co., or Cook & Co., to provide advice regarding director compensation. Cook & Co. reported directly to the Governance Committee and attended the Governance Committee meeting to evaluate director compensation. No executive officer has any role in determining or recommending the form or amount of director compensation.

The Governance Committee has authority to delegate any of these functions to a subcommittee of its members. No delegation of this authority was made in 2017.

Audit Committee	**Description and Key Responsibilities:**
Current Members: Charles M. Holley, Jr.* (Chair) (since February 2017 and appointed Chair October 2017) Wanda M. Austin (since December 2017) François de Carbonnel* Fred Hassan* Rebecca M. Henderson Frank C. Herringer* (served as Chair from 2017 Annual Meeting to October 2017) Tyler Jacks Ellen J. Kullman* *Audit Committee financial expert **Others Who Served in 2017:** Frank J. Biondi, Jr. (Chair until retirement at 2017 Annual Meeting) Judith C. Pelham (until retirement at 2017 Annual Meeting)	Oversees our accounting and financial reporting process and the audits of the financial statements, as required by NASDAQ. Assists the Board in fulfilling its fiduciary responsibilities with respect to the oversight of our financial accounting and reporting, the underlying internal controls and procedures over financial reporting, and the audits of the financial statements. Has sole authority for the appointment, compensation, retention and oversight of the work of the independent registered public accountants. Reviews and discusses, prior to filing or issuance, with management and the independent registered public accountants (when appropriate) our audited consolidated financial statements to be included in our Annual Report on Form 10-K and earnings press releases. Approves all related party transactions, as required by NASDAQ.

Number of Meetings Held in 2017: 9

Each member has been determined by the Board to be independent under The NASDAQ Stock Market listing standards and the requirements of the SEC, including the requirements regarding financial literacy and sophistication.

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Corporate Governance

Corporate Responsibility and Compliance Committee

Current Members:

Ronald D. Sugar (Chair)

Wanda M. Austin (since December 2017)

David Baltimore

François de Carbonnel

Rebecca M. Henderson

Charles M. Holley, Jr. (since February 2017)

R. Sanders Williams

Number of Meetings Held in 2017: 5

Each member has been determined by the Board to be independent under The NASDAQ Stock Market listing standards and the requirements of the SEC.

Description and Key Responsibilities:

Oversees our compliance program and reviewing our programs in a number of areas governing ethical conduct including:

- U.S. Federal health care program requirements;
- U.S. Food and Drug Administration requirements and other regulatory agency requirements, including good manufacturing, clinical and laboratory practices, drug safety and pharmacovigilance activities;
- interactions with members of the healthcare community;
- the Company s Corporate Integrity Agreement;
- anti-bribery/anti-corruption activities;
- environment, health and safety;
- information security, including cybersecurity; and

- human resources and government affairs.

Receives regular updates on pricing and access, political, social and environmental trends, and public policy issues that may affect our reputation, including our business or public image, and reviews our sustainability, political and philanthropic activities.

About Our Compliance Program

Amgen s Compliance Program is designed to promote ethical business conduct and ensure compliance with applicable laws and regulations. The key objectives of our compliance program operations include:

developing policies and procedures;

providing ongoing compliance training and education;

auditing and monitoring of compliance risks;

maintaining and promoting avenues for staff to raise concerns, including anonymously through a business conduct hotline;
conducting investigations;

responding appropriately to any compliance violations; and

taking appropriate steps to detect and prevent recurrence.

Our Chief Compliance Officer, who reports to the CEO, oversees the ongoing operations of the compliance program.

Codes of Ethics and Business Conduct

Our Board has adopted two codes of business conduct and ethics, one that applies to our directors and a second that applies to our directors and all of our staff members, including our executive officers. We also have a code of ethics for senior financial officers. To view our codes of business conduct, please visit our website at *www.amgen.com*. We intend to disclose any future amendments to

certain provisions of our codes of business conduct and ethics, or waivers of such provisions, applicable to our directors and executive officers, at the same location on our website identified above. There were no waivers of any of the codes of business conduct or the codes of ethics in 2017.

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Corporate Governance

Our Environmental Sustainability and Social Responsibility Efforts

We have demonstrated our commitment to environmentally responsible operations by reducing our impact on the environment in multiple areas of our global business. Our next-generation biomanufacturing facility in Singapore dramatically reduces the scale and costs of making biologics, vastly reduces water and energy use, while maintaining a reliable, high-quality, compliant supply of medicines. We earned placement on the Dow Jones Sustainability World Index for the fourth year in a row and on the North America Index for the fifth year in a row. Our Responsibility Highlights Report is available online on the Company s website at *www.amgen.com/responsibility*. Further, we are a signatory to the United Nations Global Compact, a voluntary initiative based on commitments to implement universal sustainability principles and take steps to support United Nations goals.

Amgen is committed to assisting patients with no or limited drug coverage to access the medicines they need. We provide patient support and education programs and help patients in financial need access our medicines. We partner with payers to share risk and accountability for health outcomes, and help patients access the medicines they need without significant financial burden. We have been at the forefront of developing innovative contracting and

partnerships designed to improve population health and patient access, as well as outcomes-based and risk-sharing approaches that directly link the price of our medicines to their effectiveness.

Through our Amgen Foundation, established in 1991, we seek to advance excellence in science education to inspire the next generation of innovators, and invest in strengthening communities where our staff members live and work. The Amgen Foundation has contributed approximately $300 million to non-profit organizations across the world that reflect our core values and complement Amgen s dedication to impacting lives in inspiring and innovative ways. We have also provided support following devastating disasters, including, for example, the contribution of immediate relief and reconstruction efforts in Puerto Rico to address the impact of Hurricane Maria. Moreover, through a twelve-year, $50 million commitment from the Amgen Foundation, the Amgen Scholars Program makes it possible for young scientists across the globe to engage in cutting-edge research experiences and learn more about biotechnology and drug discovery. Additionally, the Amgen Foundation supports the Amgen Biotech Experience, an innovative science education program that empowers high school and middle school teachers to bring biotechnology into their classrooms.

Description and Key Responsibilities:

Compensation and Management Development Committee

Current Members:

Robert A. Eckert (Chair)

Greg C. Garland

Fred Hassan

Tyler Jacks

Others Who Served in 2017:

Frank C. Herringer (Chair until 2017 Annual Meeting)

Frank J. Biondi, Jr. (until retirement at 2017 Annual Meeting)

Judith C. Pelham (until retirement at 2017 Annual Meeting)

Number of Meetings Held in 2017: 5

Independent Compensation Consultant: Frederic W. Cook & Co., or Cook & Co.

Each member has been determined by the Board to be independent under The NASDAQ Stock Market listing standards and the requirements of the SEC.

Assists the Board in fulfilling its fiduciary responsibilities with respect to the oversight of the Company s compensation plans, policies and programs with a focus on encouraging high performance, promoting accountability and adherence to Company values and aligning with the interests of the Company s stockholders.

Reviews all executive officer compensation.

Responsible for ensuring that the executive management development processes attract, develop and retain talented leadership to serve the long-term best interests of the Company and overseeing succession planning for senior management.

Oversees the Board s relationship with stockholders on executive compensation matters, including stockholder outreach efforts, stockholder proposals, advisory votes, communications with proxy advisory firms and related matters.

Executive Compensation Website

We maintain a website accessible throughout the year at *www.amgen.com/executive compensation*, which provides a link to our most recent proxy statement and invites our stockholders to fill out a survey to provide input and feedback to the Compensation Committee regarding our executive compensation policies and practices.

Equity Award Committee 4 Meetings Held

Determines equity-based awards to non-Section 16 officers, vice presidents and below consistent with the equity grant guidelines established by the Compensation Committee.

Current Members:

Robert A. Eckert (Chair), Robert A. Bradway, Greg C. Garland

Frank C. Herringer (Chair and member until 2017 Annual Meeting)

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Corporate Governance

Compensation Committee Processes and Procedures for Considering and Determining Executive Compensation in 2017

With respect to our CEO, by the first calendar quarter of each year, the Compensation Committee reviews and approves Company performance goals and objectives for the current year and evaluates the CEO s performance for the previous year in light of the Company performance goals and objectives established for the prior year. The Compensation Committee evaluates the performance of the CEO within the context of the financial and operational performance of the Company, considers competitive market data and establishes the CEO s compensation based on this evaluation. The values of each component of total compensation (base salary, target annual cash incentive awards, and equity awards) for the current year, as well as total annual compensation for the prior year (including the value of equity holdings, potential change of control payments and vested benefits under our Retirement and Savings Plan, Supplemental Retirement Plan and Nonqualified Deferred Compensation Plan as of the end of the last fiscal year) are considered at this time. Final determinations regarding our CEO s performance and compensation are made during an executive session of the Compensation Committee and are reported to and reviewed by the Board in an independent directors session.

During 2017, the Compensation Committee engaged Cook & Co. to provide advice regarding executive compensation and executive compensation trends and developments, compensation designs and equity compensation practices, market data as requested, and opinions on the appropriateness and competitiveness of our executive compensation programs relative to market practice. Cook & Co. reported directly to the Compensation Committee and attended regularly scheduled meetings of the Compensation Committee (including meeting in executive session with the Compensation Committee, as requested). Each year the Compensation Committee reviews the independence of Cook & Co., an independent compensation consultant, and whether any conflicts of interest exist. After review and consultation with Cook & Co., the Compensation Committee has determined that Cook & Co. is independent and there is no conflict of interest resulting from retaining Cook & Co. currently or during the year ended December 31, 2017. In performing its analysis, the Compensation Committee considers the factors set forth in the SEC rules and The NASDAQ Stock Market listing standards.

In cooperation with management, Cook & Co. assesses the potential risks arising from our compensation policies and practices. Management interacts with the consultant to provide information or the perspective of management as requested by the consultant or Compensation Committee, coordinates payment to the consultant out of the Board s budget, notifies the consultant of upcoming agenda items and makes the consultant aware of regular or special meetings of the Compensation Committee.

In setting executive compensation, the Compensation Committee compares the Company s pay levels and programs to those of the Company s competitors for executive talent and uses this comparative data as a guide in its review and determination of compensation. Our Compensation Committee considers and selects an appropriate peer group (consisting of biotechnology and pharmaceutical companies), based, in part, on the recommendations of Cook & Co., and, for each Named Executive Officer, or NEO, the Compensation Committee reviews the compensation levels and practices of our peer group, which for our NEOs, other than the CEO, are based on reports prepared by management from information contained in compensation surveys and proxy statements. Cook & Co. provides the Compensation Committee with market data, the practices of our peer group and recommendations for the CEO position.

Our Compensation Committee determines compensation for the executive officers (other than the CEO) based, in part, on the recommendations of our CEO regarding base salary, annual cash incentive awards, and equity awards. In determining his compensation recommendations for each NEO, our CEO reviews comparative peer group data. The Compensation Committee has typically followed these recommendations.

The Compensation Committee generally holds executive sessions (with no members of management present, unless requested by the Compensation Committee) at its regular meetings.

The Compensation Committee has authority to delegate any of the functions described above to a subcommittee of its members. No delegation of this authority was made in 2017.

Pay Ratio

Following is a reasonable estimate, prepared under applicable SEC rules, of the ratio of the annual total compensation of our CEO to the median of the annual total compensation of our other staff members, calculated in accordance with the requirements of Item 402(c)(2)(x) of Regulation S-K. The Company determined our median employee based on total direct compensation paid to all of our staff members worldwide (consisting of approximately 20,600 individuals) recorded in our global systems as of November 1, 2017. Total direct compensation included base salary (wages earned based on our payroll records), annual cash incentive awards earned for the period (and target sales incentive awards for our sales force), and the

annual grant value of long-term incentive, or LTI, equity awards during 2017. Earnings of our staff members outside of the U.S. were converted to U.S. dollars using the currency exchange rate as of November 1, 2017. No cost-of-living adjustments were made. We then determined the annual total compensation of our median employee for 2017 which was $132,930. As disclosed in the Summary Compensation Table appearing on page 64, our CEO s annual total compensation for 2017 was $16,899,789. Based on the foregoing, the ratio of the annual total compensation of our CEO to that of the median staff member was 127 to 1.

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Corporate Governance

Compensation Risk Management

On an annual basis, management, working with the Compensation Committee s independent compensation consultant, conducts an assessment of the Company s compensation policies and practices for all staff members generally, and for our staff members who participate in our sales incentive compensation program, for material risk to the Company. The results of this assessment are reviewed and discussed with the Compensation Committee. Based on this assessment, review and discussion, we believe that, through a combination of risk-mitigating features and incentives guided by relevant market practices and our Company performance goals, our compensation policies and practices do not present risks that are reasonably likely to have a material adverse effect on us. In evaluating our compensation policies and practices, a number of factors were identified which the Company, the Compensation Committee and its independent consultant believe discourage excessive risk-taking, including the factors described below:

Our compensation programs consist of a mix of incentives that are tied to varying performance periods and are designed to balance our need to drive our current performance with the need to position the Company for longer-term success.

Of this mix of incentives, Company-wide results are the most important factor in determining the amount of an annual cash incentive award for each of our staff members. Additionally, we cap short-term incentives and make LTI equity awards a component of compensation for nearly all of our full-time staff members. In particular, the CEO and the other executive officers participate in compensation plans that are designed so that the largest component of their compensation is in the form of LTI equity awards to ensure that a significant portion of their compensation is associated with long-term, rather than short-term, outcomes, which aligns these individuals interests with our stockholders.

We employ appropriate practices with respect to equity awards: we do not award mega-grants, discounted stock options or immediately vested stock options to staff members; we have grant guidelines that generally limit the grant date for our equity grants to the third business day after our announcement of quarterly earnings.

We have robust stock ownership guidelines for vice presidents and above that require significant investment by these individuals in our Common Stock.

We require that each officer who has not met his or her required ownership guidelines retain shares of our Common Stock acquired through the vesting of restricted stock units, the payout of performance units, and the exercise of stock options awarded on or after December 15, 2015, net of shares retained by us to satisfy associated tax withholding requirements and exercise price amounts, until such officer has reached his or her required stock ownership level.

Our Company values and leadership behaviors are an integral part of the performance assessments of our staff members and are particularly emphasized in our assessment tools at higher positions. These evaluations serve as an important information tool and basis for compensation decisions.

The Compensation Committee retains full discretion to reduce or eliminate annual cash incentive awards to our executive officers and can and has modified awards downwards.

We have a clawback policy that requires our Board to consider recapturing past cash or equity compensation payouts awarded to our executive officers if it is subsequently determined that the amounts of such compensation were determined based on financial results that are later restated and the executive officer s misconduct caused or partially caused such restatement.

We have recoupment provisions that expressly allow the Compensation Committee or management, as appropriate, to consider employee misconduct that caused serious financial or reputational damage to the Company when determining whether an employee has earned an annual cash incentive award or the amount of any such award.

Our Insider Trading Policy prohibits pledging or purchasing of our Common Stock on margin and hedging the economic risk of our Common Stock.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management, and based on the review and discussions, recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the

Company s 2018 Annual Meeting proxy statement and incorporated by reference into the Company s Annual Report on Form 10-K for the year ended December 31, 2017.

Compensation Committee of the Board of Directors

Robert A. Eckert, Chairman

Greg C. Garland

Fred Hassan

Tyler Jacks

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Item 2 Advisory Vote to Approve Our Executive Compensation

Item 2

Advisory Vote to Approve Our Executive Compensation

This advisory stockholder vote, commonly known as Say on Pay, gives you, as a stockholder, the opportunity to endorse or not endorse our executive pay program and policies. Accordingly, you are being asked to vote on the compensation of our Named Executive Officers, or NEOs, as disclosed in the Compensation Discussion and Analysis (pages 32 through 63) and related compensation tables and the narrative in this proxy statement (pages 64 through 78).

Our executive compensation program is designed to achieve the following objectives:

Pay for performance in a manner that strongly aligns with stockholder interests by rewarding both our short-and long-term measurable performance.
Drive implementation of our business strategy and position our staff to execute on our strategic priorities in the near- and longer-term.

Attract, motivate and retain the highest level of executive talent by providing competitive compensation, consistent with their roles and responsibilities, our success and their contributions to this success.

Mitigate compensation risk by maintaining pay practices that reward actions and outcomes consistent with the sound operation of our Company and with the creation of long-term stockholder value.

Consider all Amgen staff members in the design of our executive compensation programs, to ensure a consistent approach that encourages and rewards all staff members who contribute to our success.

We Have Implemented Compensation Best Practices

What we do

A substantial majority of NEO compensation is performance-based and at-risk

Clawback policy tied to financial restatement

Recoupment in the case of misconduct causing serious financial or reputational damage

Robust stock ownership and retention guidelines

Minimum vesting periods

Double-trigger for stock options and restricted stock units in the event of a change of control

Long-term performance-based equity awards (80% of total equity)

Independent compensation consultant

What we don t do

× No re-pricing or backdating

× No tax gross-ups (except in connection with relocation)

× No excessive perks

× No employment agreements

× No dividends paid on unvested equity

× No defined benefit pension or supplemental executive retirement plan (SERP) benefits

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Item 2 Advisory Vote to Approve Our Executive Compensation

2017 Executive Compensation Was Aligned With Our Strategy and Performance

As discussed more fully in our Compensation Discussion and Analysis starting on page 32, a significant majority of each NEO s compensation is at-risk and dependent on our performance and execution of our strategic priorities and the compensation objectives discussed above.

2017 Target Total Direct Compensation Mix

2017 Award Allocation and Performance

2017 Annual Cash Incentive Program

Our annual cash incentive award program compensation is tied directly to our performance based on pre-established financial and operating performance goals that support execution of our strategic priorities. The table below illustrates the weighting of each goal and our actual performance for 2017. Based on our overall performance in 2017 compared to the pre-established Company performance goals, we paid annual cash incentive awards at 115% of target bonus opportunity, a decrease of 44.5 percentage points from our 2016 payout of 159.5% of target bonus opportunity. The following is a summary of our progress against these goals and our strategic priorities. See the Compensation Discussion and Analysis for an expanded discussion.

Goal	Weighting	% of Target Earned
1. Financial Performance		
Revenues	30%	110.6%

Non-GAAP Net Income[1]	30%	116.8%
2. Progress Innovative Pipeline		
Execute Key Clinical Studies and Regulatory Filings	20%	123.0%
Advance Early Pipeline	5%	201.7%
3. Deliver Annual Priorities		
Execute Critical Launches and Long-Term Commercial Objectives	10%	76.0%
Realize Functional Transformation Objectives	5%	90.4%
Composite Score		**Achieved 115.0%**

(1) Non-Generally Accepted Accounting Principles, or non-GAAP, net income for purposes of the 2017 Company performance goals of our annual cash incentive award program is reported and reconciled in **Appendix B**.

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Item 2 Advisory Vote to Approve Our Executive Compensation

- **We Delivered on Our Financial Performance Goals.**

Our non-GAAP net income(1) grew 5% to $9.2 billion in 2017, driven by lower expenses, including transformation and process improvement savings, and increased interest income from higher cash balances partially offset by investments to grow our business, including launching and maintaining new products, building out new therapeutic areas, advancing our biosimilars business and increasing our global presence.

Revenues were $22.8 billion in 2017, a slight decrease from 2016 despite increased competition for many of our largest products, several of which have lost patent protection. Actual performance was strong as 2017 reported product sales declined by less than $100 million (0.4%) compared to 2016 reported sales.

- **We Progressed Our Pipeline.**

Our medicines treat serious illnesses. In 2017, we have progressed important product candidates in all six of our therapeutic areas.

Executing Key Clinical Studies and Regulatory Filings.

Innovative Portfolio Developments.

Bone Health. For *Prolia*®, our medicine for patients with osteoporosis, we filed a supplemental BLA(2) with the FDA(3) based on Phase 3 study data that demonstrated that Prolia treatment led to greater increases in bone mineral density in patients with glucocorticoid-induced osteoporosis compared with risedronate.

Cardiovascular. For *Repatha*®, this therapy was approved by the FDA:

- as the first PCSK9 inhibitor to prevent heart attacks, strokes, and coronary revascularizations in adults with established cardiovascular disease; and

- to be used as an adjunct to diet, alone or in combination with other lipid-lowering therapies, such as statins, for the treatment of adults with primary hyperlipidemia to reduce low-density lipoprotein cholesterol.

In 2018, the CHMP(4) of the EMA(5) adopted a positive opinion for the Marketing Authorization to include similar indications.

Oncology/Hematology.

- For *KYPROLIS*®, our medicine for patients with relapsed or refractory multiple myeloma, we reported three positive Phase 3 studies two of which demonstrated that different KYPROLIS regimens improved overall survival as compared to other therapeutic regimens. One set of overall survival data has been approved by the FDA for inclusion in the label and recommended for inclusion by the CHMP of the EMA and the other set is under consideration for inclusion by both regulators.

- For *XGEVA*®, our medicine for the prevention of fractures and other skeletal-related events, in 2018 the FDA approved a supplemental BLA for the prevention of skeletal-related events in patients with multiple myeloma and the European Commission approved a variation to the Marketing Authorization to include a similar indication.

- For *BLINCYTO*®, our medicine for patients with acute lymphoblastic leukemia, or ALL, the FDA approved a supplemental BLA to include overall survival data from the Phase 3 TOWER study and expanded the indication to the treatment of relapsed or refractory B-cell precursor ALL in adults and children. In 2018, the FDA approved a supplemental BLA for the treatment of minimal residual disease in adults and children with B-cell precursor ALL.

- For *Vectibix*®, our medicine for patients with colorectal cancer, the FDA approved a supplemental BLA for Vectibix as a first-line therapy in combination with FOLFOX and as a monotherapy following disease progression after prior treatment with chemotherapies for patients with wild-type *RAS* metastatic colorectal cancer.

Neuroscience. For *Aimovig*(6), our medicine being developed to prevent migraine, based on multiple positive studies demonstrating that Aimovig reduced the number of migraine days for patients with episodic and chronic migraine, we submitted a BLA to the FDA.

Inflammation. For *tezepelumab*(7), our medicine being developed for asthma, we reported that Phase 2b trial results demonstrated that tezepelumab significantly reduced asthma exacerbations in patients with uncontrolled asthma and initiated a Phase 3 study in early 2018.

Nephrology. For *Parsabiv* , we received FDA approval for the treatment of secondary hyperparathyroidism in adult patients with chronic kidney disease on hemodialysis. We launched Parsabiv in the U.S. in January 2018 and continue to launch in new markets throughout the world.

(1) Non-GAAP net income is reported and reconciled in **Appendix B**.
(2) Biologics License Application.
(3) U.S. Food and Drug Administration.
(4) Committee for Medicinal Products for Human Use.
(5) European Medicines Agency.

(6) Jointly developed in collaboration with Novartis AG.
(7) Jointly developed in collaboration with AstraZeneca plc.

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Item 2 Advisory Vote to Approve Our Executive Compensation

Biosimilars Portfolio Developments.

The FDA approved *MVASI*(1) (biosimilar bevacizumab (Avastin®)) for the treatment of five types of cancer, the first ever biosimilar to fight cancer approved by the FDA, and the European Commission granted Marketing Authorization in January 2018.

The European Commission granted Marketing Authorization for *AMGEVITA* (biosimilar adalimumab (HUMIRA®)) in all available indications. We expect to begin launching AMGEVITA in Europe in 2018.

We submitted a BLA to the FDA and, in 2018, the CHMP of the EMA adopted a positive opinion for the Marketing Authorization for *ABP 980*(1) (biosimilar trastuzumab (Herceptin®)).

- ***We Advanced Our Early Pipeline.***

Generated **11** product teams (formed when a molecule has the potential to be safe and effective in humans), a record number for our Company.

Initiated **4** first-in-human studies.

Advanced *AMG 301*(2), our medicine being investigated for migraine prevention, into Phase 2.

- **We Delivered on Our Annual Priorities to Execute Critical Launches and Long-Term Commercial Objectives.**

Prolia worldwide sales increased in 2017 by 20% year-over-year. Prolia is the leading osteoporosis therapy today. There are 3.5 million patients worldwide taking Prolia, and the demand for it continues to grow.

We increased Repatha U.S. net sales and average annual total prescriptions share, as well as E.U. average annual market share. Our focus remains on enabling access to Repatha for appropriate patients as hurdle rates for access and reimbursement for patients remain high.

We increased KYPROLIS U.S. and ex-U.S. net sales. Our clinical development program has delivered overall survival results in support of KYPROLIS as a backbone therapy for multiple myeloma.

[a] **We Realized Our Functional Transformational Objectives.**

We realized approximately $400 million in savings as a result of initiatives at the Company level as well as activities within each function designed to transform approaches and improve processes with specific savings targets established for each area.

Together with our progress this year, since 2014, we have realized approximately $1.5 billion of transformation and process improvement savings. These savings were reinvested in product launches, clinical programs and external business development. Consequently, net savings in the same period have not been significant.

Further Progress on Our Strategic Priorities

Capitalizing on our expansion activities, we secured 80 product country launches.

While investing $3.6 billion in research and development, we also returned a total of $6.5 billion of capital to our stockholders through dividends and stock repurchases.

We have built leading patient- and provider-friendly device capabilities to enhance patient experience and to differentiate our product, including the Enbrel Mini single-dose prefilled cartridge with AutoTouch reusable auto-injector and the Neulasta® Onpro® kit.

We made investments in next-generation biomanufacturing that build on our existing industry leadership in biologic manufacturing. This next-generation biomanufacturing dramatically reduces the scale and costs of making biologics while maintaining a reliable, high-quality, compliant supply of medicines. In 2017, our new Singapore facility that utilizes the next-generation biomanufacturing approach was approved for certain commercial scale production by multiple regulatory agencies, including the FDA and the EMA.

Long-Term Incentive Performance Award Program

Our long-term incentive, or LTI, equity award compensation is tied directly to our stock performance and aligns with the interests of our stockholders.

Long-Term Incentive Program	Equity Weighting	% of Target Earned

Performance Units (2015-2017 performance period)	50%	93.4%

(1) Jointly developed in collaboration with Allergan plc.
(2) Jointly developed in collaboration with Novartis AG.

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Item 2 Advisory Vote to Approve Our Executive Compensation

Performance units earned for the 2015-2017 performance period (January 30, 2015 to January 30, 2018) were based on an earned payout percentage of 93.4% reflecting the Company s three-year total shareholder return, or TSR, performance at the 46.7th percentile relative to the TSRs of the companies in the Standard & Poor s 500 Index, or S&P 500, since the beginning of the performance period. Our beginning stock price and ending stock price for purposes of the 2015-2017 performance period are each the average daily closing price of a share of our Common Stock for the beginning and last twenty trading days of the performance period ($154.49 and $186.61, respectively). Separately, but of note, Amgen s 2015-2017 three year TSR (30.0%) outperformed that of the average TSR of our 2017 peer group (11.6%).

The 2015-2017 performance period of the performance award program is the last performance period that is earned based solely on our relative TSR performance. Commencing in 2016, and continuing in 2017 and 2018, our outstanding LTI equity award performance units are earned based on our financial performance as measured under annual financial measures, equally weighted with the resulting average earnout percentage increased or decreased by our relative TSR performance against the companies in the S&P 500 for the performance period that commences with the grant date and continues through December 31 of the last year of the relevant three-year performance period. The annual financial performance goals for each of the three years in the performance period are established at the commencement of the three-year performance period.

While retaining most of the elements of the 2016-2018 performance period goal design, the Compensation and Management Development Committee, or Compensation Committee, replaced non-GAAP operating expense with non-GAAP return on invested capital, or ROIC, for the third year (2019) of the 2017-2019 performance period. The Compensation Committee s replacement of non-GAAP operating expense with non-GAAP ROIC as one of the three financial performance measures (in addition to non-GAAP earnings per share and non-GAAP operating margin) in the third year of the 2017-2019 performance period is designed to support our transformation strategic priority to deliver an efficient, disciplined business model beyond 2018.

Positive 2017 Say on Pay Vote Outcome and Engagement With Our Stockholders

In 2017, we received approximately 95% stockholder support on our say on pay advisory vote. Consistent with our broad direct stockholder outreach over the past several years, since our 2017 annual meeting of stockholders, in addition to our outreach by our executives and our Investor Relations department to investors, we have engaged in governance-focused outreach activities and discussions with

stockholders comprising approximately 52% of our outstanding shares. The compensation-related feedback is reviewed by our Compensation Committee. We have made a number of compensation changes in response to past

discussions with our stockholders and have implemented the compensation best practices discussed below. For more detail regarding our stockholder engagement, see page 38.

Board Recommends a Vote FOR Our Executive Compensation

Our Board believes that our current executive compensation program aligns the interests of our executives with those of our stockholders and compensation outcomes are primarily based on the performance of our Company. We intend that our compensation programs reward actions and outcomes that are consistent with the sound operation of our Company, advance our strategy and are aligned with the creation of long-term stockholder value.

For the reasons discussed above and more fully in the Compensation Discussion and Analysis, the Board recommends that stockholders vote FOR the following resolution:

Resolved, that the stockholders approve, on an advisory basis, the compensation paid to the Company s Named Executive Officers, as

disclosed pursuant to Securities and Exchange Commission rules in the Compensation Discussion and Analysis, the compensation tables and the accompanying narrative disclosure of this proxy statement.

Although this vote is advisory and is not binding on the Board, our Compensation Committee values the opinions expressed by our stockholders and will consider the outcome of the vote when making future executive compensation decisions.

We currently conduct annual advisory votes on executive compensation, and we expect to conduct the next advisory vote on executive compensation at our 2019 annual meeting of stockholders.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ADVISORY RESOLUTION TO APPROVE THE COMPENSATION OF THE COMPANY S NAMED EXECUTIVE OFFICERS.

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Compensation Discussion and Analysis

Executive Compensation

Compensation Discussion and Analysis

This Compensation Discussion and Analysis describes our compensation strategy, philosophy, policies, programs and practices, or compensation program, for our Named Executive Officers, or NEOs, and the positions they held in 2017 below.

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Our Named Executive Officers

Name	Title
Robert A. Bradway	Chairman of the Board, Chief Executive Officer and President
Anthony C. Hooper	Executive Vice President, Global Commercial Operations
Sean E. Harper	Executive Vice President, Research and Development
David W. Meline	Executive Vice President and Chief Financial Officer

Jonathan P. Graham Senior Vice President, General Counsel and Secretary

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Compensation Discussion and Analysis

Our Strategy

Six therapeutic areas form the core of our business cardiovascular, oncology/hematology, neuroscience, inflammation, nephrology, and bone health. Our strategy in these therapeutic areas includes a series of integrated activities to strengthen our long-term competitive position in the industry. These activities include the following strategic priorities:

Our Strategic Priorities

Key 2017 activities that align our NEO pay with performance and support the execution of these strategic priorities are summarized in the following pages.

Strategic Priorities	Description
	Our focus on developing innovative, breakaway medicines to address important unmet needs guides how we allocate resources across internal and external program possibilities. This results in a productive balance of internal development and external programs and collaborations reflected in our current product portfolio and pipeline.

We continue to improve our business and operating model through significant transformation and process improvement efforts. Among these programs, we have reduced the time it takes to bring new medicines to market, reengineered internal processes to make them more efficient, and explored new technologies with potential to further enhance the value we deliver to patients. Further, these transformation and process improvement efforts have resulted in significant costs savings and improved return on capital.

We have been actively expanding our presence by opening new affiliates and locations around the world, pursuing appropriate acquisitions and acquiring global rights to market our products. Amgen medicines are now available to patients in approximately 100 countries worldwide. We are leveraging our global presence to deliver the potential of our products to patients globally.

Our first next-generation biomanufacturing facility in Singapore has been constructed in less than half the time, at a quarter of the cost of a traditional facility while using 75% less space and having a much smaller impact on the environment. This facility was approved for certain commercial scale production by multiple regulatory agencies, including the FDA[(1)] and the EMA[(2)] in 2017. We are expanding our application of next-generation manufacturing in our organization. We announced in 2018 that we will invest in greater manufacturing capacity to support the volume growth that we foresee and plan to build a new drug substance manufacturing plant using our next-generation biomanufacturing capability in the U.S.

Biologic medicines are, for the most part, injected subcutaneously or administered intravenously. Innovations that make the delivery of our medicines easier and less costly offer important opportunities for differentiation, are good for patients and also have positive economic benefits to the healthcare system overall.

We recognize that stockholders who support investment in developing innovative medicines require an appropriate return on the capital they commit to Amgen. In 2017, we returned $6.5 billion in capital to our stockholders ($3.4 billion in dividends and

$3.1 billion in stock repurchases).

We believe our deep experience in biologics development and unparalleled capabilities in biotechnology manufacturing make entry into the emerging biosimilars market attractive and position us for leadership.

(1) U.S. Food and Drug Administration.
(2) European Medicines Agency.

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Compensation Discussion and Analysis

Aligning Pay With Performance and Execution of Our Strategic Priorities

A significant majority of each NEO s compensation is dependent on our performance and execution of our strategic priorities. Our annual cash incentive and long-term equity incentive programs together promote focus on both near- and long-term stockholder value creation by providing incentive compensation that is earned based on our financial, operating, and stock price performance and is at risk. We have been pleased with the level of stockholder support we have received on our say on pay advisory vote over time, receiving in excess of 95% support over the last three years (2015-2017). In 2017, we made significant progress on our 2017 performance goals and advancing our strategic priorities, which facilitate execution of our strategy.

Our annual cash incentive compensation program is tied directly to our performance based on pre-established financial goals (revenues (30%) and non-GAAP net income[1] (30%)), and operating performance goals (progressing our pipeline (25%) and delivering on annual priorities (15%)):

Goal	Weighting	% of Target Earned
Financial Performance		
	30%	110.6%

Revenues		
Non-GAAP Net Income[1]	30%	116.8%
Progress Innovative Pipeline		
Execute Key Clinical Studies and Regulatory Filings	20%	123.0%
Advance Early Pipeline	5%	201.7%
Deliver Annual Priorities		
Execute Critical Launches and Long-Term Commercial Objectives	10%	76.0%
Realize Functional Transformation Objectives	5%	90.4%
Composite Score	**Achieved**	**115.0%**

1. Our financial performance was strong.

Our non-GAAP net income[1] grew 5% to $9.2 billion in 2017, driven by lower expenses, including transformation and process improvement savings, and increased interest income from higher cash balances partially offset by investments to grow our business, including launching and maintaining new products, building out new therapeutic areas, advancing our biosimilars business and increasing our global presence.

Revenues were $22.8 billion in 2017, a slight decrease from 2016 despite increased competition for many of our largest products, several of which have lost patent protection. Actual performance was strong as 2017 reported product sales declined by less than $100 million (0.4%) compared to 2016 reported sales.

2. We progressed our pipeline.

We develop innovative medicines in six focused therapeutic areas that meet unmet medical needs in addressing serious illnesses. (For complete information of all of our material pipeline advancements, please refer to our Form 10-K for the year ended December 31, 2017.) In 2017, we have progressed important products and product candidates in all six of our therapeutic areas.

Bone Health Therapeutic Area

For **Prolia®** (our medicine for patients with osteoporosis), in 2017 positive Phase 3 study data demonstrated that Prolia treatment led to greater increases in bone mineral density in patients with glucocorticoid-induced osteoporosis compared with risedronate. We filed a supplemental BLA(2) and the FDA set a PDUFA(3) target action date of May 28, 2018.

For **EVENITY**(4) (our medicine for patients with osteoporosis), the EMA accepted the Marketing Authorization Application for the treatment of osteoporosis in postmenopausal women and in men at increased risk of fracture.

(1) Non-Generally Accepted Accounting Principles, or non-GAAP, net income for purposes of the 2017 Company performance goals of our annual cash incentive award program is reported and reconciled in **Appendix B**.
(2) Biologics License Application.
(3) Prescription Drug User Fee Act.
(4) Jointly developed in collaboration with UCB.

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Cardiovascular Therapeutic Area

Cardiovascular disease is the most costly disease for society today. In the absence of new therapies to reduce the risk of cardiovascular events for the millions of high risk patients in the U.S. and around the world, the burden of this disease is set to rapidly rise.

For **Repatha®** (our medicine for certain patients who are unable to get their low-density lipoprotein, or LDL, cholesterol (bad cholesterol) under control):

In early 2017, we reported results from our Phase 3 cardiovascular outcomes study of approximately 27,500 patients with atherosclerotic cardiovascular disease that demonstrated that adding Repatha to optimized statin therapy resulted in a statistically significant 20 percent reduction in major adverse cardiovascular events represented in the composite endpoint of time to first heart attack, stroke, or cardiovascular death and that the magnitude of risk reduction grew over time (an exploratory analysis showing a reduction in risk of 25 percent beyond the first year). Further, the study also demonstrated that Repatha reduced the risk of heart attack by 27 percent, the risk of stroke by 21 percent and the risk of coronary revascularization by 22 percent. Based on this data and following an expedited review by the FDA, the FDA approved Repatha as the first PCSK9 inhibitor to prevent heart attacks, strokes and coronary revascularizations in adults with established cardiovascular disease. The FDA also approved Repatha to be used as an adjunct to diet, alone or in combination with other lipid-lowering therapies, such as statins, for the treatment of adults with primary hyperlipidemia to reduce LDL cholesterol. In 2018, the CHMP[(1)] of the EMA adopted a positive opinion for the Marketing Authorization to include similar indications; and

Also during 2017, we performed additional analyses of the cardiovascular outcomes study that demonstrated that reducing LDL cholesterol levels with Repatha also reduced:

- cardiovascular events in patients with diabetes;
- the risk of cardiovascular events in a sub-group of patients with a history of stroke;
- the risk of cardiovascular events in a sub-group of patients with a history of heart attacks; and
- cardiovascular events in high-risk patients with peripheral artery disease.

Oncology Therapeutic Area

For **KYPROLIS®** (our medicine for patients with relapsed or refractory multiple myeloma), in 2017 we reported three positive Phase 3 studies:

- ENDEAVOR[(2)] confirming that a combination regimen including KYPROLIS dosed at 56 mg/m^2 twice weekly extended overall survival in patients with relapsed multiple myeloma. The FDA approved adding the overall survival data from the ENDEAVOR study into the label in 2018. The CHMP of the EMA adopted a positive opinion recommending a label variation to include the ENDEAVOR overall survival data;

- ASPIRE[(3)] showing that a different combination regimen including KYPROLIS dosed at 27 mg/m^2 twice weekly also significantly improved overall survival in patients with relapsed multiple myeloma. We submitted a supplemental New Drug Application to the FDA and a variation to the Marketing Authorization Application to the EMA to include the overall survival data from the ASPIRE study in the product label; and

- ARROW[(4)] showing a weekly KYPROLIS regimen dosed at 70 mg/m^2 significantly improved progression free survival compared to a twice weekly regimen including KYPROLIS dosed at 27 mg/m^2 in relapsed and refractory multiple myeloma patients.

For **XGEVA®** (our medicine for the prevention of fractures and other skeletal-related events), in 2017 we reported results from a study that demonstrated that XGEVA is non-inferior to zoledronic acid in delaying the time to first skeletal-related event in patients with multiple myeloma and in January 2018 the FDA approved XGEVA for this indication, providing a new treatment option for multiple myeloma patients for prevention of skeletal-related events without the associated kidney toxicity of currently available therapies. In 2018, the European Commission approved a variation to the Marketing Authorization to similarly expand XGEVA s indication.

For **BLINCYTO®** (our medicine for patients with acute lymphoblastic leukemia, or ALL), in 2017 the FDA approved a supplemental BLA to include overall survival data from the Phase 3 TOWER study and expanded the indication to the treatment of relapsed or refractory B-cell precursor ALL in adults and children. In 2018, the CHMP of the EMA adopted a positive opinion recommending a label variation to include the same overall survival data and supported the conversion of the conditional Marketing Authorization to a full Marketing Authorization in adult patients with relapsed or refractory B-cell precursor ALL. In 2018, the FDA approved a supplemental BLA for the treatment of minimal residual disease in adults and children with B-cell precursor ALL.

(1) Committee for Medicinal Products for Human Use.
(2) RandomizEd, OpeN Label, Phase 3 Study of Carfilzomib Plus DExamethAsone Vs Bortezomib Plus DexamethasOne in Patients with Relapsed Multiple Myeloma.
(3) CArfilzomib, Lenalidomide, and DexamethaSone versus Lenalidomide and Dexamethasone for the treatment of PatIents with Relapsed Multiple MyEloma.
(4) RAndomized, Open-label, Phase 3 Study in Subjects with Relapsed and Refractory Multiple Myeloma Receiving Carfilzomib in Combination with Dexamethasone, Comparing Once-Weekly versus Twice-weekly Carfilzomib Dosing.

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For **Vectibix®** (our medicine for patients with colorectal cancer), in 2017 the FDA approved a supplemental BLA for Vectibix as first-line therapy in combination with FOLFOX and as monotherapy following disease progression after prior treatment with chemotherapies for patients with wild-type *RAS* metastatic colorectal cancer.

Neuroscience Therapeutic Area

For **Aimovig** [1](our medicine to prevent migraine), based on multiple positive studies demonstrating that Aimovig reduced the number of migraine days for patients with episodic and chronic migraine, in 2017 we submitted a BLA to the FDA.

Inflammation Therapeutic Area

For **tezepelumab**[2] (our medicine being developed for asthma), we reported that Phase 2b trial results demonstrated that tezepelumab significantly reduced asthma exacerbations in patients with uncontrolled asthma. In 2018, tezepelumab advanced into Phase 3 study to evaluate its efficacy and safety in adults and adolescents with severe uncontrolled asthma.

Nephrology Therapeutic Area

For **Parsabiv**, in 2017 we received FDA approval for the treatment of secondary hyperparathyroidism in adult patients with chronic kidney disease on hemodialysis.

Our deep experience in biologics development and capabilities in biotechnology manufacturing positions us for success in the emerging biosimilars market. In our biosimilars portfolio in 2017, we reported:

The European Commission granted Marketing Authorization for **AMGEVITA** (biosimilar adalimumab (HUMIRA®)) in all available indications. We expect to begin launching AMGEVITA in Europe in 2018;

The FDA approved **MVASI** [3](biosimilar bevacizumab (Avastin®)) for the treatment of five types of cancer, the first ever biosimilar to fight cancer approved by the FDA, and the European Commission granted Marketing Authorization in January 2018;

We submitted a BLA to the FDA for **ABP 980**[3] (biosimilar trastuzumab (Herceptin®)) and the FDA has set a Biosimilar User Fee Act target action date of May 28, 2018. In 2018, the CHMP of the EMA adopted a positive opinion for the Marketing Authorization for ABP 980; and

We are in Phase 3 for two other biosimilars **ABP 710** (biosimilar infliximab (REMICADE®)) and **ABP 798**[3] (biosimilar rituximab (RITUXAN®)).

3. We delivered on our annual priorities to execute critical launches and long-term commercial objectives and realize our transformational objectives.

Prolia worldwide sales in 2017 increased 20% year-over-year. Prolia is the leading osteoporosis therapy today. There are 3.5 million patients worldwide taking Prolia, and the demand for it continues to grow by double-digit percentages.

Our focus remains on enabling access to Repatha for appropriate patients as hurdle rates for access and reimbursement for patients remain high.

- We increased U.S. net sales and average annual total prescriptions (TRx) share, as well as E.U. average annual market share.

- The FDA s priority review of Repatha s cardiovascular outcomes data resulted in changes in our label that allowed us to start promoting Repatha s ability to reduce heart attacks and strokes with both physicians and patients in December 2017.

- We have entered into outcomes-based contracts which provide refunds for the cost of Repatha for eligible patients who have a heart attack or stroke while on Repatha.

Our clinical development program has delivered results in support of KYPROLIS as a backbone therapy for multiple myeloma.

- We increased U.S. and ex-U.S. net sales.

- The addition of overall survival data to the U.S. KYPROLIS label and the CHMP of the EMA adopted a positive opinion recommending the inclusion of overall survival data from the ENDEAVOR study discussed previously.

- KYPROLIS has established strong share in second and later lines of multiple myeloma therapy, and we expect the addition of overall survival data to strengthen its appeal to physicians, payers, and patients.

We have built leading patient- and provider-friendly device capabilities to enhance patient experience and to differentiate our products. This year:

We launched the **Enbrel** Mini single-dose prefilled cartridge with AutoTouch reusable auto-injector, a device that is ergonomically designed to meet the needs of rheumatoid arthritis patients; and

In the U.S., the **Neulasta®** Onpro® kit represented approximately 60% of Neulasta sales at the end of 2017. The CHMP of the EMA issued a positive opinion in 2018 recommending a label variation for Neulasta to include the Neulasta Onpro kit a device that combines the efficacy of Neulasta with an innovative on-body injector delivery

(1) Jointly developed in collaboration with Novartis AG.
(2) Jointly developed in collaboration with AstraZeneca plc.
(3) Jointly developed in collaboration with Allergan plc.

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system which has the potential to deliver better adherence to therapy and more convenience for patients and oncology practices.

In 2017, capitalizing on our expansion activities, we secured 80 country product launches.

Our commitment to improve our business and operating model through significant transformation and process improvement efforts announced in 2014 delivered results in 2017. These transformation and process improvement efforts across Amgen are continuing to re-shape the expense base and enable us to reallocate resources to fund many of our pipeline and growth opportunities that deliver value to patients and stockholders.

Non-GAAP operating margin[(1)] improved by 1.2 percentage points in 2017 to 53.5%, reflecting continued favorable expense impacts from our transformation initiatives across all operating expense categories.

Since 2014, we have realized approximately $1.5 billion of transformation and process improvement savings. These savings were reinvested in product launches, clinical programs and external business development. Consequently, net savings in the same period have not been significant.

Through our next-generation biomanufacturing capability, as well as other efforts to optimize our fixed capital infrastructure, we are on track to meet our 2018 goal of reducing our facility footprint by 23%.

In 2017, we also made strong progress on other strategic priorities:

We invested for long-term growth while returning substantial capital to our stockholders.

Our strong cash flows and balance sheet allowed continued investment for long-term growth through internal research and development ($3.6 billion in 2017) and external business development transactions, while simultaneously providing substantial returns to stockholders.

In 2017, while investing $3.6 billion in research and development, we also returned $6.5 billion of capital to our stockholders ($3.4 billion in dividends and ~18.5 million shares

in stock repurchases)

Annual Dividend Increases

* Represents annualized dividend

We increased our quarterly dividend per share 15% over 2016 (to $1.15 per share for 2017).

On December 22, 2017, the U.S. enacted the Tax Cuts and Jobs Act, or the 2017 Tax Act, resulting in our having global access to our $41.7 billion balance of cash, cash equivalents and marketable securities as of December 31, 2017. Based on our confidence in the long-term outlook for our business, enhanced by the 2017 Tax Act, and consistent with our ongoing objective to return capital to our stockholders, we executed a tender offer of $10 billion in shares. In addition to this approximately $10 billion share repurchase, we are evaluating other ways to deploy our balance of cash, cash equivalents and marketable securities and invest in our business.

We made investments in next-generation biomanufacturing that build on our existing expertise in human biology and protein manufacturing. This next-generation biomanufacturing dramatically reduces the scale and costs of making biologics while maintaining a reliable, high-quality, compliant supply of medicines.

In 2017, our new Singapore facility was approved for certain commercial scale production by multiple regulatory agencies, including the FDA and the EMA. At this facility, next-generation biomanufacturing vastly reduces water use and energy use, in turn, significantly reducing our carbon footprint. We are leveraging our global presence to deliver the potential of our products to patients globally.

We announced in 2018 that we will invest in greater manufacturing capacity to support the volume growth that we foresee. As a result, we plan to build a new drug substance manufacturing plant using our next-generation biomanufacturing capability in the U.S. and add highly skilled jobs.

(1) Reported and reconciled in **Appendix B**.

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Compensation Discussion and Analysis

Our long-term incentive, or LTI, equity award compensation is tied directly to our stock performance and aligns with the interests of our stockholders.

80% of our annual LTI equity award grants are performance-based, thus aligning compensation with value creation for our stockholders. Our performance units for the three-year performance period ending January 30, 2018 were earned based on our relative total shareholder return, or TSR. Our beginning stock price and ending stock price for purposes of the 2015-2017 performance period are each the average daily closing price of a share of our Common Stock for the beginning and last twenty trading days of the performance period ($154.49 and $186.61, respectively), representing **a three-year TSR of 30%**.

Payout under our LTI performance award program for our 2015-2017 performance period at 93.4% reflects our three-year TSR performance at the 46.7th percentile relative to the TSRs of the companies in the Standard & Poor s 500 Index, or S&P 500, for this performance period.

The 2015-2017 performance period is the last LTI performance unit program that is earned based solely on our relative TSR performance. Commencing in 2016, and continuing in 2017 and 2018, our outstanding LTI performance awards are earned based on our financial performance as determined under annual financial measures equally weighted with the resulting average earnout percentage increased or decreased by our relative TSR performance against the companies in the S&P 500 for the performance period that commences with the grant date and continues through December 31 of the last year of the relevant three-year performance period. The annual financial performance goals for each of the three years in the performance period are established at the commencement of the three-year performance period.

Positive 2017 Say on Pay Vote Outcome and Engagement With Our Stockholders

In 2017, we received approximately 95% stockholder support on our say on pay advisory vote. We have engaged consistently in broad direct stockholder outreach over the past several years. Since our 2017 annual meeting of stockholders, in addition to our outreach by our executives and our Investor Relations department to investors, we

have engaged in governance-focused outreach activities and discussions with stockholders owning approximately 52% of our outstanding shares. These discussions have been valuable and informative and we

will continue to engage with our stockholders to further enhance our understanding of the perspectives of our investors.

In 2017, the predominant feedback from investors with respect to our compensation and governance practices was that they are satisfied with our compensation program and governance practices. We are pleased with our say on pay results and stockholder feedback, and will continue to engage with our stockholders to be sure we understand and address any concerns.

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Compensation Discussion and Analysis

LTI Equity Award Design Changes in 2017

In 2017, the Compensation and Management Development Committee, or Compensation Committee, constructed the 2017-2019 performance period award goal design to take into account feedback from dialogue with our stockholders and was designed to drive operating performance and increase performance hurdles. The 2017-2019 performance period performance award goal design mirrors much of the 2016-2018 performance period goal design. While retaining most of the elements of the 2016-2018 performance period goal design, the Compensation Committee **replaced non-GAAP operating expense with non-GAAP return on invested capital (or**

ROIC) for the third year of this performance period. The other two financial measures that apply for the full three-year period are annual non-GAAP earnings per share, or EPS, and non-GAAP operating margin. The Compensation Committee s replacement of non-GAAP operating expense with non-GAAP ROIC as one of the three financial performance measures in the third year of the 2017-2019 performance period is designed to support our transformation strategic priority to deliver an efficient, disciplined business model beyond 2018.

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Compensation Discussion and Analysis

Our 2017 Compensation Program Highlights and Objectives

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Compensation Discussion and Analysis

LTI Equity Awards (At Risk)

Performance Units (50%). The Compensation Committee establishes the performance award goal design at the commencement of each three-year period of the performance award program. There is no guarantee of any value realized from the grants as they are earned only if specific long-term performance goals are achieved.

Stock Options (30%). Aligned with stockholder interests as they only have value if the Company s stock price increases after grant.

Restricted Stock Units, or RSUs (20%). Designed to encourage retention and long-term value creation.

Stock options and RSUs vest in three approximately equal installments on the second, third and fourth anniversaries of the grant date. The delay in the commencement of vesting further emphasizes the long-term performance focus of our LTI equity award program and enhances retention.

Performance Units Earned for the 2015-2017 Performance Period

Our payout for the most recent 2015-2017 performance period was at 93.4% of target because our TSR for this performance period (30%) resulted in our 46.7th percentile ranking relative to the TSRs of the companies in the S&P 500 since the beginning of the performance period (January 30, 2015).

Annual Cash Incentive Awards (At Risk and Designed to Drive Execution of Our Strategic Priorities)

Our Compensation Committee annually approves Company performance goals that are designed to focus our staff on delivering on our financial performance, operational objectives and specific strategic priorities to drive annual performance and position us to execute on our strategy in the near- and longer-term. Our Executive Incentive Plaerit;font-size:10pt;">
$

5.09

$
3.08

Diluted
$
6.63

$
4.82

$
2.57

Weighted average shares used in per share computation:

Basic
608

599

541

Diluted
625

632

649

Cash dividends declared and paid per common share	$ 0.610	
	$ 0.570	
	$ 0.485	

See accompanying notes to the consolidated financial statements.

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NVIDIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)

	Year Ended		
	January 27, 2019	January 28, 2018	January 29, 2017
Net income	$4,141	$ 3,047	$ 1,666
Other comprehensive income (loss), net of tax			
Available-for-sale debt securities:			
Net unrealized gain (loss)	10	(5)	(17)
Reclassification adjustments for net realized gain included in net income	1	1	1
Net change in unrealized gain (loss)	11	(4)	(16)
Cash flow hedges:			
Net unrealized gain (loss)	6	(1)	2
Reclassification adjustments for net realized gain (loss) included in net income	(11)	3	2
Net change in unrealized gain (loss)	(5)	2	4
Other comprehensive income (loss), net of tax	6	(2)	(12)
Total comprehensive income	$4,147	$ 3,045	$ 1,654

See accompanying notes to the consolidated financial statements.

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NVIDIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In millions, except par value)

	January 27, 2019	January 28, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 782	$ 4,002
Marketable securities	6,640	3,106
Accounts receivable, net	1,424	1,265
Inventories	1,575	796
Prepaid expenses and other current assets	136	86
Total current assets	10,557	9,255
Property and equipment, net	1,404	997
Goodwill	618	618
Intangible assets, net	45	52
Other assets	668	319
Total assets	$ 13,292	$ 11,241
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 511	$ 596
Accrued and other current liabilities	818	542
Convertible short-term debt	—	15
Total current liabilities	1,329	1,153
Long-term debt	1,988	1,985
Other long-term liabilities	633	632
Total liabilities	3,950	3,770
Commitments and contingencies - see Note 12		
Shareholders’ equity:		
Preferred stock, $.001 par value; 2 shares authorized; none issued	—	—
Common stock, $.001 par value; 2,000 shares authorized; 945 shares issued and 606 outstanding as of January 27, 2019; 932 shares issued and 606 outstanding as of January 28, 2018	1	1
Additional paid-in capital	6,051	5,351
Treasury stock, at cost (339 shares in 2019 and 326 shares in 2018)	(9,263)	(6,650)
Accumulated other comprehensive loss	(12)	(18)
Retained earnings	12,565	8,787
Total shareholders' equity	9,342	7,471
Total liabilities and shareholders' equity	$ 13,292	$ 11,241

See accompanying notes to the consolidated financial statements.

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NVIDIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In millions, except per share data)	Common Stock Outstanding Shares	Common Stock Outstanding Amount	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Shareholders' Equity
Balances, January 31, 2016	539	$ 1	$ 4,170	$(4,048)	$ (4)	$4,350	$ 4,469
Retained earnings adjustment due to adoption of an accounting standard related to stock-based compensation	—	—	—	—	—	353	353
Other comprehensive loss	—	—	—	—	(12)	—	(12)
Net income	—	—	—	—	—	1,666	1,666
Issuance of common stock in exchange for warrants	44	—	(1)	—	—	—	(1)
Convertible debt conversion	23	—	(6)	—	—	—	(6)
Issuance of common stock from stock plans	20	—	167	—	—	—	167
Tax withholding related to vesting of restricted stock units	(3)	—	—	(177)	—	—	(177)
Share repurchase	(15)	—	—	(739)	—	—	(739)
Exercise of convertible note hedges	(23)	—	75	(75)	—	—	—
Cash dividends declared and paid ($0.485 per common share)	—	—	—	—	—	(261)	(261)
Stock-based compensation	—	—	248	—	—	—	248
Reclassification of convertible debt conversion obligation	—	—	55	—	—	—	55
Balances, January 29, 2017	585	1	4,708	(5,039)	(16)	6,108	5,762
Retained earnings adjustment due to adoption of an accounting standard related to income tax consequences of an intra-entity transfer of an asset	—	—	—	—	—	(27)	(27)
Other comprehensive loss	—	—	—	—	(2)	—	(2)
Net income	—	—	—	—	—	3,047	3,047
Issuance of common stock in exchange for warrants	13	—	—	—	—	—	—
Convertible debt conversion	33	—	(7)	—	—	—	(7)
Issuance of common stock from stock plans	18	—	138	—	—	—	138
Tax withholding related to vesting of restricted stock units	(4)	—	—	(612)	—	—	(612)
Share repurchase	(6)	—	—	(909)	—	—	(909)
Exercise of convertible note hedges	(33)	—	90	(90)	—	—	—
Cash dividends declared and paid ($0.570 per common share)	—	—	—	—	—	(341)	(341)
Stock-based compensation	—	—	391	—	—	—	391
Reclassification of convertible debt conversion obligation	—	—	31	—	—	—	31
Balances, January 28, 2018	606	1	5,351	(6,650)	(18)	8,787	7,471
Retained earnings adjustment due to adoption of new revenue accounting standard	—	—	—	—	—	8	8

Other comprehensive loss	—	—	—	—	6	—	6
Net income	—	—	—	—	—	4,141	4,141
Convertible debt conversion	1	—	—	—	—	—	—
Issuance of common stock from stock plans	13	—	137	—	—	—	137
Tax withholding related to vesting of restricted stock units	(4)	—	—	(1,032)	—	—	(1,032)
Share repurchase	(9)	—	—	(1,579)	—	—	(1,579)
Exercise of convertible note hedges	(1)	—	2	(2)	—	—	—
Cash dividends declared and paid ($0.610 per common share)	—	—	—	—	—	(371)	(371)
Stock-based compensation	—	—	561	—	—	—	561
Balances, January 27, 2019	606	$ 1	$ 6,051	$(9,263)	$ (12)	$12,565	$ 9,342

See accompanying notes to the consolidated financial statements.

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NVIDIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Year Ended		
	January 27, 2019	January 28, 2018	January 29, 2017
Cash flows from operating activities:			
Net income	$ 4,141	$ 3,047	$ 1,666
Adjustments to reconcile net income to net cash provided by operating activities:			
Stock-based compensation expense	557	391	247
Depreciation and amortization	262	199	187
Deferred income taxes	(315)	(359)	197
Loss on early debt conversions	—	19	21
Other	(45)	20	33
Changes in operating assets and liabilities:			
Accounts receivable	(149)	(440)	(321)
Inventories	(776)	—	(375)
Prepaid expenses and other assets	(55)	21	(18)
Accounts payable	(135)	90	184
Accrued and other current liabilities	256	33	(135)
Other long-term liabilities	2	481	(14)
Net cash provided by operating activities	3,743	3,502	1,672
Cash flows from investing activities:			
Proceeds from maturities of marketable securities	7,232	1,078	969
Proceeds from sales of marketable securities	428	863	1,546
Purchases of marketable securities	(11,148)	(36)	(3,134)
Purchases of property and equipment and intangible assets	(600)	(593)	(176)
Investment in non-affiliates	(9)	(36)	(5)
Proceeds from sale of long-lived assets and investments	—	2	7
Net cash provided by (used in) investing activities	(4,097)	1,278	(793)
Cash flows from financing activities:			
Proceeds from issuance of debt	—	—	1,988
Payments related to repurchases of common stock	(1,579)	(909)	(739)
Repayment of Convertible Notes	(16)	(812)	(673)
Dividends paid	(371)	(341)	(261)
Proceeds related to employee stock plans	137	139	167
Payments related to tax on restricted stock units	(1,032)	(612)	(176)
Other	(5)	(9)	(15)
Net cash provided by (used in) financing activities	(2,866)	(2,544)	291
Change in cash and cash equivalents	(3,220)	2,236	1,170
Cash and cash equivalents at beginning of period	4,002	1,766	596
Cash and cash equivalents at end of period	$ 782	$ 4,002	$ 1,766

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	Year Ended		
	January 27, 2019	January 28, 2018	January 29, 2017
Supplemental disclosures of cash flow information:			
Cash paid for income taxes, net	$61	$ 22	$ 14
Cash paid for interest	$55	$ 55	$ 13
Non-cash investing and financing activity:			
Assets acquired by assuming related liabilities	$76	$ 36	$ 16

See accompanying notes to the consolidated financial statements.

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NVIDIA CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Organization and Summary of Significant Accounting Policies

Our Company

Headquartered in Santa Clara, California, NVIDIA was incorporated in California in April 1993 and reincorporated in Delaware in April 1998.

All references to “NVIDIA,” “we,” “us,” “our” or the “Company” mean NVIDIA Corporation and its subsidiaries.

Fiscal Year

We operate on a 52- or 53-week year, ending on the last Sunday in January. Fiscal years 2019, 2018 and 2017 were 52-week years.

Reclassifications

Certain prior fiscal year balances have been reclassified to conform to the current fiscal year presentation.

Principles of Consolidation

Our consolidated financial statements include the accounts of NVIDIA Corporation and our wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ materially from our estimates. On an on-going basis, we evaluate our estimates, including those related to revenue recognition, cash equivalents and marketable securities, accounts receivable, inventories, income taxes, goodwill, stock-based compensation, litigation, investigation and settlement costs, restructuring and other charges, and other contingencies. These estimates are based on historical facts and various other assumptions that we believe are reasonable.

Revenue Recognition

We derive our revenue from product sales, including hardware and systems, license and development arrangements, and software licensing. We determine revenue recognition through the following steps: (1) identification of the contract with a customer; (2) identification of the performance obligations in the contract; (3) determination of the transaction price; (4) allocation of the transaction price to the performance obligations in the contract; and (5) recognition of revenue when, or as, we satisfy a performance obligation.

Product Sales Revenue

Revenue from product sales is recognized upon transfer of control of promised products to customers in an amount that reflects the consideration we expect to receive in exchange for those products. Revenue is recognized net of allowances for returns, customer programs and any taxes collected from customers.

For products sold with a right of return, we record a reduction to revenue by establishing a sales return allowance for estimated product returns at the time revenue is recognized, based primarily on historical return rates. However, if product returns for a fiscal period are anticipated to exceed historical return rates, we may determine that additional sales return allowances are required to properly reflect our estimated exposure for product returns.

Our customer programs involve rebates, which are designed to serve as sales incentives to resellers of our products in various target markets, and marketing development funds, or MDFs, which represent monies paid to our partners that are earmarked for market segment development and are designed to support our partners’ activities while also promoting NVIDIA products. We account for customer programs as a reduction to revenue and accrue for potential rebates and MDFs based on the amount we expect to be claimed by customers.

NVIDIA CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

License and Development Arrangements

Our license and development arrangements with customers typically require significant customization of our intellectual property components. As a result, we recognize the revenue from the license and the revenue from the development services as a single performance obligation over the period in which the development services are performed. We measure progress to completion based on actual cost incurred to date as a percentage of the estimated total cost required to complete each project. If a loss on an arrangement becomes probable during a period, we record a provision for such loss in that period.

Software Licensing

Our software licenses provide our customers with a right to use the software when it is made available to the customer. Customers may purchase either perpetual licenses or subscriptions to licenses, which differ mainly in the duration over which the customer benefits from the software. Software licenses are frequently sold along with post-contract customer support, or PCS. For such arrangements, we allocate revenue to the software license and PCS on a relative standalone selling price basis by maximizing the use of observable inputs to determine the standalone selling price for each performance obligation. Revenue from software licenses is recognized up front when the software is made available to the customer. PCS revenue is recognized ratably over the service period, or as services are performed.

Advertising Expenses

We expense advertising costs in the period in which they are incurred. Advertising expenses for fiscal years 2019, 2018, and 2017 were $21 million, $25 million, and $17 million, respectively.

Product Warranties

We generally offer a limited warranty to end-users that ranges from one to three years for products in order to repair or replace products for any manufacturing defects or hardware component failures. Cost of revenue includes the estimated cost of product warranties that are calculated at the point of revenue recognition. Under limited circumstances, we may offer an extended limited warranty to customers for certain products. We also accrue for known warranty and indemnification issues if a loss is probable and can be reasonably estimated.

Stock-based Compensation

We use the closing trading price of our common stock on the date of grant, minus a dividend yield discount, as the fair value of awards of restricted stock units, or RSUs, and performance stock units that are based on our corporate financial performance targets, or PSUs. We use a Monte Carlo simulation on the date of grant to estimate the fair value of performance stock units that are based on market conditions, or market-based PSUs. The compensation expense for RSUs and market-based PSUs is recognized using a straight-line attribution method over the requisite employee service period while compensation expense for PSUs is recognized using an accelerated amortization model. We estimate the fair value of shares to be issued under our employee stock purchase plan, or ESPP, using the Black-Scholes model at the commencement of an offering period in March and September of each year. Stock-based compensation for our ESPP is expensed using an accelerated amortization model. Additionally, we estimate forfeitures annually based on historical experience and revise the estimates of forfeiture in subsequent periods if actual forfeitures differ from those estimates.

Litigation, Investigation and Settlement Costs

From time to time, we are involved in legal actions and/or investigations by regulatory bodies. There are many uncertainties associated with any litigation or investigation, and we cannot be certain that these actions or other third-party claims against us will be resolved without litigation, fines and/or substantial settlement payments. If information becomes available that causes us to determine that a loss in any of our pending litigation, investigations or settlements is probable, and we can reasonably estimate the loss associated with such events, we will record the loss in accordance with U.S. GAAP. However, the actual liability in any such litigation or investigation may be materially different from our estimates, which could require us to record additional costs.

Foreign Currency Remeasurement

We use the United States dollar as our functional currency for all of our subsidiaries. Foreign currency monetary assets and liabilities are remeasured into United States dollars at end-of-period exchange rates. Non-monetary assets and liabilities such as property and equipment, and equity are remeasured at historical exchange rates. Revenue and expenses are remeasured at average exchange rates in effect during each period, except for those expenses related to the previously noted balance sheet amounts, which are remeasured at historical exchange rates. Gains or losses from foreign currency

remeasurement are included in other income or expense in our Consolidated Statements of Income and to date have not been significant.

Income Taxes

We recognize federal, state and foreign current tax liabilities or assets based on our estimate of taxes payable or refundable in the current fiscal year by tax jurisdiction. We recognize federal, state and foreign deferred tax assets or liabilities, as appropriate, for our estimate of future tax effects attributable to temporary differences and carryforwards; and we record a valuation allowance to reduce any deferred tax assets by the amount of any tax benefits that, based on available evidence and judgment, are not expected to be realized.

Our calculation of deferred tax assets and liabilities is based on certain estimates and judgments and involves dealing with uncertainties in the application of complex tax laws. Our estimates of deferred tax assets and liabilities may change based, in part, on added certainty or finality to an anticipated outcome, changes in accounting standards or tax laws in the United States, or foreign jurisdictions where we operate, or changes in other facts or circumstances. In addition, we recognize liabilities for potential United States and foreign income tax contingencies based on our estimate of whether, and the extent to which, additional taxes may be due. If we determine that payment of these amounts is unnecessary or if the recorded tax liability is less than our current assessment, we may be required to recognize an income tax benefit or additional income tax expense in our financial statements accordingly.

As of January 27, 2019, we had a valuation allowance of $562 million related to state and certain foreign deferred tax assets that management determined are not likely to be realized due to projections of future taxable income and potential utilization limitations of tax attributes acquired as a result of stock ownership changes. To the extent realization of the deferred tax assets becomes more-likely-than-not, we would recognize such deferred tax asset as an income tax benefit during the period.

We recognize the benefit from a tax position only if it is more-likely-than-not that the position would be sustained upon audit based solely on the technical merits of the tax position. Our policy is to include interest and penalties related to unrecognized tax benefits as a component of income tax expense.

The Tax Cuts and Jobs Act, or TCJA, which was enacted in December 2017, significantly changes U.S. tax law, including a reduction of the U.S. federal corporate income tax rate from 35% to 21%, a requirement for companies to pay a one-time transition tax on the earnings of certain foreign subsidiaries that were previously tax deferred, and the creation of new taxes (global intangible low-taxed income, or GILTI) on certain foreign-source earnings. As a fiscal year-end taxpayer, certain provisions of the TCJA began to impact us in the fourth quarter of fiscal year 2018, while other provisions impacted us beginning in fiscal year 2019. The Securities and Exchange Commission, or the SEC, had provided guidance in Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act (SAB 118), which allowed companies to record provisional amounts during a measurement period up to one year from the enactment date. As of January 27, 2019, we completed our accounting for all of the enactment-date income tax effects of the TCJA and elected to account for GILTI in deferred taxes. Refer to Note 13 of these Notes to the Consolidated Financial Statements for additional information.

Net Income Per Share

Basic net income per share is computed using the weighted average number of common shares outstanding during the period. Diluted net income per share is computed using the weighted average number of common and potentially dilutive shares outstanding during the period, using the treasury stock method. Under the treasury stock method, the effect of equity awards outstanding is not included in the computation of diluted net income per share for periods when their effect is anti-dilutive. Additionally, we issued convertible notes with a net settlement feature that required us, upon conversion, to settle the principal amount of debt for cash and the conversion premium for cash or shares of our common stock. Our Convertible Notes, Note Hedges, and related Warrants contained various conversion features, which are further described in Note 11 of these Notes to the Consolidated Financial Statements. The potentially dilutive shares resulting from the Convertible Notes and Warrants under the treasury stock method were included in

the calculation of diluted income per share when their inclusion was dilutive. However, the Note Hedges were not included in the calculation of diluted net income per share unless actually exercised, as their pre-exercised effect would have been anti-dilutive under the treasury stock method.

Cash and Cash Equivalents

We consider all highly liquid investments that are readily convertible into cash and have an original maturity of three months or less at the time of purchase to be cash equivalents.

Marketable Securities

Marketable securities consist of highly liquid debt investments with maturities of greater than three months when purchased. We generally classify our marketable securities at the date of acquisition as available-for-sale. These debt securities are reported at fair value with the related unrealized gains and losses included in accumulated other comprehensive income or loss, a component of shareholders' equity, net of tax. The fair value of interest-bearing debt securities includes accrued interest. Any unrealized losses which are considered to be other-than-temporary impairments are recorded in the other income or expense, net, section of our Consolidated Statements of Income. Realized gains and losses on the sale of marketable securities are determined using the specific-identification method and recorded in the other income or expense, net, section of our Consolidated Statements of Income.

All of our available-for-sale debt investments are subject to a periodic impairment review. We record a charge to earnings when a decline in fair value is significantly below cost basis and judged to be other-than-temporary or have other indicators of impairments. If the fair value of an available-for-sale debt instrument is less than its amortized cost basis, an other-than-temporary impairment is triggered in circumstances where (1) we intend to sell the instrument, (2) it is more likely than not that we will be required to sell the instrument before recovery of its amortized cost basis, or (3) a credit loss exists where we do not expect to recover the entire amortized cost basis of the instrument. In these situations, we recognize an other-than-temporary impairment in earnings equal to the entire difference between the debt instruments' amortized cost basis and its fair value. For available-for-sale debt instruments that are considered other-than-temporarily impaired due to the existence of a credit loss, if we do not intend to sell and it is not more likely than not that we will not be required to sell the instrument before recovery of its remaining amortized cost basis (amortized cost basis less any current-period credit loss), we separate the amount of the impairment into the amount that is credit related and the amount due to all other factors. The credit loss component is recognized in earnings while loss related to all other factors is recorded in accumulated other comprehensive income or loss.

Fair Value of Financial Instruments

The carrying value of cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair values due to their relatively short maturities as of January 27, 2019 and January 28, 2018. Marketable securities are comprised of available-for-sale securities that are reported at fair value with the related unrealized gains or losses included in accumulated other comprehensive income or loss, a component of shareholders' equity, net of tax. Fair value of the marketable securities is determined based on quoted market prices. Derivative instruments are recognized as either assets or liabilities and are measured at fair value. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. For derivative instruments designated as fair value hedges, the gains or losses are recognized in earnings in the periods of change together with the offsetting losses or gains on the hedged items attributed to the risk being hedged. For derivative instruments designated as cash-flow hedges, the effective portion of the gains or losses on the derivatives is initially reported as a component of other comprehensive income or loss and is subsequently recognized in earnings when the hedged exposure is recognized in earnings. For derivative instruments not designated for hedge accounting, changes in fair value are recognized in earnings.

Concentration of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash equivalents, marketable securities, and accounts receivable. Our investment policy requires the purchase of highly-rated fixed income securities, the diversification of investment type and credit exposures, and includes certain limits on our portfolio duration. Accounts receivable from significant customers, those representing 10% or more of total accounts receivable, aggregated approximately 19% of our accounts receivable balance from one customer as of January 27,

2019 and 28% of our account receivable balance from two customers as of January 28, 2018. We perform ongoing credit evaluations of our customers' financial condition and maintain an allowance for potential credit losses. This allowance consists of an amount identified for specific customers and an amount based on overall estimated exposure. Our overall estimated exposure excludes amounts covered by credit insurance and letters of credit.

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NVIDIA CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Accounts Receivable

We maintain an allowance for doubtful accounts receivable for estimated losses resulting from the inability of our customers to make required payments. We determine this allowance by identifying amounts for specific customer issues as well as amounts based on overall estimated exposure. Factors impacting the allowance include the level of gross receivables, the financial condition of our customers and the extent to which balances are covered by credit insurance or letters of credit.

Inventories

Inventory cost is computed on an adjusted standard basis, which approximates actual cost on an average or first-in, first-out basis. Inventory costs consist primarily of the cost of semiconductors purchased from subcontractors, including wafer fabrication, assembly, testing and packaging, manufacturing support costs, including labor and overhead associated with such purchases, final test yield fallout, and shipping costs, as well as the cost of purchased memory products and other component parts. We charge cost of sales for inventory provisions to write down our inventory to the lower of cost or net realizable value or to completely write off obsolete or excess inventory. Most of our inventory provisions relate to the write-off of excess quantities of products, based on our inventory levels and future product purchase commitments compared to assumptions about future demand and market conditions. Once inventory has been written-off or written-down, it creates a new cost basis for the inventory that is not subsequently written-up.

Property and Equipment

Property and equipment are stated at cost. Depreciation of property and equipment is computed using the straight-line method based on the estimated useful lives of the assets, generally three to five years. Once an asset is identified for retirement or disposition, the related cost and accumulated depreciation or amortization are removed, and a gain or loss is recorded. The estimated useful lives of our buildings are up to thirty years. Depreciation expense includes the amortization of assets recorded under capital leases. Leasehold improvements and assets recorded under capital leases are amortized over the shorter of the expected lease term or the estimated useful life of the asset.

Goodwill

Goodwill is subject to our annual impairment test during the fourth quarter of our fiscal year, or earlier if indicators of potential impairment exist. For the purposes of completing our impairment test, we perform either a qualitative or a quantitative analysis on a reporting unit basis.

Qualitative factors include industry and market considerations, overall financial performance, and other relevant events and factors affecting the reporting units.

Our quantitative impairment test considers both the income approach and the market approach to estimate a reporting unit’s fair value. The income and market valuation approaches consider a number of factors that include, but are not limited to, prospective financial information, growth rates, residual values, discount rates and comparable multiples from publicly traded companies in our industry and require us to make certain assumptions and estimates regarding industry economic factors and the future profitability of our business. Refer to Note 5 of these Notes to the Consolidated Financial Statements for additional information.

Intangible Assets and Other Long-Lived Assets

Intangible assets primarily represent rights acquired under technology licenses, patents, acquired intellectual property, trademarks and customer relationships. We currently amortize our intangible assets with definitive lives over periods ranging from three to ten years using a method that reflects the pattern in which the economic benefits of the intangible asset are consumed or otherwise used up or, if that pattern cannot be reliably determined, using a straight-line amortization method.

Long-lived assets, such as property and equipment and intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying

amount of an asset or asset group to estimated undiscounted future cash flows expected to be generated by the asset, or asset group. If the carrying amount of an asset or asset group exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset or asset group exceeds the estimated fair value of the asset or asset group. Fair value is determined based on the estimated discounted future cash flows expected to be generated by the asset or asset group. Assets and liabilities to be disposed of would be separately presented in the

Consolidated Balance Sheet and the assets would be reported at the lower of the carrying amount or fair value less costs to sell, and would no longer be depreciated.

Adoption of New and Recently Issued Accounting Pronouncements

Recently Adopted Accounting Pronouncements

The Financial Accounting Standards Board, or FASB, issued an accounting standards update that creates a single source of revenue guidance under U.S. GAAP for all companies, in all industries. We adopted this guidance on January 29, 2018 using the modified retrospective approach. Refer to Note 2 of these Notes to the Consolidated Financial Statements for additional information.

In January 2016, the FASB issued an accounting standards update to amend certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. We are now required to recognize changes in the fair value of our equity investments through net income rather than other comprehensive income. We adopted this guidance in the first quarter of fiscal year 2019 and applied it prospectively. The adoption of this guidance did not have a significant impact on our Consolidated Financial Statements.

Recent Accounting Pronouncements Not Yet Adopted

The FASB issued an accounting standards update regarding the accounting for leases under which we will begin recognizing lease assets and liabilities on the balance sheet for lease terms of more than 12 months. We will adopt this guidance using the optional transition method at the beginning of fiscal year 2020 and will not restate comparative prior periods. Additionally, we will elect the package of practical expedients as permitted by the guidance. We are in the process of finalizing changes to our systems and processes in conjunction with our review of lease agreements and currently expect the adoption of this accounting guidance to result in an increase in lease assets and a corresponding increase in lease liabilities on our Consolidated Balance Sheet of approximately $500 million.

In June 2016, the FASB issued a new accounting standard to replace the incurred loss impairment methodology under current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. We will be required to use a forward-looking expected credit loss model for accounts receivable and other financial instruments, including available-for-sale debt securities. The standard will be effective for us beginning in the first quarter of fiscal year 2021, with early adoption permitted. We are currently evaluating the impact of this standard on our Consolidated Financial Statements.

Note 2 - New Revenue Accounting Standard

Method and Impact of Adoption

On January 29, 2018, we adopted the new revenue accounting standard using the modified retrospective method and applied it to contracts that were not completed as of that date. Upon adoption, we recognized the cumulative effect of the new standard as a $7 million increase to opening retained earnings, net of tax. Comparative information for prior periods has not been adjusted. The impact of the new standard on our consolidated financial statements for fiscal year 2019 was not significant.

Deferred Revenue and Performance Obligations

Deferred revenue is comprised mainly of customer advances and deferrals related to license and development arrangements and PCS related to software licensing. The following table shows the changes in deferred revenue during fiscal year 2019:

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	January 27, 2019 (in millions)
Balance as of January 28, 2018	$ 68
Adjustment to retained earnings upon adoption of new revenue standard	(5)
Balance as of January 29, 2018	63
Deferred revenue added during the period	344
Revenue recognized during the period	(269)
Balance as of January 27, 2019	$ 138

Revenue related to remaining performance obligations represents the amount of contracted license and development arrangements and PCS that has not been recognized. As of January 27, 2019, the amount of our remaining performance obligations that has not been recognized as revenue was $305 million, of which we expect to recognize approximately 50% as revenue over the next twelve months and the remainder thereafter. This amount excludes the value of remaining performance obligations for contracts with an original expected length of one year or less. Refer to Note 16 of these Notes to the Consolidated Financial Statements for additional information, including disaggregated revenue disclosures.

Note 3 - Stock-Based Compensation

Our stock-based compensation expense is associated with restricted stock units, or RSUs, performance stock units that are based on our corporate financial performance targets, or PSUs, performance stock units that are based on market conditions, or market-based PSUs, and our ESPP.

Our Consolidated Statements of Income include stock-based compensation expense, net of amounts allocated to inventory, as follows:

	Year Ended		
	January 27, 2019	January 28, 2018	January 29, 2017
	(In millions)		
Cost of revenue	$27	$ 21	$ 15
Research and development	336	219	134
Sales, general and administrative	194	151	98
Total	$557	$ 391	$ 247

Stock-based compensation capitalized in inventories was not significant during fiscal years 2019, 2018, and 2017.

The following is a summary of equity awards granted under our equity incentive plans:

	Year Ended		
	January 27, 2019	January 28, 2018	January 29, 2017
	(In millions, except per share data)		
RSUs, PSUs and Market-based PSUs			
Awards granted	4	6	12
Estimated total grant-date fair value	$1,109	$ 929	$ 591
Weighted average grant-date fair value (per share)	$258.26	$ 145.91	$ 50.57
ESPP			

Shares purchased	1	5	4
Weighted average price (per share)	$107.48	$ 21.24	$ 18.51
Weighted average grant-date fair value (per share)	$38.51	$ 7.12	$ 5.80

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Beginning fiscal year 2015, we shifted away from granting stock options and toward granting RSUs, PSUs and market-based PSUs to reflect changing market trends for equity incentives at our peer companies. The number of PSUs that will ultimately vest is contingent on the Company's level of achievement versus the corporate financial performance target established by our Compensation Committee in the beginning of each fiscal year.

Of the total fair value of equity awards, we estimated that the stock-based compensation expense related to the equity awards that are not expected to vest for fiscal year 2019 was $88 million.

	January 27, 2019	January 28, 2018
	(In millions)	
Aggregate unearned stock-based compensation expense	$1,580	$ 1,091
Estimated weighted average remaining amortization period	(In years)	
RSUs, PSUs and market-based PSUs	2.2	2.3
ESPP	0.8	0.7

The fair value of shares issued under our ESPP have been estimated with the following assumptions:

	Year Ended		
	January 27, 2019	January 28, 2018	January 29, 2017
	(Using the Black-Scholes model)		
ESPP			
Weighted average expected life (in years)	0.1-2.0	0.5-2.0	0.5-2.0
Risk-free interest rate	1.6%-2.8%	0.8%-1.4%	0.5%-0.9%
Volatility	24%-75%	40%-54%	30%-39%
Dividend yield	0.3%-0.4%	0.3%-0.5%	0.7%-1.4%

For ESPP shares, the expected term represents the average term from the first day of the offering period to the purchase date. The risk-free interest rate assumption used to value ESPP shares is based upon observed interest rates on Treasury bills appropriate for the expected term. Our expected stock price volatility assumption for ESPP is estimated using historical volatility. For awards granted, we use the dividend yield at grant date. Our RSU, PSU, and market-based PSU awards are not eligible for cash dividends prior to vesting; therefore, the fair values of RSUs, PSUs, and market-based PSUs are discounted for the dividend yield.

Additionally, for RSU, PSU, and market-based PSU awards, we estimate forfeitures annually and revise the estimates of forfeiture in subsequent periods if actual forfeitures differ from those estimates. Forfeitures are estimated based on historical experience.

Equity Incentive Program

We grant or have granted stock options, RSUs, PSUs, market-based PSUs, and stock purchase rights under the following equity incentive plans.

Amended and Restated 2007 Equity Incentive Plan

In 2007, our shareholders approved the NVIDIA Corporation 2007 Equity Incentive Plan, as most recently amended and restated, the 2007 Plan.

The 2007 Plan authorizes the issuance of incentive stock options, non-statutory stock options, restricted stock, restricted stock units, stock appreciation rights, performance stock awards, performance cash awards, and other stock-based awards to employees, directors and consultants. Only our employees may receive incentive stock options. Up to 230 million shares of our common stock may be issued pursuant to stock awards granted under the 2007 Plan. Currently, we grant RSUs, PSUs and market-based PSUs under the 2007 Plan, under which, as of January 27, 2019, there were 35 million shares available for future issuance.

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Stock options previously granted to employees, subject to certain exceptions, vest over a four-year period, subject to continued service, with 25% vesting on the anniversary of the hire date in the case of new hires or the anniversary of the date of grant in the case of grants to existing employees and 6.25% vesting quarterly thereafter. These stock options generally expire ten years from the date of grant.

Subject to certain exceptions, RSUs and PSUs granted to employees vest over a four-year period, subject to continued service, with 25% vesting on a pre-determined date that is close to the anniversary of the date of grant and (i) for grants made prior to May 18, 2016, 12.5% vesting semi-annually thereafter, and (ii) for grants made on or after May 18, 2016, 6.25% vesting quarterly thereafter. Market-based PSUs vest 100% on approximately the three-year anniversary of the date of grant. However, the number of shares subject to both PSUs and market-based PSUs that are eligible to vest is generally determined by the Compensation Committee based on achievement of pre-determined criteria.

Unless terminated sooner, the 2007 Plan is scheduled to terminate on March 21, 2022. Our Board may suspend or terminate the 2007 Plan at any time. No awards may be granted under the 2007 Plan while the 2007 Plan is suspended or after it is terminated. The Board may also amend the 2007 Plan at any time. However, if legal, regulatory or listing requirements require shareholder approval, the amendment will not go into effect until the shareholders have approved the amendment.

Amended and Restated 2012 Employee Stock Purchase Plan

In 2012, our shareholders approved the 2012 Employee Stock Purchase Plan, as most recently amended and restated, the 2012 Plan, as the successor to the 1998 Employee Stock Purchase Plan.

Up to 89 million shares of our common stock may be issued pursuant to purchases under the 2012 Plan. As of January 27, 2019, we had issued 29 million shares and reserved 60 million shares for future issuance under the 2012 Plan.

The 2012 Plan is intended to qualify as an “employee stock purchase plan” under Section 423 of the Internal Revenue Code. Under the current offerings adopted pursuant to the 2012 Plan, each offering period is approximately 24 months, which is generally divided into four purchase periods of six months.

Employees are eligible to participate if they are employed by us or an affiliate of us as designated by the Board. Employees who participate in an offering may have up to 10% of their earnings withheld up to certain limitations and applied on specified dates determined by the Board to the purchase of shares of common stock. The Board may increase this percentage at its discretion, up to 15%. The price of common stock purchased under our 2012 Plan will be equal to 85% of the lower of the fair market value of the common stock on the commencement date of each offering period and the fair market value on each purchase date within the offering. Employees may end their participation in the 2012 Plan at any time during the offering period, and participation ends automatically on termination of employment with us. In each case, the employee’s contributions are refunded.

The following is a summary of our equity award transactions under our equity incentive plans:

	RSUs, PSUs and Market-based PSUs Outstanding	
	Number of Shares	Weighted Average Grant-Date Fair Value
(In millions, except years and		

		per share data)
Balances, January 28, 2018	22	$ 66.72
Granted (1)(2)	4	$ 258.26
Vested restricted stock	(10)	$ 52.56
Canceled and forfeited	—	$ —
Balances, January 27, 2019	16	$ 129.92
Vested and expected to vest after January 27, 2019	13	$ 129.44

(1) Includes PSUs that will be issued and eligible to vest based on the corporate financial performance level achieved for fiscal year 2019.

(2) Includes market-based PSUs that will be issued and eligible to vest if the maximum target for total shareholder return, or TSR, over the 3-year measurement period is achieved. Depending on the ranking of our TSR compared to the respective TSRs of the companies comprising the Standard & Poor's 500 Index during that period, the market-based PSUs issued could be up to 45 thousand shares.

As of January 27, 2019 and January 28, 2018, there were 35 million and 16 million shares, respectively, of common stock reserved for future issuance under our equity incentive plans.

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The total intrinsic value of options exercised was $180 million, $318 million, and $246 million for fiscal years 2019, 2018, and 2017, respectively. Upon exercise of an option, we issue new shares of stock.

Note 4 - Net Income Per Share

The following is a reconciliation of the denominator of the basic and diluted net income per share computations for the periods presented:

	Year Ended		
	January 27, 2019	January 28, 2018	January 29, 2017
	(In millions, except per share data)		
Numerator:			
Net income	$4,141	$ 3,047	$ 1,666
Denominator:			
Basic weighted average shares	608	599	541
Dilutive impact of outstanding securities:			
Equity awards	17	24	26
1.00% Convertible Senior Notes	—	5	44
Warrants issued with the 1.00% Convertible Senior Notes	—	4	38
Diluted weighted average shares	625	632	649
Net income per share:			
Basic (1)	$6.81	$ 5.09	$ 3.08
Diluted (2)	$6.63	$ 4.82	$ 2.57
Equity awards excluded from diluted net income per share because their effect would have been anti-dilutive	5	4	8

(1) Calculated as net income divided by basic weighted average shares.
(2) Calculated as net income divided by diluted weighted average shares.

The 1.00% Convertible Senior Notes Due 2018, or the Convertible Notes, were included in the calculation of diluted net income per share. The Convertible Notes had a dilutive impact on net income per share if our average stock price for the reporting period exceeded the adjusted conversion price of $20.02 per share. The warrants associated with our Convertible Notes, or the Warrants, outstanding were also included in the calculation of diluted net income per share. As of January 27, 2019, there were no Convertible Notes or Warrants outstanding.

Refer to Note 11 of these Notes to the Consolidated Financial Statements for additional discussion regarding the Convertible Notes, Note Hedges, and Warrants.

Note 5 - Goodwill

The carrying amount of goodwill was $618 million, and the amount of goodwill allocated to our GPU and Tegra Processor reporting units was $210 million and $408 million, respectively, as of both January 27, 2019 and January 28, 2018. There were no changes to the carrying amount of goodwill during fiscal years 2019 and 2018. During the fourth quarters of fiscal years 2019, 2018, and 2017, we completed our annual impairment tests and concluded that goodwill was not impaired in any of these years.

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Note 6 - Amortizable Intangible Assets

The components of our amortizable intangible assets are as follows:

	January 27, 2019			January 28, 2018		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(In millions)			(In millions)		
Acquisition-related intangible assets	$195	$ (188)	$ 7	$195	$ (180)	$ 15
Patents and licensed technology	491	(453)	38	469	(432)	37
Total intangible assets	$686	$ (641)	$ 45	$664	$ (612)	$ 52

The increase in gross carrying amount of intangible assets is due to purchases of licensed technology during fiscal year 2019. Amortization expense associated with intangible assets for fiscal years 2019, 2018, and 2017 was $29 million, $55 million, and $68 million, respectively. Future amortization expense related to the net carrying amount of intangible assets as of January 27, 2019 is estimated to be $21 million in fiscal year 2020, $12 million in fiscal year 2021, $5 million in fiscal year 2022, and $5 million in fiscal year 2023, and $2 million in fiscal year 2024.

Note 7 - Marketable Securities

Our cash equivalents and marketable securities are classified as “available-for-sale” debt securities.

The following is a summary of cash equivalents and marketable securities as of January 27, 2019 and January 28, 2018:

	January 27, 2019					
	Amortized Cost	Unrealized Gain	Unrealized Loss	Estimated Fair Value	Reported as Cash Equivalents	Reported as Marketable Securities
	(In millions)					
Corporate debt securities	$2,626	$ —	$ (6)	$ 2,620	$25	$ 2,595
Debt securities of United States government agencies	2,284	—	(4)	2,280	—	2,280
Debt securities issued by the United States Treasury	1,493	—	(1)	1,492	176	1,316
Money market funds	483	—	—	483	483	—
Foreign government bonds	209	—	—	209	—	209
Asset-backed securities	152	—	(1)	151	—	151
Mortgage-backed securities issued by United States government-sponsored enterprises	88	1	—	89	—	89
Total	$7,335	$ 1	$ (12)	$ 7,324	$684	$ 6,640

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	January 28, 2018					
	Amortized Cost	Unrealized Gain	Unrealized Loss	Estimated Fair Value	Reported as Cash Equivalents	Reported as Marketable Securities
	(In millions)					
Money market funds	$3,789	$ —	$ —	$ 3,789	$3,789	$ —
Corporate debt securities	1,304	—	(9)	1,295	—	1,295
Debt securities of United States government agencies	822	—	(7)	815	—	815
Debt securities issued by the United States Treasury	577	—	(4)	573	—	573
Asset-backed securities	254	—	(2)	252	—	252
Mortgage backed securities issued by United States government-sponsored enterprises	128	2	—	130	—	130
Foreign government bonds	42	—	(1)	41	—	41
Total	$6,916	$ 2	$ (23)	$ 6,895	$3,789	$ 3,106

The following table provides the breakdown of unrealized losses as of January 27, 2019, aggregated by investment category and length of time that individual securities have been in a continuous loss position:

	Less than 12 Months		12 Months or Greater		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
	(In millions)					
Debt securities issued by United States government agencies	$1,674	$ (1)	$401	$ (3)	$2,075	$ (4)
Corporate debt securities	915	(3)	649	(3)	1,564	(6)
Debt securities issued by the United States Treasury	1,015	—	161	(1)	1,176	(1)
Asset-backed securities	—	—	151	(1)	151	(1)
Total	$3,604	$ (4)	$1,362	$ (8)	$4,966	$ (12)

The gross unrealized losses are related to fixed income securities, temporary in nature, and driven primarily by changes in interest rates. We have the intent and ability to hold our investments until maturity. For fiscal years 2019, 2018, and 2017, there were no other-than-temporary impairment losses and net realized gains were not significant.

The amortized cost and estimated fair value of cash equivalents and marketable securities as of January 27, 2019 and January 28, 2018 are shown below by contractual maturity.

	January 27, 2019		January 28, 2018	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(In millions)			
Less than one year	$5,042	$ 5,034	$5,381	$ 5,375
Due in 1 - 5 years	2,271	2,268	1,500	1,485
Mortgage-backed securities issued by United States government-sponsored enterprises not due at a single maturity date	22	22	35	35
Total	$7,335	$ 7,324	$6,916	$ 6,895

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Note 8 - Fair Value of Financial Assets and Liabilities

The fair values of our financial assets and liabilities are determined using quoted market prices of identical assets or quoted market prices of similar assets from active markets. We review fair value hierarchy classification on a quarterly basis. There were no significant transfers between Levels 1 and 2 financial assets and liabilities for fiscal year 2019. Level 3 financial assets and liabilities are based on unobservable inputs to the valuation methodology and include our own data about assumptions market participants would use in pricing the asset or liability based on the best information available under the circumstances.

	Pricing Category	Fair Value at January 27, 2019	January 28, 2018
		(In millions)	
Assets			
Cash equivalents and marketable securities:			
Corporate debt securities	Level 2	$2,620	$ 1,295
Debt securities of United States government agencies	Level 2	$2,280	$ 815
Debt securities issued by the United States Treasury	Level 2	$1,492	$ 573
Money market funds	Level 1	$483	$ 3,789
Foreign government bonds	Level 2	$209	$ 41
Asset-backed securities	Level 2	$151	$ 252
Mortgage-backed securities issued by United States government-sponsored enterprises	Level 2	$89	$ 130
Liabilities			
Current liability:			
1.00% Convertible Senior Notes (1)	Level 2	$—	$ 189
Other noncurrent liabilities:			
2.20% Notes Due 2021 (1)	Level 2	$978	$ 982
3.20% Notes Due 2026 (1)	Level 2	$961	$ 986

(1) These liabilities are carried on our Consolidated Balance Sheets at their original issuance value, net of unamortized debt discount and issuance costs, and are not marked to fair value each period. Refer to Note 11 of these Notes to the Consolidated Financial Statements for additional information.

Note 9 - Balance Sheet Components

Certain balance sheet components are as follows:

	January 27, 2019	January 28, 2018
	(In millions)	
Inventories:		
Raw materials	$613	$ 227
Work in-process	238	192
Finished goods	724	377
Total inventories	$1,575	$ 796

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	January 27, 2019	January 28, 2018	Estimated Useful Life
	(In millions)		(In years)
Property and Equipment:			
Land	$218	$ 218	(A)
Building	339	348	25-30
Test equipment	516	462	3-5
Computer equipment	522	285	3-5
Leasehold improvements	263	198	(B)
Software and licenses	109	88	3-5
Office furniture and equipment	69	79	5
Capital leases	28	28	(B)
Construction in process	107	31	(C)
Total property and equipment, gross	2,171	1,737	
Accumulated depreciation and amortization	(767)	(740)	
Total property and equipment, net	$1,404	$ 997	

(A) Land is a non-depreciable asset.

(B) Leasehold improvements and capital leases are amortized based on the lesser of either the asset's estimated useful life or the remaining expected lease term.

(C) Construction in process represents assets that are not available for their intended use as of the balance sheet date.

Depreciation expense for fiscal years 2019, 2018, and 2017 was $233 million, $144 million, and $118 million, respectively.

Accumulated amortization of leasehold improvements and capital leases was $189 million and $178 million as of January 27, 2019 and January 28, 2018, respectively.

	January 27, 2019	January 28, 2018
	(In millions)	
Accrued and Other Current Liabilities:		
Customer program accruals	$302	$ 181
Accrued payroll and related expenses	186	172
Deferred revenue (1)	92	53
Taxes payable	91	33
Accrued legal settlement costs	24	—
Coupon interest on debt obligations	20	20
Warranty accrual (2)	18	15
Professional service fees	14	15
Accrued royalties	10	17
Other	61	36
Total accrued and other current liabilities	$818	$ 542

(1) Deferred revenue primarily includes customer advances and deferrals related to license and development arrangements and PCS.

(2) Refer to Note 12 of these Notes to the Consolidated Financial Statements for a discussion regarding warranties.

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	January 27, 2019	January 28, 2018
	(In millions)	
Other Long-Term Liabilities:		
Income tax payable (1)	$513	$ 559
Deferred revenue (2)	46	15
Deferred rent	21	9
Employee benefits liability	20	12
Deferred income tax liability	19	18
Other	14	19
Total other long-term liabilities	$633	$ 632

(1) As of January 27, 2019, represents the long-term portion of the one-time transition tax payable of $350 million, as well as unrecognized tax benefits of $142 million and related interest and penalties of $21 million.

(2) Deferred revenue primarily includes deferrals related to license and development arrangements and PCS.

Note 10 - Derivative Financial Instruments

We enter into foreign currency forward contracts to mitigate the impact of foreign currency exchange rate movements on our operating expenses. We designate these contracts as cash flow hedges and assess the effectiveness of the hedge relationships on a spot to spot basis. Gains or losses on the contracts are recorded in accumulated other comprehensive income or loss and reclassified to operating expense when the related operating expenses are recognized in earnings or ineffectiveness should occur. The fair value of the contracts was not significant as of January 27, 2019 and January 28, 2018.

We also enter into foreign currency forward contracts to mitigate the impact of foreign currency movements on monetary assets and liabilities that are denominated in currencies other than U.S. dollar. These forward contracts were not designated for hedge accounting treatment. Therefore, the change in fair value of these contracts is recorded in other income or expense and offsets the change in fair value of the hedged foreign currency denominated monetary assets and liabilities, which is also recorded in other income or expense.

The table below presents the notional value of our foreign currency forward contracts outstanding as of January 27, 2019 and January 28, 2018:

	January 27, 2019	January 28, 2018
	(In millions)	
Designated as cash flow hedges	$408	$ 104
Not designated for hedge accounting	$241	$ 94

As of January 27, 2019, all designated foreign currency forward contracts mature within eighteen months. The expected realized gains and losses deferred into accumulated other comprehensive income (loss) related to foreign currency forward contracts within the next twelve months was not significant.

During fiscal years 2019 and 2018, the impact of derivative financial instruments designated for hedge accounting treatment on other comprehensive income or loss was not significant and all such instruments were determined to be highly effective. Therefore, there were no gains or losses associated with ineffectiveness.

Note 11 - Debt

Long-Term Debt

2.20% Notes Due 2021 and 3.20% Notes Due 2026

In fiscal year 2017, we issued $1.00 billion of the 2.20% Notes Due 2021, and $1.00 billion of the 3.20% Notes Due 2026, or collectively, the Notes. Interest on the Notes is payable on March 16 and September 16 of each year, beginning on March 16, 2017. Upon 30 days' notice to holders of the Notes, we may redeem the Notes for cash prior

to maturity, at redemption

prices that include accrued and unpaid interest, if any, and a make-whole premium. However, no make-whole premium will be paid for redemptions of the Notes Due 2021 on or after August 16, 2021, or for redemptions of the Notes Due 2026 on or after June 16, 2026. The net proceeds from the Notes were $1.98 billion, after deducting debt discount and issuance costs.

The Notes are our unsecured senior obligations and rank equally in right of payment with all existing and future unsecured and unsubordinated indebtedness. The Notes are structurally subordinated to the liabilities of our subsidiaries and are effectively subordinated to any secured indebtedness to the extent of the value of the assets securing such indebtedness. All existing and future liabilities of our subsidiaries will be effectively senior to the Notes.

The carrying value of the Notes and the associated interest rates were as follows:

	Expected Remaining Term (years)	Effective Interest Rate	January 27, 2019	January 28, 2018
			(In millions)	
2.20% Notes Due 2021	2.6	2.38%	$1,000	$ 1,000
3.20% Notes Due 2026	7.6	3.31%	1,000	1,000
Unamortized debt discount and issuance costs			(12)	(15)
Net carrying amount			$1,988	$ 1,985

Convertible Debt

1.00% Convertible Senior Notes Due 2018

In fiscal year 2014, we issued $1.50 billion of Convertible Notes. During fiscal year 2019, we paid cash to settle an aggregate of $16 million in principal amount of the Convertible Notes and issued 714 thousand shares of our common stock for the excess conversion value. The related loss on early conversions was not significant. As of January 27, 2019, there were no Convertible Notes outstanding.

Note Hedges

Concurrently with the issuance of the Convertible Notes, we entered into the Note Hedges. Through January 27, 2019, we had received 57 million shares of our common stock from the exercise of a portion of the Note Hedges related to the settlement of $1.50 billion in principal amount of the Convertible Notes. As of January 27, 2019, there were no Note Hedges outstanding.

Revolving Credit Facility

We have a Credit Agreement under which we may borrow up to $575 million for general corporate purposes and can obtain revolving loan commitments up to $425 million. As of January 27, 2019, we had not borrowed any amounts under this agreement.

Commercial Paper

We have a $575 million commercial paper program to support general corporate purposes. As of January 27, 2019, we had not issued any commercial paper.

Note 12 - Commitments and Contingencies

Inventory Purchase Obligations

As of January 27, 2019, we had outstanding inventory purchase obligations totaling $912 million.

Capital Purchase Obligations

As of January 27, 2019, we had outstanding capital purchase obligations totaling $258 million.

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Lease Obligations

Our headquarters complex is located in Santa Clara, California and includes ten buildings that are leased properties. Future minimum lease payments related to headquarters operating leases total $326 million over the remaining terms of the leases, including predetermined rent escalations, and are included in the future minimum lease payment schedule below.

Additionally, we have other domestic and international office facilities, including datacenter space, under operating leases expiring through fiscal year 2035.

Future minimum lease payments under our non-cancelable operating leases as of January 27, 2019, are as follows:

	Future Minimum Lease Obligations (In millions)
Fiscal Year:	
2020	$ 100
2021	97
2022	90
2023	77
2024	54
2025 and thereafter	265
Total	$ 683

Rent expense for fiscal years 2019, 2018, and 2017 was $80 million, $54 million, and $46 million, respectively.

Accrual for Product Warranty Liabilities

The estimated amount of product returns and warranty liabilities was $18 million and $15 million as of January 27, 2019 and January 28, 2018, respectively.

In connection with certain agreements that we have entered in the past, we have provided indemnities to cover the indemnified party for matters such as tax, product, and employee liabilities. We have included intellectual property indemnification provisions in our technology related agreements with third parties. Maximum potential future payments cannot be estimated because many of these agreements do not have a maximum stated liability. We have not recorded any liability in our Consolidated Financial Statements for such indemnifications.

Litigation

Polaris Innovations Limited

On May 16, 2016, Polaris Innovations Limited, or Polaris, a non-practicing entity and wholly-owned subsidiary of Quarterhill Inc. (formerly WiLAN Inc.), filed a complaint against NVIDIA for patent infringement in the United States District Court for the Western District of Texas. Polaris alleges that NVIDIA has infringed and is continuing to infringe six U.S. patents relating to the control of dynamic random-access memory, or DRAM. The complaint seeks unspecified monetary damages, enhanced damages, interest, fees, expenses, and costs against NVIDIA. On September 14, 2016, NVIDIA answered the Polaris Complaint and asserted various defenses including non-infringement and invalidity of the six Polaris patents.

On December 5, 2016, the Texas Court granted NVIDIA’s motion to transfer and ordered the case transferred to the Northern District of California.

Between December 7, 2016 and July 25, 2017, NVIDIA filed multiple petitions for inter partes review, or IPR, at the United States Patent and Trademark Office, or USPTO, challenging the validity of each of the patents asserted by Polaris in the U.S. litigation. The USPTO instituted IPRs for four U.S. patents and declined to institute IPRs on two U.S. patents. On June 19, 2018, the USPTO issued a Final Written Decision on one IPR, finding claims 1-23 and 28

unpatentable but that claims 24-27 were not proved unpatentable. On November 20, 2018, the USPTO issued Final Written Decisions on two IPRs, finding claims 1, 4, 8-12, 16, 18, 43, 45, and 48-51 unpatentable but that claims 2-3, 5, 14, 17, 19-23, 26-31, and 44 were not proved unpatentable. On December 4, 2018, the USPTO issued a Final Written Decision on one IPR, finding all claims unpatentable. On December 19, 2018, the USPTO issued a Final Written Decision on one IPR, finding claims 1-14 unpatentable.

On June 15, 2017, the California Court granted NVIDIA's motion to stay the district court litigation pending resolution of the petitions for IPR. The California Court has not set a trial date.

On December 30, 2016, Polaris filed a complaint against NVIDIA for patent infringement in the Regional Court of Düsseldorf, Germany. Polaris alleges that NVIDIA has infringed and is continuing to infringe three patents relating to control of DRAM. On July 14, 2017, NVIDIA filed defenses to the infringement allegations including non-infringement with respect to each of the three asserted patents. On September 3, 2018, NVIDIA filed a rejoinder with additional noninfringement arguments. On December 4, 2018, NVIDIA filed a further rejoinder with additional noninfringement, nullity, and FRAND arguments.

An oral hearing is scheduled for February 21, 2019.

Between March 31, 2017 and June 12, 2017, NVIDIA filed nullity actions with the German Patent Court challenging the validity of each of the patents asserted by Polaris in the German litigation.

ZiiLabs 1 Patents Lawsuit

On October 2, 2017, ZiiLabs Inc., Ltd., or ZiiLabs, a non-practicing entity, filed a complaint in the United States District Court for the District of Delaware alleging that NVIDIA has infringed and is continuing to infringe four U.S. patents relating to GPUs, or the ZiiLabs 1 Patents. ZiiLabs is a Bermuda corporation and a wholly-owned subsidiary of Creative Technology Asia Limited, a Hong Kong company which is itself is a wholly-owned subsidiary of Creative Technology Ltd., a publicly traded Singapore company. The complaint seeks unspecified monetary damages, enhanced damages, interest, costs, and fees against NVIDIA and an injunction against further direct or indirect infringement of the ZiiLabs 1 Patents. On November 27, 2017, NVIDIA answered the ZiiLabs complaint and asserted various defenses including non-infringement and invalidity of the ZiiLabs 1 Patents.

On January 10, 2018, ZiiLabs filed a first amended complaint asserting infringement of a fifth U.S. patent.

On February 22, 2018, the Delaware Court stayed the ZiiLabs 1 case pending the resolution of the U.S. International Trade Commission, or USITC, investigation over the ZiiLabs 2 patents.

On February 1, 2019, NVIDIA entered into an immaterial agreement in which it receives a license to the ZiiLabs patents and a dismissal of the ZiiLabs 1 and 2 Patent Lawsuits. The ZiiLabs 1 and 2 district court cases were dismissed pursuant to a stipulation of dismissal filed on February 8, 2019. The Administrative Law Judge issued an Initial Determination on February 12, 2019, granting the motion to terminate the USITC investigation addressing the ZiiLabs 2 patents.

ZiiLabs 2 Patents Lawsuits

On December 27, 2017, ZiiLabs filed a second complaint in the United States District Court for the District of Delaware alleging that NVIDIA has infringed four additional U.S. patents, or the ZiiLabs 2 Patents. The second complaint also seeks unspecified monetary damages, enhanced damages, interest, costs, and fees against NVIDIA and an injunction against further direct or indirect infringement of the ZiiLabs 2 Patents.

On February 22, 2018, the Delaware Court stayed the district court action on the ZiiLabs 2 patents pending the resolution of the USITC Investigation over the ZiiLabs 2 patents.

On December 29, 2017, ZiiLabs filed a request with the USITC to commence an Investigation pursuant to Section 337 of the Tariff Act of 1930 relating to the unlawful importation of certain graphics processors and products containing the same. ZiiLabs alleges that the unlawful importation results from the infringement of the ZiiLabs 2 Patents by products from respondents NVIDIA, ASUSTeK Computer Inc., ASUS Computer International, EVGA Corporation, Gigabyte Technology Co., Ltd., G.B.T. Inc., Micro-Star International Co., Ltd., MSI Computer Corp., Nintendo Co., Ltd., Nintendo of America Inc., PNY Technologies Inc., Zotac International (MCO) Ltd., and Zotac USA Inc.

On February 28, 2018, NVIDIA and the other respondents answered the USITC complaint and asserted various defenses including non-infringement and invalidity of the four asserted ZiiLabs 2 patents.

On May 10, 2018, the Administrative Law Judge then presiding over the investigation issued an Initial Determination terminating the investigation with respect to one of the patents. On July 17, 2018, the USITC affirmed this decision on

modified grounds.

On October 18, 2018, the Administrative Law Judge currently presiding over the investigation issued an order construing certain claims of the three remaining patents in the investigation.

The hearing in the investigation is currently scheduled to begin on April 8, 2019. The target date for completion of the investigation is September 9, 2019.

On February 1, 2019, NVIDIA entered into an immaterial agreement in which it receives a license to the ZiiLabs patents and a dismissal of the ZiiLabs 1 and 2 Patent Lawsuits. The ZiiLabs 1 and 2 district court cases were dismissed pursuant to a stipulation of dismissal filed on February 8, 2019. The Administrative Law Judge issued an Initial Determination on February 12, 2019, granting the motion to terminate the USITC investigation addressing the ZiiLabs 2 patents.

Securities Class Action and Derivative Lawsuits

On December 21, 2018, a purported securities class action lawsuit was filed in the United States District Court for the Northern District of California, captioned Iron Workers Joint Funds v. Nvidia Corporation, et al. (Case No. 18-cv-7669), naming as defendants NVIDIA and certain of NVIDIA's officers. The complaint asserts that the defendants violated Section 10(b) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and SEC Rule 10b-5, by making materially false or misleading statements related to channel inventory and the impact of cryptocurrency mining on GPU demand between August 10, 2017 and November 15, 2018. The plaintiff also alleges that the NVIDIA officers who they named as defendants violated Section 20(a) of the Exchange Act. The plaintiff seeks class certification, an award of unspecified compensatory damages, an award of equitable/injunctive or other further relief as the Court may deem just and proper. On December 28, 2018, a substantially similar purported securities class action was commenced in the Northern District of California, captioned Oto v. Nvidia Corporation, et al. (Case No. 18-cv-07783), naming the same defendants, and seeking substantially similar relief. The two cases have been related and are before the same judge. A stipulation to consolidate the Iron Workers and Oto actions is pending before the Court. On February 19, 2019, a number of shareholders filed motions to consolidate the two cases and to be appointed lead plaintiff and for their respective counsel to be appointed lead counsel.

On January 18, 2019, a shareholder, purporting to act on the behalf of NVIDIA, filed a derivative lawsuit in the Northern District of California, captioned Han v. Huang, et al. (Case No. 19-cv-00341), seeking to assert claims on behalf of NVIDIA against the members of NVIDIA's board of directors and certain officers. The lawsuit asserts claims for breach of fiduciary duty, unjust enrichment, waste of corporate assets, and violations of Sections 14(a), 10(b), and 20(a) of the Exchange Act based on the dissemination of allegedly false and misleading statements related to channel inventory and the impact of cryptocurrency mining on GPU demand. The plaintiff is seeking unspecified damages and other relief, including reforms and improvements to NVIDIA's corporate governance and internal procedures. On February 12, 2019, a substantially similar derivative lawsuit was filed in the Northern District of California captioned Yang v. Huang, et. al. (Case No. 19-cv-00766), naming the same named defendants, and seeking the same relief. On February 19, 2019, a third substantially similar derivative lawsuit was filed in the Northern District of California captioned The Booth Family Trust v. Huang, et. al. (Case No. 3:19-cv-00876), naming the same named defendants, and seeking substantially the same relief.

It is possible that additional suits will be filed, or allegations received from shareholders, with respect to these same or other matters, naming us and/or our officers and directors as defendants.

Accounting for Loss Contingencies

We are engaged in legal actions not described above arising in the ordinary course of business and, while there can be no assurance of favorable outcomes, we believe that the ultimate outcome of these actions will not have a material adverse effect on our operating results, liquidity or financial position. As of January 27, 2019, with the exception of immaterial amounts, we have not recorded any accrual for contingent liabilities associated with the legal proceedings described above based on our belief that liabilities, while possible, are not probable. Further, except as specifically described above, any possible loss or range of loss in these matters cannot be reasonably estimated at this time.

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Note 13 - Income Taxes

The income tax expense (benefit) applicable to income before income taxes consists of the following:

	Year Ended		
	January 27, 2019	January 28, 2018	January 29, 2017
	(In millions)		
Current income taxes:			
Federal	$1	$ 464	$ 7
State	—	1	1
Foreign	69	43	34
Total current	70	508	42
Deferred taxes:			
Federal	(315)	(376)	199
State	—	—	—
Foreign	—	17	(2)
Total deferred	(315)	(359)	197
Income tax expense (benefit)	$(245)	$ 149	$ 239

Income before income tax consists of the following:

	Year Ended		
	January 27, 2019	January 28, 2018	January 29, 2017
	(In millions)		
Domestic (1)	$1,843	$ 1,600	$ 600
Foreign	2,053	1,596	1,305
Income before income tax	$3,896	$ 3,196	$ 1,905

(1) The increase in domestic income is primarily due to jurisdictional allocation of stock-based compensation charges.

The income tax expense (benefit) differs from the amount computed by applying the U.S. federal statutory rate of 21%, 33.9%, and 35% for fiscal years 2019, 2018, and 2017, respectively, to income before income taxes as follows:

	Year Ended		
	January 27, 2019	January 28, 2018	January 29, 2017
	(In millions)		
Tax expense computed at federal statutory rate	$818	$ 1,084	$ 667
Expense (benefit) resulting from:			
State income taxes, net of federal tax effect	23	10	4
Foreign tax rate differential	(412)	(545)	(315)
Stock-based compensation	(191)	(181)	(70)
Tax Cuts and Jobs Act of 2017	(368)	(133)	—
U.S. federal R&D tax credit	(141)	(87)	(52)
Other	26	1	5
Income tax expense (benefit)	$(245)	$ 149	$ 239

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The tax effect of temporary differences that gives rise to significant portions of the deferred tax assets and liabilities are presented below:

	January 27, 2019	January 28, 2018
	(In millions)	
Deferred tax assets:		
Net operating loss carryforwards	$70	$ 67
Accruals and reserves, not currently deductible for tax purposes	41	24
Property, equipment and intangible assets	2	32
Research and other tax credit carryforwards	626	579
Stock-based compensation	25	24
GILTI deferred tax assets	376	—
Gross deferred tax assets	1,140	726
Less valuation allowance	(562)	(469)
Total deferred tax assets	578	257
Deferred tax liabilities:		
Acquired intangibles	(2)	(4)
Unremitted earnings of foreign subsidiaries	(35)	(26)
Gross deferred tax liabilities	(37)	(30)
Net deferred tax asset (1)	$541	$ 227

(1) Net deferred tax asset includes long-term deferred tax assets of $560 million and $245 million and long-term deferred tax liabilities of $19 million and $18 million for fiscal years 2019 and 2018, respectively. Long-term deferred tax assets are included in Other assets and long-term deferred tax liabilities are included in Other long-term liabilities on our Consolidated Balance Sheets.

We recognized an income tax benefit of $245 million for fiscal year 2019, and income tax expense of $149 million and $239 million for fiscal years 2018, and 2017, respectively. Our annual effective tax rate was (6.3)%, 4.7%, and 12.5% for fiscal years 2019, 2018, and 2017, respectively.

In December 2017, the TCJA was enacted into law. The TCJA significantly changed U.S. tax law, including a reduction of the U.S. federal corporate income tax rate from 35% to 21%, a requirement for companies to pay a one-time transition tax on the earnings of certain foreign subsidiaries that were previously tax deferred and the creation of new taxes (global intangible low-taxed income, or GILTI) on certain foreign-source earnings. As a fiscal year-end taxpayer, certain provisions of the TCJA began to impact us in the fourth quarter of fiscal year 2018, while other provisions impacted us beginning in fiscal year 2019.

In fiscal year 2018 and the first nine months of fiscal year 2019, we recorded provisional amounts for certain enactment-date effects of the TCJA by applying the SEC guidance in SAB 118 because we had not yet completed our accounting for these effects. As of January 27, 2019, we completed our accounting for all of the enactment-date income tax effects of the TCJA and recognized a reduction of $368 million to the provisional amount recorded at January 28, 2018 as a component of income tax expense (benefit). This adjustment primarily relates to the effects of electing to account for GILTI in deferred taxes, as described below. Our final tax benefit from the TCJA was $501 million.

The one-time transition tax is based on the post-1986 earnings and profits, or E&P, of our foreign subsidiaries. We had previously accrued deferred taxes on a portion of these same earnings. We recorded a provisional one-time transition tax liability of $971 million at January 28, 2018. Upon further analysis of the TCJA and Notices and regulations issued by the US Department of the Treasury and Internal Revenue Service, we finalized our calculations of the transition tax liability during fiscal year 2019. For fiscal year 2019, we increased our transition tax provisional

amount by $33 million.

As a result of the reduction of the corporate income tax rate to 21%, companies were required to remeasure their deferred tax assets and liabilities as of the date of enactment. As a result, at January 28, 2018 we had recorded a provisional income tax expense of $43 million on the write-down of our deferred tax balance. Upon further analysis of certain aspects of the TJCA, including immediate expensing of qualified capital expenditures and refinement of our calculations, we reduced our provisional tax expense amount by $20 million.

The TCJA subjects a U.S. corporation to tax on its GILTI. Under U.S. GAAP, we can make an accounting policy election to either treat taxes due on the GILTI as a current period expense or factor such amounts into our measurement of deferred taxes. Because we were still evaluating the GILTI provisions as of January 28, 2018, we recorded no GILTI-related deferred balances. After further evaluation, we elected to account for GILTI deferred taxes. In fiscal year 2019, we recorded additional deferred tax assets as a net $370 million income tax benefit related to GILTI in deferred taxes.

The decrease in the effective tax rate in fiscal year 2019 as compared to fiscal years 2018 and 2017 was primarily due to a decrease in the U.S. statutory tax rate from 33.9% to 21%, the finalization of the enactment-date income tax effects of the TCJA, higher U.S federal research tax credits and excess tax benefits related to stock-based compensation in fiscal year 2019.

The decrease in the effective tax rate in fiscal year 2018 as compared to fiscal year 2017 was primarily due to the provisional impact of the tax law changes and recognition of excess tax benefits related to stock-based compensation.

Our effective tax rate for fiscal year 2019 was lower than the U.S. federal statutory rate of 21% due primarily to income earned in jurisdictions, including British Virgin Islands, Hong Kong, China, Taiwan and United Kingdom, where the tax rate was lower than the U.S. federal statutory tax rates, the finalization of the enactment-date income tax effects of the TCJA, favorable recognition of the U.S. federal research tax credits, and excess tax benefits related to stock-based compensation.

Our effective tax rate for fiscal years 2018 and 2017 was lower than the blended U.S. federal statutory rate of 33.9% for fiscal year 2018 and 35% for fiscal year 2017 due primarily to income earned in jurisdictions, including British Virgin Islands, Hong Kong, China, Taiwan and United Kingdom, where the tax rate was lower than the U.S. federal statutory tax rates, favorable recognition of U.S. federal research tax credits, the provisional impact of the tax law changes in 2018, and excess tax benefits related to stock-based compensation.

As of January 27, 2019 and January 28, 2018, we had a valuation allowance of $562 million and $469 million, respectively, related to state and certain foreign deferred tax assets that management determined not likely to be realized due, in part, to projections of future taxable income. To the extent realization of the deferred tax assets becomes more-likely-than-not, we would recognize such deferred tax asset as an income tax benefit during the period.

As of January 27, 2019, we had federal, state and foreign net operating loss carryforwards of $72 million, $291 million and $290 million, respectively. The federal and state carryforwards will expire beginning in fiscal year 2023 and 2020, respectively. The foreign net operating loss carryforwards of $290 million may be carried forward indefinitely. As of January 27, 2019, we had federal research tax credit carryforwards of $347 million that will begin to expire in fiscal year 2037. We have state research tax credit carryforwards of $718 million, of which $687 million is attributable to the State of California and may be carried over indefinitely, and $31 million is attributable to various other states and will expire beginning in fiscal year 2020. Our tax attributes, net operating loss and tax credit carryforwards, remain subject to audit and may be adjusted for changes or modification in tax laws, other authoritative interpretations thereof, or other facts and circumstances. Utilization of federal, state, and foreign net operating losses and tax credit carryforwards may also be subject to limitations due to ownership changes and other limitations provided by the Internal Revenue Code and similar state and foreign tax provisions. If any such limitations apply, the federal, states, or foreign net operating loss and tax credit carryforwards, as applicable, may expire or be denied before utilization.

As of January 27, 2019, we had $477 million of gross unrecognized tax benefits, of which $432 million would affect our effective tax rate if recognized. However, approximately $82 million of the unrecognized tax benefits were related to state income tax positions taken, that, if recognized, would be in the form of a carryforward deferred tax asset that would likely attract a full valuation allowance. The $432 million of unrecognized tax benefits as of January 27, 2019 consisted of $142 million recorded in non-current income taxes payable and $290 million reflected as a reduction to the related deferred tax assets.

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A reconciliation of gross unrecognized tax benefits is as follows:

	January 27, 2019	January 28, 2018	January 29, 2017
	(In millions)		
Balance at beginning of period	$447	$ 224	$ 230
Increases in tax positions for prior years	52	7	3
Decreases in tax positions for prior years	(141)	(1)	—
Increases in tax positions for current year	129	222	46
Settlements	—	—	(48)
Lapse in statute of limitations	(10)	(5)	(7)
Balance at end of period	$477	$ 447	$ 224

We classify an unrecognized tax benefit as a current liability, or amount refundable, to the extent that we anticipate payment or receipt of cash for income taxes within one year. The amount is classified as a long-term liability, or reduction of long-term deferred tax assets or amount refundable if we anticipate payment or receipt of cash for income taxes during a period beyond a year.

Our policy is to include interest and penalties related to unrecognized tax benefits as a component of income tax expense. As of January 27, 2019, January 28, 2018, and January 29, 2017, we had accrued $21 million, $15 million, and $13 million, respectively, for the payment of interest and penalties related to unrecognized tax benefits, which is not included as a component of our unrecognized tax benefits. As of January 27, 2019, unrecognized tax benefits of $142 million and the related interest and penalties of $21 million are included in non-current income taxes payable.

While we believe that we have adequately provided for all tax positions, amounts asserted by tax authorities could be greater or less than our accrued position. Accordingly, our provisions on federal, state and foreign tax-related matters to be recorded in the future may change as revised estimates are made or the underlying matters are settled or otherwise resolved. As of January 27, 2019, we do not believe that our estimates, as otherwise provided for, on such tax positions will significantly increase or decrease within the next twelve months.

We are subject to taxation by a number of taxing authorities both in the United States and throughout the world. As of January 27, 2019, the significant tax jurisdictions that may be subject to examination include the United States, Hong Kong, Taiwan, China, United Kingdom, Germany, and India for fiscal years 2003 through 2018. As of January 27, 2019, the significant tax jurisdictions for which we are currently under examination include India, Taiwan, China and UK for fiscal years 2003 through 2018.

Note 14 - Shareholders' Equity

Capital Return Program

Beginning August 2004, our Board of Directors authorized us to repurchase our stock.

During fiscal year 2019, we repurchased a total of 9 million shares for $1.58 billion and also paid $371 million in cash dividends to our shareholders.

Through January 27, 2019, we have repurchased an aggregate of 260 million shares under our share repurchase program for a total cost of $7.08 billion. All shares delivered from these repurchases have been placed into treasury stock. In November 2018, our board of directors authorized an additional $7.00 billion under our share repurchase program. As of January 27, 2019, we were authorized, subject to certain specifications, to repurchase additional shares of our common stock up to $7.24 billion through December 2022.

Preferred Stock

As of January 27, 2019 and January 28, 2018, there were no shares of preferred stock outstanding.

Common Stock

We are authorized to issue up to 2.00 billion shares of our common stock at $0.001 per share par value.

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Note 15 - Employee Retirement Plans

We have a 401(k) retirement plan covering substantially all of our U.S. employees. Under the plan, participating employees may defer up to 80% of their pre-tax earnings, subject to the Internal Revenue Service annual contribution limits and we match a portion of the employee contributions. Our contribution expense for fiscal years 2019, 2018, and 2017 was $39 million, $23 million, and $12 million, respectively. We also have defined contribution retirement plans outside of the United States to which we contributed $31 million, $25 million, and $23 million for fiscal years 2019, 2018, and 2017, respectively.

Note 16 - Segment Information

Our Chief Executive Officer, who is considered to be our chief operating decision maker, or CODM, reviews financial information presented on an operating segment basis for purposes of making operating decisions and assessing financial performance. Our operating segments are equivalent to our reportable segments.

We report our business in two primary reportable segments - the GPU business and the Tegra Processor business - based on a single underlying graphics architecture.

Our GPU product brands are aimed at specialized markets including GeForce for gamers; Quadro for designers; Tesla and DGX for AI data scientists and big data researchers; and GRID for cloud-based visual computing users. Our Tegra brand integrates an entire computer onto a single chip, and incorporates GPUs and multi-core CPUs to drive supercomputing for autonomous robots, drones, and cars, as well as for game consoles and mobile gaming and entertainment devices.

Under the single unifying architecture for our GPU and Tegra Processors, we leverage our visual computing expertise by charging the operating expenses of certain core engineering functions to the GPU business, while charging the Tegra Processor business for the incremental cost of the teams working directly for that business. In instances where the operating expenses of certain functions benefit both reportable segments, our CODM assigns 100% of those expenses to the reportable segment that benefits the most.

The “All Other” category presented below represents the revenue and expenses that our CODM does not assign to either the GPU business or the Tegra Processor business for purposes of making operating decisions or assessing financial performance. The revenue includes primarily patent licensing revenue and the expenses include stock-based compensation expense, corporate infrastructure and support costs, acquisition-related costs, legal settlement costs, contributions, restructuring and other charges, product warranty charge, and other non-recurring charges and benefits that our CODM deems to be enterprise in nature.

Our CODM does not review any information regarding total assets on a reportable segment basis. Reportable segments do not record intersegment revenue, and, accordingly, there is none to be reported. The accounting policies for segment reporting are the same as for our consolidated financial statements. The table below presents details of our reportable segments and the “All Other” category.

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	GPU	Tegra Processor	All Other	Consolidated
	(In millions)			
Year Ended January 27, 2019:				
Revenue	$10,175	$ 1,541	$—	$ 11,716
Depreciation and amortization expense	$197	$ 47	$18	$ 262
Operating income (loss)	$4,443	$ 241	$(880)	$ 3,804
Year Ended January 28, 2018:				
Revenue	$8,137	$ 1,534	$43	$ 9,714
Depreciation and amortization expense	$123	$ 37	$39	$ 199
Operating income (loss)	$3,507	$ 303	$(600)	$ 3,210
Year Ended January 29, 2017:				
Revenue	$5,822	$ 824	$264	$ 6,910
Depreciation and amortization expense	$116	$ 29	$42	$ 187
Operating income (loss)	$2,180	$ (9)	$(237)	$ 1,934

	Year Ended		
	January 27, 2019	January 28, 2018	January 29, 2017
	(In millions)		
Reconciling items included in "All Other" category:			
Unallocated revenue	$—	$ 43	$ 264
Stock-based compensation expense	(557)	(391)	(247)
Unallocated cost of revenue and operating expenses	(277)	(237)	(215)
Legal settlement costs	(44)	—	(16)
Acquisition-related and other costs	(2)	(15)	(23)
Total	$(880)	$ (600)	$ (237)

Revenue by geographic region is allocated to individual countries based on the location to which the products are initially billed even if our customers' revenue is attributable to end customers that are located in a different location. The following table summarizes information pertaining to our revenue from customers based on the invoicing address by geographic regions:

	Year Ended		
	January 27, 2019	January 28, 2018	January 29, 2017
Revenue:	(In millions)		
Taiwan	$3,360	$ 2,991	$ 2,546
China (including Hong Kong)	2,801	1,896	1,305
Other Asia Pacific	2,368	2,066	1,010
United States	1,506	1,274	904
Europe	914	768	659
Other countries	767	719	486
Total revenue	$11,716	$ 9,714	$ 6,910

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The following table summarizes information pertaining to our revenue by each of the specialized markets we serve:

	Year Ended		
	January 27, 2019	January 28, 2018	January 29, 2017
Revenue:	(In millions)		
Gaming	$6,246	$ 5,513	$ 4,060
Professional Visualization	1,130	934	835
Datacenter	2,932	1,932	830
Automotive	641	558	487
OEM & IP	767	777	698
Total revenue	$11,716	$ 9,714	$ 6,910

The following table presents summarized information for long-lived assets by geographic region. Long-lived assets consist of property and equipment and deposits and other assets, and exclude goodwill and intangible assets.

	January 27, 2019	January 28, 2018
Long-lived assets:	(In millions)	
United States	$1,266	$ 928
Taiwan	137	58
India	44	40
China (including Hong Kong)	38	33
Europe	26	11
Other Asia Pacific	1	1
Total long-lived assets	$1,512	$ 1,071

No customer represented 10% or more of total revenue for fiscal years 2019 and 2018. In fiscal year 2017, we had one customer that represented 12% of our total revenue. The revenue was attributable to the GPU business.

Accounts receivable from significant customers, those representing 10% or more of total accounts receivable, aggregated approximately 19% of our accounts receivable balance from one customer as of January 27, 2019, and approximately 28% of our accounts receivable balance from two customers as of January 28, 2018.

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Note 17 - Quarterly Summary (Unaudited)

The following table sets forth our unaudited consolidated financial results, for the last eight fiscal quarters:

	Fiscal Year 2019 Quarters Ended			
	January 27, 2019	October 28, 2018	July 29, 2018	April 29, 2018
	(In millions, except per share data)			
Statements of Income Data:				
Revenue	$2,205	$3,181	$3,123	$3,207
Cost of revenue	$998	$1,260	$1,148	$1,139
Gross profit	$1,207	$1,921	$1,975	$2,068
Net income (1)	$567	$1,230	$1,101	$1,244
Net income per share (1):				
Basic	$0.93	$2.02	$1.81	$2.05
Diluted	$0.92	$1.97	$1.76	$1.98

(1) In the third and fourth quarters of fiscal year 2019, we recorded U.S. tax reform benefits of $138 million and $230 million, respectively, associated with the completion of our accounting for the enactment-date income tax effects of the TCJA. Refer to Note 13 of these Notes to the Consolidated Financial Statements for a discussion regarding the U.S. tax reform.

	Fiscal Year 2018 Quarters Ended			
	January 28, 2018	October 28, 2017	July 29, 2017	April 29, 2017
	(In millions, except per share data)			
Statements of Income Data:				
Revenue	$2,911	$2,636	$2,230	$1,937
Cost of revenue	$1,110	$1,067	$928	$787
Gross profit	$1,801	$1,569	$1,302	$1,150
Net income (1)	$1,118	$838	$583	$507
Net income per share (1):				
Basic	$1.84	$1.39	$0.98	$0.86
Diluted	$1.78	$1.33	$0.92	$0.79

(1) In the fourth quarter of fiscal year 2018, we recorded a U.S. tax reform provisional net tax benefit of $133 million associated with the one-time transition tax on our historical foreign earnings and the adjustment of deferred tax balances to the lower corporate tax rate. Refer to Note 13 of these Notes to the Consolidated Financial Statements for a discussion regarding the U.S. tax reform.

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NVIDIA CORPORATION AND SUBSIDIARIES
SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS

Description	Balance at Beginning of Period	Additions		Deductions		Balance at End of Period
	(In millions)					
Fiscal year 2019						
Allowance for doubtful accounts	$4	$ —	(1)	$ (2)	(1)	$ 2
Sales return allowance	$9	$ 21	(2)	$ (22)	(4)	$ 8
Deferred tax valuation allowance	$469	$ 93	(3)	$ —		$ 562
Fiscal year 2018						
Allowance for doubtful accounts	$3	$ 1	(1)	$ —	(1)	$ 4
Sales return allowance	$10	$ 15	(2)	$ (16)	(4)	$ 9
Deferred tax valuation allowance	$353	$ 116	(3)	$ —		$ 469
Fiscal year 2017						
Allowance for doubtful accounts	$2	$ 1	(1)	$ —	(1)	$ 3
Sales return allowance	$9	$ 9	(2)	$ (8)	(4)	$ 10
Deferred tax valuation allowance	$272	$ 81	(3)	$ —		$ 353

(1) Additions represent allowance for doubtful accounts charged to expense and deductions represent amounts recorded as reduction to expense upon reassessment of allowance for doubtful accounts at period end.

(2) Represents allowance for sales returns estimated at the time revenue is recognized primarily based on historical return rates and is charged as a reduction to revenue.

(3) Represents change in valuation allowance primarily related to state and certain foreign deferred tax assets that management has determined not likely to be realized due, in part, to projections of future taxable income of the respective jurisdictions. Refer to Note 13 of the Notes to the Consolidated Financial Statements in Part IV, Item 15 of this Annual Report on Form 10-K for additional information.

(4) Represents sales returns.

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EXHIBIT INDEX

Exhibit No.	Exhibit Description	Incorporated by Reference			
		Schedule/Form	File Number	Exhibit	Filing Date
3.1	Amended and Restated Certificate of Incorporation	S-8	333-74905	4.1	3/23/1999
3.2	Certificate of Amendment of Amended and Restated Certificate of Incorporation	10-Q	0-23985	3.1	8/21/2008
3.3	Certificate of Amendment of Amended and Restated Certificate of Incorporation	8-K	0-23985	3.1	5/24/2011
3.4	Bylaws of NVIDIA Corporation, Amended and Restated as of November 29, 2016	8-K	0-23985	3.1	12/1/2016
4.1	Reference is made to Exhibits 3.1, 3.2, 3.3 and 3.4				
4.2	Specimen Stock Certificate	S-1/A	333-47495	4.2	4/24/1998
4.3	Indenture (including the form of Notes) dated December 2, 2013 between NVIDIA Corporation and Wells Fargo Bank, National Association	8-K	0-23985	4.1	12/2/2013
4.4	Form of 1.00% Convertible Senior Note due 2018	8-K	0-23985	Exhibit A to Exhibit 4.1	12/2/2013
4.5	Indenture, dated as of September 16, 2016, by and between the Company and Wells Fargo Bank, National Association, as Trustee	8-K	0-23985	4.1	9/16/2016
4.6	Officers' Certificate, dated as of September 16, 2016	8-K	0-23985	4.2	9/16/2016
4.7	Form of 2021 Note	8-K	0-23985	Annex A to Exhibit 4.2	9/16/2016
4.8	Form of 2026 Note	8-K	0-23985	Annex B to Exhibit 4.2	9/16/2016
10.1	Form of Indemnity Agreement between NVIDIA Corporation and each of its directors and officers	8-K	0-23985	10.1	3/7/2006
10.2+	Amended and Restated 2007 Equity Incentive Plan	8-K	0-23985	10.1	5/21/2018
10.3+	2007 Equity Incentive Plan - Non-Statutory Stock Option (Annual Grant - Board Service (2011))	10-Q	0-23985	10.41	5/27/2011
10.4+	2007 Equity Incentive Plan - Non-Statutory Stock Option (Initial Grant - Board Service (2011))	8-K	0-23985	10.1	12/14/2011
10.5+	Amended and Restated 2007 Equity Incentive Plan - Non-Employee Director Stock Option Grant (2012 Annual Board Retainer)	10-Q	0-23985	10.4	5/23/2012
10.6+	2007 Equity Incentive Plan - Non Statutory Stock Option	8-K	0-23985	10.2	9/13/2010
10.7+	2007 Equity Incentive Plan - Incentive Stock Option	8-K	0-23985	10.21	9/13/2010
10.8+	Amended and Restated 2007 Equity Incentive Plan - Non Statutory Stock Option	10-Q	0-23985	10.1	8/22/2012
10.9+	Amended and Restated 2007 Equity Incentive Plan - Incentive Stock Option	10-Q	0-23985	10.2	8/22/2012

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10.10+	Amended and Restated 2007 Equity Incentive Plan - Restricted Stock Unit Grant Notice and Restricted Stock Unit Purchase Agreement	10-Q	0-23985	10.3	8/22/2012
10.11+	Amended and Restated 2007 Equity Incentive Plan - Non-Employee Director Restricted Stock Unit (with deferral option)	10-Q	0-23985	10.3	5/23/2012
10.12+	Amended and Restated 2007 Equity Incentive Plan - Non Statutory Stock Option (Initial Grant - Board Service)	8-K	0-23985	10.1	7/23/2013
10.13+	Amended and Restated 2007 Equity Incentive Plan - Non-Employee Director Deferred Restricted Stock Unit Grant Notice and Deferred Restricted Stock Unit Agreement (2015)	10-K	0-23985	10.25	3/12/2015
10.14+	Amended and Restated 2007 Equity Incentive Plan - Non-Employee Director Deferred Restricted Stock Unit Grant Notice and Deferred Restricted Stock Unit Agreement (2016)	10-K	0-23985	10.26	3/12/2015
10.15+	Amended and Restated 2007 Equity Incentive Plan - Non-Employee Director Restricted Stock Unit Grant Notice and Restricted Stock Unit Agreement (2016)	10-K	0-23985	10.27	3/12/2015
10.16+	Amended and Restated 2007 Equity Incentive Plan - Non-Employee Director Restricted Stock Unit (Initial Grant - with deferral options)	10-Q	0-23985	10.1	5/20/2015
10.17+	Amended and Restated 2007 Equity Incentive Plan - Restricted Stock Unit Grant Notice and Restricted Stock Unit Agreement & Performance-Based Restricted Stock Unit Grant Notice and Performance-Based Restricted Stock Unit Agreement (2015)	10-Q	0-23985	10.2	5/20/2015
10.18+	Amended and Restated 2007 Equity Incentive Plan - Restricted Stock Unit Grant Notice and Restricted Stock Unit Agreement & Performance-Based Restricted Stock Unit Grant Notice and Performance-Based Restricted Stock Unit Agreement (2018)	10-Q	0-23985	10.2	5/22/2018
10.19+*	Amended and Restated 2007 Equity Incentive Plan - Global Restricted Stock Unit Grant Notice and Global Restricted Stock Unit Agreement (2019)				
10.20+	Amended and Restated 2012 Employee Stock Purchase Plan	10-Q	0-23985	10.2	5/21/2018
10.21+	Fiscal Year 2018 Variable Compensation Plan	8-K	0-23985	10.1	3/13/2017
10.22+	Fiscal Year 2019 Variable Compensation Plan	8-K	0-23985	10.1	3/13/2018
10.23+	Offer Letter between NVIDIA Corporation and Colette Kress, dated September 13, 2013	8-K	0-23985	10.1	9/16/2013
10.24+	Offer Letter between NVIDIA Corporation and Tim Teter, dated December 16, 2016	8-K	0-23985	10.1	1/19/2017
10.25	Base Convertible Note Hedge Transaction Confirmation	8-K	0-23985	99.1	12/2/2013
10.26	Additional Convertible Note Hedge Transaction Confirmation	8-K	0-23985	99.3	12/2/2013

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10.27	Credit Agreement, dated as of October 7, 2016 by and among NVIDIA Corporation, Wells Fargo Bank, National Association, as administrative agent, and the lenders party thereto	8-K	0-23985	1.1	10/13/2016
10.28	Form of Commercial Paper Dealer Agreement between NVIDIA Corporation, as Issuer, and the Dealer party thereto	8-K	0-23985	10.1	12/15/2017
21.1*	List of Registrant's Subsidiaries				
23.1*	Consent of PricewaterhouseCoopers LLP				
24.1*	Power of Attorney (included in signature page)				
31.1*	Certification of Chief Executive Officer as required by Rule 13a-14(a) of the Securities Exchange Act of 1934				
31.2*	Certification of Chief Financial Officer as required by Rule 13a-14(a) of the Securities Exchange Act of 1934				
32.1#*	Certification of Chief Executive Officer as required by Rule 13a-14(b) of the Securities Exchange Act of 1934				
32.2#*	Certification of Chief Financial Officer as required by Rule 13a-14(b) of the Securities Exchange Act of 1934				
101.INS*	XBRL Instance Document				
101.SCH*	XBRL Taxonomy Extension Schema Document				
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB*	XBRL Taxonomy Extension Labels Linkbase Document				
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document				

* Filed herewith.

\+ Management contract or compensatory plan or arrangement.

In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release Nos. 33-8238 and 34-47986, Final Rule: Management's Reports on Internal Control Over Financial Reporting and Certification of Disclosure in Exchange Act Periodic Reports, the certifications furnished in Exhibits 32.1 and 32.2 hereto are deemed to accompany this Annual Report on Form 10-K and will not be deemed “filed” for purpose of Section 18 of the Exchange Act. Such certifications will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

Copies of above exhibits not contained herein are available to any shareholder upon written request to: Investor Relations: NVIDIA Corporation, 2788 San Tomas Expressway, Santa Clara, CA 95051

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on February 21, 2019.

NVIDIA Corporation

By:/s/ Jen-Hsun Huang

Jen-Hsun Huang

President and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Jen-Hsun Huang and Colette M. Kress, and each or any one of them, his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-facts and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitutes or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

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Signature	Title	Date
/s/ JEN-HSUN HUANG Jen-Hsun Huang	President, Chief Executive Officer and Director (Principal Executive Officer)	February 21, 2019
/s/ COLETTE M. KRESS Colette M. Kress	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 21, 2019
/s/ MICHAEL J. BYRON Michael J. Byron	Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 21, 2019
Robert Burgess	Director	February 21, 2019
/s/ TENCH COXE Tench Coxe	Director	February 21, 2019
/s/ PERSIS DRELL Persis Drell	Director	February 21, 2019
/s/ JAMES C. GAITHER James C. Gaither	Director	February 21, 2019
/s/ DAWN HUDSON Dawn Hudson	Director	February 21, 2019
/s/ HARVEY C. JONES Harvey C. Jones	Director	February 21, 2019
/s/ MICHAEL MCCAFFERY Michael McCaffery	Director	February 21, 2019
/s/ MARK L. PERRY Mark L. Perry	Director	February 21, 2019
/s/ A. BROOKE SEAWELL A. Brooke Seawell	Director	February 21, 2019
Mark Stevens	Director	February 21, 2019