# **UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

	F	<b>ORM 10-K</b>			
(Mark One)					
✓ ANNUAL REPORT PURSUA	NT TO SECTION 13	3 OR 15(d) OF THE SI	ECURITIES EXCHANGE ACT O	F 1934	
For the fiscal year ended December 25, 2021.					
or					
☐ TRANSITION REPORT PURS	SUANT TO SECTIO	N 13 OR 15(d) OF TH	E SECURITIES EXCHANGE AC	CT OF 1934	
For the transition period from	to	·			
	Commissi	ion File Number 00	0-06217		
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II		ORPOR			
Delaware	(Exact name of	registrant as specified	94-1672743		
(State or other jurisdiction of incorporation or org		on) (I.R.S. I	Employer Identification No.)		
2200 Mission College	Santa Califo	,	95054-1549		
Boulevard,	Clara,	ima	33004-1043		
(Address of principal exec	cutive offices)		(Zip Code)		
Reg	•	number, including area ed pursuant to Section	, ,		
Title of each class	-	rading symbol	Name of each exchange or	n which registered	
Common stock, \$0.001 par val	ue	INTC	Nasdaq Global Sel	ect Market	
	Securities registere	ed pursuant to Section None	12(g) of the Act:		
Indicate by check mark if the registra	nt is a well-known s	easoned issuer, as def	ined in Rule 405 of the Securitie	s Act. Yes ☑ No □	
Indicate by check mark if the registra Act. Yes □ No ☑	nt is not required to	file reports pursuant to	Section 13 or Section 15(d) of t	he	
Indicate by check mark whether the r Exchange Act of 1934 during the pre- reports), and (2) has been subject to	ceding 12 months (c	or for such shorter period	od that the registrant was require		
Indicate by check mark whether the r pursuant to Rule 405 of Regulation S the registrant was required to submit	6-T (§ 232.405 of this	s chapter) during the p	•		
Indicate by check mark whether the r reporting company, or an emerging g reporting company," and "emerging g	rowth company. See	e the definitions of "larg	ge accelerated filer," "accelerated		
Lorgo Accolorate d Eller	acclerated City	Non Applement of Elica	Cmaller Deporting Comme	Emerging Growth	
Large Accelerated Filer Acc	ccelerated Filer	Non-Accelerated Filer	Smaller Reporting Company	Company	
If an emerging growth company, indic complying with any new or revised fir	•	-		•	

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

Aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant as of June 25, 2021, based upon the closing price of the common stock as reported by the Nasdaq Global Select Market on such date, was \$226.8 billion. 4,072 million shares of common stock were outstanding as of January 21, 2022.

#### DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's proxy statement related to its 2022 Annual Stockholders' Meeting to be filed subsequently are
incorporated by reference into Part III of this Form 10-K. Except as expressly incorporated by reference, the registrant's proxy
statement shall not be deemed to be part of this report.

# **Table of Contents**

## Organization of Our Form 10-K

The order and presentation of content in our Form 10-K differs from the traditional SEC Form 10-K format. Our format is designed to improve readability and better present how we organize and manage our business. See "Form 10-K Cross-Reference Index" within the Financial Statements and Supplemental Details for a cross-reference index to the traditional SEC Form 10-K format.

We have defined certain terms and abbreviations used throughout our Form 10-K in "Key Terms" within the Financial Statements and Supplemental Details.

The preparation of our Consolidated Financial Statements is in conformity with US GAAP. Our Form 10-K includes key metrics that we use to measure our business, some of which are non-GAAP measures. See "Non-GAAP Financial Measures" within MD&A for an explanation of these measures and why management uses them and believes they provide investors with useful supplemental information.

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# Forward-Looking Statements

This Form 10-K contains forward-looking statements that involve a number of risks and uncertainties. Words such as "anticipate," "expect," "intend," "aim," "strive," "objective," "goals," "plans," "ambitions," "opportunity," "outlook," "forecast," "predict," "future," "to be," "pending," "roadmap," "achieve," "grow," "committed," "believe," "seek," "targets," "milestones," "estimated," "continue," "likely," "possible," "may," "might," "potentially," "will," "would," "should," "could," "accelerate," "upcoming," "positioned," "next generation," "progress," "on track," and variations of such words and similar expressions are intended to identify such forward-looking statements. In addition, any statements that refer to Intel's strategy and the anticipated benefits of our strategy; manufacturing expansion plans; investment plans and impacts of investment plans; business plans; internal and external manufacturing plans, including future internal manufacturing volumes and external foundry usage; future responses to and effects of COVID-19; projections of our future financial performance, including future revenue, gross margins, capital expenditures, and cash flows; future business, social, and environmental performance, goals, measures, and strategies; our anticipated growth, future market share, and trends in our businesses and operations; projected growth and trends in markets relevant to our businesses; future technology trends; plans and goals related to Intel's foundry business, including with respect to future manufacturing capacity and foundry service offerings, including technology and IP offerings; future products and technology, and the expected regulation, availability, and benefits of such products and technology, including future process nodes and technology, product roadmaps, future product architectures, expectations regarding process performance per watt parity and leadership, and expectations regarding product leadership; projected cost and yield trends; expected timing and impact of acquisitions, divestitures, and other significant transactions, including statements relating to the divestiture of our NAND memory business to SK hynix Inc. (SK hynix) and our expected use of proceeds; the proposed IPO of Mobileye; future cash requirements; availability, uses, sufficiency, and cost of capital of capital resources and sources of funding, including future capital and R&D investments, and expected returns to stockholders such as dividends and share repurchases; expectations regarding government incentives; future production capacity and product supply; anticipated trends and impacts related to industry component, substrate, and foundry capacity shortages and constraints; the future purchase, use, and availability of products, components, and services supplied by third parties, including third-party IP and foundry services; tax- and accounting-related expectations; LIBOR-related expectations; our role in the Rapid Assured Microelectronics Prototypes - Commercial program; expectations regarding our relationships with certain sanctioned parties; uncertain events or assumptions, including statements relating to TAM, market opportunity, or projections of future demand; and other characterizations of future events or circumstances are forward-looking statements. Such statements are based on management's expectations as of the date of this filing, unless an earlier date is specified, and involve many risks and uncertainties that could cause our actual results to differ materially from those expressed or implied in our forward-looking statements. Such risks and uncertainties include those described throughout this report and particularly in "Risk Factors" within Other Key Information. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. Readers are urged to carefully review and consider the various disclosures made in this Form 10-K and in other documents we file from time to time with the SEC that disclose risks and uncertainties that may affect our business. Unless specifically indicated otherwise, the forward-looking statements in this Form 10-K do not reflect the potential impact of any divestitures, mergers, acquisitions, or other business combinations that have not been completed as of the date of this filing. In addition, the forward-looking statements in this Form 10-K are made as of the date of this filing, unless an earlier date is specified, including expectations based on third-party information and projections that management believes to be reputable, and Intel does not undertake, and expressly disclaims any duty, to update such statements, whether as a result of new information, new developments, or otherwise, except to the extent that disclosure may be required by law.

# Note Regarding Third-Party Information

This Form 10-K includes market data and certain other statistical information and estimates that are based on reports and other publications from industry analysts, market research firms, and other independent sources, as well as management's own good faith estimates and analyses. Intel believes these third-party reports to be reputable, but has not independently verified the underlying data sources, methodologies, or assumptions. The reports and other publications referenced are generally available to the public and were not commissioned by Intel. Information that is based on estimates, forecasts, projections, market research, or similar methodologies is inherently subject to uncertainties, and actual events or circumstances may differ materially from events and circumstances reflected in this information.

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# A Year in Review

Total revenue of \$79.0 billion was up year over year, with CCG revenue up 1% and DCG revenue down 1%, both amid the effects of industrywide supply constraints. We experienced strength in notebook demand and recovery in desktop demand, partially offset by lower notebook ASPs sheet and liquidity position. With our IDM 2.0 strategy, we enter due to strength in the consumer and education market segments. DCG was down on lower ASPs driven by product mix and a competitive environment, partially offset by higher platform<sup>1</sup> volume from recovery in the enterprise and government market segment. IOTG and Mobileye both achieved strong results on higher demand amid recovery from the economic impacts of COVID-19. We invested \$15.2 billion in R&D, made capital investments of \$18.7 billion, and generated \$30.0 billion in cash from operations and \$11.3 billion of free cash flow.

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"We achieved solid results amid a highly constrained industry supply environment while continuing to maintain a strong bala phase of significant investment, positioning us for product leadership and long-term growth."

-David Zinsner, Chief Financial Officer

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#### **Operating Income**

#### **Diluted EPS**

#### Cash Flows

■ GAAP \$B ■ Non-GAAP \$B

Higher revenue in CCG, IOTG,

revenue excludes NSG.

Mobileye, and PSG, partially offset by

declines in DCG and NSG. Non-GAAP

■ GAAP \$B ■ Non-GAAP \$B

■ GAAP ■ Non-GAAP

Operating Cash Flow \$ ■ Free Cash Flow<sup>2</sup> \$B

GAAP

or 15%

Operating cash

flow down \$5.4B

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\$79.0B

\$74.7B

\$19.5B \$22.2B \$4.86

\$5.47 \$30.0B

## GAAP

#### non-GAAP2

Revenue up 1% from 2020

Revenue up 2% from 2020

GAAP

Operating income down \$4.2B or 18% from 2020; 2021 operating

margin at 25%

Operating income down \$2.2B or 9% from 2020; 2021 operating margin at 30%

non-GAAP2

Higher gross margin from higher platform and adjacent1 revenue and Corporate revenue from a prepaid customer supply agreement, partially offset by a Corporate charge related to VLSI litigation, higher period charges from ramp of process technology, and higher operating expenses on increased R&D investment. Non-GAAP operating income incrementally excludes, amortization of acquisition-related intangibles, restructuring and the charge related to VLSI litigation.

**GAAP** 

#### non-GAAP2 Diluted EPS up Diluted EPS down \$0.08 or 2% from

\$0.37 or 7% from 2020 2020

Lower operating income partially offset by equity investment gains, lower effective tax rate, and lower shares. Non-GAAP results incrementally exclude ongoing mark-to-market adjustments and tax impacts of non-GAAP adjustments.

Lower operating ca decrease in net wo contributions and c prepaid customer s Q1 2021, partially of special dividend re-Free cash flow dec operating cash flow expenditures.

#### Investing in our IDM 2.0 strategy for the long term

To support our IDM 2.0 strategy, we are making significant capital investments to increase our manufacturing capacity and accelerate our process technology roadmap, as well as increasing our investments in R&D. We believe these investments will position us for accelerating long-term revenue growth. We expect our long-term revenue outlook to accelerate to a 10% to 12% year-over-year growth rate by the end of our five-year horizon as supply normalizes and our investments add capacity and drive leadership products. We expect gross margins to be impacted by our investments in capacity and the acceleration of our process technology, resulting in expected non-GAAP gross margins percentages between 51% and 53% over the next several years before moving upward. We also expect our capital expenditures to increase above historical levels for the next several years. We expect our cash from operations to be strong, but our capital investments to pressure our free cash flow in the short term.

<sup>&</sup>lt;sup>1</sup> See "Our Products" within MD&A.

<sup>&</sup>lt;sup>2</sup> See "Non-GAAP Financial Measures" within MD&A.

## New CEO and leadership team changes

Our new CEO Pat Gelsinger joined Intel on February 15, 2021 and made several senior leadership changes throughout the year. We also named our new CFO David Zinsner in January 2022. Mr. Gelsinger returns to Intel, where he previously spent 30 years of his career, learned at the feet of Intel's founders, and served as our first Chief Technology Officer.

#### **IDM 2.0**

On March 23, 2021, we announced our "IDM 2.0" strategy, the next evolution of our IDM model. Our IDM 2.0 strategy combines our internal factory network, strategic use of external foundries, and our new IFS business to position us to drive technology and product leadership. To accelerate this strategy, we announced plans to invest \$20 billion to build two new fabs in Arizona, which we broke ground on in September, and we recently announced plans to invest more than \$20 billion in the construction of two new leading-edge fabs in Ohio. We also announced approximately \$10.5 billion total investment to equip our Rio Rancho, New Mexico and Malaysia sites for advanced packaging manufacturing. In August, the US Department of Defense announced that IFS will lead the first phase of its multiphase RAMP-C program to facilitate the use of a domestic commercial foundry infrastructure.

#### Process and packaging technology roadmaps

At the Intel Accelerated event in July 2021, we provided an update on our manufacturing process and packaging technology roadmaps. We introduced future nodes, including Intel 3 and Intel 20A, and discussed future process and packaging technologies, such as our PowerVia, RibbonFET, Foveros Omni, and Foveros Direct technologies. As part of the update, we also introduced a new naming structure for our manufacturing process nodes, which includes the name changes summarized in "Key Terms" within Notes to Consolidated Financial Statements.

### 12th Gen Intel<sup>®</sup> Core<sup>™</sup> processors

We announced the 12th Gen Intel Core processor family (Alder Lake), the first on the Intel 7 process, with real-world performance for enthusiast gamers and professional creators. Alder Lake is the first processor based on our performance hybrid architecture featuring a combination of Performance-cores, the highest performing CPU cores Intel has built, and Efficient-cores designed for scalable multi-threaded workload performance.

### Ice Lake Server processors

We launched the 3rd Gen Intel® Xeon® Scalable CPU (Ice Lake), which boasts up to 40 cores and delivers a significant increase in performance, on average, compared to the previous generation. The chips include a set of built-in security features, cryptographic acceleration, and AI.

#### 5G network products

We also introduced a broad, data-centric portfolio for 5G network infrastructure, including an SoC for wireless base stations, structured ASICs for 5G network acceleration, and a 5G network-optimized Ethernet NIC.

#### Intel<sup>®</sup> Arc™ graphics

We revealed the brand for our upcoming consumer high-performance graphics products: Intel Arc. The Arc brand will cover hardware, software, and services, and will span multiple hardware generations, with the first generation discrete GPU (Alchemist) based on the Xe HPG microarchitecture and shipping to OEMs in Q1 2022.

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### First closing of divestiture of NAND memory business

On December 29, 2021, subsequent to our fiscal 2021 year-end, we completed the first closing of the divestiture of our NAND memory business to SK hynix, Inc. (SK hynix). We intend to invest transaction proceeds to deliver leadership products and advance our long-term growth priorities.

intc-202Adn ខ្មែរចំនុំ Our Business

# Our Strategy

The world is becoming more digital, and computing more pervasive. Semiconductors are the underlying technology powering the digitization of everything, which is being accelerated by four superpowers: ubiquitous compute, cloud-to-edge infrastructure, pervasive connectivity, and Al. Together these superpowers reinforce and amplify one another, and will exponentially increase the world's need for computing by packing even more processing capability onto ever-smaller microchips. We intend to lead the industry by harnessing these superpowers for our customers' growth and our own.

We are uniquely positioned with the depth and breadth of our software, silicon and platforms, and packaging and process technology with at-scale manufacturing. With these strengths and the tailwinds of the superpowers, our strategy to win is focused on three key themes: product leadership, open platforms, and manufacturing at scale.

#### **Our Priorities**

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#### **Product Leadership**

Lead and democratize compute with Intel x86 and xPU. Our product offerings provide end-to-end solutions, scaling from edge computing to 5G networks, the cloud, and the emerging fields of AI and autonomous driving, to serve an increasingly smart and connected world.

At our core is the x86 computing ecosystem, which supports an extensive and deep universe of software applications, with billions of lines of code written and optimized for x86 CPUs. We continue to advance this ecosystem with x86 microarchitectures focused on performance, which push the limits of low latency and single-threaded application performance, and microarchitectures focused on efficiency, which are designed for computing throughput efficiency to enable scalable multithreaded performance. Our innovative new 12th Gen client processors (Alder Lake) combine both performance cores and efficient cores in a performance hybrid architecture that can direct workloads to the right core depending on whether they require higher performance or power efficiency. We can also combine these architectural advances with our innovations in process and packaging technology, as in our next-generation Intel Xeon data center CPU (Sapphire Rapids), which will utilize performance cores on multiple compute tiles connected through our EMIB packaging technology in a scalable design, rather than being built on a monolithic silicon die.

Beyond the CPU, we are delivering a growing family of xPU products, which encompass client and data center GPUs, IPUs, FPGAs, and other accelerators. The xPU approach recognizes that different workloads benefit from different computing architectures, and our broad portfolio helps meet our customers' increasingly diverse computing needs. As part of our strategy, we seek to develop and offer leading products across each of these architectural categories. Our vision is that our products will help enable a future in which every human can have one petaflop of computing power and one petabyte of data less than one millisecond away.

#### **Open Platforms**

We aim to deliver open software and hardware platforms with industry-defining standards. Around the globe, companies are building their networks, systems, and solutions on open standards-based platforms. Intel has helped set the stage for this movement, with our historic contributions in developing standards such as CXL, Thunderbolt™, and PCle. We also contributed to the design, build, and validation of new open-source products in the industry such as Linux, Android, and others. The world's developers constantly innovate and expand the capabilities of these open platforms while increasing their stability, reliability, and security. In addition, microservices have enabled the development of flexible, loosely coupled services that are connected via APIs to create end-to-end processes. We use industry collaboration, co-engineering, and open-source contributions to accelerate software innovation. Through our oneAPI initiative, developers use a unified language across CPUs, GPUs, and FPGAs to cut down on development time and to enhance productivity. We also deliver a steady stream of open-source code and optimizations for projects across virtually every platform and usage model. We are committed to co-engineering and jointly designing, building, and validating new products with software industry leaders to accelerate mutual technology advancements and help new software and hardware work better together. Our commitment extends to developers through our developer-first approach based on openness, choice, and trust.

#### Manufacturing at Scale

In March 2021, we introduced IDM 2.0, the next evolution and expansion of our IDM model. IDM 2.0 is a differentiated strategy that combines three capabilities:

Internal factory network. Our global, internal factory network has been foundational to our success, enabling product optimization, improved economics, and supply resilience. We intend to remain a leading developer of process technology and a major manufacturer of semiconductors and will continue to build the majority of our products in our factories.

Strategic use of foundry capacity. We expect to expand our use of third-party foundry manufacturing capacity, which will provide us with increased flexibility and scale to optimize our product roadmaps for cost, performance, schedule, and supply. Our use of foundry capacity will include manufacturing for a range of modular tiles on advanced process technologies.

Foundry services. We intend to build a world-class foundry business to meet the growing global demand for semiconductors. We plan to differentiate our foundry offerings from those of others through a combination of leading-edge packaging and process technology, committed capacity in the US and Europe available for customers globally, and a world-class IP portfolio that will include x86 cores, as well as other ecosystem IP.

We believe our IDM 2.0 strategy will enable us to deliver leading process technology and products to meet growing demand, while providing superior capacity and supply resilience and an advantageous cost structure.

Delivering on our IDM 2.0 strategy and growth ambitions requires attracting, developing, and retaining top talent from across the world.

Fostering a culture of empowerment, inclusion, and accountability is also core to our strategy. We are committed to creating an inclusive workplace where the world's best engineers and technologists can fulfill their dreams and create technology that improves the life of every person on the planet.

#### **Growth Imperative**

We are investing to position the company for accelerated long-term growth, focusing on both our core businesses and our growth businesses. In our client and server businesses, our strategy is to invest to strengthen the competitiveness of our product roadmap and to explore opportunities in both client and data center adjacencies. We believe we have significant opportunities to grow and gain share in graphics; mobility, including autonomous driving; networking and edge; and foundry services.

### Focus on Innovation and Execution

We are focused on executing our product and process roadmap and accelerating our cadence of innovation. We have set a detailed process and packaging technology roadmap and announced key architectural innovations to further our goal of delivering leadership products in every area in which we compete. We are seeking to return our culture to its roots in innovation and execution, drawing on principles established by our former CEO Andy Grove that emphasize discipline and accountability.

# Our Capital

We deploy various forms of capital to execute our strategy in a way that seeks to reflect our corporate values, help our customers succeed, and create value for our stakeholders.

Capital	Strategy	Value
Financial		
intc-2021122	Leverage financial capital to invest in ourselves and drive our IDM 2.0 strategy, supplement and strengthen our capabilities through acquisitions, and provide returns to stockholders.	We strategically invest financial capital to create long-term value and provide returns to our stockholders.
Intellectual		
intc-2021122	Invest significantly in R&D and IP to enable us to deliver on our accelerated process technology 5 coloring, introduce leading x86 and xPU products, and develop new businesses and capabilities.	We develop IP to enable next-generation products, create synergies across our businesses, expand into new markets, and establish and support our brands.
Manufacturing	9	
intc-2021122	Aligned with our IDM 2.0 strategy, invest to sefficiently build manufacturing capacity to address growing global demand for semiconductors.	Our geographically balanced manufacturing scope and scale enable us to provide our customers and consumers with a broad range of leading-edge products.
Human		
intc-2021122	Continue to build a diverse, inclusive, and safe work environment to attract, develop, and retain Stop to build transformative products.	Our talented employees enable the development of solutions and enhance the intellectual and manufacturing capital critical to helping our customers win the technology inflections of the future.
Social and Re	elationship	
intc-2021122	Build trusted relationships for both Intel and our stakeholders, including employees, suppliers, customers, local communities, and governments. 5_g19.jpg	We collaborate with stakeholders on programs to empower underserved communities through education and technology, and on initiatives to advance accountability and capabilities across our global supply chain, including accountability for the respect of human rights.
Natural		
inte-2021122	Continually strive to reduce our environmental footprint through efficient and responsible use of natural resources and materials used to create our products.	With our proactive efforts, we seek to mitigate climate and water impacts, achieve efficiencies, and lower costs, and position us to respond to the expectations of our stakeholders.

## 2030 RISE Strategy and Corporate Responsibility Goals

Our commitment to corporate responsibility and sustainability leadership is deeply integrated throughout our business. We strive to create an inclusive and positive work environment where every employee has a voice and a sense of belonging, and we are proactive in our efforts to reduce our environmental footprint through efficient and responsible use of natural resources and materials.

We continue to raise the bar for ourselves and leverage our leadership position in the global technology ecosystem to make greater strides in corporate responsibility and apply technology to address social and environmental challenges. Through our RISE strategy and 2030 goals, we aim to create a more **responsible**, **inclusive**, and **sustainable** world, **enabled** through our technology and the expertise and passion of our employees. Our corporate responsibility strategy is designed to increase the scale of our work through collaboration with our stakeholders and other organizations; we know that acting alone, we cannot achieve the broad social impact to which we aspire. More information about our 2030 goals, including progress we have made toward achieving them, is included in our Corporate Responsibility Report<sup>1</sup>.

<sup>1</sup> The contents of our Corporate Responsibility Report are referenced for general information only and are not incorporated by reference in this Form 10-K.

intc-20211225\_g2.jpg Fundamentals of Our Business Our Capital

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Our financial capital allocation strategy focuses on building stockholder value. Our allocation decisions are driven by our priorities to invest in the business, acquire and integrate businesses that complement our strategic objectives, and return cash to stockholders. As we invest in our IDM 2.0 strategy, our allocation priorities will shift more heavily toward investing in the business and away from share repurchases, as we plan our next phase of capacity expansions and the acceleration of our process technology roadmap. We will continue to look for opportunities to further our strategy through acquisitions and intend to maintain our dividend.

### Cash from Operating Activities \$B

intc-20211225\_g22.jpg ■ Capital Investment ■ Free Cash Flow¹

## Our Financial Capital Allocation Decisions Are Driven by Three Priorities

#### Invest in the Business

Our first allocation priority is to invest in R&D and capital spending to capitalize on the opportunity presented by the world's demand for semiconductors. We expect to increase our R&D investment and our capital investments in support of our IDM 2.0 strategy.

#### Acquire and Integrate

Our second allocation priority is to invest in and acquire companies that complement our strategic objectives. We look for acquisitions that supplement and strengthen our capital and R&D investments. Our key acquisitions over the last three years include our 2020 acquisition of Moovit to accelerate Mobileye's mobility-as-a-service offering and our 2019 acquisition of Habana Labs to strengthen and extend the reach of our AI portfolio.

We take action when investments do not strategically align to our key priorities, and subsequent to our fiscal 2021 year-end, we completed the first closing of the divestiture of our NAND memory business. Additionally, in 2020 we completed the divestiture of the majority of Home Gateway Platform, a division of CCG, and in 2019 we divested the majority of our smartphone modem business.

#### Return Cash to Stockholders

Our third allocation priority is to return cash to stockholders. We achieve this through our dividend and share repurchase programs. We expect our future stock repurchases to be significantly below our levels from the last few years.

R&D and Capital Investments \$B

Cash to Stockholders \$B

intc-20211225 g23.jpg intc-20211225 g24.jpg ■ R&D ■ Logic Memory<sup>2</sup>

Buyback Dividend

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Fundamentals of Our Business Our Capital

<sup>&</sup>lt;sup>1</sup> See "Non-GAAP Financial Measures" within MD&A.

<sup>&</sup>lt;sup>2</sup> 2021 capital investments in Memory are not presented due to the divestiture of the NAND memory business announced in October 2020. 2017-2020 capital investments presented include Memory.

## intc-2021 1225 de de la Capital

## Research and Development

R&D investment is critical to enable us to deliver on our accelerated process technology roadmap, introduce leading products, and develop new businesses and capabilities in the future. We seek to protect our R&D efforts through our IP rights and may augment R&D initiatives by acquiring or investing in companies, entering into R&D agreements, and directly purchasing or licensing technology.

## Areas Key to Product Leadership

Every year we make significant investments in R&D and we have intensified our focus on areas key to product leadership. Our objective with each new generation of products is to improve user experiences and value through advances in performance, power, cost, connectivity, security, form factor, and other features. We also focus on reducing our design complexity, re-using IP, and increasing ecosystem collaboration to improve our efficiency.

Process and packaging. At our Intel Accelerated event in July 2021, we provided an update on our manufacturing process and packaging technology roadmaps. As part of the update, we also introduced a new naming structure for our manufacturing process nodes, which includes the name changes summarized in "Key Terms". In addition, we introduced future nodes and discussed future process and packaging technologies on our roadmap. Our updates included the following:

- We introduced further optimizations to our Intel 7 process node, which is now in production for our 12th Gen Intel Core (Alder Lake) processors.
- Intel 4 will make use of EUV to print incredibly small features using ultra-short wavelength light. Intel 4 will be used for our future Meteor Lake client processors.
- Intel 3 will leverage further FinFET optimizations and increased EUV to deliver additional performance-per-watt and area improvements over Intel 4.
- Intel 20A will follow Intel 3 and will introduce two breakthrough technologies: Ribbon FET and PowerVia. RibbonFET, Intel's implementation of a gate-all-around transistor, will be our first new transistor architecture since we pioneered FinFET in 2011. The technology is expected to deliver faster transistor switching speeds while achieving the same drive current as multiple fins in a smaller footprint. PowerVia will be our unique industry-first implementation of backside power delivery, optimizing signal transmission by eliminating the need for power routing on the front side of the wafer.
- Beyond Intel 20A, we are developing our Intel 18A node, with expected refinements to RibbonFET to deliver additional transistor performance improvements. We are also working to define, build, and deploy nextgeneration High Numerical Aperture EUV in our process technology roadmap.
- Our future Foveros Omni advanced packaging technology will usher in the next generation of our 3D stacking
  Foveros technology, enabling us to mix multiple top die tiles with multiple base tiles across mixed fab nodes
  and giving us greater flexibility for disaggregated chip designs. With our future Foveros Direct technology, we
  will move to direct copper-to-copper bonding for low-resistance interconnects and blur the boundary between
  where the wafer ends and the package begins.

xPU architecture. The future is a diverse mix of scalar, vector, matrix, and spatial architectures deployed in CPU, GPU, accelerator, and FPGA sockets, enabled by a scalable software stack and integrated into systems by advanced packaging technology. We are building processors that span several major computing architectures, moving toward an era of heterogeneous computing:

- CPU. We started shipping our 3rd Gen Xeon Scalable processors (Ice Lake) with the new Sunny Cove core, built-in AI acceleration, cryptographic acceleration, and advanced security capabilities. We also launched our 12th Gen Intel Core processors (Alder Lake), which will scale from thin and light laptops to enthusiast desktop and notebook platforms. They utilize the new breakthrough Performance-core (Golden Cove) and Efficient-core (Gracemont) microarchitectures and work with Intel® Thread Director for scheduling optimization.
- GPU. We announced Alchemist, our first Intel Arc branded high-performance discrete GPU family of products
  focused on gaming and content creation, which began shipping to OEMs in Q1 2022. We also powered on
  Ponte Vecchio, our discrete GPU focused on high-performance computing applications, which delivers

leading floating-point operations per second (FLOPS) and compute density to accelerate AI, highperformance computing, and advanced analytics workloads. Ponte Vecchio will be released in 2022 for HPC and AI markets.

- Interconnect. Mount Evans, Intel's first ASIC IPU, is designed to address the complexity of diverse and dispersed data centers. An IPU is designed to enable cloud and communication service providers to reduce overhead and free up performance for CPUs.
- Matrix Accelerator. Habana Gaudi accelerators are at the forefront of Al solutions for data centers. Amazon Web Services launched the EC2 DL1 instance featuring Habana Gaudi in Amazon Elastic Compute Cloud for training deep learning models.

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Software. Software unleashes the potential of our hardware platforms across all workloads, domains, and architectures.

- In 2021, oneAPI adoption expanded across the industry. oneAPI enables developers to build cross-architecture applications using a single code base across xPUs that take advantage of unique hardware features and lower software development and maintenance costs. Developers can choose the best architecture for the problem at hand without rewriting their entire code base, accelerating their time to value.
- We seek to accelerate adoption of oneAPI and Intel software developer tools through diverse ecosystem
  activities including developer trainings, summits, centers of excellence, and access to Intel hardware and
  software through a developer cloud. The Intel® DevCloud for oneAPI hosts global users spanning AI, data
  science, high-performance computing, and media & graphics and other accelerated computing workloads.
- We believe AI will be ubiquitous, and with our tools and the broad open software ecosystem, we are well-positioned to scale AI. We optimize for the most widely used AI frameworks and libraries, including TensorFlow, Pytorch, Scikit-learn, NumPy, XGBoost, and Spark, with certain optimizations delivering up to 10 to 100 times performance improvements to support end-to-end AI, as well as OpenVINO™ and oneAPI AI Analytics toolkits.
- We seek to continually improve our BIOS and firmware in support of our client, data center, networking, and graphics products, including delivering simplified and cloud-optimized open firmware for data center customers through our Firmware Support Package and Minimum Platform Architecture.

### **IP Rights**

We own and develop significant IP and related IP rights around the world that support our products, services, R&D, and other activities and assets. Our IP portfolio includes patents, copyrights, trade secrets, trademarks, mask works, and other rights. We actively seek to protect our global IP rights and to deter unauthorized use of our IP and other assets.

We have obtained patents in the US and other countries. Because of the fast pace of innovation and product development, our products are often obsolete before the patents related to them expire, and in some cases may be obsolete before the patents are granted. As we expand our product offerings into new areas, we also seek to extend our patent development efforts to patent such products. In addition to developing patents based on our own R&D efforts, we may purchase or license patents from third parties.

The software that we distribute, including software embedded in our products, is entitled to copyright and other IP protection. To distinguish our products from our competitors' products, we have obtained trademarks and trade names for our products, and we maintain cooperative advertising programs with customers to promote our brands and to identify products containing genuine Intel components. We also protect details about our processes, products, and strategies as trade secrets, keeping confidential the information that we believe provides us with a competitive advantage.

Efforts to protect our IP can be difficult, particularly in countries that provide less protection to IP rights and in the absence of harmonized international IP standards. Competitors and others may already have IP rights covering similar products. There is no assurance that we will be able to obtain IP rights covering our own products, or that we will be able to obtain IP licenses from other companies on favorable terms or at all. For a discussion of IP-related risks, see "Risk Factors" within Other Key Information. While our IP rights are important to our success, our business as a whole is not significantly dependent on any single patent, copyright, or other IP right.

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"Here at Intel, we take pride in attracting some of the world's best engineers, technologists, and innovators. We are advocates for a patent system that eliminates abuse by hedge funds and others who exploit weaknesses in the system to drive their profits at the expense of those of us who actually invent, create, and produce products that are central to the modern economy."

—**Steve Rodgers**, Executive Vice President and General Counsel

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# inte-2021 Marchagturing Capital

Inspired by Moore's Law, a law of economics put forth by our co-founder Gordon Moore more than 50 years ago, we continuously work to advance the design and manufacturing of semiconductors to help address our customers' greatest challenges. This makes possible the innovation of new products with higher performance while balancing power efficiency, cost, and size. We continue to work across our supply chain to minimize disruptions, improve productivity, and increase overall capacity and output to meet customer expectations. In 2021, our factories performed well in a highly dynamic environment, where we adapted to rapid demand shifts and industry component shortages affecting us and our customers.

Our IDM 2.0 strategy allows us to deliver leadership products through the use of internal and external capacity while leveraging our core strengths for growth via providing foundry services to others. IDM 2.0 combines three factors. First, we will continue to build the majority of our products in Intel fabs. Second, we expect our use of third party foundry capacity to grow and to include manufacturing for a range of modular tiles on advanced process technologies. Third, we intend to build a world-class foundry business with IFS, which will combine leading-edge process and packaging technology, committed capacity in the US and Europe, and a world-class IP portfolio for customers, including x86 cores. During the year we began shipping packaging units for our first IFS customer, Amazon Web Services.

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"In alignment with our IDM 2.0 strategy, we are repositioning Intel for growth by increasing our investment in internal manufacturing, expanding our global capacity for supply chain resiliency, and delivering on world class manufacturing execution."

-Keyvan Esfarjani, Senior Vice President and General Manager of Manufacturing, Supply Chain, and Operations

"Process and packaging are at the very heart of Intel's heritage and are the foundation of everything we build. With the roadmaps we unveiled this year, we plan to accelerate our rate of innovation to reach process performance-per-watt parity by 2024 and leadership by 2025, and to maintain advanced packaging leadership."

-Dr. Ann Kelleher, Executive Vice President and General Manager of Technology Development

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# **Network and Supply Chain**

Our global supply chain supports internal partners across architecture, product design, technology development, manufacturing and operations, sales and marketing, and business units, and our supply ecosystem comprises thousands of suppliers globally. Our mission is to enable product and process leadership, industry-leading total cost of ownership, and uninterrupted supply for our customers. In addition to our own manufacturing capacity, we continue to expand our use of third-party foundries.

The majority of our logic wafer manufacturing is conducted in the US. As of our fiscal 2021 year-end, we had ten manufacturing sites — six are wafer fabrication and four are assembly/test facilities. The following map shows these factory sites and the countries where we have a significant R&D and/or sales presence. In response to COVID-19, we maintained operational changes and measures to enable a continued safe environment for our employees and operation of our manufacturing sites.

Our manufacturing facilities are primarily used for silicon wafer manufacturing, assembling, and testing of our platform products. We operate in a network of manufacturing facilities integrated as one factory to provide the most flexible supply capacity, allowing us to better analyze our production costs and adapt to changes in capacity needs. Our new process technologies are transferred identically from a central development fab to each manufacturing facility. After transfer, the network of factories and the development fab collaborate to continue driving operational improvements. This enables fast ramp of the operation, fast learning, and quality control. We are expanding manufacturing capacity across multiple sites, including Arizona, Ireland, Israel, and Oregon. To accelerate our IDM 2.0 strategy, we announced plans to invest \$20 billion to build two new fabs in Arizona, which we broke ground on in September, and we recently announced plans to invest more than \$20 billion in the construction of two new leading-edge fabs in Ohio, while actively searching for additional manufacturing locations in Europe. Our plans include utilizing a "smart capital" strategy in which we focus first on aggressively building out fab shells, which are the smaller portion of the overall cost of a fab but have the longest lead time, giving us flexibility in how and when we bring additional capacity and tools online. We also announced approximately \$10.5 billion total investment to equip our Rio Rancho, New Mexico and Malaysia sites for advanced packaging manufacturing.

#### intc-20211225 g30.jpg

Note: The Dalian factory, presented above, was sold subsequent to year-end as part of the first closing of the divestiture of our NAND Memory business. See Note 10: Acquisitions and Divestitures.

## intc-2021 12/15 mg 3 rjp Capital

Our human capital strategy is grounded in our belief that our people are fundamental to our success. Delivering on our IDM 2.0 strategy and growth ambitions requires attracting, developing, and retaining top talent from across the world. We are committed to creating an inclusive workplace where the world's best engineers and technologists can fulfill their dreams and create technology that improves the life of every person on the planet. We invest in our highly skilled workforce of 121,100 people through creating practices, programs and benefits that support the evolving world of work and our employees' needs.

Fostering a culture of empowerment, inclusion, and accountability is also core to our IDM 2.0 strategy. We are focused on reinvigorating our culture to strengthen our execution and accelerate our cadence of innovation. Our values—customer first, fearless innovation, results driven, one Intel, inclusion, quality, and integrity—inspire us and are key to delivering on our purpose. This year, we added a new value—results driven—as we seek to return to our roots of innovation and execution, making data-driven decisions quickly and setting disciplined goals that drive business results. All employees are responsible for upholding these values, the Intel Code of Conduct, and Intel's Global Human Rights Principles, which form the foundation of our policies and practices and ethical business culture.

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"At Intel we tackle hard problems, think boldly, and create technology that improves the life of every person on the planet. Our culture unleashes the diverse perspectives, experiences, and potential of our employees to drive innovation and business results for Intel and our customers."

—Christy Pambianchi, Executive Vice President and Chief People Officer

## **Talent Management**

The digitization of everything is driving growth and global demand for semiconductors. Combined with the tightening labor market and economic recovery from COVID-19, this has driven a significant increase in competition throughout the industry to attract and retain talent – especially technical talent. In 2021, we intensified our efforts to continue to attract and retain talent, including introducing new employee referral programs, expanding wellness benefits and time off, heightening our focus on revitalizing our culture, and increasing mentoring in our technical community. In 2021, our undesired turnover rate<sup>1</sup> was 5.6%, compared to 4.0% in 2020.

We invest significant resources to develop the talent needed to remain at the forefront of innovation and make Intel an employer of choice. We offer extensive training programs and provide rotational assignment opportunities. We evolved our performance management system to support our culture evolution and increase our focus on disciplined goal setting and results. Through our annual Employee Experience Surveys and Manager Development Feedback Surveys, employees can voice their perceptions of the company, their managers, their work experience, and learning and development opportunities.

#### Inclusion

Diversity and inclusion are core to Intel's values and instrumental to driving innovation and positioning us for growth. Over the past decade, we have taken actions to integrate diversity and inclusion expectations into our culture, performance and management systems, leadership expectations, and annual bonus metrics. We are proud of what we have accomplished to advance diversity and inclusion, but we recognize we still have work to do, including beyond the walls of Intel. We also recognize the additional challenges that COVID-19 has presented to our employees, including women and individuals with disabilities. Our RISE strategy and 2030 goals set our global ambitions for the rest of the decade, including doubling the number of women in senior leadership; doubling the number of underrepresented minorities in US senior leadership; and embedding inclusive leadership practices across our business. Our goals also include increasing the percentage of employees who self-identify as having a disability to 10%; and exceeding 40% representation of women in technical roles, including engineering positions and other roles with technical job requirements. To drive accountability, we continue to link a portion of our executive and employee compensation to diversity and inclusion metrics.

We have committed our scale, expertise, and reach through our comprehensive RISE strategy to work with customers and other stakeholders to accelerate the adoption of inclusive business practices across industries. In 2021, we partnered with other technology companies to launch the Alliance for Global Inclusion to create and implement an Inclusion Index with unified goals and metrics. This collective effort will allow the industry to more clearly identify actions needed to advance progress on closing persistent gaps and advancing more inclusive practices in workplaces, industry, and society. We will also continue to collaborate on initiatives that expand the diverse pipeline of talent for our industry, advance social equity, make technology fully inclusive, and expand digital readiness for millions of people around the world.

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<sup>&</sup>lt;sup>1</sup> Undesired turnover includes all regular Intel employees who voluntarily left Intel, but do not include Intel contract employees, interns, or employees who separated from Intel due to divestiture, retirement, voluntary separation packages, death, job elimination, or redeployment.

<sup>&</sup>lt;sup>2</sup> Senior leadership refers to salary grades 10+ and equivalent grades. While we present male and female, we acknowledge this is not fully encompassing of all gender identities.

<sup>&</sup>lt;sup>3</sup> The term underrepresented minority (URM) is used to describe diverse populations, including Black/African American, Hispanic, and Native American employees in the US.

### Compensation and Benefits

We structure pay, benefits, and services to meet the varying needs of our employees. Our total rewards package includes market-competitive pay, broad-based stock grants and bonuses, an employee stock purchase plan, healthcare and retirement benefits, paid time off and family leave, parent reintegration, fertility assistance, flexible work schedules, sabbaticals, and on-site services. Since 2019, we have achieved gender pay equity globally and we continue to maintain race/ethnicity pay equity in the US. We achieve pay equity by closing the gap in average pay between employees of different genders or race/ethnicity in the same or similar roles after accounting for legitimate business factors that can explain differences, such as location, time at grade level, and tenure. We have also advanced transparency in our pay and representation data by publicly releasing our EEO-1 survey pay data since 2019. We believe that our holistic approach toward pay equity, representation, and creating an inclusive culture enables us to cultivate a workplace that helps employees develop and progress in their careers at all levels. Though flexible work schedules are part of our existing total rewards package, the COVID-19 pandemic provided an opportunity to further reimagine how our employees work and collaborate. In designing the future of our workplace, we surveyed employees around the globe to inform our "hybrid-first" approach, where the majority of our employees will split their time between working remotely and in the office, with no company-wide mandate on the number of days per week employees should be on-site or how they should collaborate. Our goal is to enable remote and on-site work where it drives the best output, while ensuring our employees have equitable access to systems, resources, and opportunities that allow them to succeed.

### Health, Safety, and Wellness

Our commitment in Intel's Environmental, Health, and Safety Policy is to provide a safe and injury-free workplace. We continually invest in programs designed to improve physical, mental, and social well-being. We provide access to a variety of innovative, flexible, and convenient health and wellness programs, including on-site health centers. Throughout our response to COVID-19, our priority has remained protecting the health and safety of our employees. This includes mental health, as we aim to increase awareness of and support for mental and behavioral health. In support of our 2030 goals, we will continue to build our strong safety culture and drive global expansion of our corporate wellness program through employee education and engagement activities.

## intc-2021 Stocked jand Relationship Capital

We are committed to engaging in corporate responsibility and sustainability initiatives that support our communities and help us develop trusted relationships with our stakeholders. Proactive engagement with our stakeholders and investments in social impact initiatives, including those aligned with the United Nations Sustainable Development Goals, advance our position as a leading corporate citizen and create shared value for Intel, our global supply chain, and our communities.

Economic and social. The health of our business and local economies depends on continued investments in innovation. We provide high-skill, high-paying jobs around the world. Many of these are manufacturing and R&D jobs located in our own domestic and international factories. We also benefit economies through our R&D ecosystem spending, sourcing activities, consumer spending by our employees, and tax payments. We make sizable capital investments and provide leadership in public-private partnerships to spur economic growth and innovation. We engage third-party organizations to conduct analyses of the economic impact of our operations, including a US impact study in 2021 that found that for every US Intel job, Intel's economic activity in the US indirectly supports an additional 13 jobs.

We stand at the forefront of new technologies that are increasingly being used to empower individuals, companies, and governments around the world to solve global challenges. We also aim to empower people through education and advance social initiatives to create career pathways into the technology industry. This has included our global Intel Digital Readiness Programs, such as AI for Youth and AI for Workforce, scaled in partnership with governments and institutions to empower individuals with digital readiness and AI skills. Additionally, we have invested in multi-year partnerships with historically Black colleges and universities in the US to increase the number of Black/African Americans who pursue electrical engineering, computer engineering, and computer science fields. Our employees and retirees share their expertise through volunteer initiatives in the communities where we operate, volunteering more than 1.7¹ million hours over the past two years. These efforts contribute to the 2030 goal we established last year to volunteer 10 million hours over a decade. COVID-19 presented challenges over the last two years for inperson volunteering, but we continued to see an outpouring of support from employees in 2021 for virtual volunteering, donations, and innovative technology projects to support our communities. In 2020 we announced the Pandemic Response Technology Initiative to combat COVID-19. We expanded the initiative in 2021 and renamed it the RISE Technology Initiative to reflect a broader platform for action. It provides an expanded channel to build deeper relationships with our customers and partners aligned with our corporate purpose and work to create shared value

through our 2030 RISE strategy. Specifically, we are funding projects in areas that include using technology to improve health and safety; making technology more inclusive while expanding digital readiness; and carbon neutral computing to help address climate change.

Human rights commitment. We are committed to maintaining and improving processes to avoid complicity in human rights violations related to our operations, supply chain, and products. We have established an integrated approach to managing human rights across our business, including board-level oversight and the involvement of senior-level Management Review Committees. We also meet throughout the year with external stakeholders and experts on human rights to continue to inform and evolve our human rights policies and oversight processes. While we do not always know nor can we control what products our customers create or the applications end users may develop, we do not tolerate our products being used to violate human rights. Where we become aware of a concern that our products are being used by a business partner in connection with abuses of human rights, we restrict or cease business with the third party until we have high confidence that our products are not being used to violate human rights.

<sup>1</sup> This is a preliminary estimate. The final number will be reported in our 2021-22 Corporate Responsibility Report, to be issued later in 2022.

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## Supply Chain Responsibility

We actively manage our supply chain to help reduce risk, improve product quality, achieve environmental and social goals, and improve overall performance and value creation for Intel, our customers, and our suppliers. To drive responsible and sustainable practices throughout our supply chain, we have robust programs to educate and engage suppliers that support our global manufacturing operations. We actively collaborate with other companies and lead industry initiatives on key issues such as improving transparency around climate and water impacts in the global electronics supply chain and, as part of our RISE strategy, we are advancing collaboration across our industry on responsible minerals sourcing. Through these efforts we help set electronics industry-wide standards, develop audit processes, and conduct training.

Over the past decade, we have directly engaged with our suppliers to verify compliance and build capacity to address risks of forced and bonded labor and other human rights issues. We perform supplier audits and identify critical direct suppliers to engage through capability-building programs, which help suppliers build sustainability acumen and verify compliance with the Responsible Business Alliance and our Code of Conduct. We also engage with indirect suppliers through our programs on forced and bonded labor, responsible minerals, and supplier diversity. To achieve our 2030 RISE goals, we will significantly expand the number of suppliers covered by our engagement activities.

Our commitment to diversity and inclusion also extends to our suppliers. We believe a diverse supply chain supports greater innovation and value for our business. We have set additional spending targets with women-owned suppliers outside the US and with minority-owned suppliers globally to accelerate progress toward our goal to increase global annual spending with diverse suppliers by 100% to reach \$2 billion in annual spending by 2030. Continuing in 2022, we will only retain or use outside law firms in the US that are above average on diversity for their equity partners. We are applying a similar rule to firms used by our tax department, including non-legal firms.

# intc-2021 Styraip Capital

Driving to the lowest possible environmental footprint as we grow helps us create efficiencies, lower costs, and respond to the needs of our stakeholders. We invest in conservation projects and set company-wide environmental targets to drive reductions in greenhouse gas emissions, energy use, water use, and waste generation. We build energy efficiency into our products to help our customers lower their own emissions and energy costs, and we collaborate with policymakers and other stakeholders to use technology to address environmental challenges. Through our 2030 goals we will continue to drive to higher levels of operational efficiency, including a goal of a further 10% reduction in our carbon emissions on an absolute basis even as we continue to grow. In 2021, we continued to take action on emissions reduction strategies focused on emissions abatement, additional investments in renewable electricity, process and equipment optimization, and energy conservation. Our 2030 strategy and goals also focus on improving product energy efficiency and increasing our "handprint"—the ways in which Intel technologies can help others reduce their footprints, including Internet of Things solutions that enable intelligence in machines, buildings, supply chains, and factories, and make electrical grids smarter, safer, and more efficient.

## Climate and Energy

We focus on reducing our own climate impact, and over the past two decades have reduced our direct emissions and indirect emissions associated with energy consumption. Through our 2030 goals we have committed to conserve an additional 4 billion kWh of energy over 10 years. We have conserved more than 310 million kWh<sup>1</sup> of energy since 2020. We also continue to link a portion of our executive and employee performance bonus to our corporate sustainability metrics. In 2021, this included our target to save 125 million kWh of energy during the year. We also invest in green power and on-site alternative energy projects in support of our 2030 goal to achieve 100% renewable energy use across our global manufacturing operations. We have reached 81%1 renewable energy globally. We are committed to transparency around our carbon footprint and climate risk and use the framework developed by the TCFD to inform our disclosure on climate governance, strategy, risk management, and metrics and targets. For governance and strategy, we follow an integrated approach to address climate change, with multiple teams responsible for managing climate-related activities, initiatives, and policies. Strategies and progress toward goals are reviewed with senior executives and the Intel Board of Directors' Corporate Governance and Nominating Committee. We describe our overall risk management processes in our Proxy Statement, and describe our climate-related risks and opportunities in our annual Corporate Responsibility Report, the Intel Climate Change Policy, and "Risk Factors" within this Form 10-K. In addition to what is included within this Form 10-K, information about and progress toward our 2030 goals is included in our Corporate Responsibility Report. Our Corporate Responsibility Report also includes a mapping of our disclosure to the TCFD, the Sustainability Accounting Standards Board framework, and our CDP Climate Change Survey, all of which are available on our website.<sup>2</sup>

intc-20211225\_g2.jpg Fundamentals of Our Business Our Capital

<sup>&</sup>lt;sup>1</sup> This is a preliminary estimate. The final number will be reported in our 2021-22 Corporate Responsibility Report, to be issued later in 2022.

<sup>&</sup>lt;sup>2</sup> The contents of our website and our Corporate Responsibility Report, Climate Change Policy, and CDP Climate Change Survey are referenced for general information only and are not incorporated by reference in this Form 10-K.

## Water Stewardship

Water is essential to the semiconductor manufacturing process. We use ultrapure water to remove impurities from our silicon wafers, and we use fresh and reclaimed water to run our manufacturing facility systems. Through our 2030 goals, we have committed to conserve an additional 60 billion gallons in this decade. As part of this commitment, we plan to achieve net positive water use globally. We have conserved 15.4 billion gallons<sup>1</sup> of water and enabled restoration of 3.5 billion gallons<sup>1</sup> of water since 2020. In 2021, we linked a portion of our executive and employee performance bonus to our targets to conserve 7.5 billion gallons of water in our operations and complete projects to restore more than 1.5 billion gallons to local watersheds.

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# Circular Economy and Waste Management

We have long been committed to waste management, recycling, and circular economy strategies that enable the recovery and productive re-use of waste streams. Our 2030 goals include a target of zero total waste<sup>2</sup> to landfill, as well as implementation of circular economy strategies for 60% of our manufacturing waste streams in partnership with our suppliers. This can include reuse of waste streams directly in our own operations or enabling reuse of our waste streams by other industries. Our 2030 goal of 60% will be challenging, given our projected operational growth and new waste streams, suppliers, and locations that will require new circular economy strategies. We continue to focus on opportunities to upcycle waste by working further on waste segregation practices and collaborating with our suppliers to evaluate new technologies for waste recovery.

intc-20211225\_g2.jpg Fundamentals of Our Business Our Capital

<sup>&</sup>lt;sup>1</sup> This is a preliminary estimate. The final number will be reported in our 2021-22 Corporate Responsibility Report, to be issued later in 2022

<sup>&</sup>lt;sup>2</sup> Intel defines zero waste as less than 1%.

## Value We Create

Each of our six forms of capital plays a critical role in our long-term value creation. We consider numerous indicators in determining the success of our capital deployment in creating value. Highlights of value created are as follows:

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Note: The Dalian factory was sold subsequent to year-end as part of the first closing of the divestiture of our NAND Memory business. See Note 10 : Acquisitions and Divestitures.

intc-20211225 g2.jpg Fundamentals of Our Business Our Capital

<sup>&</sup>lt;sup>1</sup> This is a preliminary estimate. The final number will be reported in our 2021-22 Corporate Responsibility Report, to be issued later in 2022.

<sup>&</sup>lt;sup>2</sup> See "Non-GAAP Financial Measures" within MD&A.

# Management's Discussion and Analysis

## **Our Products**

Our product offerings provide end-to-end solutions, scaling from edge computing to 5G networks, the cloud, and the emerging fields of AI and autonomous driving. Products, such as our gaming CPUs, may be sold directly to end consumers, or they may be further integrated by our customers into end products such as notebooks and storage servers. Combining some of these products—for example, integrating FPGAs and memory with Intel Xeon processors in a data center solution—enables incremental synergistic value and performance. We launched new products in 2021, such as the 12th Gen Intel Core processors (Alder Lake), the first on the Intel 7 process, and 3rd Gen Intel Xeon Scalable processors (Ice Lake).

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Platform Products: Our platform products can be a CPU and chipset, an SoC, or a multichip package based on Intel® architecture that processes data and controls other devices in a system. The primary CPU products in CCG are our Intel Core and Intel Atom® processors, which include Intel Core processors designed specifically for notebook and desktop applications. We introduced our 12th Gen Intel Core desktop processors and additional 11th Gen Intel Core processors (Tiger Lake) this year. The primary CPU product in DCG is our Intel Xeon processor, which includes solutions for data center compute, networking, and the intelligent edge. Our latest Xeon processor, the 3rd Gen Xeon, launched this year. We sell Xeon, Intel Core, and Intel Atom processor products as part of our IOTG offerings.

Adjacent Products: Our non-platform, or adjacent, products can be combined with platform products to form comprehensive platform solutions to meet customer needs. These products are used in solutions sold through each of our businesses and include the following:

- Accelerators—Silicon products that can operate alone or accompany our processors in a system, such as Habana Gaudi for DCG, FPGAs for PSG, VPUs for IOTG, and Mobileye EyeQ SoCs
- Boards and Systems—Server boards and small form factor systems such as Intel<sup>®</sup> NUCs for CCG
- Connectivity Products—Ethernet controllers and silicon photonics for DCG; and cellular modems, Wi-Fi, and Bluetooth® for CCG
- Graphics— Discrete graphics products for CCG and DCG
- Memory and Storage Products—NAND SSD products for NSG and Intel® Optane<sup>™</sup> memory products sold through DCG

"At Intel our customer first mindset means that we put customer needs at the center of our business. We are committed to our customers' success by delivering a portfolio of high quality products, performance, and experiences to solve the world's most intc-20211225\_g39.jpgchallenging problems."

—**Michelle Johnston Holthaus**, Executive Vice President and General Manager of the Sales, Marketing, and Communications Group

intc-20211225\_g2.jpg MD&A 18

# How We Organize Our Business

% Intel Revenue	Key Markets and Products	
intc-20211225_g40.jpg	Includes platforms designed for end-user form factors, focusing on higher growth segments of 2-in-1, thin-and-light, commercial and gaming, and growing adjacencies such as connectivity and graphics.	intc-20211225_g41.jpg
intc-20211225_g42.jpg	Includes workload-optimized platforms and related products designed for cloud service providers, enterprise and government, and communications service providers market segments.	intc-20211225_g43.jpg
inte-20211225_g44.jpg	Includes high-performance compute solutions for targeted verticals and embedded applications in market segments such as retail, industrial, and healthcare.	inte-20211225_g45.jpg
intc-20211225_g46.jpg	Includes comprehensive solutions required for autonomous driving, including compute platforms, computer vision, and machine learning-based sensing, mapping and localization, driving policy, and active sensors in development, utilized for both Robotaxi and consumer level autonomy.	intc-20211225_g47.jpg
intc-20211225_g48.jpg	Includes memory and storage products like Intel 3D NAND technology, primarily used in SSDs.	intc-20211225_g49.jpg
intc-20211225_g50.jpg	Includes programmable semiconductors, primarily FPGAs and structured ASICs, and related products for communications, cloud and enterprise, and embedded market segments.	intc-20211225_g51.jpg

Overview intc-20211225\_g53.j

We are committed to advancing PC experiences by delivering an annual cadence of leadership products and deepening our relationships with industry partners to co-engineer and deliver leading platform innovation. We engage in an intentional effort focused on long-term operating system, system architecture, hardware, and application integration that enables industry-leading PC experiences. We will embrace these opportunities by investing more heavily in the PC, ramping its capabilities even more aggressively, and designing the PC experience even more deliberately. By doing this, we will continue to fuel innovation across Intel, providing a growing source of IP, scale, and cash flow. Key Developments

- We delivered our sixth consecutive year of revenue growth, to \$40.5 billion, as the PC continues to "The PC is one of the m
  be more essential than ever.
- We launched our 11th Gen Intel Core H-series processors and introduced our 12th Gen Intel Core processor family, our all-new performance hybrid architecture built on Intel 7 process technology.
- We launched the world's first Wi-Fi 6E certified product for PCs, enabling Intel Wi-Fi based PCs to access as much as 1200 MHz of new Wi-Fi spectrum the first new spectrum for Wi-Fi in over a decade. In May, we launched the Intel 5G Solution 5000 modem for PCs, delivering speeds that significantly exceed those of our Intel Gigabit LTE. We also introduced our new high-performance discrete graphics products: Intel<sup>®</sup> Arc™, with our first generation (Alchemist) GPU shipping to OEMs in Q1 2022.
- We worked with industry partners to co-engineer and deliver more than 100 verified Intel<sup>®</sup> Evo™
  designs and grew the commercial market segment with the launch of our 11th Gen Intel Core vPro
  platform.

"The PC is one of the messential tools of mode times. This makes Intel more critical than ever. can count on us to bold innovate and deliver incleading PC experiences connect people globally what matters most to the

—**Jim Johnson**, Interim General Manager, CCG

#### 5-Year Trends

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■ Revenue \$B

Op Income \$B

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#### Market and Business Overview

# Market Trends and Strategy

Since the onset of the COVID-19 pandemic, time spent on PCs has increased dramatically across all major usage categories—as did PCs per household—reinforcing the importance of bringing innovative platforms and form factors to market that unlock real-world experiences. This trend is expected to remain in a post-pandemic world, driving a year over year growth in revenue TAM<sup>1</sup>. The ecosystem is shipping over one million PC units a day and we believe there is sustained strength in PC demand. In addition, the COVID-19 pandemic has driven significant behavior changes that have positioned the PC as an essential tool in people's lives.

PC density, or PCs per household, is increasing as COVID-19 has irreversibly changed the way we focus, create, connect, and care for each other. In addition, we continue to see an increase in PCs per student. There is a significant opportunity in the commercial segment, driven by refresh of older Windows devices. Currently, there are approximately 140 million devices that are more than four years old<sup>2</sup>. The experience and capabilities delivered on new PCs are dramatically better today, reinforcing the opportunity to drive a refresh cycle among enterprise customers.

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# **Products and Competition**

We operate in a particularly competitive market. In processors, we compete with AMD and vendors who design applications processors based on ARM\* architecture, such as Qualcomm Inc. (Qualcomm), and, increasingly, Apple Inc., (Apple) with its most recent launch of M1 Max and M1 Pro. We expect this competitive environment to intensify in 2022.

Our role as a technology leader is more important than ever, and our commitment to creating an open ecosystem is critical to delivering on our ambition. That is why we embrace and collaborate with a vibrant ecosystem of OEM partners to identify innovation vectors. The breadth of a robust ecosystem like Windows/x86 is an incredibly powerful combination, bringing together hundreds of companies and creative and innovative advancements that are not possible for one company alone to deliver.

We launched our 12th Gen Intel Core desktop processors based on our first performance hybrid architecture, which combines two all-new core microarchitectures instead of one and can scale across PC segments and out to the edge. The 12th Gen processor family is set to deliver superior computing performance for every PC segment and out to the edge. In total, we expect to deliver more than 60 processors and 500 desktop and mobile designs from partners across major multinational corporations and leading manufacturers.

Unique to Intel, we innovate beyond the CPU to deliver premium PC experiences with Intel Evo and Intel vPro platforms. More than 100 advanced laptop designs have been built on the Intel Evo platform, which signals they are tested and verified in Intel labs. This ensures they deliver key experience indicators defined by real-world usage models and innovation across areas like responsiveness, battery life, instant wake, and connectivity. Intel vPro is designed for enterprise needs and delivers increased productivity improvements, connectivity, security features, and remote manageability.

We are leading Intel as we embark on our new IDM 2.0 strategy to develop more competitive products and more capabilities for customers. As a result, we are designing our product roadmap to drive product leadership grounded in a philosophy of openness and choice. We deliver value to our customers by leveraging our engineering capabilities and working with our partners across an open, innovative ecosystem to deliver technology that drives every major vector of the computing experience, including performance, battery life, connectivity, graphics, and form factors to create the most advanced PC platforms.

We continue to face industry-wide supply constraints, which are expected to persist into 2022. Given our unique position in the industry, we have taken major actions along the supply chain to eliminate bottlenecks—increasing substrate capacity, removing third-party component bottlenecks, increasing our own internal capacity, and obtaining more external capacity. We are also working with the industry to provide TAM forecasts that help our suppliers better deliver on industry needs.

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<sup>&</sup>lt;sup>1</sup> Source: Intel calculated 2022 TAM derived from industry analyst reports.

<sup>&</sup>lt;sup>2</sup> Source: Intel calculated the volume of devices over four years old from industry analyst reports and internal data.

# **Financial Performance**

# CCG Revenue \$B

CCG Operating Income \$B

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■ Platform

Adjacent

#### Revenue Summary

- Increased unit sales driven by continued strength in notebook demand and recovery in desktop demand driven by consumer and commercial recovery from COVID-19 lows.
- Lower notebook ASPs due to strength in the consumer and education market segments, partially offset by higher desktop ASPs driven by commercial recovery from COVID-19.
- Decrease in adjacent revenue primarily driven by the continued ramp down from the exit of our 5G smartphone modem and Home Gateway Platform businesses, partially offset by strength in wireless and connectivity.

	2021 \	vs. 20	20	2020 v	2020 vs. 2019			
(In Millions)	%	\$	Impact	%		Impact		
Desktop platform volume	up 8%	\$	851	down (11)%	\$	(1,316)		
Desktop platform ASP	up 3%		292	up 2%		186		
Notebook platform volume	up 8%		2,102	up 28%		5,770		
Notebook platform ASP	down (6)%		(1,530)	down (6)%		(1,646)		
Adjacent products and other			(1,261)			(83)		
Total change in revenue		\$	454		\$	2,911		

# **Operating Income Summary**

Operating income decreased 3% year over year, and operating margin was 36% in 2021.

(In Millions)	(In	Mil	lions	;)
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 ,	
\$ 14,672	2021 Operating Income
(850)	Higher operating expenses driven by increased investment in leadership products
(565)	Higher period charges primarily associated with the ramp up of Intel 4
(240)	Higher period charges primarily associated with the ramp down of 14nm
(185)	Lower adjacent product margin primarily driven by the exit of our 5G smartphone modem business
(140)	Higher period charges driven by less sell-through of reserves on non-qualified platform products in 2021 as compared to in 2020, and other reserves taken in 2021
710	Higher gross margin from platform revenue
655	Lower platform unit cost primarily due to cost improvements in 10nm SuperFin
165	Lower period charges primarily driven by a decrease in engineering samples
(7)	Other
\$ 15,129	2020 Operating Income
(3,025)	Higher platform unit cost primarily from increased mix of 10nm products
(125)	Primarily driven by higher logistic expenses due to COVID-19
1,715	Higher gross margin from platform revenue
640	Lower operating expenses
420	Lower period charges due to lower start-up cost associated with 10nm products and sell-through of previously reserved platform products related to our 10nm process technology
300	Higher CCG adjacent product margin
2	Other
\$ 15,202	2019 Operating Income

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#### Overview

DCG develops workload-optimized platforms for compute, storage, and network functions. With unmatched scale, hardware and software portfolio breadth, and expansive partner ecosystem support, we are uniquely positioned to enable the world to unleash the potential of data, unlocking value for people, business, and society on a global scale. Market segments include cloud service providers, enterprise and government, and communications service providers. We serve the global appetite for cloud computing and enable digital transformation from edge to cloud.

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# **Key Developments**

- We introduced multiple products and continued to invest in our leadership roadmap throughout the year. Amid effects of industry component supply constraints and a competitive environment, revenue decreased 1% year over year.
- We launched the 3rd Gen Intel Xeon Scalable processors (Ice Lake), the only x86 data center
  processors with built-in AI acceleration. We also announced the IPU, a platform that enables
  superior security capabilities and enables our cloud customers to handle infrastructure tasks
  more efficiently.
- We expanded our broad, data-centric portfolio for 5G network infrastructure including the 3rd Gen Intel Xeon Scalable processor "N-SKUs", a 5G network-optimized Ethernet NIC, and the Intel Network Platform. We also began sampling the next-generation Intel Xeon D processors, which are built for the edge.

"Intel has the breadth and depth of leadership produsolve our customers' most complex problems in a wowhere the digitization of everything is accelerating need for high-performance computing."

—Sandra Rivera, Executiv President and General Mar Data Center and Al Group

#### 5-year Trends

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■ Revenue \$B

Op Income \$B

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# Market and Business Overview

# Market Trends and Strategy

Data is a significant force in society and is being generated at an unprecedented pace. In the context of the data center, four superpowers are shaping the future of technology:

- Ubiquitous Compute: Businesses are demanding compute at the edge to drive insights more quickly from growing amounts of data as everything consumers interact with involves computer technology.
- Pervasive Connectivity: Increased connectivity is enabling a universal reach with more data movement than
  ever before, connecting billions of devices and putting more powerful compute resources in the hands of
  consumers.
- Cloud to Edge: The proliferation of cloud architectures, which started inside the data center to deliver new levels of efficiency and scale, is now the core of the data infrastructure. The growth and prevalence of the cloud is leading to the democratization of high-performance computing, which opens new frontiers of knowledge in areas like precision medicine and numerical weather prediction. Rapid adoption of 5G is enabling increased bandwidth and fueling continued transformation of the network. The evolution of the networks is creating unlimited scale and giving rise to the intelligent edge.
- Al: Al is fundamental and becoming pervasive in all applications, creating intelligence everywhere, and enabling powerful new uses of compute across all fields.

Data centers—whether servicing compute, networking, or edge workloads—will go through a massive architectural transformation, leveraging heterogeneous computing with different types of processor architectures optimized for different workloads. With unmatched scale, hardware and software portfolio breadth, and ecosystem support, we are uniquely positioned to unlock the value of data for people, business, and society on a global scale.

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The on-premise enterprise market segment revenue grew as customers demonstrated strong recovery from COVID-19. Cloud market segment revenue decreased in 2021 driven by an increasingly competitive environment, and industry component supply constraints. The communications service provider segment continued to see strong growth with the build-out of 5G, and we collaborated with operators on the next wave of virtualization in the radio access network and build-out of the intelligent edge.

# **Products and Competition**

We offer customers a broad portfolio of silicon and software designed to provide workload-optimized performance across computing, storage, and networking. As a leading provider of data center platforms, we have competitors such as Advanced Micro Devices, Inc. (AMD), providers of GPU products such as NVIDIA Corporation (NVIDIA), companies using ARM architecture, new entrants developing products customized for specific data center workloads, and internally developed solutions by cloud service providers and others. We expect the competitive environment to continue in 2022.

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In 2021, we launched our 3rd Gen Intel Xeon Scalable processors (Ice Lake), and we shipped 1 million units faster than the previous Xeon generations. All of our OEM partners are currently shipping 3rd Gen Intel Xeon enabled

systems and all major cloud service provider customers have deployed services using 3rd Gen Intel Xeon processors. In 2021, we also introduced the Intel Optane Persistent Memory 200 Series and Optane SSD P5800X and began sampling the next generation of Intel Xeon D processors, which are built for the edge.

In 2021, we also announced the IPU, a platform that enables superior security capabilities and lets our cloud customers handle infrastructure tasks more efficiently, enabling the Intel Xeon CPU to focus on the tenant software. Intel announced two types of IPUs, an FPGA-based IPU (Oak Springs Canyon) and an ASIC-based IPU co-developed with Google (Mount Evans).

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# **Financial Performance**

#### DCG Revenue \$B

DCG Operating Income \$B

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■ Platform ■ Adjacent

# **Revenue Summary**

- Lower platform ASP driven by product mix and a competitive environment, partially offset by recovery in the enterprise and government market segment, compared to COVID-driven lows in 2020.
- Higher platform volume driven by recovery in the enterprise and government market segment (up 21% from 2020) and growth in the communications service providers market segment (up 9% from 2020), partially offset by a decline in the cloud service providers market segment (down 19% from 2020). (2020 compared to 2019, the cloud service providers market segment was up 20% and communications service providers market segment up 17%, partially offset by enterprise and government market segment down 8%).
- Adjacent revenue grew primarily due to the inclusion of the Intel Optane memory business and growth in Ethernet, partially offset by a reduction in the 5G networking volume from elevated levels in 2020.

	2021 v	2021 vs. 2020 2020 vs				s. 2019		
(In Millions)	% Growth	\$ Impact		% Growth	\$ Impact			
Platform ASP	down (4)%	\$	(924)	down (3)%	\$	(701)		
Platform volume	up 2%		571	up 11%		2,316		
Adjacent products	up 2%		71	up 49%		1,007		
Total change in revenue		\$	(282)		\$	2,622		

# **Operating Income Summary**

Operating income decreased 34% year over year, and operating margin was 27% in 2021.

	ons'	

(III I	willions)	
\$	6,997	2021 Operating Income
	(1,185)	Higher operating expenses driven by investment in leadership products
	(840)	Higher platform unit cost primarily from increased mix of 10nm SuperFin products
	(685)	Higher period charges primarily associated with ramp up of Intel 4
	(435)	Lower gross margin from platform revenue
	(250)	Higher period charges primarily associated with ramp down of 14nm
	(160)	Higher period charges driven by increased engineering samples
	(155)	Lower adjacent product margin
	145	Lower period charges driven by absence of other reserves taken in 2020, partially offset by reserves recorded in 2021
	(9)	Other
\$	10,571	2020 Operating Income
	1,325	Higher gross margin from platform revenue
	235	Lower period charges due to lower factory start-up costs associated with the initial ramp of 10nm, partially offset by lower platform product reserves
	(425)	Higher operating expenses
	(375)	Lower DCG adjacent product margin
	(295)	Higher platform unit cost
	(125)	Primarily driven by higher logistic expenses due to COVID-19
	4	Other
\$	10,227	2019 Operating Income

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More industries are harnessing the power of data to create business value, innovate, and grow. This requires that intelligence move closer to the edge, allowing data to be acted on where it is created. Working with our partners and developers, we use our architecture, accelerators, and software to develop and scale a growing Internet of Things portfolio and ecosystem. Our Internet of Things portfolio is comprised of our IOTG and Mobileye businesses.

# Internet of Things Group

#### Overview

IOTG develops high-performance compute platforms that solve the technology needs for business use cases that scale across vertical industries and embedded markets. Our customers include retailers, manufacturers, health and life sciences providers, researchers, governments, and education providers. We reduce complexity in the ecosystem with common silicon architectures and software to help enable our customers to create, store, and process data at the edge.

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#### **Key Developments**

- Revenue was up 33%, driven by increased demand for IOTG platform products due to recovery from the economic impacts of COVID-19 across all key market segments. Most notably, we saw strength in our retail, industrial, and healthcare market segments.
- We announced enhanced product capabilities, which include the 11th Gen Intel Core processors and 3rd Gen Intel Xeon Scalable processors, both bring new AI and operational technology features to customers. These products are a response to needs across the verticals we serve to reduce edge complexity, add capabilities to developers, lower the cost of ownership, and support a range of environmental conditions.
- We continue to update solutions to improve developers' digital strategies and to accelerate market adoption of Al applications at the edge. This includes advancing the OpenVINO toolkit for Al inference model deployment. It is supported by Intel DevCloud for the Edge, which allows users to prototype and experiment with Al workloads on Intel hardware prior to deployment. In addition, the Intel® Edge Software Hub provides access to software packages from Intel and our partners to deliver proven business outcomes.
- We continue to work with our ecosystem partners to expand the portfolio of Intel® MRS and Intel® IoT RFP Ready Kit products—scalable, end-to-end solutions that provide solid business results today and lay the foundation for the future. Currently, IOTG has approved over 600 Intel MRS and Intel IoT RFP Ready Kit offerings, with approximately 50,000 new deployments across 160 countries.

"The market continue validate the strategic direction we began se years ago; for operation workloads, compute value move closer to where data is created and Al inference will be the dominant technology driver."

—Tom Lantzsch, IOTG General Manager

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Revenue \$B

Op Income \$B

#### Market and Business Overview

# Market Trends and Strategy

We are at the center of a global digital transformation. Through our broad portfolio of technology, solutions, and tools, we are transforming the way businesses create products, deliver services, and conduct operations—across schools, hospitals, retailers, governments, utilities, and manufacturers. Driving business benefits requires solving customer challenges in a highly fragmented global market with scalable horizontal technologies. Additionally, it requires building relevant ecosystems and scaling developers specific to diverse verticals. Our vertical market segments include the following:

Retail—Retailers produce mountains of data that can be used to proactively address evolving customer demands and improve operations. We provide solutions that enable retailers to extract the right insights from their data, in the right place, at the right time, allowing them to use intelligence to transform their businesses and to achieve their full potential. The result is greater efficiency, reduced complexity, increased sales, and a more personalized customer experience.

Industrial—We are transforming manufacturing today and expanding what is possible for tomorrow's autonomous operations. We are driving the realization of Industry 4.0 and, together with our ecosystem partners, addressing industry challenges like the convergence of information technology with operational technology, while bringing AI and analytics to operations. This enables customers to make informed decisions that lower maintenance costs, create new service opportunities, and increase productivity.

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Healthcare—We are advancing technologies to enable healthcare providers to focus on patients and their care. Technologies like AI, robotics, and 5G are making healthcare and life sciences more connected, personalized, and intelligent. Our technology innovations give researchers powerful tools to make breakthrough discoveries and solve some of the world's largest healthcare and life science challenges in lab and research environments. By working together with solution providers and end users in the healthcare community, we will continue to develop transformative technologies for the future of healthcare and life sciences.

#### **Products and Competition**

IOTG utilizes Intel's technology portfolio to provide horizontal platforms while making additional investments needed to adapt products to the specific requirements for our vertical segments. We offer end-to-end solutions with our wide spectrum of products, including Intel Atom, Intel Core, Intel Xeon, VPU accelerators, and developer toolkits such as OpenVINO. IOTG product development focuses on addressing the key challenges businesses face, including interoperability, connectivity, safety, and security, to implement transformative edge solutions. We invest heavily in developing the tools to service operational technology developers and independent software vendors.

We have a long-standing position as a supplier of components and software for embedded products. As businesses continue to create a deluge of data from more and more smart and connected devices across industries, the demand for high-performance computing at the edge has expanded exponentially. The installed base of Intel architecture-based hardware, and applications that run natively on them, helps us to offer compelling solutions in these markets. As this marketplace evolves, we face numerous large and small incumbent processor competitors, as well as new entrants that use the ARM architecture. The solutions require a broad range of connectivity solutions and we face competition from semiconductor companies providing traditional wireless solutions such as cellular, Wi-Fi, and Bluetooth, as well as several new entrants who are taking advantage of new focused communications protocols with the goal of expanding into computational silicon. The market is fragmented and complex, requiring interoperability, standard-based approaches, software, developer tools, and the ecosystem working together to accelerate time to value with commercial solutions at scale.

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# Mobileye

#### Overview

Mobileye is a global leader in driving assistance and self-driving solutions. Our product portfolio covers the entire stack required for assisted and autonomous driving, including compute platforms, computer vision and machine learning-based sensing, mapping and localization, driving policy, and active sensors in development. Mobileye's unique assets in ADAS allow for building a scalable self-driving stack that meets the requirements for both Robotaxi and consumer level autonomy. Our customers and strategic partners include major global OEMs, Tier 1 automotive system integrators, and public transportation operators.

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# **Key Developments**

- We achieved record revenue in 2021 as global vehicle production improved amid recovery from the "The future of autonomic economic impacts of COVID-19. Our EyeQ SoC volume grew 42% and we expect to see additional driving will be driven by growth in the adoption of enhanced ADAS technologies. We have shipped over 100 million chips to expansion of Robotaxis date, including 28 million EyeQ SoCs in 2021.
- We secured a record 41 new ADAS design wins, including deals with major OEMs such as Toyota, of consumer level AVs. VW, BMW, Nissan, Honda, and PSA Group. We are currently active in 71 production programs<sup>1</sup>
- We launched our SAE L4 SDS, Mobileye Drive™, and secured multiple collaborations for commercial use, including with Udelv for autonomous cargo delivery, and with Transdev for selfdriving mobility services. We also achieved our first consumer L4 design win with Geely.
- We unveiled the Mobileye Robotaxi, a production-grade self-driving electric vehicle, with mobility rider services and MaaS platform, as well as mobility intelligence, tele-operations and data services President and Chief Executive President Pres by Moovit. Through the partnership with SIXT, Robotaxi services will begin in Germany in 2022, along with the already announced Robotaxi services in Tel Aviv.
- In December 2021, we announced our intention to take Mobileye public in the US via an IPO of newly issued Mobileye stock. Intel expects to retain majority ownership of Mobileye following the completion of the IPO.

followed by the prolifera it is too early to determine which realm will domina Mobileye is uniquely positioned to become a in both spaces."

—Prof. Amnon Shashua Officer, Mobileye

#### 5-Year Trends<sup>2</sup>

intc-20211225\_g73.jpg intc-20211225\_g74.jpg ■ Revenue \$B

Op Income \$B

# Market and Business Overview

# Market Trends and Strategy

While the vehicle industry shows recovery from the COVID-19 pandemic with approximately 2%3 growth year over year, production is still roughly 15% below 2019 levels. We expect ADAS volume to overcome the COVID-19 effects faster than overall global vehicle production, given the significant growth shown in 2021. We anticipate long-term ADAS growth from a strong build-up in L1-L2 ADAS fitment rates, increasing the number of vehicles that will have basic ADAS features from the factory. In addition, we expect increased demand for new generations of cloudenhanced ADAS as OEMs continue to look to boost current L2 solutions by improving system fidelity, availability, and performance. A crucial building block for L4 autonomy, our REM high-definition maps with constant updates, global coverage, and crowd-based semantics provide a unique value proposition for enhanced L2 systems. We see great traction from leading OEMs (including VW and Ford, as recently announced) as REM-based enhancements can be achieved based on economical configuration.

We believe the future of autonomous driving will unfold in two phases: commercial services like Robotaxi and cargo, followed by series-production passenger car consumer AVs. We expect consumer AVs to materialize only after the Robotaxi industry deploys and matures. The main inhibitors of a mass market product offering of consumer AV are the cost of AV technology, ability to scale at a low cost, regulatory framework, public acceptance, and the ability to scale geographically. Thus, we see the Robotaxi phase as a necessary corridor to consumer AV. Because of our scalable approach, Mobileye is well-positioned to play a significant role in both the Robotaxi market and the future consumer AV market. This is driven by three elements in our strategy: lean compute enabled by the tight co-design of hardware and software, REM crowdsourced maps that provide unparalleled global coverage and constant updates, and development of high-resolution imaging radars to reduce the use of costly LiDAR sensors.

<sup>&</sup>lt;sup>1</sup> This refers to the total number of production programs with active project managers. Intel's definition of program is included in "Key Terms" within the Financial Statements and Supplemental Details.

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 $<sup>^{\</sup>rm 2}$  Mobileye was acquired in Q3 2017; 2017 results do not represent the full year.  $^{\rm 3}$  Source: IHS Markit.

In Robotaxi, Mobileye is active via two major business models: First, we are positioning ourselves to be an end-to-end service provider together with Moovit's complementary go-to-market assets and service layers. Second, we are also engaging with various public transportation operators, goods delivery, and mobility providers via a Vehicle-as-a-Service business model in which we provide a fully integrated self-driving platform.

Regulatory approval and framework are a prerequisite for AV proliferation. In 2021, Germany became the first country in the world to allow autonomous vehicles onto public roads without requiring a human backup safety driver behind the wheel. We anticipate one or more additional countries will soon provide similar regulation, enabling regular deployment and operation of MaaS fleets with self-driving vehicles starting in 2022.

# **Products and Competition**

Our offering for ADAS and AV is propelled by our computer vision, AI expertise, and software assets, deployed on our EyeQ SoC family. The tight co-design of hardware and software gives the EyeQ SoC the ability to support complex and computationally intense tasks and sets it apart from competition because it is purpose-fit for high-compute, low-power, automotive-compliant mission profiles. Our 5th Gen EyeQ5 SoC is designed to act as the core building block of central compute for fully autonomous driving vehicles. We have been able to achieve power, performance, and cost targets by employing proprietary computational cores that are optimized for a wide variety of computer vision, signal processing, and machine learning tasks, including deep neural networks. Starting with EyeQ5, we are supporting an automotive-grade standard operating system and providing a complete software development kit to allow customers to differentiate their solutions by deploying their algorithms on EyeQ5. The EyeQ5 SoC is already available for commercial vehicles and is already operational in our autonomous test vehicles.

EyeQ5 serves as the computational foundation for our scalable camera-only surround sensing system. The system consists of multiple independent computer vision engines and deep networks for algorithmic redundancy. The result is a robust and comprehensive model of the environment that allows end-to-end autonomous driving. The surround computer vision system is the backbone of Mobileye's AV architecture and the flagship offering for next-generation ADAS.

We recently introduced EyeQ6L and EyeQ6H, which are designed to provide a scalable solution from entry level ADAS to L2+ and L4 systems. The EyeQ6 platform opens Mobileye to host and process parking and DMS data. EyeQ6L is expected to be deployed in 2023, while EyeQ6H will start production in 2024.

We also introduced the EyeQ® Ultra™, our most advanced, highest performing SoC purpose-built for autonomous driving. EyeQ Ultra maximizes both performance and efficiency at 176 tera operations per second. This efficiently designed SoC builds on six generations of proven EyeQ architecture and four classes of proprietary accelerator cores to deliver the power and performance needed for AVs. The first silicon for the EyeQ Ultra SoC is expected at the end of 2023, with full automotive-grade production in 2025.

The next significant building block in our complete offering is REM mapping technology, which compiles crowdsourced mapping data from EyeQ SoC-equipped vehicles. Together with our OEM partners, we are utilizing our strong presence in ADAS to gain crowd knowledge that is required for building AV maps. After five years of intense development, the REM technology is fully functional for L2/L2+ applications and provides a variety of advanced features, including predictive adaptive cruise control, lane-level localization in all weather and road conditions, handsfree driving application, and real-time alerts. REM also provides intelligent speed adaptation functionality for regulation required by GSR and EUNCAP starting in 2022. REM technology is one of our key differentiators.

The third building block in our full stack offering is our unique formal model for AV safety (RSS). At its core, RSS is a pragmatic method to design and then efficiently validate the safety of an AV, serving as the governing safety layer for the decision-making system. RSS formalizes human decision making for safe driving. It acknowledges the need to balance safety with useful driving by making plausible worst-case scenario assumptions for other road users. By using induction and analytical calculations, the RSS model allows for a lean driving policy with high computational efficiency.

The fourth building block is True Redundancy™, which manifests our approach to AV sensing. True Redundancy combines two independent perception sub-systems—one powered by cameras, and another by radar and LiDAR—and supports full end-to-end autonomous capabilities. Our Level 4 self-driving system, Mobileye Drive, incorporates both systems.

Our last building block is active sensors development. Mobileye and Intel's combined competencies put us in a unique position to advance with the development of a software-defined imaging radar designed to deliver rich point cloud modeling capabilities to enable sensing-state and driving decisions solely on radar. Our imaging radars would replace most of the field of view covered by today's costly LiDARs. LiDAR would be retained only for the front-facing field of view, where it would operate in three-way redundancy with cameras and radar, enabling a major cost reduction for the entire sensor configuration. The proof of concept and modelling using this new radar technology has already been

demonstrated. We are also developing a unique Frequency-Modulated Continuous Wave LiDAR designed to provide high point density with relative speed measurement and superior immunity for additional safety in time-critical decisions.

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# **Financial Performance**

# Internet of Things Revenue \$B

Internet of Things Op Income \$B

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■ IOTG ■ Mobileye

# **Revenue Summary**

#### 2021 vs. 2020

IOTG revenue increased \$991 million, primarily driven by \$1.1 billion related to higher demand for IOTG platform products amid recovery from the economic impacts of COVID-19, partially offset by \$115 million due to lower ASPs.

Mobileye revenue increased \$419 million, driven by improvement in global vehicle production, recovery from the economic impacts of COVID-19, and increasing adoption of ADAS compared to 2020.

#### 2020 vs. 2019

IOTG revenue decreased \$814 million, or 21%, primarily driven by the economic impacts of COVID-19 with \$470 million in lower ASPs driven by weaker core mix and \$265 million driven by weaker demand for IOTG platform products. Revenue was also negatively affected by considerations related to the US government Entity List.

Mobileye revenue was \$967 million, up \$88 million, driven by higher demand from improved global vehicle production in the second half of 2020, offsetting the decline in production experienced in the first half of the year due to the effects of the COVID-19 pandemic.

#### **Operating Income Summary**

#### 2021 vs. 2020

IOTG operating income increased \$548 million, primarily due to higher platform revenue.

Mobileye operating income increased \$219 million, due to higher revenue driven by improvement in global vehicle production, recovery from the economic impacts of COVID-19, and increasing adoption of ADAS compared to 2020.

# 2020 vs. 2019

IOTG operating income decreased \$600 million, primarily due to lower platform revenue.

Mobileye operating income was \$241 million, down \$4 million, due to higher spending primarily driven by the Moovit acquisition, partially offset by growth in revenue.

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#### Overview

NSG provides next-generation memory and storage products based on innovative Intel 3D NAND technology. NSG is disrupting the memory and storage hierarchy with new tiers that balance capacity, performance, and cost. Our products are available in innovative form factors and densities to address the memory and storage challenges our customers face in a rapidly evolving technological landscape. Our customers include enterprise and cloud-based data centers, and users of business and consumer desktops and laptops.

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#### **Key Developments**

- Revenue was lower in 2021, driven by market softness and pricing pressure. NAND profitability improved due to the absence of depreciation expense from NAND property, plant and equipment that was held for sale throughout 2021.
- We launched the Intel® SSD D5-P5316, our first 144-layer QLC NAND SSD for the Data Center, which is available up to 30.72TB in both the U.2 and efficient E1.L form factors. An upgrade of our SATA drive, the Intel® SSD D3-S4520 and D3-S4620, also launched with Intel's latest-gen 144-layer TLC NAND and is available in 2.5" and M.2 form factors up to 7.68TB capacity. For our consumer market, the Intel® SSD 670p with 144-layer QLC NAND launched with improved performance, storage responsiveness, and endurance with high capacity (up to 2TB).
- In October 2020, we signed an agreement with SK hynix to divest our NAND memory business. The NAND memory business makes up our NSG segment. The transaction will occur over two closings, the first of which was completed on December 29, 2021, subsequent to our fiscal 2021 year-end. We will fully deconsolidate our ongoing interests in the NAND OpCo Business in the first quarter of 2022. Refer to "Note 10: Acquisitions and Divestitures" within Notes to Consolidated Financial Statements for further information on the divestiture.

"Storage techn drive the comp experience. Put today's data-dr advances in bo and client comp be matched by innovation in the and-storage sp

—Rob Crooke, Manager

#### 5-Year Trends

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■ Revenue \$B

Op Income \$B

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#### Market and Business Overview

# Market Trends and Strategy

The combination of ever-exploding growth in data and the desire to analyze data for actionable insights requires our customers to balance performance, real-time access, and cost. Our 3D NAND TLC and QLC technology innovations enable our customers to have access to efficient, cost-effective capacity storage.

In October of 2020, we signed an agreement with SK hynix to divest our NAND memory business, including our NAND memory fabrication facility in Dalian, China and certain related equipment and tangible assets (the Fab Assets), our NAND SSD Business (the NAND SSD Business), and our NAND memory technology and manufacturing business (the NAND OpCo Business). The first closing was completed on December 29, 2021, subsequent to our fiscal 2021 year-end. At first closing, we sold to SK hynix the Fab Assets and the NAND SSD Business. In connection with the first closing, we and certain affiliates of SK hynix also entered into a NAND wafer manufacturing and sale agreement, pursuant to which we will manufacture and sell to SK hynix NAND memory wafers to be manufactured using the Fab Assets in Dalian, China until the second closing.

# **Products and Competitiveness**

We compete against other providers of NAND products. We offer 96-layer and 64-layer TLC NAND high-capacity SSDs, and 144-layer QLC NAND high-capacity SSDs. We focus our efforts primarily on incorporating NAND into solution products.

The acceleration in data growth across our customer base requires significant innovation in storage technology. Our storage roadmap led the way in re-imagining usages and architecting innovative solutions that have disrupted the industry with 96-layer and 144-layer 3D NAND TLC and QLC solutions. We launched four new products with multiple densities to keep up with the evolving business needs of our customers.

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# **Financial Performance**

#### **NSG Revenue \$B**

NSG Operating Income \$B

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#### Revenue Summary

#### 2021 vs. 2020

Revenue decreased \$1.1 billion, driven by \$712 million lower ASPs due to market softness and pricing pressure and \$392 million due to the transfer of the Intel Optane memory business to DCG.

#### 2020 vs. 2019

Revenue increased \$996 million, driven by \$716 million higher ASP from improved NAND pricing and \$280 million from improved overall demand.

#### **Operating Income Summary**

# 2021 vs. 2020

NSG had an operating profit of \$1.4 billion, up from an operating profit of \$361 million in 2020. The operating profit was driven by \$1.4 billion of improvements in unit cost, primarily driven by the absence of depreciation expense from NAND property, plant and equipment that was held for sale, \$366 million of lower period charges, and \$220 million of lower operating expenses, partially offset by \$929 million of lower revenue primarily on ASP decline. Operating income also benefited from the transfer of the Intel Optane memory business from 2021 NSG results (a loss of \$576 million in 2020).

#### 2020 vs. 2019

NSG had an operating profit of \$361 million, up from an operating loss of \$1.2 billion in 2019. The operating profit was driven by \$716 million higher ASPs from market pricing recovery and \$741 million due to continued improvements in unit cost.

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Overview intc-20211225\_g85

PSG offers programmable semiconductors, primarily FPGAs, structured ASICs, and related products, for a broad range of applications across our embedded, communications, and cloud and enterprise market segments. Our product portfolio delivers FPGA acceleration in tandem with Intel microprocessors, which enables us to combine the benefits of our broad portfolio of technologies to allow more flexibility for systems to operate with increased efficiency and higher performance.

# **Key Developments**

- Revenue was up 4% year over year, driven by recovery in the embedded and communications market segments from COVID-19 lows. Revenue was limited by ongoing industry component, substrate, and foundry capacity shortages.
- We are shipping our Intel® Agilex™ FPGA family, featuring industry-leading FPGA fabric workload innovations, performance, power efficiency, and transceiver performance. We released our Intel® eASIC™ N5X accelerating a smart at device family (Diamond Mesa) for low-latency 5G network acceleration, cloud acceleration, and storage, AI, and edge applications.
- We announced Arrow Creek, an FPGA-based Acceleration Development Platform SmartNIC adapter for high-performance 100G networking acceleration, and RedHat support for our Intel Open FPGA Stack scalable, source-accessible FPGA hardware and software infrastructure.
- We announced that Intel® FPGA-based IPU platforms are currently deployed at multiple cloud service providers. We also announced Oak Springs Canyon, an IPU platform built with the Intel® Xeon® D processor and the Intel Agilex FPGA.

"Intel FPGAs and Struct ASICs, unleashed with software, platform and workload innovations, accelerating a smart at connected world."

—Shannon Poulin, PSO General Manager

# 5-Year Trends

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■ Revenue \$B

Op Income \$B

34

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#### Market and Business Overview

# Market Trends and Strategy

With the rise of pervasive connectivity and autonomous transactions, vast networks of devices and systems are linked from the edge through infrastructure to the cloud. Our FPGA and structured ASIC technologies enhance Intel's ability to meet the needs of customers in the data center, across the network, and at the edge by extending platform capabilities, intercepting evolving requirements when standards are still changing, and enabling customers to validate next-generation technology proof points early in the market transition. The Intel FPGA portfolio enables this transformation with discrete FPGAs and software-defined, hardware-based, multi-function acceleration cards and IPUs that allow faster development times, high performance, and power efficiency with lower overall total cost of ownership.

We enable a broad range of solutions targeting applications across our embedded, communications, and cloud and enterprise market segments. The configurability and efficiency of FPGAs provide advantages to enable transformative applications such as 5G wireless, network function virtualization acceleration, and edge acceleration for video analytics and Industry 4.0. At the edge, where systems ingest large amounts of data, Intel FPGAs are ideal for preprocessing data to accelerate Intel processors. In the network, where data traffic is increasing and network functions are being virtualized to improve transport efficiency, Intel FPGAs are built to deliver high-bandwidth aggregation and processing. In the cloud, where workloads shift dynamically and algorithms change, Intel FPGAs are the ideal solution for adapting to new demands through reconfigurability and enabling the offload of infrastructure processing tasks from CPUs as part of an IPU platform.

#### **Products and Competition**

We deliver solutions in the PLD market, primarily FPGAs and structured ASICs, to accelerate applications that help secure, power, and connect billions of devices and the infrastructure of the smart, connected, data-centric world. We face competition from other programmable logic companies, as well as companies that make other types of semiconductor products, such as ASICs, application-specific standard products, GPUs, digital signal processors, and CPUs. Targeted growth areas for our programmable solutions include 5G, AI, intelligent edge, and cloud applications. The FPGA life cycle generally takes three or more years from the time that a design win is secured before a customer starts volume production and we receive the associated revenue.

We continue to leverage our heterogeneous architecture on advanced nodes to deliver innovative products at an accelerated pace, allowing the integration of analog, memory, custom computing, custom I/O, and Intel eASIC chiplets into a single package. Our Intel Agilex FPGA family, built on Intel 10nm SuperFin technology, is now shipping. The Agilex family delivers leading performance and power efficiency for diverse workloads.

We continue to invest in our Intel eASIC portfolio. Our Intel eASIC N5X, the next-generation Intel eASIC device, is now in production. Structured ASIC products serve as an intermediary technology between FPGAs and standard-cell ASICs that provides lower unit cost and lower power compared to FPGAs, and faster time-to-market and lower non-recurring engineering cost compared to standard-cell ASICs. Intel eASIC products have growth opportunities through adoption in 5G applications and scale across a wide range of markets.

We continue to execute to our developer-first strategy with oneAPI support for several Intel FPGA families and the Intel® FPGA Programmable Acceleration Card. The oneAPI programming model allows users to save significant development time and enhance productivity while using a single, unified language for CPUs, GPUs, and FPGAs.

We introduced several new platforms, solutions, and partnerships during the year. We announced Arrow Creek, an FPGA-based Acceleration Development Platform SmartNIC adapter that can flexibly accelerate several infrastructure workloads and enable high-performance 100G connectivity by combining Intel's Agilex FPGA and the Intel Ethernet 800 Series controller. We introduced RedHat support for Intel Open FPGA Stack, further enabling solution and board providers to build their own differentiated FPGA platforms for servers with Intel Xeon CPUs. We also announced with the US Defense Advanced Research Projects Agency a three-year partnership to advance the development of domestically manufactured structured ASIC platforms. Intel FPGAs play a critical role in Intel's announced IPU vision, enabling cloud and communications service providers to reduce overhead and free up performance for CPUs. Intel FPGA-based IPU platforms are currently deployed at multiple cloud service providers. We also announced Oak Springs Canyon, an IPU reference platform built with our Intel Xeon D processor and our Intel Agilex FPGA.

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# **Financial Performance**

#### **PSG Revenue \$B**

**PSG Operating Income \$B** 

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# Revenue Summary

#### 2021 vs. 2020

Revenue increased \$81 million, driven by recovery in the embedded and communications market segments from COVID-19 lows, partially offset by customer inventory digestion in the cloud market segment.

#### 2020 vs. 2019

Revenue decreased \$134 million, driven by a decline in our communications market segment due to customer transition to 5G ASICs that benefited DCG adjacencies, and decline in our embedded market segment. The decline was partially offset by strength in the cloud and enterprise market segment.

# **Operating Income Summary**

#### 2021 vs. 2020

Operating income increased \$37 million, driven by higher revenue due to recovery in the embedded and communications market segments from COVID-19 lows, partially offset by a decrease in the cloud market segment.

#### 2020 vs. 2019

Operating income decreased \$58 million, driven by lower revenue in our embedded and communications market segments, partially offset by strength in the cloud and enterprise market segment

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# Consolidated Results of Operations

For additional key highlights of our results of operations, see "A Year in Review."

	December	25, 2021	December 26, 2020				D	
Years Ended (In Millions, Except Per Share Amounts)	Amount	% of Net Revenue		Amount	% of Net Revenue		Amo	
Net revenue	\$ 79,024	100.0 %	\$	77,867	100.0 %	\$	7	
Cost of sales	35,209	44.6 %		34,255	44.0 %		2	
Gross margin	 43,815	55.4 %		43,612	56.0 %		4	
Research and development	15,190	19.2 %		13,556	17.4 %		1	
Marketing, general and administrative	6,543	8.3 %		6,180	7.9 %			
Restructuring and other charges	2,626	3.3 %		198	0.3 %			
Operating income	19,456	24.6 %		23,678	30.4 %		2	
Gains (losses) on equity investments, net	2,729	3.5 %		1,904	2.4 %			
Interest and other, net	(482)	(0.6)%		(504)	(0.6)%			
Income before taxes	21,703	27.5 %		25,078	32.2 %		2	
Provision for taxes	1,835	2.3 %		4,179	5.4 %			
Net income	\$ 19,868	25.1 %	\$	20,899	26.8 %	\$	2	
Earnings per share—diluted	\$ 4.86	<del></del>	\$	4.94		\$		

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# Revenue

Our total revenue grew from \$62.8 billion in 2017 to \$79.0 billion in 2021, representing 6% CAGR.

#### 5-year Revenue Trend

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#### Segment Revenue Walk \$B

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#### 2021 vs. 2020

In 2021, revenue was \$79.0 billion, up \$1.2 billion, or 1%, from 2020. CCG revenue grew 1% due to continued strength in notebook demand and recovery in desktop demand, partially offset by lower notebook ASPs due to strength in the consumer and education market segments. CCG adjacent revenue decreased primarily due to the continued ramp down from the exit of our 5G smartphone modem and Home Gateway Platform businesses. IOTG and Mobileye were both up 33% and 43%, respectively, on higher demand amid recovery from the economic impacts of COVID-19. DCG revenue decreased 1% primarily due to lower ASPs driven by product mix and a competitive environment, partially offset by higher platform volume from recovery in the enterprise and government market segment. NSG revenue decreased primarily driven by lower ASPs due to market softness and pricing pressure. Our "all other" revenue increased primarily due to \$584 million from a prepaid customer supply agreement settled in Q1 2021 for which we recognized related revenue for completing performance.

We saw impacts from ongoing industry component, substrate, and foundry silicon shortages across a majority of our businesses and we expect these constraints to continue.

#### 2020 vs. 2019

In 2020, revenue was \$77.9 billion, up \$5.9 billion, or 8%, from 2019. Our DCG revenue grew 11% due to increased platform volume as cloud service providers increased capacity to serve customer demand. We also saw continued growth in DCG communications service providers, partially offset by enterprise and government decline. We saw growth in DCG adjacencies driven by 5G networking deployment and saw improved NAND pricing and higher demand in NSG, partially offset by weaker core mix and higher demand in IOTG platform products due to COVID-19. Our CCG revenue was up 8% year over year driven by strength in notebook and Wi-Fi sales. That growth was slightly offset by lower desktop volume and lower notebook ASPs resulting from higher demand for consumer and education PCs, and volume decline in LTE modem and connected home following the exit of those businesses.

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# **Gross Margin**

12

42,140

\$

Other

2019 Gross Margin

We derived a substantial majority of our overall gross margin dollars from the sale of platform products in the CCG and DCG operating segments. Our overall gross margin dollars in 2021 increased by \$203 million, or approximately flat compared to 2020, and in 2020 increased by \$1.5 billion, or 3%, compared to 2019. Our gross margin percentage was down as the increase in platform revenue was offset by higher period charges and higher unit cost.

# Gross Margin \$B

(Percentages in chart indicate gross margin as a percentage of total revenue)

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(In Millio	ons)	
\$	43,815	2021 Gross Margin
	1,010	Higher gross margin from platform revenue
	680	Higher gross margin from adjacent businesses primarily due to the absence of depreciation expense from NAND property, plant and equipment that was held for sale, increased Mobileye volume and higher margins on wireless connectivity
	585	Prepaid customer supply agreement settled and recognized to revenue in Q1 2021
	75	Lower period charges driven by a decrease in engineering samples and lower reserves taken on non-qualified pla products compared to 2020, partially offset by 2020 sell-through of other reserves and other reserves taken in 202
	(1,325)	Higher period charges primarily associated with the ramp up of Intel 4
	(515)	Higher period charges primarily associated with the ramp down of 14nm
	(235)	Higher platform unit cost primarily from increased mix of 10nm SuperFin products
	(72)	Other
\$	43,612	2020 Gross Margin
	2,360	Higher gross margin from platform revenue
	1,855	Higher gross margin from adjacent businesses primarily due to higher margins on NAND, modem, and WIFI, partioffset by lower margins on DCG adjacencies
	630	Lower factory start-up costs associated with our 10nm process technology
	155	Lower period charges
	(3,285)	Higher platform unit cost primarily from increased mix of 10nm products
	(255)	Primarily driven by higher logistic expenses due to COVID-19

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# **Operating Expenses**

Total R&D and MG&A expenses for 2021 were \$21.7 billion, up 10% compared to 2020. These expenses represented 27.5% of revenue for 2021 and 25.3% of revenue for 2020. We continue to invest in R&D to accelerate our growth.

#### Research and Development \$B

Marketing, General and Administrative \$B

(Percentages indicate expenses as a percentage of total revenue)

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#### Research and Development

# 2021 vs. 2020

R&D spending increased by \$1.6 billion, or 12.1%, driven by the following:

- + Investments in DCG, CCG, and Mobileye
- + Investments in our process technology
- + Incentive-based cash compensation

#### 2020 vs. 2019

R&D spending increased by \$194 million, or 1%, driven by the following:

- + Investments in our process technology
- + Investments in CCG and DCG
- Ramp down of 5G smartphone modem business
- Incentive-based cash compensation

# Marketing, General and Administrative

#### 2021 vs. 2020

MG&A spending increased by \$363 million, or 5.9%, driven by the following:

- + Increase in corporate spending
- + Incentive-based cash compensation

# 2020 vs. 2019

MG&A spending decreased by \$170 million, or 3%, driven by the following:

- Corporate spending efficiencies
- Incentive-based cash compensation

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# Restructuring and Other Charges

Years Ended (In Millions)	Dec 25, 2021	Dec 26, 2020	
Employee severance and benefit arrangements	\$ 48	\$ 124	
Litigation charges and other	2,291	67	
Asset impairment charges	287	7	
Total restructuring and other charges	\$ 2,626	\$ 198	

Litigation charges and other includes a charge of \$2.2 billion in the first quarter of 2021 related to the VLSI Technology LLC (VLSI) litigation, which is recorded as a corporate charge in the "all other" category presented in "Note 3: Operating Segments" within Notes to Consolidated Financial Statements. Refer to "Note 19: Commitments and Contingencies" within Notes to Consolidated Financial Statements for further information on legal proceedings related to the VLSI litigation.

Asset impairment charges includes impairments related to the shutdown in the second quarter of 2021 of two of our non-strategic businesses, the results of which are included in the "all other" category presented in "Note 3: Operating Segments" within Notes to Consolidated Financial Statements. The goodwill related to these businesses was impaired, resulting in a charge of \$238 million recognized in the second quarter of 2021 in the "all other" category along with other impairment charges related to these businesses.

# Gains (Losses) on Equity Investments and Interest and Other, Net

Years Ended (In Millions)		25, 2021	Dec	26, 2020	Dec	28, 2019
Ongoing mark-to-market adjustments on marketable equity securities	\$	(130)	\$	(133)	\$	277
Observable price adjustments on non-marketable equity securities		750		176		293
Impairment charges		(154)		(303)		(122)
Sale of equity investments and other		2,263		2,164		1,091
Gains (losses) on equity investments, net	\$	2,729	\$	1,904	\$	1,539
Interest and other, net	\$	(482)	\$	(504)	\$	484

# Gains (Losses) on Equity Investments, Net

Ongoing mark-to-market net gains and losses reported during 2021 were primarily driven by Montage Technology, Co. Ltd. (Montage); 2020 and 2019 net gains and losses were primarily driven by Montage and Cloudera. We sold our interest in Cloudera in 2020.

In the first quarter of 2021, we recognized \$471 million in observable price adjustments in our investment in Beijing Unisoc Technology Ltd.

In sale of equity investments and other, we recognized \$447 million of initial fair value adjustments related to four companies that went public in 2021; in 2020 we recognized \$1.1 billion from Montage becoming marketable and \$606 million related to four other equity investments that went public. During 2021, we recognized McAfee Corp. (McAfee) dividends of \$1.3 billion, which included a special dividend of \$1.1 billion paid in connection with the sale of McAfee's Enterprise Business to Symphony Technology Group, and recognized \$228 million related to the partial sale of our investment in McAfee. We recognized McAfee dividends of \$126 million in 2020 and \$632 million in 2019. In November 2021, McAfee announced an agreement to be acquired by an investor group, which is subject to closing conditions.

# Interest and Other, Net

The net loss in interest and other, net in 2021 was relatively flat compared to 2020.

We recognized a net loss in interest and other, net in 2020 compared to a net gain in 2019, primarily due to lower divestiture gains in 2020 compared to 2019.

# **Provision for Taxes**

Years Ended (Dollars in Millions)		ec 25, 2021	De	ec 26, 2020	Dec 28, 2019		
Income before taxes	\$	\$ 21,703 \$		25,078	\$	24,058	
Provision for taxes	\$	1,835	\$	4,179	\$	3,010	
Effective tax rate		8.5 %		16.7 %		12.5 %	
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Our effective tax rate decreased in 2021 compared to 2020, primarily driven by one-time tax benefits due to the restructuring of certain non-US subsidiaries as well as a higher proportion of our income in non-US jurisdictions. As a result of the restructuring, we established deferred tax assets and released the valuation allowances of certain foreign deferred tax assets. The majority of these deferred tax assets established in 2021 fully offset the deferred tax liabilities recognized in 2020 driven by a change in our permanent reinvestment assertion with respect to undistributed earnings in China, as a result of our planned divestiture of our NAND memory business.

Our effective tax rate increased in 2020 compared to 2019, primarily driven by a change in our permanent reinvestment assertion with respect to undistributed earnings in China, as a result of our planned divestiture of our NAND memory business. It also increased due to the reduction in our foreign derived intangible income benefit in 2020.

# Liquidity and Capital Resources

We believe we have sufficient sources of funding to meet our business requirements for the next 12 months and in the longer term. Cash generated by operations, supplemented by our total cash and investments<sup>1</sup>, is our primary source of liquidity for funding our strategic business requirements. Our short-term requirements include capital expenditures for worldwide manufacturing and assembly and test, including investments in our process technology roadmap; working capital requirements; and potential acquisitions, strategic investments, and dividends. Our long-term requirements incrementally contemplate additional investments in the significant manufacturing expansion plans we announced as part of our IDM 2.0 strategy and additional investments to accelerate our process technology. These plans include investment to build two new fabs in Arizona as well as plans for a next phase of capacity expansions in Ohio, Europe, and other global locations. Our plans include utilizing a "smart capital" strategy in which we focus first on aggressively building out fab shells, which are the smaller portion of the overall cost of a fab but have the longest lead time, giving us flexibility in how and when we bring additional capacity and tools online. Additionally, as we have faced industry shortages of substrates and other components, we have increasingly entered into long-term agreements with suppliers and foundry service providers, some of which involve prepayments that will help us secure future supply.

As we invest in these expansions and in the acceleration of our process technology roadmap, we expect our capital expenditures to increase above historical levels for the next several years. The prepayments for future supply of substrates and other components accelerate cash outflows into the near term, and we expect to apply the prepayments to future purchases, resulting in a positive impact on our liquidity in subsequent periods.

We expect our capital expenditures to increase above historical levels for the next several years. As of December 25, 2021 we had commitments for capital expenditures of \$22.3 billion for 2022, and we expect our total capital expenditures for 2022 to be above that amount. We also had \$4.6 billion in capital expenditures committed in the long term. As of December 25, 2021, other purchase obligations and commitments in 2022 under our binding commitments for purchases of goods and services were \$3.1 billion with an additional \$9.3 billion committed in the long term.

We have additional obligations as part of our ordinary course of business, beyond those committed for capital expenditures and other purchase obligations and commitments for purchases of goods and services. For example, see "Note 19: Commitments and Contingencies" within Consolidated Financial Statements for information about our lease obligations, which include supply agreements structured as leases, "Note 8: Income Taxes" within Consolidated Financial Statements for information about our tax obligations related to Tax Reform enacted in 2017 for the one-time transition tax on previously untaxed foreign earnings, and "Note 13: Borrowings" within Consolidated Financial Statements for information about our long-term debt obligations. The expected timing of payments of our obligations is estimated based on current information. Timing of payments and actual amounts paid may be different, depending on the timing of receipt of goods or services, or changes to agreed-upon amounts for some obligations. In addition, some of our purchasing requirements are not current obligations and are therefore not included in the amounts above. For example, some of these requirements are not handled through binding contracts or are fulfilled by vendors on a purchase order basis within short time horizons.

We anticipate that we will continue to primarily rely on operating cash flows, supplemented by our total cash and investments<sup>1</sup>, to fund IDM 2.0 and other cash requirements in the ordinary course of business. We also expect to benefit from government incentives under pending legislation, and any incentives above our current expectations would enable us to increase the pace and size of our IDM 2.0 investments. Conversely, incentives below our expectations would increase our anticipated cash requirements. We expect our increased capital investments to pressure our free cash flow in the short term. When assessing our current sources of liquidity, we include our total cash and investments<sup>1</sup> as shown in the following table:

(In Millions)	Dec 25, 2021	Dec 26, 2020	
Cash and cash equivalents	\$ 4,827	\$	5,865
Short-term investments	2,103		2,292
Trading assets	21,483		15,738
Other long-term investments	840		2,192
Loans receivable and other	240		947
Total cash and investments <sup>1</sup>	\$ 29,493	\$	27,034
Total debt	\$ 38,101	\$	36,401

<sup>&</sup>lt;sup>1</sup> See "Non-GAAP Financial Measures" within MD&A.

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Other potential sources of liquidity include our commercial paper program and our automatic shelf registration statement on file with the SEC, pursuant to which we may offer an unspecified amount of debt, equity, and other securities. Under our commercial paper program, we have an ongoing authorization from our Board of Directors to borrow up to \$10.0 billion. During 2021, we issued a total of \$5.0 billion aggregate principal amount of senior notes, and entered into a \$5.0 billion variable-rate revolving credit facility that matures in March 2026. We repaid \$500 million of our 1.70% senior notes that matured in May 2021 and \$2.0 billion of our 3.30% senior notes that matured in October 2021. As of December 25, 2021, we had no outstanding commercial paper or borrowing on the revolving credit facility.

We maintain a diverse investment portfolio that we continually analyze based on issuer, industry, and country. Substantially all of our investments in debt instruments are in investment-grade securities.

In the first quarter of 2021, we repurchased the remaining \$2.4 billion in shares of our planned \$20.0 billion share repurchases announced in October 2019. We expect our future stock repurchases to be significantly below our levels from the last few years.

Sources and Uses of Cash (In Millions)

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

Years Ended (In Millions)	De	Dec 25, 2021		Dec 26, 2020		Dec 28, 2019	
Net cash provided by operating activities	\$	29,991	\$	35,384	\$	33,145	
Net cash used for investing activities		(25,167)		(20,796)		(14,405)	
Net cash provided by (used for) financing activities		(5,862)		(12,917)		(17,565)	
Net increase (decrease) in cash and cash equivalents	\$	(1,038)	\$	1,671	\$	1,175	

# **Operating Activities**

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

For 2021 compared to 2020, the \$5.4 billion decrease in cash provided by operating activities was primarily driven by a decrease in net working capital contributions and cash paid to settle a prepaid customer supply agreement in Q1 2021, partially offset by a McAfee special dividend received in Q3 2021.

For 2020 compared to 2019, the \$2.2 billion increase in cash provided by operating activities was primarily due to changes in working capital. Changes in working capital were driven by accounts receivable, inventory, and income taxes, offset by other assets and liabilities.

# **Investing Activities**

Investing cash flows consist primarily of capital expenditures, investment purchases, sales, maturities, and disposals, and proceeds from divestitures and cash used for acquisitions. Our capital expenditures were \$18.7 billion in 2021 (\$14.3 billion in 2020 and \$16.2 billion in 2019).

The increase in cash used for investing activities in 2021 compared to 2020 was primarily due to an increase in capital expenditures, partially offset by a decrease in purchases of available-for-sale debt investments.

The increase in cash used for investing activities in 2020 compared to 2019 was primarily due to an increase in purchases of available-for-sale debt investments and trading assets, offset by an increase in maturities and sales of available-for-sale debt investments and trading assets, and a decrease in capital expenditures and cash paid for acquisitions.

# **Financing Activities**

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

The decrease in cash used for financing activities in 2021 compared to 2020 was primarily due to a decrease in repurchases of common stock and a decrease in repayments of debt and debt conversions, partially offset by a decrease in cash provided by long-term debt issuances.

During 2021, we repurchased \$2.4 billion of common stock under our authorized common stock repurchase program, compared to \$14.2 billion in 2020. Our total dividend payments were \$5.6 billion in 2021 compared to \$5.6 billion in 2020. We have paid a cash dividend in each of the past 117 quarters.

The decrease in cash used for financing activities in 2020 compared to 2019 was primarily due to an increase in cash provided by long-term debt issuances, offset by an increase in repayments of debt and debt conversions and an increase in repurchases of common stock.

# **Critical Accounting Estimates**

The methods, assumptions, and estimates that we use in applying our accounting policies may require us to apply judgments regarding matters that are inherently uncertain. We consider an accounting policy to be a critical estimate if: (1) we must make assumptions that were uncertain when the judgment was made, and (2) changes in the estimate assumptions, or selection of a different estimate methodology, could have a significant impact on our financial position and the results that we report in our Consolidated Financial Statements. While we believe that our estimates, assumptions, and judgments are reasonable, they are based on information available when the estimate was made.

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Refer to "Note 2: Accounting Policies" within the Consolidated Financial Statements for further information on our critical accounting estimates and policies, which are as follows:

- Inventories—the transition of manufacturing costs to inventory, excluding factory excess capacity costs. Inventory
  reflected at the lower of cost or net realizable value considering future demand and market conditions;
- Long-lived assets—the valuation methods and assumptions used in assessing the impairment of property, plant and equipment, identified intangibles, and goodwill, including the determination of asset groupings and the identification and allocation of goodwill to reporting units;
- Non-marketable equity investments—the valuation estimates and assessment of impairment and observable price adjustments; and
- Loss contingencies—the estimation of when a loss is probable and reasonably estimable.

# Non-GAAP Financial Measures

In addition to disclosing financial results in accordance with US GAAP, this document contains references to the non-GAAP financial measures below. We believe these non-GAAP financial measures provide investors with useful supplemental information about our operating performance, enable comparison of financial trends and results between periods where certain items may vary independent of business performance, and allow for greater transparency with respect to key metrics used by management in operating our business and measuring our performance. Certain of these non-GAAP financial measures are used in our performance-based RSUs and our annual cash bonus plan.

Long-term gross margin outlook range is provided on a non-GAAP basis and excludes the impact of amortization of acquisition-related intangible assets and share-based compensation expense. We are unable to provide a full reconciliation of this measure to the corresponding GAAP measure without unreasonable efforts, as the amount and timing of such adjustments on a long-term basis are subject to considerable uncertainty. We believe such a reconciliation would also imply a degree of precision that is inappropriate for this forward-looking measure.

Our non-GAAP financial measures reflect adjustments based on one or more of the following items, as well as the related income tax effects where applicable. Income tax effects have been calculated using an appropriate tax rate for each adjustment. These non-GAAP financial measures should not be considered a substitute for, or superior to, financial measures calculated in accordance with US GAAP, and the financial results calculated in accordance with US GAAP and reconciliations from these results should be carefully evaluated.

Non-GAAP adjustment or measure	Definition	Usefulness to management and investors
NAND memory business	Our NAND memory business is subject to a pending sale to SK hynix, as announced in October 2020. While the second closing of the sale is still pending, we completed the first closing on December 29, 2021, subsequent to our fiscal 2021 yearend. We will fully deconsolidate our ongoing interests in the NAND OpCo Business in the first quarter of 2022.	We exclude the impact of our NAND memory business in certain non-GAAP measures. While the second closing of the sale is still pending and subject to closing conditions, management does not currently view the business as part of the company's core operations or its long-term strategic direction. We believe these adjustments provide investors with a useful view, through the eyes of management, of the company's core business model and how management currently evaluates core operational performance. We believe they also provide investors with an additional means to understand the potential impact of the divestiture over time. In making these adjustments, we have not made any changes to our methods for measuring and calculating revenue or other financial statement amounts.
Acquisition-related adjustments	as developed technology, brands, and customer relationships acquired in connection with business combinations. Charges related to the amortization of these intangibles are recorded within both cost of sales and MG&A in our US GAAP financial statements. Amortization charges are	We exclude amortization charges for our acquisition-related intangible assets for purposes of calculating certain non-GAAP measures because these charges are inconsistent in size and are significantly impacted by the timing and valuation of our acquisitions. These adjustments facilitate a useful evaluation of our current operating performance and comparison to our past operating performance and provide investors with additional means to evaluate cost and expense trends.

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Non-GAAP adjustment or measure	Definition	Usefulness to management and investors
Restructuring and other charges	Restructuring charges are costs associated with a formal restructuring plan and are primarily related to employee severance and benefit arrangements. Other charges include a charge related to the VLSI litigation, goodwill and asset impairments, pension charges, and costs associated with restructuring activity.	We exclude restructuring and other charges, including any adjustments to charges recorded in prior periods, for purposes of calculating certain non-GAAP measures because these costs do not reflect our core operating performance. These adjustments facilitate a useful evaluation of our core operating performance and comparisons to past operating results and provide investors with additional means to evaluate expense trends.
(Gains) losses from divestiture	Gains or losses are recognized in connection with a divestiture.	We exclude gains or losses resulting from divestitures for purposes of calculating certain non-GAAP measures because they do not reflect our current operating performance. These adjustments facilitate a useful evaluation of our current operating performance and comparisons to past operating results.
Ongoing mark-to-market on marketable equity securities	After the initial mark-to-market adjustment is recorded upon a security becoming marketable, gains and losses are recognized from ongoing mark-to-market adjustments of our marketable equity securities.	We exclude these ongoing gains and losses for purposes of calculating certain non-GAAP measures because we do not believe this volatility correlates to our core operational performance. These adjustments facilitate a useful evaluation of our current operating performance and comparisons to past operating results.
Free cash flow	Free cash flow is operating cash flow adjusted to exclude additions to property, plant and equipment.	This non-GAAP financial measure is helpful in understanding our capital requirements and provides an additional means to evaluate the cash flow trends of our business. We exclude additions to held for sale NAND property, plant and equipment because the additions are not representative of our long-term capital requirements and these assets were sold upon the first closing of the transaction that occurred on December 29, 2021, subsequent to our fiscal 2021 year-end.
Total cash and investments	Total cash and investments is used by management when assessing our sources of liquidity, which includes cash and cash equivalents, short-term investments, trading assets, other long-term investments, and loans receivable and other.	This non-GAAP measure is helpful in understanding our capital resources and liquidity position.

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Following are the reconciliations of our most comparable US GAAP measures to our non-GAAP measures presented:

Years Ended (In Millions, Except Per S	hare	e Amounts	)	De	c 2	5, 2021	D	ec 26, 2020	[	Dec	28, 2019
Net revenue				\$	79	9,024	\$	77,867	\$		71,965
NAND memory business					(4	1,306)		(4,967)			(4,059)
Non-GAAP net revenue				\$	74	1,718	\$	72,900	\$		67,906
Operating income				\$	19	9,456	\$	23,678	\$		22,035
Acquisition-related adjustments						1,492		1,416			1,324
Restructuring and other charges						2,626		198			393
NAND memory business					(	1,369)		(937)			600
Non-GAAP operating income				\$	2	2,205	\$	24,355	\$		24,352
Operating margin						24.6 %		30.4 %			30.6 %
Acquisition-related adjustments						1.9 %		1.8 %			1.8 %
Restructuring and other charges						3.3 %		0.3 %			0.5 %
NAND memory business						(0.1)%		0.9 %			2.9 %
Non-GAAP operating margin						29.7 %		33.4 %			35.9 %
Earnings per share—diluted				\$		4.86	\$	4.94	\$		4.71
Acquisition-related adjustments						0.36		0.33			0.29
Restructuring and other charges						0.65		0.05			0.09
(Gains) losses from divestiture						_		_			(0.16)
Ongoing mark-to-market on marketab	le eq	uity securiti	ies			0.03		0.03			(0.06)
NAND memory business						(0.33)		(0.22)			0.13
Income tax effects						(0.10)		(0.03)			(0.03)
Non-GAAP earnings per share—dilute	d			\$		5.47	\$	5.10	\$		4.97
Years Ended (In Millions)	De	c 25, 2021	De	c 26, 2020	De	ec 28, 20°	19	Dec 29, 2018	8	Dec	30, 2017
Net cash provided by operating activities	\$	29,991	\$	35,384	\$	33,14	5	\$ 29,432		\$	22,110
Additions to property, plant and equipment		(18,733)		(14,259)		(16,21	3)	(15,181	)		(11,778)
Free cash flow	\$	11,258	\$	21,125	\$	16,93	2	\$ 14,251	<b>.</b>	\$	10,332
Net cash used for investing activities	\$	(25,167)	\$	(20,796)	\$	(14,40	5)	\$ (11,239	)	\$	(15,762)
Net cash provided by (used for) financing activities	\$	(5,862)	\$	(12,917)	\$	(17,56	5)	\$ (18,607	)	\$	(8,475)

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## Other Key Information

### Sales and Marketing

#### Customers

We sell our products primarily to OEMs, ODMs, and cloud service providers. ODMs provide design and manufacturing services to branded and unbranded private-label resellers. In addition, our customers include other manufacturers and service providers, such as industrial and communication equipment manufacturers and other cloud service providers, who buy our products through distributor, reseller, retail, and OEM channels throughout the world. For more information about our customers, including customers who accounted for greater than 10% of our net consolidated revenue, see "Note 3: Operating Segments" within the Consolidated Financial Statements.

Our worldwide reseller sales channel consists of thousands of indirect customers; systems builders that purchase Intel processors and other products from our distributors. We have incentive programs that allow distributors to sell our microprocessors and other products in small quantities to systems integrators. Our microprocessors and other products are also available in direct retail outlets.

#### Sales Arrangements

Our products are sold through distribution channels throughout the world. Sales of our products are frequently made via purchase order acknowledgments that contain standard terms and conditions covering matters such as pricing, payment terms, and warranties, as well as indemnities for issues specific to our products, such as patent and copyright indemnities. Because our customers generally order from us on a purchase order basis, they can typically cancel, change, or delay product purchase commitments with little or no notice to us and without penalty. From time to time, we may enter into additional agreements with customers covering, for example, changes from our standard terms and conditions, new product development and marketing, and private-label branding. Our sales are routinely made using electronic and web-based processes that allow the customer to review inventory availability and track the progress of specific goods ordered. Pricing on particular products may vary based on volumes ordered and other factors. We also offer discounts, rebates, and other incentives to customers to increase acceptance of our products and technology.

In accordance with contract terms, revenue for product sales is recognized at the time of product shipment from our facilities or delivery to the customer location, as determined by the agreed upon shipping terms. Our standard terms and conditions of sale typically provide that payment is due at a later date, usually 30 days after shipment or delivery. We assess credit risk through quantitative and qualitative analysis. From this analysis, we establish shipping and credit limits, and determine whether we will seek to use one or more credit support protection devices, such as obtaining a parent guarantee, standby letter of credit, or credit insurance. Credit losses may still be incurred due to bankruptcy, fraud, or other failure of the customer to pay.

Our sales to distributors are typically made under agreements allowing for price protection on unsold merchandise and a right of return on stipulated quantities of unsold merchandise. Under the price protection program, we give distributors credits for the difference between the original price paid and the current price that we offer. Our products typically have no contractual limit on the amount of price protection, nor is there a limit on the time horizon under which price protection is granted. The right of return granted generally consists of a stock rotation program in which distributors can exchange certain products based on the number of qualified purchases made by the distributor.

#### Distribution

Distributors typically handle a wide variety of products, including those that compete with our products, and fill orders for many customers. Customers may place orders directly with us or through distributors. We have several distribution warehouses that are located in proximity to key customers.

#### **Seasonal Trends**

Historically, our net revenue has typically been higher in the second half of the year than in the first half of the year, accelerating in the third quarter and peaking in the fourth quarter. In 2021, continued strong COVID-driven notebook demand in the first half of the year contributed to a flatter trend than we historically observe.

#### Marketing

Our global marketing objectives are to build a strong, well-known, differentiated, and meaningful Intel corporate brand that drives preference with businesses and consumers, and to offer a limited number of meaningful and valuable brands in our portfolio to aid businesses and consumers in making informed choices about technology purchases. The Intel Core processor family and the Intel Atom, Celeron®, Pentium®, and Intel Xeon trademarks make up our key CPU brands. This year, we introduced the Intel Arc brand for our upcoming high-performance graphics products.

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We promote brand awareness and preference, and generate demand through our own direct marketing, as well as through co-marketing programs. Our direct marketing activities primarily include advertising through digital and social media and television, as well as consumer and trade events, industry and consumer communications, and press relations. We market to consumer and business audiences and focus on building awareness and generating demand for our products. Our key messaging focuses on increased performance, improved energy efficiency, and other capabilities such as connectivity.

Certain customers participate in cooperative advertising and marketing programs. These cooperative advertising and marketing programs broaden the reach of our brands beyond the scope of our own direct marketing. Certain customers are licensed to place Intel® logos on computing devices containing our microprocessors and processor technologies, and to use our brands in their marketing activities. The program partially reimburses customers for marketing activities for products featuring Intel brands, subject to customers meeting defined criteria. These marketing activities primarily include advertising through digital and social media and television, as well as press relations. We have also entered into joint marketing arrangements with certain customers.

#### Quantitative and Qualitative Disclosures About Market Risk

We are affected by changes in currency exchange and interest rates, as well as equity and commodity prices. Our risk management programs are designed to reduce, but may not eliminate, the impacts of these risks. All of the following potential changes are based on sensitivity analyses performed on our financial positions as of December 25, 2021 and December 26, 2020. Actual results may differ materially.

#### **Currency Exchange Rates**

We are exposed to currency exchange risks of non-US-dollar-denominated investments in debt and equity instruments and loans receivable, and may economically hedge this risk with foreign currency contracts, such as currency forward contracts or currency interest rate swaps. Gains or losses on these non-US-currency investments are generally offset by corresponding losses or gains on the related hedging instruments. We are exposed to currency exchange risks from our non-US-dollar-denominated debt indebtedness and may use foreign currency contracts designated as cash flow hedges to manage this risk.

Substantially all of our revenue is transacted in US dollars. However, a significant portion of our operating expenditures and capital purchases are incurred in other currencies, primarily the European Union euro, the Israeli shekel, the Malaysian ringgit, the Japanese yen, and the Chinese yuan. We have established currency risk management programs to protect against currency exchange rate risks associated with non-US dollar forecasted future cash flows and existing non-US dollar monetary assets and liabilities. We may also hedge currency risk arising from funding of foreign currency-denominated future investments. We may utilize foreign currency contracts, such as currency forwards or option contracts in these hedging programs. We considered the historical trends in currency exchange rates and determined that it was reasonably possible that a weighted average adverse change of 10% in currency exchange rates could be experienced in the near term. Such an adverse change, after taking into account balance sheet hedges only and offsetting recorded monetary asset and liability positions outstanding as of December 25, 2021 and December 26, 2020, would result in an adverse impact on income before taxes of less than \$81 million, respectively.

#### **Interest Rates**

We are exposed to interest rate risk related to our fixed-rate investment portfolio and outstanding debt. The primary objective of our investment policy is to preserve principal and provide financial flexibility to fund our business while maximizing yields, which generally track the US dollar three-month LIBOR. We generally enter into interest rate contracts to convert the returns on our fixed-rate debt investment with remaining maturities longer than six months into US dollar three-month LIBOR-based returns. We also enter into swaps to convert fixed-rate coupon payments into floating-rate coupon payments for our existing indebtedness. Gains or losses on these instruments are generally offset by corresponding losses or gains on the related hedging instruments.

A hypothetical increase in benchmark interest rates of 1%, after taking into account investment hedges, would have resulted in a decrease in the fair value of our investment portfolio of approximately \$68 million as of December 25, 2021 (a hypothetical decrease of 1% would have resulted in an increase in the fair value of our investment portfolio of approximately \$75 million as of December 26, 2020).

Taking into account floating-rate debt and fixed-rate debt that is swapped to floating-rate debt, a hypothetical increase in interest rates of 1% would result in an increase in annual interest expense of approximately \$132 million from debt outstanding as of December 25, 2021 (a hypothetical increase of 1% would have resulted in an increase in annual interest expense of approximately \$132 million from debt outstanding as of December 26, 2020).

## **Equity Prices**

We are exposed to equity market risk through our investments in marketable equity securities, which we typically do not attempt to reduce or eliminate through hedging activities.

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As of December 25, 2021, the fair value of our marketable equity securities was \$2.2 billion (\$1.8 billion as of December 26, 2020). The substantial majority of our marketable equity securities portfolio as of December 25, 2021 was concentrated in securities traded on the Chinese Shanghai Stock Exchange Science and Technology Innovation Board. To determine reasonably possible decreases in the market value of our marketable equity securities, we have analyzed the historical market price sensitivity of our portfolio. Assuming a decline of 60% in market prices, the aggregate value of our marketable equity securities could decrease by approximately \$1.3 billion, based on the value as of December 25, 2021 (a decrease in value of approximately \$1.1 billion, based on the value as of December 26, 2020 using an assumed decline of 60%).

We utilize total return swaps to offset changes in liabilities related to the equity market risks of certain deferred compensation arrangements. Gains or losses from changes in fair value of these total return swaps are generally offset by the losses or gains on the related liabilities.

Many of the same factors that could result in an adverse movement of equity market prices affect our non-marketable equity investments, although we cannot always quantify the impacts directly. Financial markets are volatile, which could negatively affect the prospects of the companies we invest in, their ability to raise additional capital, and the likelihood of our ability to realize value in our investments through liquidity events such as initial public offerings, mergers, and private sales. These types of investments involve a great deal of risk, and there can be no assurance that any specific company will grow or become successful; consequently, we could lose all or part of our investment. Our non-marketable equity securities had a carrying amount of \$4.1 billion as of December 25, 2021 (\$3.3 billion as of December 26, 2020) and includes our investment in Beijing Unisoc Technology Ltd. of \$1.1 billion (\$658 million as of December 26, 2020).

#### Commodity Price Risk

Although we operate facilities that consume commodities, we are not directly affected by commodity price risk to a material degree. We have established forecasted transaction risk management programs to protect against fluctuations in commodity prices. We may use commodity derivatives contracts, such as commodity swaps, in these hedging programs. In addition, we have sourcing plans in place that are designed to mitigate the risk of a potential supplier concentration for our key commodities.

#### **Risk Factors**

When any one or more of the following risks materialize from time to time, our business, reputation, financial condition, cash flows, and results of operations can be materially and adversely affected, and the trading price of our common stock could decline. These risk factors do not identify all risks that we face; our operations can also be affected by factors that are not presently known to us or that we currently consider to be immaterial to our operations. Due to risks and uncertainties, known and unknown, our past financial results may not be a reliable indicator of future performance, and historical trends should not be used to anticipate results or trends in future periods. Refer also to the other information set forth in this Form 10-K, including in the MD&A and Financial Statements and Supplemental Details sections.

#### Changes in product demand can adversely affect our financial results.

Demand for our products is variable and hard to predict. Our products are used in different market segments, and demand for our products varies within or among them. It is difficult to forecast these changes and their impact. For example, we expect the PC TAM to grow over time driven by factors such as a larger installed base, new platforms, shorter replacement cycles, and adoption in new markets; however, the PC industry has been highly cyclical in the past, and these growth expectations may not materialize or we may fail to capitalize on them. Changes in the demand for our products, particularly our CCG and DCG platform products, can reduce our revenue, lower our gross margin, or require us to write down the value of our assets.

Important factors that lead to variation in the demand for our products include:

- business conditions, including downturns in the market segments in which we operate, or in global or regional economies;
- consumer confidence, income levels, and customer capital spending, which can be impacted by changes in market conditions, including changes in government borrowing or spending, taxation, interest rates, the credit market, current or expected inflation, employment, and energy or other commodity prices;
- geopolitical conditions, including trade policies;
- our ability to timely introduce competitive products;
- competitive and pricing pressures, including new product introductions and other actions taken by competitors;

- the level of our customers' inventories and computing capacity;
- customer order patterns and order cancellations, including as a result of maturing product cycles for our products, customers' products, and related products such as operating system upgrade cycles; and disruptions affecting customers, such as the ongoing industry substrate and component shortages that negatively impacted demand across several of our businesses in 2021;
- market acceptance and industry support of our products, including the introduction and availability of software and other products used together with our products; and
- customer product needs and emerging technology trends, including changes in the levels and nature of customer and end-user computing workloads, such as work- and learn-from-home trends.

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Due to the complexity of our manufacturing operations, we are not always able to timely respond to fluctuations in demand and we may incur significant charges and costs. Because we own and operate high-tech fabrication facilities, our operations have high costs that are fixed or difficult to reduce in the short term, including our costs related to utilization of existing facilities, facility construction and equipment, R&D, and the employment and training of a highly skilled workforce. To the extent product demand decreases or we fail to forecast demand accurately, we could be required to write off inventory or record excess capacity charges, which would lower our gross margin. To the extent the demand decrease is prolonged, our manufacturing or assembly and test capacity could be underutilized, and we may be required to write down our long-lived assets, which would increase our expenses. We may also be required to shorten the useful lives of under-used facilities and equipment and accelerate depreciation. As we make substantial investments in increasing our manufacturing capacity as part of our IDM 2.0 strategy, these underutilization risks may be heightened. Conversely, at times demand increases or we fail to forecast accurately or produce the mix of products demanded. To the extent we are unable to add capacity or increase production fast enough, we are at times required to make production decisions and/or are unable to fully meet market demand, which can result in a loss of revenue opportunities or market share, legal claims, and/or damage to customer relationships.

Our IDM 2.0 investments in capacity and our process technology roadmap will require capital expenditures above our historical levels, and if demand for our IFS business grows rapidly, we anticipate that we would need to accelerate our planned investments to meet that demand. To the extent we do not generate expected cash flows, we may be required to increase our use of external funding sources to fund our investments and operations, which may not be available on favorable terms or at all. There is legislation under consideration in the US and EU to provide government funding for semiconductor manufacturing expansions in those regions, but there can be no assurance that such funding will be enacted, and there is uncertainty as to the amounts and timing of funding we may receive and as to any restrictions on recipients. To the extent such funding is below our expectations, our anticipated cash requirements would increase. Our construction projects to expand capacity require available sources of labor, materials, and equipment. Increasing demand for such sources, including from other foundries; supply constraints, labor shortages, and other adverse market conditions; issues with permits or approvals; and other construction issues arise from time to time and can result in significant delays and increased costs for our projects.

We face significant competition. The industry in which we operate is highly competitive and subject to rapid technological and market developments; changes in industry standards; changes in customer and end-user needs, expectations, and preferences; and frequent product introductions and improvements. When we do not anticipate or respond to these developments, our competitive position can weaken, and our products or technologies can become uncompetitive or obsolete. Our competitive environment has intensified, and we expect it to continue to do so in the future.

Our products primarily compete based on performance, energy efficiency, integration, ease-of-use, innovative design, features, workload optimization, price, quality, reliability, security, software ecosystem and developer support, time-to-market, reliable product roadmap execution, brand recognition, customer support and customization, and availability. The importance of these factors varies by product and market segment. For example, our competitors have introduced data center and client platform products with performance improvements and additional processor core counts that have contributed to an increasingly competitive environment. In our IOTG business, for example, interoperability, connectivity, safety, security, industrial use conditions, and long-life support are among the key competitive factors. To the extent our products do not meet our customers' requirements across these factors in an increasingly competitive landscape, our business and results of operation can be harmed.

We face intense competition across our product portfolio from companies offering platform products, such as AMD and Qualcomm; accelerator products such as GPUs, including those offered by NVIDIA; other accelerator products such as ASICs, application-specific standard products, and FPGAs; memory and storage products; connectivity and networking products; and other semiconductor products. Some of these competitors have developed or utilize competing computing architectures and platforms, such as the ARM architecture, and these architectures and platforms can produce beneficial network effects for competitors when an ecosystem of customers and application developers for such architectures and platforms grows at scale. For example, ARM-based products are being used in PCs and servers, which could lead to further development and growth of the ARM ecosystem. We also compete with internally developed semiconductors from OEMs, cloud service providers, and others, some of whom are customers. Some of these customers vertically integrate their own semiconductor designs with their software assets and/or customize their designs for specific computing workloads. For example, in 2020, Apple introduced PC products utilizing its own internally developed ARM-based semiconductor designs in place of our client CPUs, and we face increasing competition from Apple's products and ecosystem.

Most of our competitors rely on third-party foundries, such as Taiwan Semiconductor Manufacturing Company, Ltd. (TSMC) or Samsung Electronics Co., Ltd., and subcontractors for manufacture and assembly and test of their semiconductor components and products. Manufacturing process improvements introduced by TSMC have contributed, and may continue to contribute, to increasingly competitive offerings by our competitors. While we have

set out a process technology roadmap to attain future process performance-per-watt parity and leadership relative to TSMC, our plans are subject to a number of risks and we could fail to realize our goals, including due to changes in competitor technology roadmaps, changes affecting our projections regarding our technology or competing technology, and the risks described in the section "We are vulnerable to product and manufacturing-related risks." As an IDM, we have higher capital expenditures and R&D spending than many of our "fabless" competitors. We also face new sources of competition as a result of changes in industry participants through, for example, acquisitions or business collaborations, as well as new entrants, including in China, which could have a significant impact on our competitive position. For example, we could face increased competition as a result of China's programs to promote a domestic semiconductor industry and supply chains.

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Other Key Information

Introduction of competitive new products and technologies, aggressive pricing, and other actions taken by competitors can harm demand for our products, exert downward pricing pressure on our products, and adversely affect our business. For example, our DCG revenue and platform ASPs were negatively impacted by the competitive environment during 2021. Additionally, a number of business combinations and strategic partnerships in the semiconductor industry have occurred over the last several years, and more could occur in the future. For example, in 2020, NVIDIA announced an agreement to acquire ARM Holdings plc, and AMD announced an agreement to acquire Xilinx, Inc. Consolidation could also lead to fewer customers, partners, or suppliers, any of which could negatively affect our financial results.

If we are not able to compete effectively, our financial results will be adversely affected, including reduced revenue and gross margin, and we may be required to accelerate the write-down of the value of certain assets.

We invest significantly in R&D, and to the extent our R&D efforts are unsuccessful, our competitive position can be harmed and we may not realize a return on our investments. To compete successfully, we must maintain an effective R&D program, develop new products and manufacturing processes, and improve our existing products and processes, all ahead of competitors. We are focusing our R&D efforts across several key areas, including process and packaging technology, our xPU products and features, and software. These include ambitious initiatives, such as our unified oneAPI portfolio of developer tools. We cannot guarantee that all of these efforts will deliver the benefits we anticipate. For example, we previously experienced significant delays in the implementation of our 10nm process technology, and during 2020, we announced that our Intel 4 process technology (formerly 7nm) would be delayed relative to our prior expectations. To the extent we do not timely introduce new manufacturing process technologies that improve performance, performance per watt, and/or transistor density with sufficient manufacturing yields and operational efficiency, relative to competing foundry processes, we can face cost, product performance, and time-tomarket disadvantages. In addition, we are not always able to timely or successfully develop new products, including as a result of bugs, late changes to features due to customer requests, or other design challenges. To the extent our R&D efforts do not develop new products on schedule with improvements in areas like performance, performance per watt, die utilization, and core counts, and/or with new features such as optimizations for AI and other workloads, our competitive position can be harmed. We have adopted a disaggregated design approach for some of our future products, in which different processors and components can be manufactured on different processes and connected by advanced packaging technology into a single package. This approach introduces new areas of complexity in design and manufacturability, particularly in the deployment of advanced packaging technologies, several of which are novel, have a limited manufacturing history, and/or have increased costs. Delays or failures in implementing disaggregated designs could adversely affect our ability to timely introduce competitive products. For example, adapting a processor or component design for a new or different manufacturing process involves additional R&D expense and can result in delays in the development of the associated product.

We do not expect all of our R&D investments to be successful. Some of our efforts to develop and market new products and technologies fail or fall short of our expectations, or are not well-received by customers, who may adopt competing technologies. We make significant investments in R&D, and we expect our investments to grow as we pursue our IDM 2.0 strategy. Our investments at times do not contribute to our future operating results for several years, if at all, and such contributions at times do not meet our expectations or even cover the costs of such investments.

Our investments in new businesses, products, and technologies are inherently risky and do not always succeed. We have entered new areas and introduced new products and services as we seek to capitalize on the opportunities presented by ubiquitous computing, cloud to edge infrastructure, pervasive connectivity, and Al. In recent years, we have expanded our product offerings in areas such as discrete GPUs, mobility solutions, Al accelerators, IPU products, silicon photonics solutions, and Intel Optane technology products. As part of our IDM 2.0 strategy, we have announced plans to become a major provider of foundry capacity to manufacture semiconductors for others, establishing IFS. IFS faces competition from well-established competitors such as TSMC and Samsung, and to succeed, we will need to compete effectively across factors such as availability and time-to-market of manufacturing technology; advances in manufacturing processes in areas such as performance, performance per watt, and density; manufacturing capacity; price; ease of use; quality; yields; customer satisfaction; and ecosystem support. Our "big bets" are inherently risky and are not always successful. For example, in 2019, we exited the 5G smartphone modem business, one of our prior big bets, based on our determination that there was no clear path to profitability for the business.

These new and developing areas and products represent a significant portion of our revenue growth opportunity, and they also introduce new sources of competition, including, in some cases, incumbent competitors with established technologies, ecosystems, and customer bases, lower prices or costs, and greater brand recognition. These developing products and market segments require significant investment, do not always grow as projected or at all, or sometimes adopt competing technologies, and we may not realize an adequate return on our investments. For example, Al and machine learning are increasingly driving innovations in technology, but if we fail to develop leading

products for these workloads, or if our customers use competing technologies, we may not realize a return on our investments in these areas. Similarly, while we see significant opportunity in networking infrastructure and the distribution of computing to the network edge, we expect intense competition for this opportunity and may not succeed in our efforts. To be successful, we need to cultivate relationships with customers and partners in these market segments and continue to improve our offerings. Despite our ongoing efforts, there is no guarantee that we will achieve or maintain market demand or acceptance for our products and services in these various market segments or realize an adequate return on our investments, which could lead to impairment of assets and restructuring charges, as well as opportunity costs.

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Changes in the mix of products sold can materially impact our financial results. Our pricing and margins vary across our products and market segments due in part to marketability of our products and differences in their features or manufacturing costs. For example, our platform product offerings range from lower-priced and entry-level platforms, such as those based on Intel Atom processors, to higher-end platforms based on Intel Xeon processors. Our adjacent products also typically have significantly lower margins than our higher-priced platform products, and at times are not profitable. To the extent demand shifts from our higher-priced to lower-priced platform products in any of our market segments, or our adjacent products represent a greater share of our mix of products sold, our gross margin percentage may decrease.

#### We are vulnerable to product and manufacturing-related risks.

#### We are subject to risks associated with the development and implementation of new manufacturing technologies.

Production of integrated circuits is a complex process. We are continually engaged in the development of next-generation process technologies at increasingly advanced nodes as we seek to realize the benefits of Moore's Law. Forecasting our progress and schedule for developing advanced nodes is challenging, and at times we encounter unexpected delays due to the complexity of interactions among steps in the manufacturing process, challenges in using new materials or new production equipment, and other issues. Diagnosing defects in our manufacturing processes often takes a long time, as manufacturing throughput times can delay our receipt of data about defects and the effectiveness of fixes, and defects can be more serious and difficult to resolve than initially understood.

We are not always successful or efficient in developing or implementing new process nodes and manufacturing processes. We experienced significant delays in implementing our 10nm process technology, and in 2020, we encountered a defect mode in the development of our Intel 4 process technology (formerly 7nm) that resulted in delays relative to our prior expectations. These delays have allowed competitors using third-party foundries such as TSMC to benefit from advancements in manufacturing processes introduced ahead of us by foundries, including improvements in performance, energy efficiency, and other features, which have helped increase the competitiveness of their products. Because of these prior delays in our process technologies, we may experience greater adverse competitive impacts in the event of delays in the development of future manufacturing process technologies and products.

Our efforts to innovate involve significant expense and carry inherent risks, including difficulties in designing and developing next-generation process and packaging technologies, and investments in manufacturing assets and facilities that are made years in advance of the technology introduction. We cannot guarantee that we will realize the expected benefits of next-generation process technologies, including the expected cost, performance, power, and density advantages, or that we will achieve an adequate return on our capital and R&D investments, particularly as development of new nodes has grown increasingly expensive. In such circumstances, we may be required to write down the value of some of our manufacturing assets and facilities, increasing our expenses.

Risks inherent in the development of next-generation process technologies include production timing delays, lower-than-anticipated manufacturing yields, longer manufacturing throughput times, failure to achieve expected performance, power, and area improvements, and product defects and errata. Production timing delays have at times caused us to miss customer product design windows, which can result in lost revenue opportunities and damage to our customer relationships. Furthermore, when the introduction of next-generation process nodes is delayed, adding cores or other competitive features to our products can result in larger die size products, manufacturing supply constraints, and increased product costs. Lower manufacturing yields and longer manufacturing throughput times, compared to previous process nodes, can increase our product costs and adversely affect our gross margins, and can contribute to manufacturing supply constraints. A new process node typically has higher costs compared to a mature node due to factors that include higher depreciation costs and lower yields, and costs and yields at times do not improve at the same rate as on prior nodes. As the die size of our products has increased and our manufacturing process nodes have shrunk, our products and manufacturing processes have grown increasingly complex and more susceptible to product defects and errata, which at times also contribute to production timing delays and lower yields.

From time to time, disruptions in the production process result from errors, defects in materials, delays in obtaining or revising permits and licenses, interruptions in our supply of materials, resources, or production equipment, adverse changes in equipment productivity, and disruptions at our fabrication and assembly and test facilities due to accidents, maintenance issues, power interruptions, equipment malfunctions, or unsafe working conditions—all of which could affect the timing of production ramps and yields. Production issues periodically lead to increased costs and affect our ability to meet product demand, which can adversely impact our business and the results of operations. In addition, delays in our product introductions can cause us to become less competitive and lose revenue opportunities, and our gross margin could be adversely affected because we incur significant costs up front in the product development stage and earn revenue to offset these costs over time.

We face supply chain risks. We have a highly complex global supply chain composed of thousands of suppliers. These suppliers provide direct materials for our production processes; supply tools, equipment, and IP for our factories; deliver logistics and packaging services; and supply software, lab and office equipment, and other goods and services used in our business. We also rely on suppliers to provide certain components for our products and to manufacture and assemble and test some of our components and products. From time to time we are negatively impacted by supply chain issues, including the following:

- suppliers extending lead times, experiencing capacity constraints, limiting or canceling supply, allocating supply to other customers including competitors, delaying or canceling deliveries, or increasing prices;
- supplier quality issues;
- cybersecurity events, IP or other litigation, manmade or natural disasters, operational failures, or other events that disrupt suppliers;
- long lead times to qualify alternate or additional suppliers, or the unavailability of qualified alternate suppliers; and

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increased regulation or stakeholder expectations regarding responsible sourcing practices, or supplier conduct that
does not meet such standards, which can cause our compliance costs to increase or result in publicity that
negatively affects our reputation.

These and other supply chain issues can increase our costs, disrupt or reduce our production, delay our product shipments, prevent us from meeting customer demand, and damage our customer relationships. They may keep us from successfully implementing our business strategy and can materially harm our business, competitive position, results of operation, and financial condition. From time to time, our customers experience disruptions or shortages in their own supply chains that constrain their demand for our products. During 2021, the semiconductor industry experienced widespread shortages of substrates and other components and available foundry manufacturing capacity, and we anticipate that such shortages will continue in 2022. These shortages have limited our ability to supply customer demand in certain of our businesses, such as for our PSG products, and have adversely affected customer demand for our products, including in our CCG and DCG businesses, as some customers have been unable to procure sufficient quantities of third-party components used together with our products to produce finished systems. It is difficult to predict the future impact of these ongoing shortages.

To obtain future supply of certain materials and components, particularly substrates, and third-party foundry manufacturing capacity, we have increasingly entered into arrangements with some of our suppliers that involve long-term purchase commitments and/or large prepayments. These arrangements could still prove inadequate to meet our requirements, or our suppliers may fail to deliver committed volumes on time or at all, or their financial condition may deteriorate. If future customer demand over the horizon of these arrangements falls below our expectations, we could have excess or obsolete inventory, unneeded capacity, and increased costs, and our prepayments may not be fully utilized, and in some cases may not be fully recoverable.

We utilize third-party foundries and component suppliers to manufacture or supply certain components and products for areas such as networking, communications, graphics, programmable semiconductor solutions, and memory. As part of our IDM 2.0 strategy, we expect to increase our use of third-party foundries for manufacturing, which will include modular tiles manufactured on advanced foundry process technologies for use in our core computing offerings. Delays in the development of foundries' future manufacturing processes could delay the introduction of products or components we design for such processes, and insufficient foundry capacity could prevent us from meeting customer demand. We typically have less control over delivery schedules, design and manufacturing cooptimization, manufacturing yields, quality, product quantities, and costs for components and products that are manufactured by third parties.

Where possible, we seek to have several sources of supply. However, for certain components, services, materials, and equipment, we rely on a single or a limited number of suppliers, or upon suppliers in a single location. For example, ASML is currently the sole supplier of EUV photolithography tools that we will be deploying in our Intel 4 and other future manufacturing process nodes. These tools are highly complex to develop and produce, and increasingly costly, and from time to time there are increases in lead times or delays in their development and availability, which could delay the development or ramp of our future process nodes. As a further example, a limited number of third-party foundries offer leading-edge manufacturing processes, and these providers are geographically concentrated in Asia. Supplier consolidation or business failures can also reduce the pool of qualified suppliers. Sole- or limited-source suppliers can impact the nature, quality, availability, and pricing of the products and services available to us and intensify the other risks described in this risk factor.

Our disaggregated design strategy introduces additional production risks. Our disaggregated design strategy poses increased logistical risks and challenges, particularly where we decide to manufacture different product components on different process technologies, including third-party foundries' process technologies. To combine components in a single package, they need to be manufactured on a timely basis and in sufficient quantities, while the manufacturing processes we utilize may have differing yields, throughput times, and capacity constraints. We may be required to safely store some components pending the manufacture of others. Delays or quality issues with one component could limit our ability to manufacture the entire completed product. In addition, the packaging technologies used to combine these components can increase our costs and may introduce additional complexity and quality issues. To the extent we are unable to manage these risks, our ability to timely supply competitive products can be harmed and our costs could increase.

We are subject to the risks of product defects, errata, or other product issues. From time to time, we identify product defects, errata (deviations from published specifications), and other product issues, which can result from problems in our product design or our manufacturing and assembly and test processes. Components and products we purchase or license from third-party suppliers, or gain through acquisitions, can also contain defects. Product issues also sometimes result from the interaction between our products and third-party products and software. We face risks if products that we design, manufacture, or sell, or that include our technology, cause personal injury or property damage, even where the cause is unrelated to product defects or errata. These risks may increase as our products

are introduced into new devices, market segments, technologies, or applications, including transportation, autonomous driving, healthcare, communications, financial services, and other industrial, critical infrastructure, and consumer uses.

Costs from defects, errata, or other product issues could include:

- writing off some or all of the value of inventory;
- recalling products that have been shipped;
- providing product replacements or modifications;
- providing consideration to customers, including reimbursement for certain costs they incur;
- defending against litigation and/or paying resulting damages; and
- paying fines imposed by regulatory agencies.

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These costs could be large and may increase expenses and lower gross margin, and/or result in delay or loss of revenue. Mitigation techniques designed to address product issues, including software and firmware updates, are not always available on a timely basis—or at all—and do not always operate as intended or effectively resolve such issues for all applications. We and third parties, such as hardware and software vendors, make prioritization decisions about which product issues to address, which can delay, limit, or prevent development or deployment of a mitigation and harm our reputation and result in costs. Product defects, errata, or other product issues and/or mitigation techniques can result in product failures, adverse performance and power effects, reboots, system instability or unavailability, loss of functionality, data loss or corruption, unpredictable system behavior, decisions by customers and end users to limit or change the applications in which they use our products or product features, and other issues. Product issues can damage our reputation, negatively affect product demand, delay product releases or deployment, result in legal liability, or make our products less competitive, which could harm our business and financial results. Subsequent events or new information can develop that changes our assessment of the impact of a product issue. In addition, our liability insurance coverage has certain exclusions or may not adequately cover liabilities incurred. Our insurance providers may be unable or unwilling to pay a claim, and losses not covered by insurance could be large, which could harm our financial condition.

We face risks related to security vulnerabilities in our products. We or third parties regularly identify security vulnerabilities with respect to our processors and other products, as well as the operating systems and workloads that run on them and the components that interact with them. Components and IP we purchase or license from third parties for use in our products, as well as industry-standard specifications we implement in our products, are also regularly subject to security vulnerabilities. Our processors and other products are being used in application areas that create new or increased cybersecurity and privacy risks, including applications that gather and process large amounts of data, such as the cloud or Internet of Things, and critical infrastructure and automotive applications. The security vulnerabilities identified in our processors include a category known as side-channel vulnerabilities, such as the variants referred to as "Spectre" and "Meltdown." Additional categories and variants have been identified and are expected to continue to be identified. Publicity about these and other security vulnerabilities has resulted in, and is expected to continue to result in, increased attempts by third parties to identify additional vulnerabilities. Security and manageability features in our products cannot make our products absolutely secure, and these features themselves are subject to vulnerabilities and attempts by third parties to identify additional vulnerabilities. Vulnerabilities are not always mitigated before they become known. We, our customers, and the users of our products do not always promptly learn of or have the ability to fully assess the magnitude or effects of a vulnerability, including the extent, if any, to which a vulnerability has been exploited. Subsequent events or new information can develop that changes our assessment of the impact of a security vulnerability, including additional information learned as we develop and deploy mitigations or updates, become aware of additional variants, evaluate the competitiveness of existing and new products, and address future warranty or other claims or customer satisfaction considerations, as well as developments in the course of any litigation or regulatory inquiries or actions over these matters.

Mitigation techniques designed to address security vulnerabilities, including software and firmware updates or other preventative measures, are not always available on a timely basis—or at all—and at times do not operate as intended or effectively resolve vulnerabilities for all applications. In addition, we are often required to rely on third parties, including hardware, software, and services vendors, as well as our customers and end users, to develop and/or deploy mitigation techniques, and the availability, effectiveness, and performance impact of mitigation techniques can depend solely or in part on the actions of these third parties in determining whether, when, and how to develop and deploy mitigations. We and such third parties make prioritization decisions about which vulnerabilities to address, which can delay, limit, or prevent development or deployment of a mitigation and harm our reputation. Security vulnerabilities and/or mitigation techniques can result in adverse performance or power effects, reboots, system instability or unavailability, loss of functionality, data loss or corruption, unpredictable system behavior, decisions by customers and end users to limit or change the applications in which they use our products or product features, and/or the misappropriation of data by third parties.

Security vulnerabilities and any limitations or adverse effects of mitigation techniques can adversely affect our results of operations, financial condition, customer relationships, prospects, and reputation in a number of ways, any of which may be material. For example, whether or not vulnerabilities involve attempted or successful exploits, they may result in our incurring significant costs related to developing and deploying updates and mitigations, writing down inventory value, defending against product claims and litigation, responding to regulatory inquiries or actions, paying damages, addressing customer satisfaction considerations, providing product replacements or modifications, or taking other remedial steps with respect to third parties. Adverse publicity about security vulnerabilities or mitigations could damage our reputation with customers or users and reduce demand for our products and services. These effects may be greater to the extent that competing products are not susceptible to the same vulnerabilities or if vulnerabilities can be more effectively mitigated in competing products. Moreover, third parties can release information regarding potential vulnerabilities of our products before mitigations are available, which, in turn, could lead to attempted or

successful exploits, adversely affect our ability to introduce mitigations, or otherwise harm our business and reputation.

We are subject to risks associated with environmental, health, and safety regulations. The manufacturing and assembly and test of our products require the use of hazardous materials that are subject to a broad array of environmental, health, and safety laws and regulations. Our failure to comply with these laws or regulations can result in regulatory penalties, fines, and legal liabilities; suspension of production; alteration of our manufacturing and assembly and test processes; damage to our reputation; and restrictions on our operations or sales. In addition, failure to comply by our suppliers of these materials can require us to suspend or alter our production processes.

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Our failure to manage the use, transportation, emissions, discharge, storage, recycling, or disposal of hazardous materials can lead to increased costs or future liabilities. Environmental regulations, such as air quality and wastewater requirements, may impede our ability to expand or modify our manufacturing capability in the future. Environmental laws and regulations sometimes require us to acquire additional pollution abatement or remediation equipment, modify product designs, or incur other expenses. Regulations in response to climate change could result in increased manufacturing costs associated with air pollution requirements. For example, semiconductor manufacturing uses perfluorocarbons, which have historically made up a large portion of our direct greenhouse gas emissions. New or increased regulations limiting the use of such compounds, or other greenhouse gas emissions, could require us to install additional abatement equipment, purchase carbon offsets, and/or alter our production processes. In addition, new or increased climate change regulation could increase our energy costs, for example as a result of carbon pricing impacts on electrical utilities. As we expand our manufacturing capacity as part of our IDM 2.0 strategy, the impacts of future regulation could be magnified. Many new materials that we are evaluating for use in our operations are subject to regulation under environmental laws and regulations. These restrictions could harm our business and results of operations by increasing our expenses or requiring us to alter manufacturing and assembly and test processes.

# The COVID-19 pandemic could materially adversely affect our financial condition and results of operations.

The COVID-19 pandemic has previously adversely affected significant portions of our business and could have a material adverse effect on our financial condition and results of operations. Authorities have imposed, and businesses and individuals have implemented, numerous measures to try to contain the virus or treat its impact, such as travel bans and restrictions, quarantines, shelter-in-place/stay-at-home and social distancing orders, shutdowns, and vaccine requirements. These measures have impacted and may further impact our workforce and operations, the operations of our customers, and those of our respective suppliers and partners. We have experienced, and could in the future experience, reduced workforce availability at some of our sites, construction delays, and reduced capacity at some of our suppliers. We have significant manufacturing operations in the US, Ireland, Israel, China, Malaysia, and Vietnam, and each of these countries is taking measures in response to the pandemic. Restrictions on our manufacturing or support operations or workforce, similar limitations for our suppliers, and transportation restrictions or disruptions can limit our ability to meet customer demand and could have a material adverse effect on our financial condition and results of operations. Our customers have experienced, and may in the future experience, disruptions in their operations and supply chains, which can result in delayed, reduced, or cancelled orders, or collection risks, and which may adversely affect our results of operations.

The pandemic has caused us to modify our business practices, including with respect to employee travel; employee work locations; cancellation of physical participation in meetings, events, and conferences; and social distancing measures. As a US federal government contractor, we are subject to a federal executive order requiring our US employees to be vaccinated unless they qualify for medical or religious exemptions. The order has been challenged in court and its ultimate status, and the impact on our business, is uncertain. However, this requirement or other future vaccine mandates could adversely affect our workforce retention and hiring. Similarly, this requirement would apply to our suppliers working at our US sites, and to the extent such suppliers refuse to comply or decline to work with us based on the requirement or other future vaccine mandates, our business may be adversely affected, including higher costs or delays for our construction projects. We may take further actions as required by government authorities or others, or that we determine are in the best interests of our employees, customers, suppliers, and partners. Workfrom-home and other measures introduce additional operational risks, including cybersecurity risks, and have affected the way we conduct our product development, validation, and qualification, customer support, and other activities, which could have a material adverse effect on our operations. There is no certainty that such measures will be sufficient to mitigate the risks posed by the virus, and illness and workforce disruptions could lead to unavailability of key personnel and harm our ability to perform critical functions.

The pandemic has significantly increased economic and demand uncertainty, and has led to volatility in capital markets and credit markets. Risks related to adverse changes in global economic conditions are described in our risk factor titled "Global or regional conditions can harm our financial results," and include the risk that demand for our products will be significantly harmed. Given the continued and substantial economic uncertainty and volatility created by the pandemic, it is difficult to predict the nature and extent of impacts on demand for our products. For example, the increased demand for notebook products as a result of work- and learn-from-home dynamics may not continue as the pandemic progresses.

The degree to which COVID-19 impacts our results will depend on future developments, which are highly uncertain and cannot be predicted, including the duration and severity of the pandemic; the actions taken to contain the virus or treat its impact; other actions taken by governments, businesses, and individuals in response to the virus and resulting economic disruption; and how quickly and to what extent normal economic and operating conditions can resume.

Additional impacts and risks may arise that we are not aware of or able to respond to effectively. We are similarly unable to predict the extent of the impact of the pandemic on our customers, suppliers, and other partners, but a material effect on these parties could also materially adversely affect us. The impact of COVID-19 can also exacerbate other risks discussed in this Risk Factors section and throughout this report.

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#### We operate globally and are subject to significant risks in many jurisdictions.

Global or regional conditions can harm our financial results. We have manufacturing, assembly and test, R&D, sales, and other operations in many countries, and some of our business activities are concentrated in one or more geographic areas. Moreover, sales outside the US accounted for 82% of our revenue for the fiscal year ended December 25, 2021, with revenue from billings to China contributing 27% of our total revenue. As a result, our operations and our financial results, including our ability to manufacture, assemble and test, design, develop, or sell products, and the demand for our products, are at times adversely affected by a number of global and regional factors outside of our control.

Adverse changes in global or regional economic conditions periodically occur, including recession or slowing growth, changes or uncertainty in fiscal, monetary, or trade policy, higher interest rates, tighter credit, inflation, lower capital expenditures by businesses including on IT infrastructure, increases in unemployment, and lower consumer confidence and spending. Adverse changes in economic conditions, including those related to the COVID-19 pandemic, can significantly harm demand for our products and make it more challenging to forecast our operating results and make business decisions, including regarding prioritization of investments in our business. An economic downturn or increased uncertainty may also lead to increased credit and collectability risks, higher borrowing costs or reduced availability of capital and credit markets, reduced liquidity, adverse impacts on our suppliers, failures of counterparties including financial institutions and insurers, asset impairments, and declines in the value of our financial instruments.

We can be adversely affected by other global and regional factors that periodically occur, including:

- geopolitical and security issues, such as armed conflict and civil or military unrest, political instability, human rights concerns, and terrorist activity, including, for example, geopolitical tensions and conflict affecting Israel, where our Mobileye business headquarters and certain of our fabrication facilities are located;
- natural disasters, public health issues (including the COVID-19 pandemic), and other catastrophic events;
- inefficient infrastructure and other disruptions, such as supply chain interruptions and large-scale outages or unreliable provision of services from utilities, transportation, data hosting, or telecommunications providers;
- formal or informal imposition of new or revised export, import, or doing-business regulations, including trade sanctions, tariffs, and changes in the ability to obtain export licenses, which could be changed without notice;
- government restrictions on, or nationalization of, our operations in any country, or restrictions on our ability to repatriate earnings from a particular country;
- adverse changes relating to government grants, tax credits, or other government incentives, including more favorable incentives provided to competitors;
- differing employment practices and labor issues;
- ineffective legal protection of our IP rights in certain countries;
- local business and cultural factors that differ from our current standards and practices;
- continuing uncertainty regarding social, political, immigration, and tax and trade policies in the US and abroad; and
- fluctuations in the market values of our domestic and international investments, which can be negatively affected by liquidity, credit deterioration or losses, interest rate changes, financial results, political risk, sovereign risk, or other factors.

We are also subject to risks related to the cessation of US dollar LIBOR. Certain of our derivatives and floating-rate investments reference US dollar LIBOR, and a portion of our indebtedness bears interest at variable interest rates, primarily based on US dollar LIBOR. No new US dollar LIBOR-based activity should be conducted after 2021, and US dollar LIBOR will be unavailable for use in our existing contracts and financial instruments beyond June 30, 2023. While reasonable alternatives to LIBOR have been introduced into markets, our transition from LIBOR to alternative reference rates could result in an increase in our interest expense and/or a reduction in our interest income.

We are subject to risks related to trade policies and regulations. Trade policies and disputes at times result in increased tariffs, trade barriers, and other protectionist measures, which can increase our manufacturing costs, make our products less competitive, reduce demand for our products, limit our ability to sell to certain customers, limit our ability to procure components or raw materials, or impede or slow the movement of our goods across borders. Increasing protectionism and economic nationalism may lead to further changes in trade policies and regulations, domestic sourcing initiatives, or other formal and informal measures that could make it more difficult to sell our products in, or restrict our access to, some markets.

In particular, trade tensions between the US and China have led to increased tariffs and trade restrictions, including tariffs applicable to some of our products, and have affected customer ordering patterns. The US has imposed restrictions on the export of US-regulated products and technology to certain Chinese technology companies,

including certain of our customers. These restrictions have reduced our sales, and continuing or future restrictions could adversely affect our financial performance, result in reputational harm to us, or lead such companies to develop or adopt technologies that compete with our products. It is difficult to predict what further trade-related actions governments may take, which may include trade restrictions and additional or increased tariffs and export controls imposed on short notice, and we may be unable to quickly and effectively react to or mitigate such actions.

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Trade disputes and protectionist measures, or continued uncertainty about such matters, could result in declining consumer confidence and slowing economic growth or recession, and could cause our customers to reduce, cancel, or alter the timing of their purchases with us. Sustained geopolitical tensions could lead to long-term changes in global trade and technology supply chains, and decoupling of global trade networks, which could have a material adverse effect on our business and growth prospects.

Laws and regulations can have a negative impact on our business. We are subject to laws and regulations worldwide that differ among jurisdictions, affecting our operations in areas including, but not limited to: IP ownership and infringement; tax; import and export requirements; anti-corruption; foreign exchange controls and cash repatriation restrictions; data privacy and localization requirements; competition; advertising; employment; product regulations; environment, health, and safety requirements; and consumer laws. Compliance with such requirements can be onerous and expensive, and may otherwise impact our business operations negatively. For example, unfavorable developments with evolving laws and regulations worldwide related to 5G or autonomous driving technology and MaaS may limit global adoption, impede our strategy, or negatively impact our long-term expectations for our investments in these areas. Expanding privacy legislation and compliance costs of privacy-related and data protection measures could adversely affect our customers and their products and services, particularly in cloud, Internet of Things, and AI applications, which could in turn reduce demand for our products used for those workloads.

Although we have policies, controls, and procedures designed to help ensure compliance with applicable laws, there can be no assurance that our employees, contractors, suppliers, or agents will not violate such laws or our policies. Violations of these laws and regulations can result in fines; criminal sanctions against us, our officers, or our employees; prohibitions on the conduct of our business; and damage to our reputation. The technology industry is subject to intense media, political, and regulatory scrutiny, which can increase our exposure to government investigations, legal actions, and penalties.

We are affected by fluctuations in currency exchange rates. We are exposed to adverse as well as beneficial movements in currency exchange rates. Although most of our sales occur in US dollars, expenses may be paid in local currencies. An increase in the value of the dollar can increase the real cost to our customers of our products in those markets outside the US where we sell in dollars, and a weakened dollar can increase the cost of expenses such as payroll, utilities, tax, and marketing expenses, as well as overseas capital expenditures. We also conduct certain investing and financing activities in local currencies. Our hedging programs may not be effective to offset any, or more than a portion, of the adverse impact of currency exchange rate movements; therefore, changes in exchange rates can harm our results of operations and financial condition.

Catastrophic events can have a material adverse effect on our operations and financial results. Our operations and business, and those of our customers and suppliers, can be disrupted by natural disasters; industrial accidents; public health issues (including the COVID-19 pandemic); cybersecurity incidents; interruptions of service from utilities, transportation, telecommunications, or IT systems providers; manufacturing equipment failures; or other catastrophic events. For example, we have at times experienced disruptions in our manufacturing processes as a result of power outages, improperly functioning equipment, and disruptions in supply of raw materials or components, including due to cybersecurity incidents affecting our suppliers. Our headquarters and many of our operations and facilities are in locations that are prone to earthquakes and other natural disasters. Global climate change can result in certain natural disasters occurring more frequently or with greater intensity, such as drought, wildfires, storms, sea-level rise, and flooding, and could disrupt the availability of water necessary for the operation of our fabrication facilities, including facilities located in water-sensitive regions such as Arizona and Israel. In addition, to the extent we are unable to successfully manage and conserve water resources, our reputation could be harmed. In recent years, the west coast of the US has experienced significant wildfires, including in Oregon, where we have major manufacturing facilities. The long-term effects of climate change on the global economy and the technology industry in particular are unclear, but could be severe.

Catastrophic events could make it difficult or impossible to manufacture or deliver products to our customers, receive production materials from our suppliers, or perform critical functions, which could adversely affect our revenue and require significant recovery time and expenditures to resume operations. While we maintain business recovery plans, some of our systems are not fully redundant and we cannot be sure that our plans will fully protect us from such disruptions. Furthermore, even if our operations are unaffected or recover quickly, if our customers or suppliers cannot timely resume their own operations due to a catastrophic event, we may experience reduced or cancelled orders or disruptions to our supply chain that may adversely affect our results of operations.

We maintain a program of insurance coverage for a variety of property, casualty, and other risks. The types and amounts of insurance we obtain vary depending on availability, cost, and decisions with respect to risk retention. Some of our policies have large deductibles and broad exclusions. In addition, one or more of our insurance providers may be unable or unwilling to pay a claim. Losses not covered by insurance may be large, which could harm our results of operations and financial condition.

Damage to our reputation can damage our business. Our reputation is a critical factor in our relationships with customers, employees, governments, suppliers, and other stakeholders. Our failure to address, or the appearance of our failure to address, issues that give rise to reputational risk, including those described throughout this Risk Factors section, could significantly harm our reputation and our brands. Our reputation can be impacted by catastrophic events (including our response to the COVID-19 pandemic); incidents involving unethical behavior or misconduct; product quality, security, or safety issues; allegations of legal noncompliance; internal control failures; corporate governance issues; data breaches; workplace safety incidents; environmental incidents; our response to climate change, including our greenhouse gas emission levels; the use of our products for illegal or objectionable applications, including AI and machine learning applications that present ethical, regulatory, or other issues; marketing practices; media statements; the conduct of our suppliers or representatives; and other issues, incidents, or statements that, whether actual or perceived, result in adverse publicity. To the extent we fail to respond quickly and effectively to address corporate crises, the ensuing negative public reaction could significantly harm our reputation and our brands and could lead to increases in litigation claims and asserted damages or subject us to regulatory actions or restrictions.

Damage to our reputation could reduce demand for our products and adversely affect our business and operating environment. It could reduce investor confidence in us, adversely affecting our stock price. It may also limit our ability to be seen as an employer of choice when competing for highly skilled employees. Moreover, repairing our reputation and brands may be difficult, time-consuming, and expensive.

#### We are subject to cybersecurity and privacy risks.

We face risks related to cybersecurity threats and incidents. We regularly face attempts by others to gain unauthorized access through the Internet, or to introduce malicious software, to our IT systems. Individuals or organizations, including malicious hackers, state-sponsored organizations, insider threats including employees and third-party service providers, or intruders into our physical facilities, at times attempt to gain unauthorized access and/or corrupt the processes used to design and manufacture our hardware products and our associated software and services. Due to the widespread use of our products, we are a frequent target of computer hackers and organizations that intend to sabotage, compromise, take control of, or otherwise corrupt our manufacturing or other processes, products, and services. We are also a target of malicious attackers who attempt to gain access to our network or data centers or those of our suppliers, customers, partners, or end users; steal proprietary information related to our business, products, employees, suppliers, and customers; interrupt our systems and services or those of our suppliers, customers, or others; or demand ransom to return control of such systems and services. Such attempts are increasing in number and in technical sophistication, and if successful, expose us and the affected parties to risk of loss or misuse of proprietary or confidential information or disruptions of our business operations, including our manufacturing operations. Our IT infrastructure also includes products and services provided by third parties, and these providers can experience breaches of their systems and products, or provide inadequate updates or support, which can impact the security of our systems and our proprietary or confidential information.

From time to time, we encounter intrusions or unauthorized access to our network, products, services, or infrastructure, as well as those of third parties who provide products and services to us. For example, in the fourth quarter of 2020, our Habana Labs subsidiary's network was breached, resulting in unauthorized third-party access of certain confidential information, in connection with a suspected unsuccessful ransomware attack. The breach was confined to our subsidiary's network and has not had a material impact on Habana Labs' business. We are also subject to risks associated with attacks involving our supply chain, such as the compromise of IT infrastructure management software provided by SolarWinds Corporation, reported in the fourth quarter of 2020. During 2021, we have observed an increase in ransomware attacks in our supply chain. In December 2021, a vulnerability named "Log4Shell" was reported for the widely used Java logging library, Apache Log4j 2. We have reviewed the use of this library within our software product portfolio and in our IT environment and have taken steps to mitigate the vulnerability. To date, cybersecurity incidents have not resulted in a material adverse impact to our business or operations, but there can be no guarantee we will not experience such an impact. Such incidents, whether or not successful, could result in our incurring significant costs related to, for example, rebuilding internal systems, writing down inventory value, implementing additional threat protection measures, providing modifications to our products and services, defending against litigation, responding to regulatory inquiries or actions, paying damages, providing customers with incentives to maintain the business relationship, or taking other remedial steps with respect to third parties, as well as reputational harm. In addition, these threats are constantly evolving, thereby increasing the difficulty of successfully defending against them or implementing adequate preventative measures. As a result of the COVID-19 pandemic, remote work and remote access to our systems has increased significantly, which also increases our cybersecurity attack surface. We have also seen an increase in cyberattack volume, frequency, and sophistication driven by the global enablement of remote workforces. We seek to detect and investigate unauthorized attempts and attacks against our network, products, and services, and to prevent their recurrence where practicable through changes or updates to our internal processes and tools and changes or updates to our products and services; however, we remain potentially vulnerable to additional known or unknown threats. In some instances, we, our

suppliers, our customers, and the users of our products and services can be unaware of an incident or its magnitude and effects. There is increasing regulation regarding responses to cybersecurity incidents, including reporting to regulators, which could subject us to additional liability and reputational harm.

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Theft, loss, or misuse of personal data about our employees, customers, or other third parties could increase our expenses, damage our reputation, or result in legal or regulatory proceedings. The theft, loss, or misuse of personal data collected, used, stored, or transferred by us to run our business, including data stored with vendors or other third parties, could result in significantly increased business and security costs or costs related to defending legal claims. We anticipate that our collection of such personal data will increase as we enter into the MaaS market in our Mobileye business, and it may increase as we enter into other new or adjacent businesses. Global privacy legislation, enforcement, and policy activity in this area are rapidly expanding and creating a complex regulatory compliance environment. Costs to comply with and implement these privacy-related and data protection measures could be significant, and noncompliance could expose us to significant monetary penalties, damage to our reputation, suspension of online services or sites in certain countries, and even criminal sanctions. Even our inadvertent failure to comply with federal, state, or international privacy-related or data-protection laws and regulations could result in audits, regulatory inquiries, or proceedings against us by governmental entities or other third parties.

## We are subject to IP risks and risks associated with litigation and regulatory proceedings.

We cannot always protect our IP or enforce our IP rights. We regard our patents, copyrights, trade secrets, and other IP rights as important to the success of our business. We rely on IP law—as well as confidentiality and licensing agreements with our customers, employees, technology development partners, and others—to protect our IP and IP rights. Our ability to enforce these rights is subject to general litigation risks, as well as uncertainty as to the enforceability of our IP rights in various countries. We are not always able to obtain protection for our IP or enforce or protect our IP rights. Enforcement is costly and time-consuming and can divert management attention. When we seek to enforce our rights, we may be subject to claims that our IP rights are invalid, not enforceable, or licensed to an opposing party. Our assertion of IP rights may result in another party seeking to assert claims against us, which could harm our business. From time to time, governments adopt regulations—and governments or courts render decisions -requiring compulsory licensing of IP rights, or governments require products to meet standards that favor local companies. Our inability to enforce our IP rights under any of these circumstances can harm our competitive position and business. In some cases, our IP rights can offer inadequate protection for our innovations. In addition, the theft or unauthorized use or publication of our trade secrets and other confidential business information could harm our competitive position and reduce acceptance of our products; as a result, the value of our investment in R&D, product development, and marketing could be reduced. This risk is heightened as competitors for technical talent increasingly seek to hire our employees.

Our licenses with other companies and participation in industry initiatives at times allow competitors to use some of our patent rights. Technology companies often bilaterally license patents between each other to settle disputes or as part of business agreements. Some of our competitors have in the past had, and may in the future have, licenses to some of our patents, and under current case law, some of the licenses can exhaust our patent rights as to licensed product sales under some circumstances. Our participation in industry standards organizations or with other industry initiatives at times requires us to offer to license our patents to companies that adopt industry-standard specifications. Depending on the rules of the organization, government regulations, or court decisions, we sometimes have to grant licenses to some of our patents for little or no cost, and as a result, we may be unable to enforce certain patents against others, and the value of our IP rights may be impaired.

Third parties assert claims based on IP rights against us and our products, which could harm our business. We face claims based on IP rights from individuals, companies, non-practicing entities, academic and research institutions, and other parties, including claims from those who have aggregated patents acquired from multiple sources to form a new, larger portfolio to assert claims against us and other companies. Additionally, large patent portfolio owners sometimes divest portions of their portfolios to more than one individual or company, increasing the number of parties who own IP rights previously all held by a single party. We have seen an increase in patent assertions and lawsuits initiated by well-funded non-practicing entities, including entities funded by investment firms and other third parties. In some instances, these entities have filed multi-jurisdiction litigation seeking large monetary damages and/or injunctions against us. These lawsuits can increase our cost of doing business and could disrupt our operations if they succeed in blocking the trade of our products. For example, in the multi-jurisdiction litigation brought against us by VLSI, a jury in one of the pending US federal court cases returned a verdict in February 2021 awarding approximately \$2.2 billion in damages to VLSI, as discussed in Note 19: Commitments and Contingencies within the Consolidated Financial Statements. The patent litigation environment has also become more challenging due to the emergence of venues adopting procedural and substantive rules that make them more favorable for patent asserters, including the availability of injunctive relief for non-practicing entities, and the US Patent and Trademark Office's reduction of inter partes patent review under the America Invents Act. As a result, we believe we are facing a more hostile IP litigation environment.

We are typically engaged in a number of disputes involving IP rights. Claims that our products, technologies, or processes infringe the IP rights of others, regardless of their merits, cause us to incur large costs to respond to,

defend, and resolve the claims, and they divert the efforts and attention of our management and technical personnel from our business and operations. In addition, we may face claims based on the alleged theft or unauthorized use or disclosure of third-party trade secrets, confidential information, or end-user data that we obtain in conducting our business. Any such incidents and claims could severely disrupt our business, and we could suffer losses, including the cost of product recalls and returns, and reputational harm. Furthermore, we have agreed to indemnify customers for certain IP rights claims against them. IP rights claims against our customers could also limit demand for our products or disrupt our customers' businesses, which could in turn adversely affect our results of operations.

As a result of IP rights claims, we could:

- pay monetary damages, payments to satisfy indemnification obligations, royalties, fines, or penalties;
- stop manufacturing, using, selling, offering to sell, or importing products or technology subject to claims;

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- need to develop other products or technology not subject to claims, which could be time-consuming or costly; and/or
- enter into settlement or license agreements, which may not be available on commercially reasonable terms and may be costly.

These IP rights claims could harm our competitive position, result in expenses, or require us to impair our assets. If we alter or stop production of affected items, our revenue could be harmed.

We rely on access to third-party IP, which may not be available to us on commercially reasonable terms or at all. Many of our products are designed to include third-party technology or implement industry standards, which may require licenses from third parties. In addition, from time to time, third parties notify us that they believe we are using their IP. There is no assurance that necessary licenses to such third-party IP can be obtained on commercially reasonable terms or at all, or that our existing licenses to third-party IP will continue to be available on commercially reasonable terms or at all. Failure to obtain the right to use third-party technology, or to license IP on commercially reasonable terms, could preclude us from selling certain products or otherwise have a material adverse impact on our financial condition and operating results. To the extent our products include software that contains or is derived from open-source software, we may be required to make the software's source code publicly available and/or license the software under open-source licensing terms.

We are subject to risks associated with litigation and regulatory matters. From time to time, we face legal claims or regulatory matters involving stockholder, consumer, competition, commercial, IP, labor and employment, compliance, and other issues on a global basis. As described in "Note 19: Commitments and Contingencies" within the Consolidated Financial Statements, we are engaged in a number of litigation and regulatory matters. Litigation and regulatory proceedings are inherently uncertain, and adverse rulings, excessive verdicts, or other events could occur, including monetary damages, fines, penalties, or an injunction stopping us from manufacturing or selling certain products, engaging in certain business practices, or requiring other remedies, such as compulsory licensing of patents. An unfavorable outcome can result in a material adverse impact on our business, financial condition, and results of operations. Regardless of the outcome, litigation and regulatory proceedings can be costly, time-consuming, disruptive to our operations, harmful to our reputation, and distracting to management.

#### We must attract, retain, and motivate key employees.

Hiring and retaining qualified executives, scientists, engineers, technical staff, and sales representatives are critical to our business. The competition for highly skilled employees in our industry is increasingly intense. Competitors for technical talent increasingly seek to hire our employees, and the increased availability of work-from-home arrangements, accelerated by the COVID-19 pandemic, has both intensified and expanded competition. In addition, changes in immigration policies may further limit the pool of available talent and impair our ability to recruit and hire technical and professional talent. We have intensified our efforts to recruit and retain talent. These efforts have increased our expenses, and they may not be successful in attracting, retaining, and motivating the workforce necessary to deliver on our strategy. Changes in employment-related laws applicable to our workforce practices may also result in increased expenses and less flexibility in how we meet our changing workforce needs. To help attract, retain, and motivate qualified employees, we use share-based awards, such as RSUs, and performance-based cash incentive awards. Sustained declines in our stock price, or lower stock price performance relative to competitors, can reduce the retention value of our share-based awards. Our employee hiring and retention also depend on our ability to build and maintain a diverse and inclusive workplace culture and be viewed as an employer of choice. To the extent our compensation programs and workplace culture are not viewed as competitive, our ability to attract, retain, and motivate employees can be weakened, which could harm our results of operations.

Changes in our management team can also disrupt our business. For example, we appointed a new CEO effective in February 2021 and a new CFO in January 2022 and made several other changes to our senior leadership during the past year. The failure to successfully transition and assimilate key employees could adversely affect our results of operations. To the extent we do not effectively hire, onboard, retain, and motivate key employees, our business can be harmed.

#### We are subject to risks associated with our strategic transactions.

Our acquisitions, divestitures, and other strategic transactions could fail to achieve our financial or strategic objectives, disrupt our ongoing business, and adversely impact our results of operations. Strategic transactions are an important component of our financial capital allocation strategy. We routinely evaluate opportunities and enter into agreements for possible acquisitions, divestitures, and other strategic transactions. These transactions involve numerous risks, including:

- our inability to identify opportunities in a timely manner or on terms acceptable to us;
- failure of the transaction to advance our business strategy and failure of its anticipated benefits to materialize;

- disruption of our ongoing operations and diversion of our management's attention;
- failure to complete a transaction in a timely manner, if at all, due to our inability to obtain required government or
  other approvals at all or without materially burdensome conditions, IP disputes or other litigation, difficulty in
  obtaining financing on terms acceptable to us, or other unforeseen factors;
- our failure to realize a satisfactory return on our investment, potentially resulting in an impairment of goodwill and other assets, and restructuring charges;
- our inability to effectively enter new market segments through our strategic transactions or retain customers and partners of acquired businesses;
- our inability to retain key personnel of acquired businesses or our difficulty in integrating employees, business systems, and technology;

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- controls, processes, and procedures of acquired businesses that do not adequately ensure compliance with laws and regulations, and our failure to identify compliance issues or liabilities;
- our failure to identify, or our underestimation of, commitments, liabilities, and other risks associated with acquired businesses or assets; and
- the potential for our acquisitions to result in dilutive issuances of our equity securities or significant additional debt.

Any of these risks could have a material adverse effect on our business, results of operations, financial condition, or cash flows, particularly in the case of a large acquisition or several concurrent acquisitions. Moreover, our resources are limited and our decision to pursue a transaction has opportunity costs; accordingly, if we pursue a particular transaction, we at times need to forgo the prospect of entering into other transactions that could help us achieve our financial or strategic objectives.

Where an existing investment does not strategically align to our key priorities, we routinely evaluate opportunities for possible divestitures and other options. We may not realize the anticipated benefits of divestitures due to risks that include unfavorable prices and terms; changes in market conditions or geopolitical conditions affecting the regions or industries in which we or counterparties operate; failure to receive regulatory or governmental approvals; limitations or restrictions due to regulatory or governmental approvals, litigation, contractual terms, or other conditions; delays in closing; lack of support by third parties; actions by competitors; adverse effects on our business relationships, operating results, or business due to the announcement and pendency of such transactions; and continued financial obligations, unanticipated liabilities, or transition costs associated with such transactions. In some cases, we are not able to divest investments on acceptable terms or at all.

We invest in public and private companies and do not always realize a return on our investments. We make investments in public and private companies to further our strategic and financial objectives and to support certain key business initiatives. These companies can include early-stage companies still defining their strategic direction. Many of the instruments in which we invest are non-marketable and illiquid at the time of our initial investment, and we are not always able to achieve a return in a timely fashion, if at all. Our ability to realize a return on our investment in a private company, if any, is typically dependent on the company participating in a liquidity event, such as a public offering or acquisition. To the extent any of the companies in which we invest are not successful, which at times includes bankruptcy, we could recognize an impairment and/or lose all or part of our investment.

There are risks associated with our previously-announced proposed IPO of Mobileye. We announced that we intend to take Mobileye public in the US via an IPO of newly issued Mobileye stock, and that we expect to retain majority ownership of Mobileye following the completion of the IPO. The IPO may not be completed in our expected timeframe, or at all, due to factors that include adverse changes in economic or market conditions or in our business; delays in regulatory, stock exchange, or other approvals; loss of Mobileye key employees, and changes in our business strategy. If we do not complete the IPO, our ability to retain and attract Mobileye employees could be adversely affected, and we will have incurred expenses that we will be unable to recover, and for which we will not receive any benefit. If completed, the IPO may not produce any increase for our stockholders in the market value of their holdings in our company. In addition, the market price of our common stock could be more volatile after the IPO.

#### We are subject to sales-related risks.

We face risks related to sales through distributors and other third parties. We sell a significant portion of our products through third parties such as distributors, value-added resellers, and channel partners (collectively referred to as distributors), as well as OEMs and ODMs. We depend on many distributors to help us create end-customer demand, provide technical support and other value-added services to customers, fill customer orders, and stock our products. At times, we rely on one or more key distributors for a product, and a material change in our relationship with one or more of these distributors or their failure to perform as expected could reduce our revenue. Our ability to add or replace distributors for some of our products is limited. In addition, our distributors' expertise in the determination and stocking of acceptable inventory levels for some of our products is not always easily transferable to a new distributor; as a result, end customers may be hesitant to accept the addition or replacement of a distributor. Using third parties for distribution exposes us to many risks, including competitive pressure and concentration, credit, and compliance risks. Distributors and other third parties sell products that compete with our products, and we sometimes need to provide financial and other incentives to focus them on the sale of our products. From time to time, they face financial difficulties, including bankruptcy, which could harm our collection of accounts receivable and financial results. Violations of the Foreign Corrupt Practices Act or similar laws by distributors or other third-party intermediaries could have a material impact on our business. Failure to manage risks related to our use of distributors and other third parties may reduce sales, increase expenses, and weaken our competitive position.

From time to time, our products are resold by third parties in an unauthorized "gray market." Gray market products can distort demand and pricing dynamics in our distribution channel and certain geographies, which at times adversely affects our revenue opportunities. Gray market activity is difficult to monitor and can make forecasting demand more

challenging. Gray market products also sometimes include parts that have been altered or damaged, and our reputation may be harmed when these products fail or are found to be substandard.

We receive a significant portion of our revenue from a limited number of customers. Collectively, our three largest customers accounted for 43% of our net revenue in 2021 and 39% of our net revenue in 2020. We expect a small number of customers will continue to account for a significant portion of our revenue in the foreseeable future.

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Other Key Information

Industry trends, such as the increasing shift of data center workloads to the public cloud, have increased the significance and purchasing power of certain customers, particularly cloud service providers, in some of our data center-focused businesses. The cloud and cloud applications represent a new and increasingly demanding computing environment. The further consolidation of computing workloads in the cloud, and consolidation among cloud service providers, can heighten the competitive importance of factors such as collaboration and customization with cloud service provider customers to optimize products for their environments; optimization for cloud services and applications; product performance; energy efficiency; feature differentiation; product quality, reliability, and factors affecting server uptime; and product security and security features. Our competitive position can be eroded to the extent we do not execute effectively across these factors. We are operating in an increasingly competitive environment, including in serving cloud service provider customers, and the competitive environment adversely affected our results in DCG in 2021.

Some cloud service provider customers have also internally developed, and may continue to develop, their own semiconductors, including designs customized for their specific computing workloads. In addition, cloud services can be marketed to end users based on service levels or features rather than hardware specifications, or they can abstract hardware under layers of software, which can make it more difficult to differentiate our products to customers and end users. The shift of data center workloads to the cloud has also adversely affected, and may continue to affect, sales to enterprise and government market segment customers when end users have elected to migrate workloads. To the extent we differentiate our products through customization to meet cloud customer specifications, order changes, delays, or cancellations may result in non-recoverable costs.

The loss of a key customer, a substantial reduction in sales to them, or changes in the timing of their orders can lead to a reduction in our revenue, increase the volatility of our results, and harm our results of operations and financial condition. For more information about our customers, including customers who accounted for greater than 10% of our net consolidated revenue, see "Note 3: Operating Segments" within the Consolidated Financial Statements.

We face risks related to transactions with government entities. We receive proceeds from US federal, state, local, and foreign government entities associated with grants, incentives, and sales of our products and services. Government demand and payment are often affected by public sector budgetary cycles and funding authorizations, including, with respect to US government contracts, congressional approval of appropriations. Government contracts are subject to procurement laws and regulations relating to the award, administration, and performance of those contracts, as well as oversight and penalties for violations. For example, certain agreements with the US government are subject to special rules on accounting, IP rights, expenses, reviews, information handling, security, and/or employees, and failure to comply with these rules could result in civil and criminal penalties and sanctions, including termination of contracts, fines, and suspension or debarment from future business with the US government.

#### Changes in our effective tax rate may reduce our net income.

A number of factors can increase our effective tax rate, which could reduce our net income, including:

- changes in the volume and mix of profits earned and location of assets across jurisdictions with varying tax rates;
- the resolution of issues arising from tax audits, including payment of interest and penalties;
- changes in the valuation of our deferred tax assets and liabilities, and in deferred tax valuation allowances;
- adjustments to income taxes upon finalization of tax returns;
- increases in expenses not deductible for tax purposes, including impairments of goodwill;
- changes in available tax credits;
- changes in our ability to secure new, or renew existing, tax holidays and incentives;
- changes in US federal, state, or foreign tax laws or their interpretation, including changes in the US to the taxation of
  manufacturing enterprises and of non-US income and expenses and changes resulting from the adoption by
  countries of OECD recommendations or other legislative actions;
- · changes in accounting standards; and
- our decision to repatriate non-US earnings for which we have not previously provided for local country withholding taxes incurred upon repatriation.

### We have fluctuations in the amount and frequency of our stock repurchases.

We are not obligated to make repurchases under our stock repurchase program. The amount, timing, and execution of our repurchases fluctuate based on factors that include prioritizing cash for other purposes, such as investing in our business, including operational spending, capital spending, and acquisitions, and returning cash to our stockholders as dividend payments. Our stock repurchase program may be suspended or terminated at any time. Moreover, we

cannot guarantee that repurchases will enhance long-term stockholder value. We expect our future stock repurchases to be significantly below our levels from the last few years.

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Other Key Information

### **Properties**

As of December 25, 2021, our major facilities consisted of:

(Square Feet in Millions)	United States	Other Countries	Total
Owned facilities	31	24	55
Leased facilities	1	5	6
Total facilities	32	29	61

Our principal executive offices are located in the US. For more information on our wafer fabrication and our assembly and test facilities, see "Manufacturing Capital" within Fundamentals of Our Business.

The facilities described above are suitable for our present purposes, and the productive capacity in our facilities is being utilized or being prepared for utilization as we continue to make investments to expand our manufacturing capacity.

We do not identify or allocate assets by operating segment, as they are interchangeable in nature and used by multiple operating segments. For information on net property, plant and equipment by country, see "Note 6: Other Financial Statement Details" within the Financial Statements and Supplemental Details.

### Market for Our Common Stock

The principal US market on which Intel's common stock (symbol INTC) is traded is the Nasdaq Global Select Market.

As of January 21, 2022, there were approximately 102,962 registered holders of record of Intel's common stock. A substantially greater number of holders of Intel common stock are "street name" or beneficial holders, whose shares of record are held by banks, brokers, and other financial institutions.



### Stock Performance Graph

The graph and table that follow compare the cumulative TSR of Intel's common stock with the cumulative total return of the S&P 100 Index\*, the S&P 500 Index\*, the S&P 500 IT Index\*, and the SOX Index\*<sup>1</sup> for the five years ended December 25, 2021. The cumulative returns shown on the graph are based on Intel's fiscal year.

# Comparison of Five-Year Cumulative Return for Intel, S&P 100 Index, S&P 500 Index, S&P 500 IT Index, and SOX Index intc-20211225 g97.jpg

Years Ended	ec 31, 2016	ec 30, 2017	ec 29, 2018	ec 28, 2019	ec 26, 2020	ec 25, 2021
Intel Corporation	\$ 100	\$ 131	\$ 136	\$ 179	\$ 144	\$ 161
S&P 100 Index	\$ 100	\$ 122	\$ 116	\$ 156	\$ 186	\$ 242
S&P 500 Index	\$ 100	\$ 122	\$ 115	\$ 154	\$ 179	\$ 231
S&P 500 IT Index	\$ 100	\$ 139	\$ 137	\$ 209	\$ 297	\$ 401
SOX Index	\$ 100	\$ 141	\$ 131	\$ 217	\$ 326	\$ 472

<sup>&</sup>lt;sup>1</sup> The graph and table assume that \$100 was invested on the last day of trading for the fiscal year ended December 31, 2016 in Intel's common stock, the S&P 100 Index, S&P 500 Index, S&P 500 IT Index, and PHLX Semiconductor Sector Index (SOX), and that all dividends were reinvested.

### **Issuer Purchases of Equity Securities**

We have an ongoing authorization, originally approved by our Board of Directors in 2005 and subsequently amended, to repurchase shares of our common stock in open market or negotiated transactions. As of December 25, 2021, we were authorized to repurchase up to \$110.0 billion, of which \$7.2 billion remained available. Common stock repurchase activity under our publicly announced stock repurchase program during 2021 was as follows:

Total Number of Shares Purchased (In Millions)		Average Price Paid Per Share	Shares That May Yet Be Purchased Under the Program (In Millions)
39.5	\$	61.12	\$ 7,243
39.5			
	Shares Purchased (In Millions)	Shares Purchased (In Millions)  39.5 \$	Shares Purchased (In Millions)  Average Price Paid Per Share  39.5  \$ 61.12

We issue RSUs as part of our equity incentive plans. In our Consolidated Financial Statements, we treat shares of common stock withheld for tax purposes on behalf of our employees in connection with the vesting of RSUs as common stock repurchases because they reduce the number of shares that would have been issued upon vesting. These withheld shares of common stock are not considered common stock repurchases under our authorized common stock repurchase program and are excluded from the preceding table.

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Information About Our Executive Officers

Name	
Current	Title

#### Age Experience

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Patrick P. Gelsinger Chief Executive Officer Mr. Gelsinger has been our Chief Executive Officer and a member of our Board of Directors since February 2021. He joined Intel from VMware, Inc., a provider of cloud computing and virtualization software and services, where he served as Chief Executive Officer from September 2012 to February 2021. Prior to joining VMware, Mr. Gelsinger served as President and Chief Operating Officer, EMC Information Infrastructure Products at EMC Corp., a data storage, information security and cloud computing company, from September 2009 to August 2012. Mr. Gelsinger's career began at Intel, where he spent 30 years before joining EMC Corp. During his initial tenure at Intel, Mr. Gelsinger served in a number of roles, including Senior Vice President and Co-General Manager of the Digital Enterprise Group from 2005 to September 2009, Senior Vice President, Chief Technology Officer from 2002 to 2005, and leader of Desktop Products Group prior to that.

Sandra L. Rivera

Executive Vice

President and General

Manager, Data Center

and AI Group

Ms. Rivera has served as our Executive Vice President and General Manager of the Data Center and Al Group since July 2021. In this role, she leads strategy and product development for our data center products, including Intel Xeon and FPGA products, and leads our overall Al strategy and product roadmap. Before her current role, Ms. Rivera served as our Chief People Officer from June 2019 to July 2021. Prior to that, she oversaw strategy and product development for network infrastructure solutions as the General Manager of our Network Platforms Group from January 2015 to June 2019, most recently as Senior Vice President and General Manager. Ms. Rivera joined Intel in 2000 and has served in a variety of marketing and business development positions. Before joining Intel, she held management positions with Dialogic Corporation and Catalyst Telecom, Inc. and was co-founder and president of The CTI Authority, Inc. She is a member of the board of directors of Equinix, Inc.

Steven R. Rodgers
Executive Vice
President and General
Counsel

Mr. Rodgers has been our Executive Vice President and General Counsel since January 2017 and oversees our legal, government, and trade groups. He previously led our legal and government groups as Senior Vice President and General Counsel from January 2015 to January 2017 and as Corporate Vice President and General Counsel from June 2014 to January 2015. Mr. Rodgers joined Intel in 2000 and has held a number of roles in our legal department, including Corporate Vice President and Deputy General Counsel from January 2014 until his appointment as Intel's fifth General Counsel in June 2014. Prior to joining Intel, he was a litigation partner at the firm of Brown & Bain, P.A.

David Zinsner
Executive Vice
President and Chief
Financial Officer

Mr. Zinsner joined Intel in January 2022 as our Executive Vice President and Chief Financial Officer, overseeing our global finance organization. He joined Intel from Micron Technology, Inc., a manufacturer of memory and storage products, where he most recently served as Executive Vice President and Chief Financial Officer. From February 2018 to October 2021, he served as Senior Vice President and Chief Financial Officer of Micron. Previously, from April 2017 to February 2018, he served as the President and Chief Operating Officer of Affirmed Networks, Inc. From January 2009 to April 2017, he served as Senior Vice President of Finance and Chief Financial Officer of Analog Devices, Inc. From July 2005 to January 2009, Mr. Zinsner served as Senior Vice President and Chief Financial Officer of Intersil Corporation.

## **Availability of Company Information**

Our Internet address is <u>www.intel.com</u>. We publish voluntary reports on our website that outline our performance with respect to corporate responsibility, including environmental, health, and safety compliance.

We use our Investor Relations website, <a href="www.intc.com">www.intc.com</a>, as a routine channel for distribution of important information, including news releases, information about upcoming webcasts, analyst presentations, financial information, corporate governance practices, and corporate responsibility information. We post our filings at <a href="www.intc.com">www.intc.com</a> the same day they are electronically filed with, or furnished to, the SEC, including our annual and quarterly reports on Forms 10-K and 10-Q and current reports on Form 8-K; our proxy statements; and any amendments to those reports or statements. We post our quarterly and annual earnings results at <a href="www.intc.com">www.intc.com</a>, and do not distribute our financial results via a news wire service. All such postings and filings are available on our Investor Relations website free of charge. In addition, our Investor Relations website allows interested persons to sign up to automatically receive e-mail alerts when we post financial information and issue press releases, and to receive information about upcoming events.

The content on any website referred to in this Form 10-K is not incorporated by reference in this Form 10-K unless expressly noted.

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Other Key Information

### Disclosure Pursuant to Section 13(r) of the Securities Exchange Act of 1934

Section 13(r) of the Exchange Act requires an issuer to disclose certain information in its periodic reports if it or any of its affiliates knowingly engaged in certain activities, transactions, or dealings with individuals or entities subject to specific US economic sanctions during the reporting period, even when the activities, transactions, or dealings are conducted in compliance with applicable law. On March 2, 2021, the US Secretary of State designated the Federal Security Service of the Russian Federation (FSB) as a party subject to one such sanction. From time to time, our local subsidiary is required to engage with the FSB as a licensing authority and file documents in order to conduct business within the Russian Federation. All such dealings are explicitly authorized by General License 1B issued by the US Department of the Treasury's Office of Foreign Assets Control (OFAC), and there are no gross revenues or net profits directly associated with any such dealings by us with the FSB. We plan to continue these activities as required to conduct business in the Russian Federation to the extent permitted by applicable law.

On April 15, 2021, the US Department of the Treasury designated Pozitiv Teknolodzhiz, AO (Positive Technologies), a Russian IT security firm, as a party subject to one of the sanctions specified in Section 13(r). Prior to the designation, we communicated with Positive Technologies regarding its IT security research and coordinated disclosure of security vulnerabilities identified by the firm. Based on a license issued by OFAC, we resumed such communications. There are no gross revenues or net profits directly associated with any such activities. We plan to continue these communications in accordance with the terms and conditions of the OFAC license.

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## Financial Statements and Supplemental Details

We have defined certain terms and abbreviations used throughout our Form 10-K in "Key Terms" within this section.

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# Report of Independent Registered Public Accounting Firm

### To the Stockholders and the Board of Directors of Intel Corporation

### Opinion on the Financial Statements

We have audited the accompanying Consolidated Balance Sheets of Intel Corporation (the Company) as of December 25, 2021 and December 26, 2020, the related Consolidated Statements of Income, Comprehensive Income, Cash Flows and Stockholders' Equity for each of the three years in the period ended December 25, 2021, and the related notes (collectively referred to as the "Consolidated Financial Statements"). In our opinion, the Consolidated Financial Statements present fairly, in all material respects, the financial position of the Company at December 25, 2021 and December 26, 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 25, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 25, 2021, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated January 26, 2022 expressed an unqualified opinion thereon.

### **Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### **Critical Audit Matter**

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the Consolidated Financial Statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

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### **Inventory Valuation**

### Description of the Matter

The Company's net inventory totaled \$10.8 billion as of December 25, 2021, representing 6.4% of total as As explained in "Note 2: Accounting Policies" within the Consolidated Financial Statements, the Company computes inventory cost on a first-in, first-out basis, and applies judgment in determining saleability of pro and the valuation of inventories. The Company assesses inventory at each reporting date in order to asse it is recorded at net realizable value, giving consideration to, among other factors: whether the products has achieved the substantive engineering milestones to qualify for sale to customers; the determination of non capacity levels in its manufacturing process to determine which manufacturing overhead costs can be inclined in the valuation of inventory; whether the product is valued at the lower of cost or net realizable value; and estimation of excess and obsolete inventory or that which is not of saleable quality.

Auditing management's assessment of net realizable value for inventory was challenging because the determination of lower of cost or net realizable value and excess and obsolete inventory reserves is judgmand considers a number of factors that are affected by market and economic conditions, such as custome forecasts, dynamic pricing environments, and industry supply and demand. Additionally, for certain new prelaunches there is limited historical data with which to evaluate forecasts.

### How We Addressed the Matter in Our Audit

We evaluated and tested the design and operating effectiveness of the Company's internal controls over t costing of inventory, the determination of whether inventory is of saleable quality, the calculation of lower or net realizable value reserves including related estimated costs and selling prices, and the determination demand forecasts and related application against on hand inventory.

Our audit procedures included, among others, testing the significant assumptions (e.g., estimated product and selling prices, and product demand forecasts) and the underlying data used in management's invento valuation assessment. We compared the significant assumptions used by management to current industry economic trends. We assessed whether there were any potential sources of contrary information, includin historical forecast accuracy or history of significant revisions to previously recorded inventory valuation adjustments, and performed sensitivity analyses over significant assumptions to evaluate the changes in inventory valuation that would result from changes in the assumptions.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1968.

San Jose, California January 26, 2022

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# Report of Independent Registered Public Accounting Firm

### To the Stockholders and the Board of Directors of Intel Corporation

### Opinion on Internal Control Over Financial Reporting

We have audited Intel Corporation's internal control over financial reporting as of December 25, 2021, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), (the COSO criteria). In our opinion, Intel Corporation (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 25, 2021, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2021 Consolidated Financial Statements of the Company and our report dated January 26, 2022 expressed an unqualified opinion thereon.

### **Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

San Jose, California January 26, 2022

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# Consolidated Statements of Income

Years Ended (In Millions, Except Per Share Amounts)	De	c 25, 2021	De	c 26, 2020	De	c 28, 2019
Net revenue	\$	79,024	\$	77,867	\$	71,965
Cost of sales		35,209		34,255		29,825
Gross margin		43,815		43,612		42,140
Research and development		15,190		13,556		13,362
Marketing, general and administrative		6,543		6,180		6,350
Restructuring and other charges		2,626		198		393
Operating expenses		24,359		19,934		20,105
Operating income		19,456		23,678		22,035
Gains (losses) on equity investments, net		2,729		1,904		1,539
Interest and other, net		(482)		(504)		484
Income before taxes		21,703		25,078		24,058
Provision for taxes		1,835		4,179		3,010
Net income	\$	19,868	\$	20,899	\$	21,048
Earnings per share—basic	\$	4.89	\$	4.98	\$	4.77
Earnings per share—diluted	\$	4.86	\$	4.94	\$	4.71
Weighted average shares of common stock outstanding:						
Basic		4,059		4,199		4,417
Diluted		4,090		4,232		4,473

See accompanying notes.

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Consolidated Statements of Income

# Consolidated Statements of Comprehensive Income

Years Ended (In Millions)	Dec 25, 2021		Ended (In Millions) Dec 25, 202		Dec 26, 2020		Dec 28, 2019	
Net income	\$	19,868	\$	20,899	\$	21,048		
Changes in other comprehensive income, net of tax:								
Net unrealized holding gains (losses) on derivatives		(520)		677		177		
Actuarial valuation and other pension benefits (expenses), net		451		(183)		(564)		
Translation adjustments and other		(60)		35		81		
Other comprehensive income (loss)		(129)		529		(306)		
Total comprehensive income	\$	19,739	\$	21,428	\$	20,742		

See accompanying notes.

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# Consolidated Balance Sheets

(In Millions, Except Par Value)	De	c 25, 2021	De	c 26, 2020
Assets				
Current assets:				
Cash and cash equivalents	\$	4,827	\$	5,865
Short-term investments		2,103		2,292
Trading assets		21,483		15,738
Accounts receivable, net of allowance for doubtful accounts		9,457		6,782
Inventories		10,776		8,427
Assets held for sale		6,942		5,400
Other current assets		2,130		2,745
Total current assets		57,718		47,249
Property, plant and equipment, net		63,245		56,584
Equity investments		6,298		5,152
Other long-term investments		840		2,192
Goodwill		26,963		26,971
Identified intangible assets, net		7,270		9,026
Other long-term assets		6,072		5,917
Total assets	\$	168,406	\$	153,091
Liabilities and stockholders' equity				
Current liabilities:				
Short-term debt	\$	4,591	\$	2,504
Accounts payable		5,747		5,581
Accrued compensation and benefits		4,535		3,999
Other accrued liabilities		12,589		12,670
Total current liabilities		27,462		24,754
Debt		33,510		33,897
Contract liabilities		185		1,367
Income taxes payable		4,305		4,578
Deferred income taxes		2,667		3,843
Other long-term liabilities		4,886		3,614
Commitments and Contingencies (Note 19)				
Stockholders' equity:				
Preferred stock, \$0.001 par value, 50 shares authorized; none issued		_		_
Common stock, \$0.001 par value, 10,000 shares authorized; 4,070 shares issued and outstanding (4,062 issued and outstanding in 2020) and capital in excess of par		00.000		05 550
value		28,006		25,556
Accumulated other comprehensive income (loss)		(880)		(751)
Retained earnings		68,265		56,233
Total stockholders' equity		95,391	_	81,038
Total liabilities and stockholders' equity	\$	168,406	\$	153,091

See accompanying notes.

# Consolidated Statements of Cash Flows

Years Ended (In Millions)	Dec 25, 2021		5, Dec 26, 2020		Dec 28, 2019
Cash and cash equivalents, beginning of period	\$	5,865	\$	4,194	\$ 3,019
Cash flows provided by (used for) operating activities:					
Net income		19,868		20,899	21,048
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation		9,953		10,482	9,204
Share-based compensation		2,036		1,854	1,705
Restructuring and other charges		2,626		198	393
Amortization of intangibles		1,839		1,757	1,622
(Gains) losses on equity investments, net		(1,458)		(1,757)	(892)
Changes in assets and liabilities:					
Accounts receivable		(2,674)		883	(935)
Inventories		(2,339)		(687)	(1,481)
Accounts payable		1,190		405	696
Accrued compensation and benefits		515		348	(260)
Prepaid customer supply agreements		(1,583)		(181)	(782)
Income taxes		(441)		1,620	885
Other assets and liabilities		459		(437)	1,942
Total adjustments		10,123		14,485	 12,097
Net cash provided by operating activities		29,991		35,384	 33,145
Cash flows provided by (used for) investing activities:		23,331		33,304	 33,143
Additions to property, plant and equipment		(18,733)		(14,259)	(16,213)
				,	(10,213)
Additions to held for sale NAND property, plant and equipment		(1,596)		(194)	(1.050)
Acquisitions, net of cash acquired  Purchases of available-for-sale debt investments		(209)		(837)	(1,958)
		(5,051)		(6,862)	(2,268)
Maturities and sales of available-for-sale debt investments		6,467		6,781	4,226
Purchases of trading assets		(35,503)		(22,377)	(9,162)
Maturities and sales of trading assets		28,832		15,377	7,178
Purchases of equity investments		(613)		(720)	(522)
Sales of equity investments		581		910	2,688
Other investing		658		1,385	 1,626
Net cash used for investing activities		(25,167)		(20,796)	 (14,405)
Cash flows provided by (used for) financing activities:					
Issuance of term debt, net of issuance costs		4,974		10,247	3,392
Repayment of term debt and debt conversions		(2,500)		(4,525)	(2,627)
Proceeds from sales of common stock through employee equity incentive plans		1,020		897	750
Repurchase of common stock		(2,415)		(14,229)	(13,576)
Payment of dividends to stockholders		(5,644)		(5,568)	(5,576)
Other financing		(1,297)		261	 72
Net cash provided by (used for) financing activities		(5,862)		(12,917)	(17,565)
Net increase (decrease) in cash and cash equivalents		(1,038)		1,671	1,175
Cash and cash equivalents, end of period	\$	4,827	\$	5,865	\$ 4,194
Supplemental disclosures:				·	 
Acquisition of property, plant and equipment included in accounts payable and accrued liabilities		1,619	\$	2,973	\$ 1,761
Cash paid during the year for:					
Interest, net of capitalized interest		545	\$	594	\$ 469
Income taxes, net of refunds		2,263	\$	2,436	\$ 2,110

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Consolidated Statements of Cash Flows

# Consolidated Statements of Stockholders' Equity

# Common Stock and Capital in Excess of Par Value

**Accumulated** 

(In Millions, Except Per Share Amounts)	Number of Shares	Amount	Other Comprehensive Income (Loss)	Retained	Total
Balance as of December 29, 2018	4,516	\$ 25,365	,	\$ 50,172	\$ 74,563
Components of comprehensive income, net of tax:	,	,	,	. ,	,
Net income	_	_	_	21,048	21,048
Other comprehensive income (loss)	_	_	(306)	_	(306)
Total comprehensive income			, ,		 20,742
Employee equity incentive plans and other	55	892	_	_	 892
Share-based compensation	_	1,705	_	_	1,705
Temporary equity reduction	_	265	_	_	265
Convertible debt	_	(1,032)	_	_	(1,032)
Repurchase of common stock	(272)	,	_	(11,973)	(13,565)
Restricted stock unit withholdings	(9)		_	(146)	(488)
Cash dividends declared (\$1.26 per share of common stock)	_	(*/	_	(5,578)	(5,578)
Balance as of December 28, 2019	4,290	25,261	(1,280)	53,523	 77,504
Components of comprehensive income, net of tax:	4,230	25,201	(1,250)	00,020	77,004
Net income	_	_	_	20,899	20,899
Other comprehensive income (loss)	_	_	529	_	529
Total comprehensive income					21,428
Employee equity incentive plans and other	55	1,018	_	_	 1,018
Share-based compensation	_	1,854	_	_	1,854
Temporary equity reduction	_	155	_	_	155
Convertible debt	_	(750)	_	_	(750)
Repurchase of common stock	(275)	` ,	_	(12,481)	(14,109)
Restricted stock unit withholdings	(8)		_	(140)	(494)
Cash dividends declared (\$1.32 per share of common stock)	_	_	_	(5,568)	(5,568)
Balance as of December 26, 2020	4,062	25,556	(751)	56,233	 81,038
Adjustment to opening balance for change in accounting principle				35	35
Opening balance as of December 27, 2020	4,062	25,556	(751)	56,268	81,073
Components of comprehensive income, net of tax:					
Net income	_	_	_	19,868	19,868
Other comprehensive income (loss)	_	_	(129)	_	 (129)
Total comprehensive income					 19,739
Employee equity incentive plans and other	54	1,022	_	_	1,022
Share-based compensation	_	2,036	_	_	2,036
Temporary equity reduction	_	_	_	_	_
Convertible debt	_	_	_	_	_
Repurchase of common stock	(40)	(249)		(2,166)	(2,415)
Restricted stock unit withholdings	(6)	(359)		(61)	(420)
Cash dividends declared (\$1.39 per share of common stock)	_	_		(5,644)	(5,644)
Balance as of December 25, 2021	4,070	\$ 28,006	\$ (880)	\$ 68,265	\$ 95,391

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Consolidated Statements of Stockholders' Equity

# Notes to Consolidated Financial Statements

### Note 1:

### **Basis of Presentation**

We have a 52- or 53-week fiscal year that ends on the last Saturday in December. Fiscal years 2021, 2020, and 2019 were 52-week fiscal years; 2022 is a 53-week fiscal year. Our Consolidated Financial Statements include the accounts of Intel and our subsidiaries. We have eliminated intercompany accounts and transactions. We have reclassified certain prior period amounts to conform to current period presentation.

### Use of Estimates

The preparation of Consolidated Financial Statements in conformity with US GAAP requires us to make estimates and judgments that affect the amounts reported in our Consolidated Financial Statements and the accompanying notes. The actual results that we experience may differ materially from our estimates.

### Note 2:

## **Accounting Policies**

### Revenue Recognition

We recognize net product revenue when we satisfy performance obligations as evidenced by the transfer of control of our products or services to customers. Substantially all of our revenue is derived from product sales. In accordance with contract terms, revenue for product sales is recognized at the time of product shipment from our facilities or delivery to the customer location, as determined by the agreed upon shipping terms.

We measure revenue based on the amount of consideration we expect to be entitled to in exchange for products or services. Variable consideration is estimated and reflected as an adjustment to the transaction price. We determine variable consideration, which consists primarily of various sales price concessions, by estimating the most likely amount of consideration we expect to receive from the customer based on historical analysis of customer purchase volumes. Sales rebates earned by customers are offset against their receivable balances. Rebates earned by customers when they do not have outstanding receivable balances are recorded within other accrued liabilities.

We make payments to our customers through cooperative advertising programs for marketing activities for some of our products. We generally record the payment as a reduction in revenue in the period that the revenue is earned, unless the payment is for a distinct service, which we record as expense when the marketing activities occur.

### **Inventories**

We compute inventory cost on a first-in, first-out basis. Our process and product development life cycle corresponds with substantive engineering milestones. These engineering milestones are regularly and consistently applied in assessing the point at which our activities and associated costs change in nature from R&D to cost of sales, and when cost of sales can be capitalized as inventory.

For a product to be manufactured in high volumes and sold to our customers under our standard warranty, it must meet our rigorous technical quality specifications. This milestone is known as PRQ. We have identified PRQ as the point at which the costs incurred to manufacture our products are included in the valuation of inventory. A single PRQ has previously valued inventory up to \$870 million in the quarter the PRQ milestone was achieved. Prior to PRQ, costs that do not meet the criteria for R&D are included in cost of sales in the period incurred.

The valuation of inventory includes determining which fixed production overhead costs can be included in inventory based on the normal capacity of our manufacturing and assembly and test facilities. We apply our historical loadings compared to our total available capacity in a statistical model to determine our normal capacity level. If the factory loadings are below the established normal capacity level, a portion of our fixed production overhead costs would not be included in the cost of inventory; instead, it would be recognized as cost of sales in that period. We refer to these costs as excess capacity charges. Excess capacity charges are insignificant in the years presented. Charges in years prior to those presented have ranged up to \$1.1 billion taken in connection with the 2009 economic recession.

Inventory is valued at the lower of cost or net realizable value, based upon assumptions about future demand and market conditions. Product-specific facts and circumstances reviewed in the inventory valuation process include a review of our customer base, the stage of the product life cycle, variations in market pricing, and an assessment of selling price in relation to product cost. Lower of cost or net realizable value inventory reserves fluctuate as we ramp new process technologies, with costs improving over time due to scale and improved yields. Additionally, inventory valuation is impacted by cyclical changes in market conditions and the associated pricing environment.

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Notes to Consolidated Financial Statements

The valuation of inventory also requires us to estimate obsolete and excess inventory, as well as inventory that is not of saleable quality. We use the demand forecast to develop our short-term manufacturing plans to enable consistency between inventory valuations and build decisions. For certain new products, we have limited historical data when developing these demand forecasts. We compare the estimate of future demand to work in process and finished goods inventory levels to determine the amount, if any, of obsolete or excess inventory. When our demand forecast for specific products is greater than actual demand and we fail to reduce manufacturing output accordingly, we write off amounts considered to be excess inventory.

### Property, Plant and Equipment

We compute depreciation using the straight-line method over the estimated useful life of assets. We also capitalize interest on borrowings related to eligible capital expenditures. Capitalized interest is added to the cost of qualified assets and depreciated together with that asset cost. We record capital-related government grants earned as a reduction to property, plant and equipment.

We evaluate the period over which we expect to recover the economic value of our property, plant and equipment, considering factors such as the process technology cadence between node transitions, changes in machinery and equipment technology, and re-use of machinery and tools across each generation of process technology. As we make manufacturing process conversions and other factory planning decisions, we use assumptions involving the use of management judgments regarding the remaining useful lives of assets, primarily process-specific semiconductor manufacturing tools and building improvements. When we determine that the useful lives of assets are shorter or longer than we had originally estimated, we adjust the rate of depreciation to reflect the assets' revised useful lives.

Assets are categorized and evaluated for impairment at the lowest level of identifiable cash flows. Factors that we consider in deciding when to perform an impairment review include significant under-performance of a business or product line in relation to expectations, significant negative industry or economic trends, and significant changes or planned changes in our use and fungibility of the assets. If an asset grouping carrying value is not recoverable through the related undiscounted cash flows, the asset grouping is considered to be impaired.

### Fair Value

When determining fair value, we consider the principal or most advantageous market in which we would transact, as well as assumptions that market participants would use when pricing the asset or liability. Our financial assets are measured and recorded at fair value on a recurring basis, except for equity securities measured using the measurement alternative, equity method investments, and grants receivable. We assess fair value hierarchy levels for our issued debt and fixed-income investment portfolio based on the underlying instrument type.

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

- Level 1. Quoted prices in active markets for identical assets or liabilities. We evaluate security-specific market data when determining whether a market is active.
- Level 2. Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in less active markets, or model-derived valuations. All significant inputs used in our valuations, such as discounted cash flows, are observable or can be derived principally from or corroborated with observable market data for substantially the full term of the assets or liabilities. We use LIBOR-based yield curves, overnight indexed swap curves, currency spot and forward rates, and credit ratings as significant inputs in our valuations. Level 2 inputs also include non-binding market consensus prices, as well as quoted prices that were adjusted for security-specific restrictions. When we use non-binding market consensus prices, we corroborate them with quoted market prices for similar instruments or compare them to output from internally developed pricing models such as discounted cash flow models.
- Level 3. Unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of assets or liabilities. We monitor and review the inputs and results of these valuation models to help ensure the fair value measurements are reasonable and consistent with market experience in similar asset classes. Level 3 inputs also include non-binding market consensus prices or non-binding broker quotes that we were unable to corroborate with observable market data.

### **Debt Investments**

We consider all highly liquid debt investments with original maturities from the date of purchase of three months or less as cash equivalents. Cash equivalents can include investments such as corporate debt, financial institution instruments, government debt, and reverse repurchase agreements.

Marketable debt investments are generally designated as trading assets when a market risk is economically hedged at inception with a related derivative instrument, or when the marketable debt investment itself is used to economically hedge currency exchange rate risk from remeasurement. Investments designated as trading assets are reported at fair value. Gains or losses on these investments arising from changes in fair value due to interest rate and currency market fluctuations and credit market volatility, largely offset by losses or gains on the related derivative instruments and balance sheet remeasurement, are recorded in interest and other, net.

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Notes to Consolidated Financial Statements

Marketable debt investments are considered available-for-sale investments when the interest rate and foreign currency risks are not hedged at the inception of the investment or when our criteria for designation as trading assets are not met. Available-for-sale debt investments with original maturities of approximately three months or less from the date of purchase are classified within cash and cash equivalents. Available-for-sale debt investments with original maturities at the date of purchase greater than approximately three months and remaining maturities of less than one year are classified as short-term investments. Available-for-sale debt investments with remaining maturities beyond one year are classified as other long-term investments. Available-for-sale debt investments are reported at fair value, with unrealized gains or losses, net of tax, recorded in accumulated other comprehensive income (loss). We determine the cost of the investment sold based on an average cost basis at the individual security level, and record the interest income and realized gains or losses on the sale of these investments in interest and other, net.

Our available-for-sale debt investments are subject to periodic impairment reviews. For investments in an unrealized loss position, we determine whether a credit loss exists by considering information about the collectability of the instrument, current market conditions, and reasonable and supportable forecasts of economic conditions. We recognize an allowance for credit losses, up to the amount of the unrealized loss when appropriate, and write down the amortized cost basis of the investment if it is more likely than not we will be required or we intend to sell the investment before recovery of its amortized cost basis. Allowances for credit losses and write-downs are recognized in interest and other, net, and unrealized losses not related to credit losses are recognized in other comprehensive income (loss).

### **Equity Investments**

We regularly invest in equity securities of public and private companies to promote business and strategic objectives. Equity investments are measured and recorded as follows:

- Marketable equity securities are equity securities with RDFV that are measured and recorded at fair value on a recurring basis with changes in fair value, whether realized or unrealized, recorded through the income statement.
- Non-marketable equity securities are equity securities without RDFV that are measured and recorded using a
  measurement alternative that measures the securities at cost minus impairment, if any, plus or minus changes
  resulting from qualifying observable price changes.
- Equity method investments are equity securities in investees we do not control but over which we have the ability
  to exercise significant influence. Equity method investments are measured at cost minus impairment, if any, plus
  or minus our share of equity method investee income or loss. Our proportionate share of the income or loss from
  equity method investments is recognized on a one-quarter lag.

Realized and unrealized gains and losses resulting from changes in fair value or the sale of our equity investments are recorded in gains (losses) on equity investments, net. The carrying value of our non-marketable equity securities is adjusted for qualifying observable price changes resulting from the issuance of similar or identical securities in an orderly transaction by the same issuer. Determining whether an observed transaction is similar to a security within our portfolio requires judgment based on the rights and preferences of the securities. Recording upward and downward adjustments to the carrying value of our equity securities as a result of observable price changes requires quantitative assessments of the fair value of our securities using various valuation methodologies and involves the use of estimates.

Non-marketable equity securities and equity method investments (collectively referred to as non-marketable equity investments) are also subject to periodic impairment reviews. Our quarterly impairment analysis considers both qualitative and quantitative factors that may have a significant impact on the investee's fair value. Qualitative factors considered include the investee's financial condition and business outlook, industry and sector performance, market for technology, operational and financing cash flow activities, and other relevant events and factors affecting the investee. When indicators of impairment exist, we prepare quantitative assessments of the fair value of our non-marketable equity investments using both the market and income approaches, which require judgment and the use of estimates, including discount rates, investee revenue and costs, and comparable market data of private and public companies, among others.

- Non-marketable equity securities are tested for impairment using a qualitative model similar to the model used for goodwill and long-lived assets. Upon determining that an impairment may exist, the security's fair value is calculated and compared to its carrying value and an impairment is recognized immediately if the carrying value exceeds the fair value.
- Equity method investments are subject to periodic impairment reviews using the other-than-temporary impairment model, which considers the severity and duration of a decline in fair value below cost and our ability and intent to hold the investment for a sufficient period of time to allow for recovery.

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Notes to Consolidated Financial Statements

### **Derivative Financial Instruments**

Our primary objective for holding derivative financial instruments is to manage currency exchange rate risk and interest rate risk, and, to a lesser extent, equity market risk, commodity price risk, and credit risk. We enter into master netting arrangements to mitigate credit risk in derivative transactions by permitting net settlement of transactions with the same counterparty. We also enter into collateral security arrangements with certain of our counterparties to exchange cash collateral when the net fair value of certain derivative instruments fluctuates from contractually established thresholds. For presentation on our Consolidated Balance Sheets, we do not offset fair value amounts recognized for derivative instruments under master netting arrangements. Our derivative financial instruments, including related collateral amounts, are presented at fair value on a gross basis and are included in other current assets, other long-term assets, other accrued liabilities, or other long-term liabilities.

Cash flow hedges use foreign currency contracts, such as currency forwards and currency interest rate swaps, to hedge exposures for variability in the US-dollar equivalent of non-US-dollar-denominated cash flows associated with our forecasted operating and capital purchases spending.

The after-tax gains or losses from the effective portion of a cash flow hedge is reported as a component of accumulated other comprehensive income (loss) and reclassified into earnings in the same period or periods in which the hedged transaction affects earnings, and in the same line item on the Consolidated Statements of Income as the impact of the hedge transaction. For foreign currency contracts hedging our capital purchases, forward points are excluded from the hedge effectiveness assessment, and are recognized in earnings in the same income statement line item used to present the earnings effect of the hedged item. If the cash flow hedge transactions become improbable, the corresponding amounts deferred in accumulated other comprehensive income (loss) would be immediately reclassified to interest and other, net. These derivatives are classified in the Consolidated Statements of Cash Flows in the same section as the underlying item.

Fair value hedges use interest rate contracts, such as interest rate swaps, to hedge against changes in the fair value on certain of our fixed-rate indebtedness attributable to changes in the benchmark interest rate. The gains or losses on these hedges, as well as the offsetting losses or gains related to the changes in the fair value of the underlying hedged item attributable to the hedged risk, are recognized in earnings in the current period, primarily in interest and other, net. These derivatives are classified in the Consolidated Statements of Cash Flows in the same section as the underlying item, primarily within cash flows from financing activities.

Non-designated hedges use foreign currency contracts to economically hedge the functional currency equivalent cash flows of recognized monetary assets and liabilities, non-US-dollar-denominated debt instruments classified as trading assets, and non-US-dollar-denominated loans receivable recognized at fair value. We also use interest rate contracts to hedge interest rate risk related to our US-dollar-denominated fixed-rate debt investments classified as trading assets. The change in fair value of these derivatives is recorded through earnings in the line item on the Consolidated Statements of Income to which the derivatives most closely relate, primarily in interest and other, net. Changes in the fair value of the underlying assets and liabilities associated with the hedged risk are generally offset by the changes in the fair value of the related derivatives.

### Loans Receivable

We elect the fair value option when the interest rate or foreign currency exchange rate risk is economically hedged at the inception of the loan with a related derivative instrument. When the fair value option is not elected, the loans are carried at amortized cost. We measure interest income for all loans receivable using the interest method, which is based on the effective yield of the loans rather than the stated coupon rate. We classify our loans within other current and long-term assets.

### Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist principally of investments in debt instruments, derivative financial instruments, loans receivable, reverse repurchase agreements, and trade receivables. We generally place investments with high-credit-quality counterparties and, by policy, we limit the amount of credit exposure to any one counterparty based on our analysis of that counterparty's relative credit standing. As required per our investment policy, substantially all of our investments in debt instruments are in investment-grade instruments. Credit-rating criteria for derivative instruments are similar to those for other investments.

We enter into master netting arrangements to mitigate credit risk in derivative transactions by permitting net settlement of transactions with the same counterparty. Due to master netting arrangements, the amounts subject to credit risk

related to derivative instruments are generally limited to the amounts, if any, by which the counterparty's obligations exceed our obligations with that counterparty. As of December 25, 2021, our total credit exposure to any single counterparty, excluding money market funds invested in US treasury and US agency securities and reverse repurchase agreements collateralized by treasury and agency securities, did not exceed \$2.6 billion. To further reduce credit risk, we enter into collateral security arrangements with certain of our derivative counterparties and obtain and secure collateral from counterparties against obligations, including securities lending transactions when we deem it appropriate. Cash collateral exchanged under our collateral security arrangements are included in other current assets, other long-term assets, other accrued liabilities, or other long-term liabilities. For reverse repurchase agreements collateralized by other securities, we do not record the collateral as an asset or a liability unless the collateral is repledged.

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Notes to Consolidated Financial Statements

A substantial majority of our trade receivables are derived from sales to OEMs and ODMs. We also have accounts receivable derived from sales to industrial and communications equipment manufacturers in the computing and communications industries. We believe the net accounts receivable balances from our three largest customers (42% as of December 25, 2021) do not represent a significant credit risk, based on cash flow forecasts, balance sheet analysis, and past collection experience.

We have adopted credit policies and standards intended to accommodate industry growth and inherent risk. We believe credit risks are moderated by the financial stability of our major customers. We assess credit risk through quantitative and qualitative analysis. From this analysis, we establish shipping and credit limits, and determine whether we will seek to use one or more credit support protection devices, such as obtaining a parent guarantee, standby letter of credit, or credit insurance.

### **Business Combinations**

We allocate the purchase price paid for assets acquired and liabilities assumed in connection with our acquisitions based on their estimated fair values at the time of acquisition. This allocation involves a number of assumptions, estimates, and judgments in determining the fair value of the following:

- inventory; property, plant and equipment; pre-existing liabilities or legal claims; and contingent consideration, each as may be applicable;
- intangible assets, including the valuation methodology, estimations of future cash flows, discount rates, market segment growth rates, and our assumed market segment share, as well as the estimated useful life of intangible assets;
- deferred tax assets and liabilities, uncertain tax positions, and tax-related valuation allowances, which are initially estimated as of the acquisition date; and
- goodwill as measured as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed.

Our assumptions and estimates are based upon comparable market data and information obtained from our management and the management of the acquired companies. We allocate goodwill to the reporting units of the business that are expected to benefit from the business combination.

### Goodwill

We perform an annual impairment assessment of goodwill at the reporting unit level in the fourth quarter of each year, or more frequently if indicators of potential impairment exist. The analysis may include both qualitative and quantitative factors to assess the likelihood of an impairment. The reporting unit's carrying value used in an impairment test represents the assignment of various assets and liabilities, excluding certain corporate assets and liabilities, such as cash, investments, and debt.

Qualitative factors include industry and market considerations, overall financial performance, and other relevant events and factors affecting the reporting unit. Additionally, as part of this assessment, we may perform a quantitative analysis to support the qualitative factors above by applying sensitivities to assumptions and inputs used in measuring a reporting unit's fair value.

Our quantitative impairment test considers both the income approach and the market approach to estimate a reporting unit's fair value. Significant estimates include market segment growth rates, our assumed market segment share, estimated gross margins, operating expenses, and discount rates based on a reporting unit's weighted average cost of capital.

We test the reasonableness of the inputs and outcomes of our discounted cash flow analysis against available market data. In the current year, the fair value for all of our reporting units substantially exceeds their carrying value, and our annual qualitative assessment did not indicate that a more detailed quantitative analysis was necessary.

### Identified Intangible Assets

We amortize acquisition-related intangible assets that are subject to amortization over their estimated useful life. Acquisition-related in-process R&D assets represent the fair value of incomplete R&D projects that had not reached technological feasibility as of the date of acquisition; initially, these are classified as in-process R&D and are not subject to amortization. Once these R&D projects are completed, the asset balances are transferred from in-process

R&D to acquisition-related developed technology and are subject to amortization from that point forward. The asset balances relating to projects that are abandoned after acquisition are impaired and expensed to R&D.

We perform a quarterly review of significant finite-lived identified intangible assets to determine whether facts and circumstances indicate that the carrying amount may not be recoverable. These reviews can be affected by various factors, including external factors such as industry and economic trends, and internal factors such as changes in our business strategy and our forecasts for specific product lines.

### **Employee Equity Incentive Plans**

We use the straight-line amortization method to recognize share-based compensation expense over the service period of the award, net of estimated forfeitures. Upon exercise, cancellation, forfeiture, or expiration of stock options, or upon vesting or forfeiture of RSUs, we eliminate deferred tax assets for options and RSUs with multiple vesting dates for each vesting period on a first-in, first-out basis as if each vesting period were a separate award.

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Notes to Consolidated Financial Statements

For the majority of RSUs granted, the number of shares of common stock issued on the date the RSUs vest is net of the minimum statutory withholding requirements that we pay in cash to the appropriate taxing authorities on behalf of our employees. The obligation to pay the relevant taxing authority is contingent upon continued employment. In addition, the amount of the obligation is unknown, as it is based in part on the market price of our common stock when the awards vest.

### **Income Taxes**

We compute the provision for income taxes using the asset and liability method, under which deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and for operating losses and tax credit carryforwards. We measure deferred tax assets and liabilities using the currently enacted tax rates that apply to taxable income in effect for the years in which those tax assets are expected to be realized or settled.

We assess the likelihood that we will be able to recover our deferred tax assets. If recovery is not likely, we must increase our provision for taxes by recording a valuation allowance against the deferred tax assets that we estimate will not ultimately be recoverable. We believe that we will ultimately recover the deferred tax assets recorded on our Consolidated Balance Sheets. Recovery of a portion of our deferred tax assets is affected by management's plans with respect to holding or disposing of certain investments; therefore, such changes could also affect our future provision for taxes.

We recognize tax benefits from uncertain tax positions only if (based on the technical merits of the position) it is more likely than not that the tax positions will be sustained on examination by the tax authority. The tax benefits recognized in the financial statements from such positions are measured based on the largest amount that is more than 50% likely to be realized upon ultimate settlement. We recognize interest and penalties related to unrecognized tax benefits within the provision for taxes on the Consolidated Statements of Income.

We recognize the tax impact of including certain foreign earnings in US taxable income as a period cost. We have recognized deferred income taxes for local country income and withholding taxes that could be incurred on distributions of certain non-US earnings or for outside basis differences in our subsidiaries, because we do not plan to indefinitely reinvest such earnings and basis differences. Remittances of non-US earnings are based on estimates and judgments of projected cash flow needs, as well as the working capital and investment requirements of our non-US and US operations. Material changes in our estimates of cash, working capital, and investment needs in various jurisdictions could require repatriation of indefinitely reinvested non-US earnings, which could be subject to applicable non-US income and withholding taxes.

### Leases

Leases consist of real property and machinery and equipment. Our lease terms may include options to extend when it is reasonably certain that we will exercise that option. We have lease agreements with lease and non-lease components, and the non-lease components are accounted for separately and not included in our leased assets and corresponding liabilities. Payments on leases may be fixed or variable, and variable lease payments are based on output of the underlying leased assets.

### **Loss Contingencies**

We are subject to loss contingencies, including various legal and regulatory proceedings, asserted and potential claims, liabilities related to repair or replacement of parts in connection with product defects, as well as product warranties and potential asset impairments that arise in the ordinary course of business. An estimated loss from such contingencies is recognized as a charge to income if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. We evaluate developments that could affect the amount of liability that has been previously accrued and reasonably possible losses disclosed, and make adjustments as appropriate. Significant judgment is required to determine both likelihood of there being, and the estimated amount of, a loss related to such matters.

Note 3:

**Operating Segments** 

We manage our business through the following operating segments:

- CCG
- DCG
- IOTG
- Mobileye
- NSG
- PSG

We derive a substantial majority of our revenue from platform products, which are our principal products and considered as one class of product. We offer platform products that incorporate various components and technologies, including a microprocessor and chipset, a stand-alone SoC, or a multichip package, based on Intel architecture. Platform products are used in various form factors across our CCG, DCG, and IOTG operating segments. Our non-platform, or adjacent, products can be combined with platform products to form comprehensive platform solutions to meet customer needs.

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Notes to Consolidated Financial Statements

CCG and DCG are our reportable operating segments. IOTG, Mobileye, NSG, and PSG do not meet the quantitative thresholds to qualify as reportable operating segments; however, we have elected to disclose the results of these non-reportable operating segments. Our Internet of Things portfolio, presented as Internet of Things, is comprised of the IOTG and Mobileye operating segments. For 2021, the results of our Intel Optane memory business are included in our DCG operating segment, and our NSG segment is comprised of our NAND memory business to align to the pending divestiture of our NAND memory business. Refer to "Note 10: Acquisitions and Divestitures" within Notes to Consolidated Financial Statements for further information on the divestiture.

We have sales and marketing, manufacturing, engineering, finance, and administration groups. Expenses for these groups are generally allocated to the operating segments.

We have an "all other" category that includes revenue, expenses, and charges such as:

- results of operations from non-reportable segments not otherwise presented;
- historical results of operations from divested businesses;
- results of operations of start-up businesses that support our initiatives, including our foundry business;
- amounts included within restructuring and other charges;
- a portion of employee benefits, compensation, and other expenses not allocated to the operating segments; and
- acquisition-related costs, including amortization and any impairment of acquisition-related intangibles and goodwill.

The CODM, who is our CEO, allocates resources to and assesses the performance of each operating segment using information about the operating segment's revenue and operating income (loss). The CODM does not evaluate operating segments using discrete asset information and we do not identify or allocate assets by operating segments. Based on the interchangeable nature of our manufacturing and assembly and test assets, most of the related depreciation expense is not directly identifiable within our operating segments, as it is included in overhead cost pools and subsequently absorbed into inventory as each product passes through our manufacturing process. Because our products are then sold across multiple operating segments, it is impracticable to determine the total depreciation expense included as a component of each operating segment's operating income (loss) results. Operating segments do not record inter-segment revenue. We do not allocate gains and losses from equity investments, interest and other income, or taxes to operating segments. Although the CODM uses operating income to evaluate the segments, operating costs included in one segment may benefit other segments. The accounting policies for segment reporting are the same as for Intel as a whole.

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Notes to Consolidated Financial Statements

Net revenue and operating income (loss) for each period were as follows:

Years Ended (In Millions)	Dec	Dec 25, 2021		Dec 26, 2020		Dec 28, 2019	
Net revenue:							
Client Computing Group							
Platform	\$	37,376	\$	35,642	\$	32,681	
Adjacent		3,135		4,415		4,465	
		40,511		40,057		37,146	
Data Center Group							
Platform		22,703		23,056		21,441	
Adjacent		3,118		3,047		2,040	
		25,821		26,103		23,481	
Internet of Things							
IOTG		3,998		3,007		3,821	
Mobileye		1,386		967		879	
		5,384		3,974		4,700	
Non-Volatile Memory Solutions Group		4,306		5,358		4,362	
Programmable Solutions Group		1,934		1,853		1,987	
All other		1,068		522		289	
Total net revenue	\$	79,024	\$	77,867	\$	71,965	
Operating income (loss):							
Client Computing Group	\$	14,672	\$	15,129	\$	15,202	
Data Center Group		6,997		10,571		10,227	
Internet of Things							
IOTG		1,045		497		1,097	
Mobileye		460		241		245	
		1,505		738		1,342	
Non-Volatile Memory Solutions Group		1,369		361		(1,176)	
Programmable Solutions Group		297		260		318	
All other		(5,384)		(3,381)		(3,878)	
Total operating income	\$	19,456	\$	23,678	\$	22,035	
Disaggregated net revenue for each period was as follows:					_		
Years Ended (In Millions)	Dec	25, 2021	De	c 26, 2020	Dec	28, 2019	
Platform revenue	•	05.475	Φ.	04.000	Φ.	00.770	
CCG notebook platform	\$	25,475	\$	24,903	\$	20,779	
CCG atternations		11,835		10,692		11,822	
CCG other platform <sup>1</sup>		66		47		80	
DCG platform		22,703		23,056		21,441	
IOTG platform		3,658		2,705		3,440	
Adjacent revenue <sup>2</sup>		63,737		61,403 16,464		57,562 14,403	
	•	79.024	<u>¢</u>		<u>•</u>		
Total revenue	<u>\$</u>	79,024	<u>\$</u>	77,867	\$	71,965	

<sup>&</sup>lt;sup>1</sup> Includes our tablet and service provider revenue.

<sup>&</sup>lt;sup>2</sup> Includes all of our non-platform products for CCG, DCG, and IOTG, such as modem, Ethernet, and silicon photonics, as well as Mobileye, NSG, and PSG products.

In 2021, our three largest customers accounted for 43% of our net revenue (39% in 2020 and 41% in 2019), with Dell Inc. accounting for 21% (17% in 2020 and 17% in 2019), Lenovo Group Limited accounting for 12% (12% in 2020 and 13% in 2019), and HP Inc. accounting for 10% (10% in 2020 and 11% in 2019). These three customers accounted for 42% of our accounts receivable as of December 25, 2021 (43% as of December 26, 2020). Substantially all of the revenue from these customers was from the sale of platforms and other components by the CCG and DCG operating segments.

Net revenue by region, based on the billing location of the customer, was as follows:

Years Ended (In Millions)	Dec	Dec 25, 2021		Dec 26, 2020		Dec 28, 2019	
China	\$	21,141	\$	20,257	\$	20,026	
Singapore		14,254		17,845		15,650	
United States		14,107		16,573		15,617	
Taiwan		13,461		11,605		10,058	
Other regions		16,061		11,587		10,614	
Total net revenue	\$	79,024	\$	77,867	\$	71,965	

## Note 4: Earnings Per Share

Years Ended (In Millions, Except Per Share Amounts)	Dec 25, 2021		Dec 26, 2020		Dec 28, 2019	
Net income available to common stockholders	\$	19,868	\$	20,899	\$	21,048
Weighted average shares of common stock outstanding—basic		4,059		4,199		4,417
Dilutive effect of employee incentive plans		31		33		41
Dilutive effect of convertible debt		_				15
Weighted average shares of common stock outstanding—diluted		4,090		4,232		4,473
Earnings per share—basic	\$	4.89	\$	4.98	\$	4.77
Earnings per share—diluted	\$	4.86	\$	4.94	\$	4.71

We computed diluted earnings per share of common stock based on the weighted average number of shares of common stock outstanding plus potentially dilutive shares of common stock outstanding during the period. Potentially dilutive shares of common stock from employee incentive plans are determined by applying the treasury stock method to the assumed exercise of outstanding stock options, the assumed vesting of outstanding RSUs, and the assumed issuance of common stock under the 2006 ESPP. In January 2020, we fully redeemed the remaining principal of our 2009 Debentures. We included our 2009 Debentures in the calculation of diluted earnings per share of common stock in 2019 by applying the treasury stock method because the average market price was above the conversion price.

Securities that would have been anti-dilutive are insignificant and are excluded from the computation of diluted earnings per share in all periods presented.

## Note 5: Contract Liabilities

Contract liabilities consist of prepayments received on long-term prepaid customer supply agreements toward future product delivery and other revenue deferrals from regular ongoing business activity. Contract liabilities were \$498 million as of December 25, 2021 (\$1.9 billion as of December 26, 2020).

The following table shows the changes in contract liability balances relating to long-term prepaid customer supply agreements during 2021:

#### (In Millions)

Prepaid customer supply agreements balance as of December 26, 2020		
Concession payment		(950)
Prepaids utilized		(633)
Prepaid customer supply agreements balance as of December 25, 2021	\$	42

During the first quarter of 2021, we settled an agreement with our largest prepaid customer, whose prepayment balance made up \$1.6 billion of our contract liability balance as of December 26, 2020. We returned \$950 million to the customer and recognized \$584 million in revenue for having completed performance of the prepaid customer supply agreement. The prepaid customer supply agreement is excluded from the NAND memory business and is recorded as Corporate revenue in 2021 in the "all other" category presented in "Note 3: Operating Segments" within the Consolidated Financial Statements.

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Notes to Consolidated Financial Statements

# Note 6:

## Other Financial Statement Details

#### **Inventories**

(In Millions)	Dec 25, 2021		Dec 26, 2020		
Raw materials	\$	1,441	\$	908	
Work in process		6,656		5,693	
Finished goods		2,679		1,826	
Total inventories	\$	10,776	\$	8,427	

## Property, Plant and Equipment

(In Millions)	Dec 25, 2021	
Land and buildings	\$ 40,039	\$ 37,536
Machinery and equipment	86,955	79,384
Construction in progress	21,545	17,309
Total property, plant and equipment, gross	148,539	134,229
Less: accumulated depreciation	(85,294)	(77,645
Total property, plant and equipment, net	\$ 63,245	\$ 56,584

Our depreciable property, plant and equipment assets are depreciated over the following estimated useful lives: machinery and equipment, 2 to 5 years; and buildings, 10 to 25 years.

Net property, plant and equipment by country at the end of each period was as follows:

(In Millions)	Dec	Dec 25, 2021		1 Dec 26, 2020		
United States	\$	43,428	\$	38,829		
Israel		7,754		7,837		
Ireland		7,503		5,828		
Other countries		4,560		4,090		
Total property, plant and equipment, net	\$	63,245	\$	56,584		

## Other Accrued Liabilities

Other accrued liabilities include deferred compensation of \$2.8 billion as of December 25, 2021 (\$2.5 billion as of December 26, 2020) and collateral received for derivatives under credit support annex agreements of \$1.0 billion as of December 25, 2021 (\$2.0 billion as of December 26, 2020).

## Advertising

Advertising costs, including direct marketing, are expensed as incurred and recorded within MG&A expenses. Advertising costs were \$1.1 billion in 2021 (\$763 million in 2020 and \$832 million in 2019).

## Interest and Other, Net

Years Ended (In Millions)	Dec 25, 2021		Dec 25, 2021 Dec 26, 2020		Dec 25, 2021 Dec 26, 2020 Dec 2		28, 2019	
Interest income	\$	144	\$ 272	\$	483			
Interest expense		(597)	(629)		(489)			
Other, net		(29)	(147)		490			
Total interest and other, net	\$	(482)	\$ (504)	\$	484			

Interest expense in the preceding table is net of \$398 million of interest capitalized in 2021 (\$338 million in 2020 and \$472 million in 2019).

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# Note 7:

## Restructuring and Other Charges

Restructuring and other charges (benefits) by type are as follows:

Years Ended (In Millions)	Dec 25, 2021		Dec 26, 2020	
Employee severance and benefit arrangements	\$ 48		\$	124
Litigation charges and other	2,291			67
Asset impairment charges	287			7
Total restructuring and other charges	\$	2,626	\$	198

A restructuring program was approved in the first quarter of 2020 to further align our workforce with our continuing investments in the business and to execute the planned divestiture of Home Gateway Platform, a division of CCG. These actions were substantially complete as of September 25, 2021.

Litigation charges and other includes a charge of \$2.2 billion in the first quarter of 2021 related to the VLSI Technology LLC (VLSI) litigation, which is recorded as a Corporate charge in the "all other" category presented in "Note 3: Operating Segments" within Notes to Consolidated Financial Statements. Refer to "Note 19: Commitments and Contingencies" within Notes to Consolidated Financial Statements for further information on legal proceedings related to the VLSI litigation.

Asset impairment charges includes impairments related to the shutdown in the second quarter of 2021 of two of our non-strategic businesses, the results of which are included in the "all other" category presented in "Note 3: Operating Segments" within Notes to Consolidated Financial Statements. The goodwill related to these businesses was impaired, resulting in a charge of \$238 million recognized in the second quarter of 2021 in the "all other" category along with other impairment charges related to these businesses.

### **Income Tax Provision**

Years Ended (In Millions)	Dec 25, 2021		Dec 26, 2020		2021 Dec 26, 2020 Dec		c 28, 2019					
Income before taxes:												
US	\$	9,361	\$	15,452	\$	13,729						
Non-US		12,342		9,626		10,329						
Total income before taxes		21,703		25,078		24,058						
Provision for taxes:				· · · · · · · · · · · · · · · · · · ·		· · · · · · · · · · · · · · · · · · ·						
Current:												
Federal		1,304		1,120		1,391						
State		75		46		37						
Non-US		1,198		1,244		1,060						
Total current provision for taxes		2,577		2,410		2,488						
Deferred:												
Federal		(863)		1,369		597						
State		(25)		(25)		(25)		(25)		25		1
Non-US		146		375		(76)						
Total deferred provision for taxes		(742)		1,769		522						
Total provision for taxes	\$	1,835	\$	4,179	\$	3,010						
Effective tax rate		8.5 %		16.7 %		12.5 %						

The difference between the tax provision at the statutory federal income tax rate and the tax provision as a percentage of income before income taxes (effective tax rate) for each period was as follows:

Years Ended	Dec 25, 2021	Dec 26, 2020	Dec 28, 2019
Statutory federal income tax rate	21.0 %	21.0 %	21.0 %
Increase (reduction) in rate resulting from:			
Non-US income taxed at different rates	(5.9)	(3.7)	(3.7)
Research and development tax credits	(2.4)	(2.1)	(2.3)
Restructuring of certain non-U.S. subsidiaries	(3.4)	_	_
Foreign derived intangible income benefit	(2.2)	(1.9)	(3.2)
Change in permanent reinvestment assertion	_	1.6	_
Other	1.4	1.8	0.7
Effective tax rate	8.5 %	16.7 %	12.5 %

Our effective tax rate decreased in 2021 compared to 2020, primarily driven by one-time tax benefits due to the restructuring of certain non-US subsidiaries as well as a higher proportion of our income in non-US jurisdictions. As a result of the restructuring, we established deferred tax assets and released the valuation allowances of certain foreign deferred tax assets. The majority of these deferred tax assets established in 2021 fully offset the deferred tax liabilities recognized in 2020 driven by a change in our permanent reinvestment assertion with respect to undistributed earnings in China, as a result of the planned divestiture of our NAND memory business.

Our effective tax rate increased in 2020 compared to 2019, primarily driven by a change in our permanent reinvestment assertion with respect to undistributed earnings in China, as a result of the planned divestiture of our NAND memory business. It also increased due to the reduction in our foreign derived intangible income benefit in 2020.

We derive the effective tax rate benefit attributed to non-US income taxed at different rates primarily from our operations in Hong Kong, Ireland, Israel, and Malaysia. The statutory tax rates in these jurisdictions range from 12.5% to 24.0%. We are subject to reduced tax rates in Israel and Malaysia as long as we conduct certain eligible activities and make certain capital investments. We have conditional reduced tax rates that expire at various dates through 2056 and we expect to apply for renewals upon expiration.

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### **Deferred and Current Income Taxes**

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for income tax purposes. Significant components of our deferred tax assets and liabilities at the end of each period were as follows:

(In Millions)	Dec 25, 2021	Dec 26, 2020	
Deferred tax assets:			
Accrued compensation and other benefits	\$ 1,019	\$ 865	
Share-based compensation	477	324	
Litigation charge	467	_	
Inventory	914	835	
R&D expenditures capitalization	519	_	
State credits and net operating losses	2,010	1,829	
Other, net	819	617	
Gross deferred tax assets	6,225	4,470	
Valuation allowance	(2,259)	(1,963)	
Total deferred tax assets	3,966	2,507	
Deferred tax liabilities:			
Property, plant and equipment	(4,213)	(3,109)	
Licenses and intangibles	(486)	(725)	
Unrealized gains on investments and derivatives	(819)	(735)	
Unremitted earnings of non-US subsidiaries	_	(403)	
Other, net	(241)	(146)	
Total deferred tax liabilities	(5,759)	(5,118)	
Net deferred tax assets (liabilities)	\$ (1,793)	\$ (2,611)	
Reported as:			
Deferred tax assets	874	1,232	
Deferred tax liabilities	(2,667)	(3,843)	
Net deferred tax assets (liabilities)	\$ (1,793)	\$ (2,611)	

Change in valuation allowance for deferred tax assets were as follows:

Years Ended (In Millions)	lance at inning of Year	to E	Iditions harged xpenses/ Other counts	•	Net luctions)	lance at
Valuation allowance for deferred tax assets	 					 
December 25, 2021	\$ 1,963	\$	442	\$	(146)	\$ 2,259
December 26, 2020	\$ 1,534	\$	378	\$	51	\$ 1,963
December 28, 2019	\$ 1,302	\$	239	\$	(7)	\$ 1,534

Deferred tax assets are included within other long-term assets on the Consolidated Balance Sheets.

The valuation allowance as of December 25, 2021 included allowances primarily related to unrealized state credit carryforwards of \$2.0 billion.

As of December 25, 2021, our federal and non-US net operating loss carryforwards for income tax purposes were \$644 million and \$1.1 billion, respectively. Most of the non-US net operating loss carryforwards have no expiration date. The remaining non-US and US federal net operating loss carryforwards expire at various dates through 2040. A significant amount of the net operating loss carryforwards in the US relates to acquisitions and, as a result, is limited in the amount that can be recognized in any one year. The federal and non-US net operating loss carryforwards include

\$357 million and \$860 million, respectively, that is not likely to be recovered and has been reduced by a valuation allowance.

At December 25, 2021, we have undistributed earnings of certain foreign subsidiaries of approximately \$18.9 billion that we have indefinitely invested, and on which we have not recognized deferred taxes. Estimating the amount of potential tax is not practicable because of the complexity and variety of assumptions necessary to compute the tax.

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Notes to Consolidated Financial Statements

Current income taxes receivable of \$23 million as of December 25, 2021 (\$131 million as of December 26, 2020) are included in other current assets. Current income taxes payable of \$1.1 billion as of December 25, 2021 (\$756 million as of December 26, 2020) are included in other accrued liabilities.

Long-term income taxes payable of \$4.3 billion as of December 25, 2021 (\$4.6 billion as of December 26, 2020) is primarily comprised of the transition tax from Tax Reform, which is payable over eight years beginning in 2018, as well as amounts for uncertain tax positions, reduced by the associated deduction for state taxes and non-US tax credits.

#### **Uncertain Tax Positions**

(In Millions)	Dec	25, 2021	Dec	26, 2020	Dec 28, 2019		
Beginning gross unrecognized tax benefits	\$	828	\$	548	\$	283	
Settlements and effective settlements with tax authorities		(25)		(142)		(4)	
Changes in balances related to tax position taken during prior periods		(26)		165		122	
Changes in balances related to tax position taken during current period		243		257		147	
Ending gross unrecognized tax benefits	\$	1,020	\$	828	\$	548	

If the remaining balance of unrecognized tax benefits were recognized in a future period, it would result in a tax benefit of \$721 million as of December 25, 2021 (\$550 million as of December 26, 2020) and a reduction in the effective tax rate. Interest, penalties, and accrued interest related to unrecognized tax benefits were insignificant in the periods presented.

We regularly engage in discussions and negotiations with tax authorities regarding tax matters in the various jurisdictions in which we conduct business. Although the timing of the resolutions and/or closures of audits is highly uncertain, it is reasonably possible that certain US federal and non-US tax audits may be concluded within the next 12 months, which could increase or decrease the balance of our gross unrecognized tax benefits. We estimate that the unrecognized tax benefits as of December 25, 2021 could decrease by as much as \$327 million in the next 12 months.

We file federal, state, and non-US tax returns. Excluding pre-acquisition Altera tax years, we are no longer subject to US federal and non-US tax examinations for years prior to 2013. For US state tax returns, we are no longer subject to tax examination for years prior to 2014.

# Note 9: Investments

#### **Debt Investments**

#### **Trading Assets**

For trading assets still held at the reporting date, we recorded net losses of \$606 million in 2021 (net gains of \$694 million in 2020 and net gains of \$26 million in 2019). Net gains on the related derivatives were \$609 million in 2021 (net losses of \$667 million in 2020 and net gains of \$22 million in 2019).

#### Available-for-Sale Debt Investments

Available-for-sale investments include corporate debt, government debt, and financial institution instruments. Government debt includes instruments such as non-US government bonds and US agency securities. Financial institution instruments include instruments issued or managed by financial institutions in various forms, such as commercial paper, fixed- and floating-rate bonds, money market fund deposits, and time deposits. As of December 25, 2021 and December 26, 2020, substantially all time deposits were issued by institutions outside the US. The adjusted cost of our available-for-sale investments was \$5.0 billion as of December 25, 2021 (\$7.8 billion as of December 26, 2020). The adjusted cost of our available-for-sale investments approximated the fair value for these periods.

The fair values of available-for-sale debt investments by contractual maturity as of December 25, 2021 were as follows:

(In Millions)	Fair Value
Due in 1 year or less	\$ 2,931
Due in 1–2 years	559
Due in 2–5 years	281
Due after 5 years	_
Instruments not due at a single maturity date	1,216
Total	\$ 4,987
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## **Equity Investments**

(In Millions)	ec 25, 2021	ec 26, 2020
Marketable equity securities	\$ 2,171	\$ 1,830
Non-marketable equity securities	4,111	3,304
Equity method investments	 16	18
Total	\$ 6,298	\$ 5,152

The components of gains (losses) on equity investments, net for each period were as follows:

Years Ended (In Millions)	Dec	25, 2021	Dec	26, 2020	Dec 28, 2019		
Ongoing mark-to-market adjustments on marketable equity securities	\$	(130)	\$	(133)	\$	277	
Observable price adjustments on non-marketable equity securities		750		176		293	
Impairment charges		(154)		(303)		(122)	
Sale of equity investments and other <sup>1</sup>		2,263		2,164		1,091	
Total gains (losses) on equity investments, net	\$	2,729	\$	1,904	\$	1,539	

Sale of equity investments and other includes initial fair value adjustments recorded upon a security becoming marketable, realized gains (losses) on sales of non-marketable equity investments, and our share of equity method investee gains (losses) and distributions.

In 2021, we recognized impairments of \$154 million on non-marketable equity securities (\$290 million in 2020 and \$122 million in 2019).

As of December 25, 2021 the cumulative amount of impairments for equity securities without readily determinable fair value is \$916 million and upward observable price adjustments were \$1.1 billion.

Net unrealized gains and losses for our marketable and non-marketable equity securities during each period were as follows:

(In Millions)	Dec	25, 2021	Dec 26, 2020		Dec 28, 2019	
Net gains (losses) recognized during the period on equity securities	\$	1,210	\$	1,679	\$	734
Less: Net (gains) losses recognized during the period on equity securities sold during the period		(259)		(254)		(424)
Net unrealized gains (losses) recognized during the period on equity securities still held at the reporting date	\$	951	\$	1,425	\$	310

#### McAfee Corp.

McAfee completed its initial public offering in October 2020. Due to our 41% ownership and significant influence as of December 25, 2021, we account for it as an equity method investment. We had no accounting carrying value as of December 25, 2021 and as of December 26, 2020. During 2021, we recognized McAfee dividends of \$1.3 billion, which includes a special dividend of \$1.1 billion paid in connection with the sale of McAfee's Enterprise Business to Symphony Technology Group and \$228 million related to the partial sale of our investment in McAfee. We recognized McAfee dividends of \$126 million in 2020 and \$632 million in 2019.

In November 2021, McAfee announced an agreement to be acquired by an investor group, which is subject to closing conditions.

#### Beijing Unisoc Technology Ltd.

We account for our interest in Beijing Unisoc Technology Ltd. (Unisoc) as a non-marketable equity security. In the first quarter of 2021, we recognized \$471 million in observable price adjustments in our investment in Unisoc and as of December 25, 2021, the net book value of the investment was \$1.1 billion (\$658 million as of December 26, 2020).

# Note 10

# Acquisitions and Divestitures

# Acquisitions

We completed four acquisitions in 2021 and six acquisitions in 2020, all of which qualified as business combinations. The consideration for the acquisitions in 2021 and 2020 primarily consisted of cash and was allocated to goodwill and identified intangible assets. For information on the assignment of goodwill to our operating segments, see "Note 11: Goodwill," and for information on the classification of intangible assets, see "Note 12: Identified Intangible Assets."

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Notes to Consolidated Financial Statements

#### Moovit

On May 4, 2020, we acquired Moovit, a MaaS solutions company, for total consideration of \$915 million. The fair values of the assets acquired relate to goodwill of \$638 million and intangible assets of \$331 million. The goodwill arising from the acquisition is attributed to the expected synergies and other benefits that will be generated from the combination of Intel and Moovit. Substantially all of the goodwill will not be deductible for local tax purposes. The acquisition-related intangible assets are primarily related to Moovit's monthly active user base and application platform. The goodwill and operating results of Moovit are included in our Mobileye operating segment.

#### **Divestitures**

#### **NAND Memory Business**

In October 2020, we signed an agreement with SK hynix Inc. (SK hynix) to divest our NAND memory business for \$9.0 billion in cash. The NAND memory business includes our NAND memory fabrication facility in Dalian, China and certain related equipment and tangible assets (the Fab Assets), our NAND SSD business (the NAND SSD Business), and our NAND memory technology and manufacturing business (the NAND OpCo Business). The transaction will be completed in two closings.

The first closing was completed on December 29, 2021, subsequent to our fiscal 2021 year-end. At first closing, SK hynix paid \$7.0 billion of consideration, with the remaining \$2.0 billion to be received at the second closing of the transaction, expected to be no earlier than March 2025. In connection with the first closing, we expect to recognize a pre-tax gain of approximately \$1.0 billion within interest and other, net, and tax expense of approximately \$450 million. Based on our ongoing obligation under the NAND wafer manufacturing and sale agreement, approximately \$600 million of the initial closing consideration will be deferred and recognized between first and second closing within interest and other, net.

At the first closing, we sold to SK hynix the Fab Assets and the NAND SSD Business and transferred certain employees, IP, and other assets related to the NAND OpCo Business to separately created wholly owned subsidiaries of Intel. The equity interest of the NAND OpCo Business will transfer to SK hynix at the second closing. In connection with the first closing, we and certain affiliates of SK hynix also entered into a NAND wafer manufacturing and sale agreement, pursuant to which we will manufacture and sell to SK hynix NAND memory wafers to be manufactured using the Fab Assets in Dalian, China until the second closing. We have concluded based on the terms of the transaction agreements that the subsidiaries will be variable interest entities for which we are not the primary beneficiary, because the governance structure of these entities does not allow us to direct the activities that would most significantly impact their economic performance. In line with this conclusion, we will fully deconsolidate our ongoing interests in the NAND OpCo Business in the first quarter of 2022, and will record a receivable for the second closing proceeds of \$1.9 billion.

The carrying amounts of the major classes of NAND assets held for sale included the following:

(In Millions)	Dec	25, 2021	Dec 26, 2020		
Inventories	\$	953	\$	962	
Property, plant and equipment, net		5,989		4,363	
Total assets	\$	6,942	\$	5,325	

We ceased recording depreciation on property, plant and equipment as of the date the assets triggered held for sale accounting. The agreement provided for continued capital purchases through first closing and we invested \$1.6 billion in 2021, which is classified as assets held for sale at period end and sold at first closing.

### Home Gateway Platform Division

On July 31, 2020, we completed the divestiture of the majority of Home Gateway Platform, a division of CCG, for proceeds of \$150 million. The divestiture included the transfer of certain employees, equipment, and an ongoing supply agreement for future units.

#### **Smartphone Modem Business**

On December 2, 2019, we completed the divestiture of the majority of our smartphone modem business, including certain employees, IP, equipment, and leases. Net assets sold were \$267 million. We recognized a pre-tax gain of \$690 million on the divestiture.

# Note 11

## Goodwill

(In Millions)		26, 2020	Acqu	uisitions	Other	Dec 25, 2021		
Client Computing Group	\$	4,360	\$	73	\$ _	\$	4,433	
Data Center Group		7,232		123	_		7,355	
Internet of Things Group		1,591		_	_		1,591	
Mobileye		10,928		_	_		10,928	
Programmable Solutions Group		2,622		_	34		2,656	
All other		238		_	(238)		_	
Total	\$	26,971	\$	196	\$ (204)	\$	26,963	
(In Millions)	De	c 28, 2019	Acq	uisitions	Other	Dec	26, 2020	
Client Computing Group	\$	4,333	\$	27	\$ _	\$	4,360	
Data Center Group		7,182		50	_		7,232	
Internet of Things Group		1,579		12	_		1,591	
Mobileye		10,290		638	_		10,928	
Programmable Solutions Group		2,654		2	(34)		2,622	
All other		238		_	_		238	
Total	\$	26,276	\$	729	\$ (34)	\$	26,971	

During the second quarter of 2021, we recognized a goodwill impairment loss of \$238 million related to two non-strategic businesses that we exited, recorded within our "all other" category. During the fourth quarters of 2021 and 2020, we completed our annual impairment assessments and concluded that goodwill was not impaired. The accumulated impairment loss as of December 25, 2021 was \$957 million: \$365 million associated with CCG, \$275 million associated with DCG, \$79 million associated with IOTG, and the remainder associated with non-reportable segments.

# Note 12

# Identified Intangible Assets

		De	cem	ber 25, 2021		<b>December 26, 2020</b>						
(In Millions)	Gro	oss Asset		cumulated nortization	Net	Gre	oss Asset		cumulated nortization	Net		
Developed technology	\$	11,102	\$	(6,026) \$	5,076	\$	10,188	\$	(4,880) \$	5,308		
Customer relationships and brands		2,110		(1,063)	1,047		2,110		(854)	1,256		
Licensed technology and patents		2,893		(1,746)	1,147		2,836		(1,629)	1,207		
In-process R&D		_		_	_		954		_	954		
Other non-amortizing intangibles		_		_	_		301		_	301		
Total identified intangible assets	\$	16,105	\$	(8,835)	7,270	\$	16,389	\$	(7,363) \$	9,026		

Amortization expenses recorded for identified intangible assets in the Consolidated Statements of Income for each period and the weighted average useful life were as follows:

Years Ended (In Millions)	Location	С	ec 25, 2021	ı	Dec 26, 2020	Dec 28, 2019	Weighted Average Useful Life <sup>1</sup>
Developed technology	Cost of sales	\$	1,283	\$	1,211	\$ 1,124	9 years
Customer relationships and brands	Marketing, general and administrative		209		205	200	11 years
Licensed technology and patents	Cost of sales		347		341	 298	13 years
Total amortization expenses		\$	1,839	\$	1,757	\$ 1,622	

<sup>&</sup>lt;sup>1</sup> Represents weighted average useful life in years of intangible assets during 2021.

We expect future amortization expense for the next five years and thereafter to be as follows:

(In Millions)		2022		2023		2024		2025		2026		Thereafter		Total
Future amortization expenses	\$	1,854	\$	1,622	\$	1,188	\$	779	\$	598	\$	1,229	\$	7,270
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# Note 13 Borrowings

## **Short-Term Debt**

Short-term debt, which primarily includes the current portion of long-term debt, was \$4.6 billion as of December 25, 2021 and \$2.5 billion as of December 26, 2020.

The current portion of long-term debt includes debt classified as short term based on time remaining until maturity.

We have an ongoing authorization from our Board of Directors to borrow up to \$10.0 billion under our commercial paper program.

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Notes to Consolidated Financial Statements

Long-Term Debt

	Dec 2	Dec 26, 2020		
(In Millions)	Effective Interest Rate	Amount	Amount	
Floating-rate senior note:		Amount	Amount	
Three-month LIBOR plus 0.35%, due May 2022	0.55%	\$ 800	\$ 800	
Fixed-rate senior notes:	0.55 /6	ψ 000	ψ 000	
1.70%, due May 2021	—%		500	
3.30%, due October 2021	—% —%	<del>_</del>	2,000	
2.35%, due May 2022		750		
•	1.96%		750 1,000	
3.10%, due July 2022	2.70%	1,000	1,000	
4.00%, due December 2022 <sup>1</sup>	2.96%	398	417	
2.70%, due December 2022	2.28%	1,500	1,500	
4.10%, due November 2023	3.22%	400	400	
2.88%, due May 2024	2.31%	1,250	1,250	
2.70%, due June 2024	2.14%	600	600	
3.40%, due March 2025	3.45%	1,500	1,500	
3.70%, due July 2025	2.16%	2,250	2,250	
2.60%, due May 2026	0.63%	1,000	1,000	
3.75%, due March 2027	3.79%	1,000	1,000	
3.15%, due May 2027	1.21%	1,000	1,000	
1.60%, due August 2028	1.68%	1,000	_	
2.45%, due November 2029	2.39%	2,000	2,000	
3.90%, due March 2030	3.93%	1,500	1,500	
2.00%, due August 2031	2.04%	1,250	_	
4.00%, due December 2032	1.24%	750	750	
4.60%, due March 2040	4.61%	750	750	
2.80%, due August 2041	2.82%	750	_	
4.80%, due October 2041	2.01%	802	802	
4.25%, due December 2042	1.42%	567	567	
4.90%, due July 2045	2.13%	772	772	
4.10%, due May 2046	1.40%	1,250	1,250	
4.10%, due May 2047	1.37%	1,000	1,000	
4.10%, due August 2047	0.92%	640	640	
3.73%, due December 2047	1.77%	1,967	1,967	
3.25%, due November 2049	3.20%	2,000	2,000	
4.75%, due March 2050	4.74%	2,250	2,250	
3.05%, due August 2051	3.07%	1,250	_	
3.10%, due February 2060	3.11%	1,000	1,000	
4.95%, due March 2060	4.99%	1,000	1,000	
3.20%, due August 2061	3.22%	750	_	
Oregon and Arizona bonds:				
2.40% - 2.70%, due December 2035 - 2040	2.49%	423	423	
5.00%, due March 2049	2.13%	138	138	
5.00%, due June 2049	2.15%	438	438	
Total senior notes and other borrowings		37,695	35,214	
Unamortized premium/discount and issuance costs		(405)	(378)	
Hedge accounting fair value adjustments		811	1,565	
Long-term debt		38,101	36,401	
Current portion of long-term debt				
		(4,591)	(2,504) <b>4</b> 22 907	
Total long-term debt		\$ 33,510	\$ 33,897	

<sup>1</sup> To manage foreign currency risk associated with the Australian-dollar-denominated notes issued in 2015, we entered into currency interest rate swaps with an aggregate notional amount of \$396 million at December 25, 2021, which effectively converted these notes to US-dollar-denominated notes. For further discussion on derivatives in cash flow hedging relationships, see "Note 16: Derivative Financial Instruments." Principal and unamortized discount/issuance costs for the Australian-dollar-denominated notes in the table above were calculated using foreign currency exchange rates as of December 25, 2021 and December 26, 2020.

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Notes to Consolidated Financial Statements

#### **Senior Notes**

In 2021, we issued a total of \$5.0 billion aggregate principal amount of senior notes. Net proceeds from the offerings are being used for general corporate purposes, which may include refinancing outstanding debt, funding for working capital, and capital expenditures. During 2021, we repaid \$500 million of our 1.70% senior notes that matured in May 2021 and \$2.0 billion of our 3.30% senior notes that matured in October 2021.

In 2020, we issued a total of \$10.3 billion aggregate principal amount of senior notes and repaid \$1.0 billion of our 1.85% senior notes that matured in May 2020 and \$1.8 billion of our 2.45% senior notes that matured in July 2020. We also repaid \$700 million in floating-rate senior notes that matured in May 2020.

Our floating-rate senior note pays interest quarterly and our fixed-rate senior notes pay interest semiannually. We may redeem the fixed-rate notes prior to their maturity at our option at specified redemption prices and subject to certain restrictions. The obligations under the notes rank equally in right of payment with all of our other existing and future senior unsecured indebtedness and will effectively rank junior to all liabilities of our subsidiaries.

#### **Revolving Credit Facility**

In 2021, we entered into a \$5.0 billion variable-rate revolving credit facility that, if drawn, is expected to be used for general corporate purposes. The revolving credit facility matures in March 2026 and had no borrowings outstanding as of December 25, 2021.

#### Convertible Debentures

In 2009, we issued the 2009 Debentures, which were convertible, subject to certain conditions, into shares of our common stock and paid a fixed rate of interest semiannually. In 2020, we paid \$1.1 billion in cash to settle our remaining \$372 million in principal, resulting in a loss of \$109 million in interest and other, net and \$750 million as a reduction in stockholders' equity related to the conversion feature.

#### **Debt Maturities**

Our aggregate debt maturities, excluding commercial paper and drafts payable, based on outstanding principal as of December 25, 2021, by year payable, are as follows:

	2022	2023	2024	2025	2026	2027 and	Total
(In Millions)						thereafter	
	\$ 4.586	\$ 400	\$ 1.850	\$ 3.750	\$ 1,000	\$ 26.109	\$ 37 695

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# Note 14 : Fair Value

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

		December 25, 2021								December 26, 2020									
			lue d at	Measur															
(In Millions)	L	evel 1	L	evel 2	Le	vel 3	T	otal	L	evel 1	L	evel 2	Le	vel 3	3 Tota				
Assets																			
Cash equivalents:																			
Corporate debt	\$	_	\$	65	\$	_	\$	65	\$	_	\$	50	\$	_	\$	50			
Financial institution instruments <sup>1</sup>		1,216		763		_		1,979		2,781		636		_		3,417			
Reverse repurchase agreements		_		1,595		_		1,595		_		1,900		_		1,900			
Short-term investments:																			
Corporate debt		_		648		_		648		_		428		_		428			
Financial institution instruments <sup>1</sup>		_		1,243		_		1,243		_		1,179		_		1,179			
Government debt <sup>2</sup>		_		212		_		212		_		685		_		685			
Trading assets:																			
Corporate debt		_		5,143		_		5,143		_		3,815		_		3,815			
Financial institution instruments <sup>1</sup>		154		3,729		_		3,883		131		2,847		_		2,978			
Government debt <sup>2</sup>		_		12,457		_	1	2,457		_		8,945		_		8,945			
Other current assets:																			
Derivative assets		80		576		_		656		48		644		_		692			
Loans receivable <sup>3</sup>		_		152		_		152		_		439		_		439			
Marketable equity securities		1,854		317		_		2,171		136		1,694		_		1,830			
Other long-term investments:																			
Corporate debt		_		576		_		576		_		1,520		_		1,520			
Financial institution instruments <sup>1</sup>		_		190		_		190		_		257		_		257			
Government debt <sup>2</sup>		50		24		_		74		_		415		_		415			
Other long-term assets:																			
Derivative assets		_		772		7		779		_		1,520		30		1,550			
Loans receivable <sup>3</sup>				57				57				157				157			
Total assets measured and recorded at fair	¢	2 254	¢	20 540	¢	7	¢ o	1,880	¢	3,096	¢	27 424	¢	20	¢ o	0.257			
value Liabilities	<b>\$</b>	3,354	Ψ	28,519	\$		ψ 3	1,000	Φ_	3,030	Φ	27,131	\$	30	ψ 3 ===	0,257			
Other accrued liabilities:																			
Derivative liabilities	\$	4	\$	516	\$		\$	520	\$		\$	810	\$		\$	810			
Other long-term liabilities:	φ	4	φ	310	φ		φ	320	φ	_	φ	010	φ	_	φ	010			
Derivative liabilities				9				9				5				5			
Total liabilities				<del></del>				<u>ə</u>								<u> </u>			
measured and recorded at fair value	\$	4	\$	525	\$	_	\$	529	\$	_	\$	815	\$	_	\$	815			

<sup>1</sup> Level 1 investments in financial institution instruments consist of money market funds. Level 2 investments consist primarily of commercial paper, certificates of deposit, time deposits, and notes and bonds issued by financial institutions.

<sup>&</sup>lt;sup>2</sup> Level 1 investments consist primarily of US Treasury securities. Level 2 investments in government debt consist primarily of non-US government debt, as well as marketable equity securities subject to security-specific restrictions.

<sup>&</sup>lt;sup>3</sup> The fair value of our loans receivable for which we elected the fair value option did not significantly differ from the contractual principal balance based on the contractual currency.

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

Our non-marketable equity securities, equity method investments, and certain non-financial assets, such as intangible assets and property, plant and equipment, are recorded at fair value only if an impairment or observable price adjustment is recognized in the current period. If an impairment or observable price adjustment is recognized on our non-marketable equity securities during the period, we classify these assets as Level 3.

We classify non-marketable equity securities and non-marketable equity method investments as Level 3. Impairments recognized on these investments held as of December 25, 2021 were \$138 million (\$266 million on investments held as of December 26, 2020 and \$113 million on investments held as of December 28, 2019).

## Financial Instruments Not Recorded at Fair Value on a Recurring Basis

Financial instruments not recorded at fair value on a recurring basis include non-marketable equity securities and equity method investments that have not been remeasured or impaired in the current period, grants receivable, and issued debt.

We classify the fair value of grants receivable as Level 2. The estimated fair value of these financial instruments approximates their carrying value. The aggregate carrying value of grants receivable as of December 25, 2021 was \$317 million (the aggregate carrying value of grants receivable as of December 26, 2020 was \$139 million).

We classify the fair value of issued debt (excluding commercial paper and drafts payable) as Level 2. The fair value of these instruments was \$41.5 billion as of December 25, 2021 (\$40.9 billion as of December 26, 2020).

Note 15

## Other Comprehensive Income (Loss)

The changes in accumulated other comprehensive income (loss) by component and related tax effects for each period were as follows:

(In Millions)	Unrealized Holding Gains (Losses) on Derivatives	Actuarial Valuation and Other Pension Expenses	Translation Adjustments and Other	Total
December 29, 2018	\$ (123)	\$ (818)	\$ (33)	\$ (974)
Other comprehensive income (loss) before reclassifications	(11)	. ,	109	(655)
Amounts reclassified out of accumulated other comprehensive income (loss)	195	67	(6)	256
Tax effects	(7)	122	(22)	93
Other comprehensive income (loss)	177	(564)	81	(306)
December 28, 2019	54	(1,382)	48	(1,280)
Other comprehensive income (loss) before reclassifications	806	(323)	55	538
Amounts reclassified out of accumulated other comprehensive income (loss)	(8)	89	(11)	70
Tax effects	(121)	51	(9)	(79)
Other comprehensive income (loss)	677	(183)	35	529
December 26, 2020	731	(1,565)	83	(751)
Other comprehensive income (loss) before reclassifications	(434)	476	(58)	(16)
Amounts reclassified out of accumulated other comprehensive income (loss)	(226)	101	(19)	(144)
Tax effects	140	(126)	17	31
Other comprehensive income (loss)	(520)	451	(60)	(129)
December 25, 2021	\$ 211	\$ (1,114)	\$ 23	\$ (880)

We estimate that we will reclassify approximately \$8 million (before taxes) of net derivative gains from accumulated other comprehensive income (loss) into earnings within the next 12 months.

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Notes to Consolidated Financial Statements

## **Derivative Financial Instruments**

## Volume of Derivative Activity

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

(In Millions)	Dec 25, 202				Dec 28, 2019		
Foreign currency contracts	\$	38,024	\$	31,209	\$	23,981	
Interest rate contracts		15,209		14,461		14,302	
Other		2,517		2,026		1,753	
Total	\$	55,750	\$	47,696	\$	40,036	

During 2021 and 2020, we did not enter into any new pay-variable, receive-fixed interest rate swaps to hedge against changes in the fair value attributable to benchmark interest rates related to our outstanding senior notes. The total notional amount of outstanding pay-variable, receive-fixed interest rate swaps was \$12.0 billion as of December 25, 2021 and \$12.0 billion as of December 26, 2020. In 2019, we unwound \$7.1 billion of these swaps, resulting in a \$111 million gain to be amortized over the remaining life of the debt.

### Fair Value of Derivative Instruments in the Consolidated Balance Sheets

		Decembe	r 25, 2	2021	December 26, 2020				
(In Millions)		ssets1	Lial	bilities <sup>2</sup>	Α	ssets1	Liabilities <sup>2</sup>		
Derivatives designated as hedging instruments:									
Foreign currency contracts <sup>3</sup>	\$	80	\$	163	\$	551	\$	2	
Interest rate contracts		774		_		1,498		_	
Total derivatives designated as hedging instruments		854		163		2,049		2	
Derivatives not designated as hedging instruments:									
Foreign currency contracts <sup>3</sup>		475		297		142		685	
Interest rate contracts		26		65		3		128	
Equity contracts		80		4		48		_	
Total derivatives not designated as hedging									
instruments		581		366		193		813	
Total derivatives	\$	1,435	\$	529	\$	2,242	\$	815	

<sup>&</sup>lt;sup>1</sup> Derivative assets are recorded as other assets, current and long-term.

#### Amounts Offset in the Consolidated Balance Sheets

Agreements subject to master netting arrangements with various counterparties, and cash and non-cash collateral posted under such agreements at the end of each period were as follows:

<sup>&</sup>lt;sup>2</sup> Derivative liabilities are recorded as other liabilities, current and long-term.

<sup>&</sup>lt;sup>3</sup> The majority of these instruments mature within 12 months.

December 2	25. 2021
------------	----------

						_	ross Am fset in th She				
(In Millions)	Gross Net Amounts Amounts Offset in Presente Gross the in the Amounts Balance Balance Recognized Sheet Sheet		mounts esented in the alance		ancial ruments	N C R	ash and on-Cash ollateral eceived Pledged	Net Amount			
Assets:											
Derivative assets subject to master netting arrangements	\$	1,427	\$	_	\$	1,427	\$	(332)	\$	(986)	\$ 109
Reverse repurchase agreements		1,595				1,595				(1,595)	
Total assets		3,022		_		3,022		(332)		(2,581)	109
Liabilities:											
Derivative liabilities subject to master netting arrangements		392		_		392		(332)		(60)	_
Total liabilities	\$	392	\$		\$	392	\$	(332)	\$	(60)	\$

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Notes to Consolidated Financial Statements

	December 26, 2020												
								Gross Am Offset in th Sh					
(In Millions)		Gross nounts cognized	Gross Amounts Offset in the Balance Sheet		Net Amounts Presented in the Balance Sheet		Non- Colla		Cash and lon-Cash Collateral Received r Pledged		Net Amount		
Assets:													
Derivative assets subject to master netting arrangements	\$	2,235	\$	_	\$	2,235	\$	(264)	\$	(1,904)	\$	67	
Reverse repurchase agreements		1,900		_		1,900		_		(1,900)		_	
Total assets		4,135				4,135		(264)		(3,804)		67	
Liabilities:													
Derivative liabilities subject to master netting arrangements		711		_		711		(264)		(447)		_	
Total liabilities	\$	711	\$		\$	711	\$	(264)	\$	(447)	\$		

We obtain and secure available collateral from counterparties against obligations, including securities lending transactions and reverse repurchase agreements, when we deem it appropriate.

## Derivatives in Cash Flow Hedging Relationships

The before-tax net gains or losses attributed to the effective portion of cash flow hedges recognized in other comprehensive income (loss) were \$434 million net losses in 2021 (\$806 million net gains in 2020 and \$11 million net losses in 2019). Substantially all of our cash flow hedges are foreign currency contracts for all periods presented.

Amounts excluded from effectiveness testing were insignificant during all periods presented.

For information on the unrealized holding gains (losses) on derivatives reclassified out of accumulated other comprehensive income into the Consolidated Statements of Income, see "Note 15: Other Comprehensive Income (Loss)."

### Derivatives in Fair Value Hedging Relationships

The effects of derivative instruments designated as fair value hedges, recognized in interest and other, net for each period were as follows:

	Gai	`	,	on Deriv		
Years Ended (In Millions)	Dec	25, 2021	Dec	26, 2020	Dec	28, 2019
Interest rate contracts	\$	(723)	\$	817	\$	1,071
Hedged items		723		(817)		(1,071)
Total	\$		\$		\$	

The amounts recorded on the Consolidated Balance Sheet related to cumulative basis adjustments for fair value hedges for each period were as follows:

Line Item in the Consolidated Balance Sheet in Which the Hedged Item Is Included	Carrying Amount of the Hedged Item Assets/ (Liabilities)	Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount Assets/(Liabilities)
Years Ended (In Millions)	Dec 25, 2021 Dec 26, 20	20 Dec 25, 2021 Dec 26, 2020
Long-term debt	\$ (12,772) \$ (13,49	5) \$ (775) \$ (1,498)

## Derivatives Not Designated as Hedging Instruments

The effects of derivative instruments not designated as hedging instruments on the Consolidated Statements of Income for each period were as follows:

Location of Gains (Losses)
Recognized in Income on

Years Ended (In Millions)	Derivatives	Dec	25, 2021	Dec	26, 2020	Dec	28, 2019
Foreign currency contracts	Interest and other, net	\$	677	\$	(572)	\$	204
Interest rate contracts	Interest and other, net		31		(90)		(32)
Other	Various		360		284		297
Total		\$	1,068	\$	(378)	\$	469

Note 17

## Retirement Benefit Plans

#### **Defined Contribution Plans**

We provide tax-qualified defined contribution plans for the benefit of eligible employees, former employees, and retirees in the US and certain other countries. The plans are designed to provide employees with an accumulation of funds for retirement on a tax-deferred basis. For the benefit of eligible US employees, we also provide an unfunded non-tax-qualified supplemental deferred compensation plan for certain highly compensated employees.

We expensed \$444 million in 2021 and \$398 million in 2020 for matching contributions based on the amount of employee contributions under the US qualified defined contribution and non-qualified deferred compensation plans. Prior to 2020, the contributions were discretionary and we expensed \$379 million in 2019.

#### **US Retiree Medical Plan**

Upon retirement, we provide certain benefits to eligible US employees who were hired prior to 2014 under the US Retiree Medical Plan. The benefits can be used to pay all or a portion of the cost to purchase eligible coverage in a medical plan.

As of December 25, 2021 and December 26, 2020, the projected benefit obligation was \$682 million and \$741 million, which used the discount rate of 2.8% and 2.4%. The December 25, 2021 and December 26, 2020 corresponding fair value of plan assets was \$669 million and \$600 million.

The investment strategy for US Retiree Medical Plan assets is to invest primarily in liquid assets, due to the level of expected future benefit payments. The assets are invested in tax-aware global equity and fixed-income long credit portfolios. Both portfolios are actively managed by external managers. The tax-aware global equity portfolio is composed of a diversified mix of equities in developed countries. The tax-aware fixed-income long credit portfolio is composed of domestic securities. The allocation to each asset class will fluctuate with market conditions, such as volatility and liquidity concerns, and will typically be rebalanced when outside the target ranges, which are 65% equity and 35% fixed income investments. As of December 25, 2021, the majority of the US Retiree Medical Plan assets were invested in exchange-traded equity securities and were measured at fair value using Level 1 inputs. The remaining US Retiree Medical Plan assets were invested in fixed income investments and were measured at fair value using Level 2 inputs.

The estimated benefit payments for this plan over the next 10 years are as follows:

(In Millions)	2	022	2	023	 2024	2	2025	 2026	202	7-2031
Postretirement Medical Benefits	\$	37	\$	38	\$ 39	\$	41	\$ 42	\$	219

### **Pension Benefit Plans**

We provide defined-benefit pension plans in certain countries, most significantly Ireland, the US, Israel, and Germany. The majority of the plans' benefits have been frozen.

# Benefit Obligation and Plan Assets for Pension Benefit Plans

The vested benefit obligation for a defined-benefit pension plan is the actuarial present value of the vested benefits to which the employee is currently entitled based on the employee's expected date of separation or retirement.

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(In Millions)	Dec 25, 2021		Dec 26, 2020	
Changes in projected benefit obligation:				
Beginning projected benefit obligation	\$	4,929	\$	4,284
Service cost		54		49
Interest cost		91		97
Actuarial (gain) loss		(284)		373
Currency exchange rate changes		(150)		261
Plan settlements		(126)		(79)
Other		(58)		(56)
Ending projected benefit obligation <sup>1</sup>		4,456		4,929
Changes in fair value of plan assets:				
Beginning fair value of plan assets		2,878		2,654
Actual return on plan assets		145		203
Currency exchange rate changes		(63)		113
Plan settlements		(126)		(79)
Other		(17)		(13)
Ending fair value of plan assets <sup>2</sup>		2,817		2,878
Net unfunded status	\$	1,639	\$	2,051
Amounts recognized in the Consolidated Balance Sheets				
Other long-term liabilities	\$	1,639	\$	2,051
Accumulated other comprehensive loss (income), before tax <sup>3</sup>	umulated other comprehensive loss (income), before tax <sup>3</sup> \$ 1,445		\$	1,911
Accumulated benefit obligation <sup>4</sup>	\$ 4,086		\$	4,429

- <sup>1</sup> The projected benefit obligation was approximately 30% in the US and 70% outside of the US as of December 25, 2021 and approximately 35% in the US and 65% outside of the US as of December 26, 2020.
- <sup>2</sup> The fair value of plan assets was approximately 50% in the US and 50% outside of the US as of December 25, 2021 and approximately 55% in the US and 45% outside of the US as of December 26, 2020.
- <sup>3</sup> The accumulated other comprehensive loss (income), before tax, was approximately 30% in the US and 70% outside of the US as of December 25, 2021 and approximately 35% in the US and 65% outside of the US as of December 26, 2020.
- <sup>4</sup> All plans had accumulated benefit obligations and projected benefit obligations in excess of plan assets for all periods presented.

Changes in actuarial gains and losses in the projected benefit obligation are generally driven by discount rate movement. We use the corridor approach to amortize actuarial gains and losses. Under this approach, net actuarial gains or losses in excess of 10% of the larger of the projected benefit obligation or the fair value of plan assets are amortized on a straight-line basis.

## Assumptions for Pension Benefit Plans

		Dec 25, 2021	Dec 26, 2020
Weighted average actuarial assumptions used to determine benefit of	bligations		
Discount rate		2.2 %	1.9 %
Rate of compensation increase		3.2 %	3.2 %
	2021	2020	2019
Weighted average actuarial assumptions used to determine costs			
Discount rate	1.9 %	2.3 %	3.4 %
Expected long-term rate of return on plan assets	2.7 %	3.3 %	4.7 %
Rate of compensation increase	3.2 %	3.2 %	3.5 %

We establish the discount rate for each pension plan by analyzing current market long-term bond rates and matching the bond maturity with the average duration of the pension liabilities.

We establish the long-term expected rate of return by developing a forward-looking, long-term return assumption for each pension fund asset class, taking into account factors such as the expected real return for the specific asset class and inflation. A single, long-term rate of return is then calculated as the weighted average of the target asset allocation percentages and the long-term return assumption for each asset class.

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Notes to Consolidated Financial Statements

## **Funding**

Our practice is to fund the various pension plans in amounts sufficient to meet the minimum requirements of applicable local laws and regulations. Additional funding may be provided as deemed appropriate. Funding for the US Retiree Medical Plan is discretionary under applicable laws and regulations; additional funding may be provided as deemed appropriate.

On a worldwide basis, our pension and retiree medical plans were 68% funded as of December 25, 2021. The US Pension Plan, which accounts for 28% of the worldwide pension and retiree medical benefit obligations, was 99% funded. Funded status is not indicative of our ability to pay ongoing pension benefits or of our obligation to fund retirement trusts. Required pension funding for US retirement plans is determined in accordance with ERISA, which sets required minimum contributions. Cumulative company funding to the US Pension Plan currently exceeds the minimum ERISA funding requirements.

#### Net Periodic Benefit Cost

The net periodic benefit cost for pension and US retiree medical benefits was \$162 million in 2021 (\$164 million in 2020 and \$135 million in 2019).

#### Pension Plan Assets

	December 25, 2021 Fair Value Measured at Reporting Date Using									Dec 26, 2020		
(In Millions)	Level 1		Level 2		Level 3		Total		Total			
Equity securities	\$		\$	342	\$	_	\$	342	\$	320		
Fixed income		_		122		20		142		135		
Assets measured by fair value hierarchy	\$	_	\$	464	\$	20	\$	484	\$	455		
Assets measured at net asset value								2,311		2,401		
Cash and cash equivalents								22		22		
Total pension plan assets at fair value							\$	2,817	\$	2,878		

#### **US Plan Assets**

The investment strategy for US Pension Plan assets is to manage the funded status volatility, taking into consideration the investment horizon and expected volatility to help ensure that sufficient assets are available to pay pension benefits as they come due. The allocation to each asset class will fluctuate with market conditions, such as volatility and liquidity concerns, and will typically be rebalanced when outside the target ranges, which are 90% fixed income and 10% equity investments. During 2021, the US Pension Plan assets were invested in collective investment trust funds, which are measured at net asset value.

#### Non-US Plan Assets

The investments of the non-US plans are managed by insurance companies, pension funds, or third-party trustees, consistent with regulations or market practice of the country where the assets are invested. The investment manager makes investment decisions within the guidelines set by Intel or local regulations. Investments managed by qualified insurance companies or pension funds under standard contracts follow local regulations, and we are not actively involved in their investment strategies. For the assets that we have discretion to set investment guidelines, the assets are invested in developed country equity investments and fixed-income investments, either through index funds or direct investment. In general, the investment strategy is designed to accumulate a diversified portfolio among markets, asset classes, or individual securities to reduce market risk and to help ensure that the pension assets are available to pay benefits as they come due. The target allocation of the non-US plan assets that we have control over was approximately 45% fixed income, 35% equity, and 20% hedge fund investments in 2021.

The equity investments in the non-US plan assets are invested in a diversified mix of equities of developed countries, including the US, and emerging markets throughout the world.

We have control over the investment strategy related to the majority of the assets measured at net asset value, which are invested in hedge funds, bond index funds, and equity index funds.

# Estimated Future Benefit Payments for Pension Benefit Plans

Estimated benefit payments over the next 10 years are as follows:

(In Millions)	2	2022	2023		2024		2025		2026		2027-2031	
Pension benefits	\$	147	\$	144	\$	141	\$	142	\$	146	\$	765
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# Note 18

# Employee Equity Incentive Plans

Our equity incentive plans are broad-based, long-term programs intended to attract and retain talented employees and align stockholder and employee interests. Our plans include our 2006 Plan and our 2006 ESPP.

Under the 2006 Plan, 866 million shares of common stock have been authorized for issuance as equity awards to employees and non-employee directors through June 2023. As of December 25, 2021, 128 million shares of common stock remained available for future grants.

Under the 2006 Plan, we grant RSUs and stock options. We grant RSUs with a service condition as well as RSUs with a market condition, performance condition, and a service condition, which we call PSUs. PSUs are granted to a group of senior officers and employees. For PSUs granted in 2021, the number of shares of our common stock to be received at vesting will range from 0% to 200% of the target grant amount, equally based on two metrics: our three-year cumulative non-GAAP EPS growth relative to a target rate and TSR of our common stock measured against the benchmark TSR of the S&P 500 IT Sector Index over a three-year period. TSR is a measure of stock price appreciation plus any dividends paid in this performance period. As of December 25, 2021, 15 million PSUs were outstanding. PSUs vest three years from the grant date. Other RSU awards and option awards generally vest over four years from the grant date. Stock options generally expire 10 years from the date of grant.

### **Share-Based Compensation**

Share-based compensation recognized in 2021 was \$2.0 billion (\$1.9 billion in 2020 and \$1.7 billion in 2019). During 2021, the tax benefit that we realized for the tax deduction from share-based awards totaled \$377 million (\$380 million in 2020 and \$359 million in 2019).

We estimate the fair value of RSUs with a service condition or performance condition using the value of our common stock on the date of grant, reduced by the present value of dividends expected to be paid on our shares of common stock prior to vesting. We estimate the fair value of RSUs with a market condition using a Monte Carlo simulation model as of the date of grant using historical volatility.

#### **Restricted Stock Units**

Weighted average assumptions used in estimating grant values were as follows:

	Dec 25, 2021		Dec 26, 2020		Dec 28, 2019	
Estimated values	\$	50.82	\$	54.82	\$	48.06
Risk-free interest rate		0.2 %		0.4 %		2.3 %
Dividend yield		2.6 %		2.3 %		2.5 %
Volatility		37 %		30 %		25 %

### Summary of activities:

	Number of Stock Units (In Millions)			
December 26, 2020	82.7			
Granted	76.8	\$	50.82	
Vested	(30.2)	\$	47.64	
Forfeited	(11.3)	\$	49.48	
December 25, 2021	118.0	\$	51.29	
Expected to vest	105.9	\$	51.47	

The aggregate fair value of awards that vested in 2021 was \$1.7 billion (\$1.9 billion in 2020 and \$1.9 billion in 2019), which represents the market value of our common stock on the date that the RSUs vested. The grant-date fair value of awards that vested in 2021 was \$1.4 billion (\$1.3 billion in 2020 and \$1.3 billion in 2019). The number of RSUs

vested includes shares of common stock that we withheld on behalf of employees to satisfy the minimum statutory tax withholding requirements. RSUs that are expected to vest are net of estimated future forfeitures.

As of December 25, 2021, unrecognized compensation costs related to RSUs granted under our equity incentive plans were \$3.8 billion. We expect to recognize those costs over a weighted average period of 1.5 years.

### Stock Purchase Plan

The 2006 ESPP allows eligible employees to purchase shares of our common stock at 85% of the value of our common stock on specific dates. Under the 2006 ESPP, 523 million shares of common stock are authorized for issuance through August 2026. As of December 25, 2021, 227 million shares of common stock remained available for issuance.

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Notes to Consolidated Financial Statements

Employees purchased 22 million shares of common stock in 2021 for \$925 million under the 2006 ESPP (21 million shares of common stock for \$876 million in 2020 and 17 million shares of common stock for \$688 million in 2019). As of December 25, 2021, unrecognized share-based compensation costs related to rights to acquire shares of common stock under the 2006 ESPP totaled \$48 million. We expect to recognize those costs over a period of approximately two months.

Note 19

# Commitments and Contingencies

#### Leases

We recognized operating leased assets in other long-term assets of \$549 million and corresponding accrued liabilities of \$180 million, and other long-term liabilities of \$295 million as of December 25, 2021. Our operating leases have remaining terms of 1 to 14 years and may include options to extend the leases for up to 37 years. The weighted average remaining lease term was 3.8 years, and the weighted average discount rate was 2.5% as of December 25, 2021 for our operating leases.

Operating lease expense was \$798 million in 2021 (\$416 million in 2020 and \$185 million in 2019), including \$620 million in variable lease expense in 2021.

In 2021, we signed finance leases for supplier capacity extending over approximately eight years. The leases will commence upon start of supplier production expected in 2023 with prepayments totaling approximately \$980 million in 2022 and 2023. These prepayments will be recognized in property, plant and equipment upon payment.

Discounted and undiscounted lease payments under non-cancelable leases as of December 25, 2021, excluding non-lease components, were as follows:

(In Millions)	2	2022	2	2023	2	024	2	025	2	026	The	ereafte	r	Total
Operating lease payments	\$	183	\$	139	\$	79	\$	55	\$	16	\$	27	\$	499
Finance lease payments	\$	451	\$	529									\$	980
Present value of lease payments													\$	1.455

## Commitments

Commitments for capital expenditures totaled \$27.0 billion as of December 25, 2021 (\$8.6 billion as of December 26, 2020), a substantial majority of which will be due within the next 12 months. Other purchase obligations and commitments totaled approximately \$12.4 billion as of December 25, 2021 (approximately \$2.6 billion as of December 26, 2020). Other purchase obligations and commitments include payments due under supply agreements and various types of licenses and agreements to purchase goods or services. Contractual obligations for purchases of goods or services relate to agreements that are enforceable and legally binding and that specify all significant terms, including fixed or minimum quantities, fixed, minimum, or variable price provisions, and the approximate timing of the transaction. For obligations with cancellation provisions, amounts are limited to the non-cancelable portion or the minimum cancellation fee under the agreement.

# **Legal Proceedings**

We are regularly party to various ongoing claims, litigation, and other proceedings, including those noted in this section. In the first quarter of 2021, we accrued a charge of \$2.2 billion related to litigation involving VLSI, described below. Excluding this charge, management at present believes that the ultimate outcome of these proceedings, individually and in the aggregate, will not materially harm our financial position, results of operations, cash flows, or overall trends; however, legal proceedings and related government investigations are subject to inherent uncertainties, and unfavorable rulings, excessive verdicts, or other events could occur. Unfavorable resolutions could include substantial monetary damages, fines, or penalties. Certain of these outstanding matters include speculative, substantial or indeterminate monetary awards. In addition, in matters for which injunctive relief or other conduct remedies are sought, unfavorable resolutions could include an injunction or other order prohibiting us from selling one or more products at all or in particular ways, precluding particular business practices, or requiring other remedies. An unfavorable outcome may result in a material adverse impact on our business, results of operations, financial position, and overall trends. We might also conclude that settling one or more such matters is in the best interests of our stockholders, employees, and customers, and any such settlement could include substantial payments. Except as

specifically described below, we have not concluded that settlement of any of the legal proceedings noted in this section is appropriate at this time.

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Notes to Consolidated Financial Statements

#### **European Commission Competition Matter**

In 2001, the EC commenced an investigation regarding claims by Advanced Micro Devices, Inc. (AMD) that we used unfair business practices to persuade customers to buy our microprocessors. We received numerous requests for information and documents from the EC and we responded to each of those requests. The EC issued a Statement of Objections in July 2007 and held a hearing on that Statement in March 2008. The EC issued a Supplemental Statement of Objections in July 2008. In May 2009, the EC issued a decision finding that we had violated Article 82 of the EC Treaty and Article 54 of the European Economic Area Agreement. In general, the EC found that we violated Article 82 (later renumbered as Article 102 by a new treaty) by offering alleged "conditional rebates and payments" that required our customers to purchase all or most of their x86 microprocessors from us. The EC also found that we violated Article 82 by making alleged "payments to prevent sales of specific rival products." The EC imposed a fine in the amount of €1.1 billion (\$1.4 billion as of May 2009), which we subsequently paid during the third quarter of 2009, and ordered us to "immediately bring to an end the infringement referred to in" the EC decision.

The EC decision contained no specific direction on whether or how we should modify our business practices. Instead, the decision stated that we should "cease and desist" from further conduct that, in the EC's opinion, would violate applicable law. We took steps, which are subject to the EC's ongoing review, to comply with that decision pending appeal. We had discussions with the EC to better understand the decision and to explain changes to our business practices.

We appealed the EC decision to the Court of First Instance (which has been renamed the General Court) in July 2009. The hearing of our appeal took place in July 2012. In June 2014, the General Court rejected our appeal in its entirety. In August 2014, we filed an appeal with the European Court of Justice. In November 2014, Intervener Association for Competitive Technologies filed comments in support of Intel's grounds of appeal. The EC and interveners filed briefs in November 2014, we filed a reply in February 2015, and the EC filed a rejoinder in April 2015. The Court of Justice held oral argument in June 2016. In October 2016, Advocate General Wahl, an advisor to the Court of Justice, issued a non-binding advisory opinion that favored Intel on a number of grounds. The Court of Justice issued its decision in September 2017, setting aside the judgment of the General Court and sending the case back to the General Court to examine whether the rebates at issue were capable of restricting competition. The General Court appointed a panel of five judges to consider our appeal of the EC's 2009 decision in light of the Court of Justice's clarifications of the law. In November 2017, the parties filed initial "Observations" about the Court of Justice's decision and the appeal and were invited by the General Court to offer supplemental comments to each other's "Observations," which the parties submitted in March 2018. Responses to other questions posed by the General Court were filed in May and June 2018. The General Court heard oral argument in March 2020, and on January 26, 2022 issued a decision annulling the EC's finding against Intel regarding rebates as well as the fine on Intel. Any appeal of the General Court's decision must be brought before the Court of Justice by early April 2022.

#### Litigation Related to Security Vulnerabilities

In June 2017, a Google research team notified us and other companies that it had identified security vulnerabilities (now commonly referred to as "Spectre" and "Meltdown") that affect many types of microprocessors, including our products. As is standard when findings like these are presented, we worked together with other companies in the industry to verify the research and develop and validate software and firmware updates for impacted technologies. On January 3, 2018, information on the security vulnerabilities was publicly reported, before software and firmware updates to address the vulnerabilities were made widely available.

Numerous lawsuits have been filed against Intel and, in certain cases, our current and former executives and directors, in US federal and state courts and in certain courts in other countries relating to the Spectre and Meltdown security vulnerabilities, as well as other variants of these vulnerabilities that have since been identified.

As of January 25, 2022, consumer class action lawsuits relating to the above class of security vulnerabilities publicly disclosed since 2018 were pending in the United States, Canada, and Israel. The plaintiffs, who purport to represent various classes of purchasers of our products, generally claim to have been harmed by Intel's actions and/or omissions in connection with the security vulnerabilities and assert a variety of common law and statutory claims seeking monetary damages and equitable relief. In the United States, numerous individual class action suits filed in various jurisdictions were consolidated in April 2018 for all pretrial proceedings in the US District Court for the District of Oregon. In March 2020, the court granted Intel's motion to dismiss the complaint in that consolidated action but granted plaintiffs leave to amend. In March 2021, the court granted Intel's motion to dismiss the amended complaint but granted plaintiffs leave to further amend in part. Plaintiffs filed a further amended complaint in May 2021, which Intel moved to dismiss in July 2021. In Canada, in one case pending in the Superior Court of Justice of Ontario, an initial status conference has not yet been scheduled. In a second case pending in the Superior Court of Justice of Quebec, a stay of the case was in effect until December 2021, and the parties' joint request for a further stay to May 2022 is pending with the court. In Israel, two consumer class action lawsuits were filed in the District Court of Haifa. The plaintiff voluntarily dismissed the first lawsuit in July 2021. Intel filed a motion to stay the second case pending

resolution of the consolidated proceeding in the US, and a hearing on that motion has been scheduled for April 2022. Additional lawsuits and claims may be asserted seeking monetary damages or other related relief. We dispute the pending claims described above and intend to defend those lawsuits vigorously. Given the procedural posture and the nature of those cases, including that the pending proceedings are in the early stages, that alleged damages have not been specified, that uncertainty exists as to the likelihood of a class or classes being certified or the ultimate size of any class or classes if certified, and that there are significant factual and legal issues to be resolved, we are unable to make a reasonable estimate of the potential loss or range of losses, if any, that might arise from those matters.

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In addition to these lawsuits, Intel stockholders filed multiple shareholder derivative lawsuits since January 2018 against certain current and former members of our Board of Directors and certain current and former officers, alleging that the defendants breached their duties to Intel in connection with the disclosure of the security vulnerabilities and the failure to take action in relation to alleged insider trading. The complaints sought to recover damages from the defendants on behalf of Intel. Some of the derivative actions were filed in the US District Court for the Northern District of California and were consolidated, and the others were filed in the Superior Court of the State of California in San Mateo County and were consolidated. The federal court granted defendants' motion to dismiss in August 2018 on the ground that plaintiffs failed to plead facts sufficient to show they were excused from making a pre-lawsuit demand on the Board. The federal court granted plaintiffs leave to amend their complaint, but subsequently dismissed the cases in January 2019 at plaintiffs' request. The California Superior Court entered judgment in defendants' favor in August 2020 after granting defendants' motions to dismiss plaintiffs' consolidated complaint and three successive amended complaints, all for failure to plead facts sufficient to show plaintiffs were excused from making a pre-lawsuit demand on the Board. Plaintiffs filed a notice of appeal of the California court's judgment in October 2020. In January 2021, another Intel stockholder filed a derivative lawsuit in the Superior Court in San Mateo County against certain current and former officers and members of our Board of Directors. The lawsuit asserts claims similar to those dismissed in August 2020, except that it alleges that the stockholder made a pre-lawsuit demand on our Board of Directors and that the demand was wrongfully refused. In May 2021, the court granted defendants' motion to stay the action pending the outcome of any litigation plaintiff may choose to file in Delaware where Intel's bylaws require such claims to be filed.

#### Litigation Related to 7nm Product Delay Announcement

Starting in July 2020, five securities class action lawsuits were filed in the United States District Court for the Northern District of California against Intel and certain current and former officers based on Intel's July 2020 announcement of 7nm product delays. The plaintiffs, who purport to represent classes of acquirers of Intel stock between October 2019 and July 2020, generally allege that the defendants violated securities laws by making false or misleading statements about the timeline for 7nm products in light of subsequently announced delays. In October 2020, the court consolidated the lawsuits and appointed lead plaintiffs, and in January 2021 the lead plaintiffs filed a consolidated complaint. Defendants moved to dismiss the consolidated complaint in March 2021. We dispute the claims described above and intend to defend the lawsuits vigorously. Given the procedural posture and the nature of those cases, including that the pending proceedings are in the early stages, that alleged damages have not been specified, that uncertainty exists as to the likelihood of a class or classes being certified or the ultimate size of any class or classes if certified, and that there are significant factual and legal issues to be resolved, we are unable to make a reasonable estimate of the potential loss or range of losses, if any, that might arise from those matters. In July 2021, Intel introduced a new process node naming structure, and the 7nm process is now Intel 4.

## Litigation Related to Patent and IP Claims

We have had IP infringement lawsuits filed against us, including but not limited to those discussed below. Most involve claims that certain of our products, services, and technologies infringe others' IP rights. Adverse results in these lawsuits may include awards of substantial fines and penalties, costly royalty or licensing agreements, or orders preventing us from offering certain features, functionalities, products, or services. As a result, we may have to change our business practices, and develop non-infringing products or technologies, which could result in a loss of revenues for us and otherwise harm our business. In addition, certain agreements with our customers require us to indemnify them against certain IP infringement claims, which can increase our costs as a result of defending such claims, and may require that we pay significant damages, accept product returns, or supply our customers with non-infringing products if there were an adverse ruling in any such claims. In addition, our customers and partners may discontinue the use of our products, services, and technologies, as a result of injunctions or otherwise, which could result in loss of revenues and adversely affect our business.

## Institute of Microelectronics, Chinese Academy of Sciences v. Intel China, Ltd., et al.

In February 2018, the Institute of Microelectronics of the Chinese Academy of Sciences (IMECAS) sued Intel China, Ltd., Dell China, Ltd. (Dell), and Beijing Jingdong Century Information Technology, Ltd. (JD) for patent infringement in the Beijing Higher People's Court. IMECAS alleges that Intel's Core series processors infringe Chinese patent CN 102956457 ('457 Patent). The complaint demands an injunction and damages of at least RMB 200 million plus the cost of litigation. Intel is indemnifying Dell and JD. The Beijing Higher People's Court held a final trial hearing in September 2021. No ruling has been issued. In March 2018, Intel filed an invalidation request on the '457 patent with the China National Intellectual Property Administration (CNIPA). The CNIPA held an oral hearing in September 2018 and in February 2019 upheld the validity of the challenged claims. Intel filed a complaint in April 2019 with the Beijing Intellectual Property (IP) Court challenging the February 2019 CNIPA ruling. The Beijing IP Court held oral arguments in July and October 2021 and in November 2021 affirmed the CNIPA ruling. In December 2021, Intel filed an appeal with the Supreme People's Court challenging the Beijing IP Court's affirmance of the CNIPA ruling. In January 2020, Intel filed a second invalidation request on the '457 patent with the CNIPA, for which the CNIPA heard oral argument in July 2020 and in November 2020 held the challenged apparatus claims invalid. IMECAS filed a complaint in February

2021 with the Beijing IP Court challenging the November 2020 CNIPA ruling. In December 2020, Intel filed a third invalidation request on the '457 patent with the CNIPA. The CNIPA held an oral hearing in June 2021 and in September 2021 upheld the validity of the challenged claims. Intel filed a complaint in December 2021 with the Beijing IP Court challenging the September 2021 CNIPA ruling. In September 2018 and March 2019, Intel filed petitions with the US Patent and Trademark Office (USPTO) requesting institution of *inter partes* review (IPR) of US Patent No. 9,070,719, the US counterpart to the '457 patent. The USPTO denied institution of Intel's petitions in March and October 2019, respectively. In April 2019, Intel filed a request for rehearing and a petition for a Precedential Opinion Panel (POP) in the USPTO to challenge the denial of its first IPR petition, and in November 2019 Intel filed a request for rehearing on the second IPR petition. In January 2020, the USPTO denied the POP petition on the first IPR petition. In June 2020, the Patent Trial and Appeal Board (PTAB) denied Intel's rehearing requests on both petitions.

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In October 2019, IMECAS filed second and third lawsuits in the Beijing IP Court, alleging infringement of Chinese Patent No. CN 102386226 ('226 Patent) based on the manufacturing and sale of Intel® Core i3 microprocessors. Defendants in the second case are Lenovo (Beijing) Co., Ltd. (Lenovo) and Beijing Jiayun Huitong Technology Development Co. Ltd. (BJHT). Defendants in the third case are Intel Corp., Intel China Co., Ltd., the Intel China Beijing Branch, Beijing Digital China Co., Ltd. (Digital China), and JD. The complaint in the second lawsuit demands an injunction plus litigation costs and reserves the right to claim damages in unspecified amounts. Intel is indemnifying Lenovo in the second lawsuit. The Beijing IP Court held a trial hearing in the second lawsuit in November 2021, but no ruling has been issued. The complaint in the third lawsuit demands an injunction plus litigation costs and claims damages of RMB 10 million. Intel China's jurisdictional challenge in the third lawsuit was denied in June 2021 by the Beijing IP Court and in November 2021 by the Supreme People's Court. A trial hearing in the third lawsuit was held in January 2022, but no ruling has been issued. In July 2020, Intel and Lenovo filed invalidation requests on the '226 patent with the CNIPA. The CNIPA heard oral arguments in December 2020, during which IMECAS proposed amendments to two claims. In April 2021, the CNIPA upheld the validity of the challenged and amended claims on both invalidation requests. Intel and Lenovo filed complaints in July 2021 with the Beijing IP Court challenging the April 2021 CNIPA rulings; the Beijing IP Court held oral arguments in October 2021.

Given the procedural posture and the nature of these cases, the unspecified nature and extent of damages claimed by IMECAS, and uncertainty regarding the availability of injunctive relief under applicable law, we are unable to make a reasonable estimate of the potential loss or range of losses, if any, arising from these matters. We dispute IMECAS's claims and intend to vigorously defend against them.

### VLSI Technology LLC v. Intel

In October 2017, VLSI filed a complaint against Intel in the US District Court for the Northern District of California alleging infringement of eight patents acquired from NXP Semiconductors, N.V. (NXP). The patents, which originated at Freescale Semiconductor, Inc. and NXP B.V., are US Patent Nos. 7,268,588; 7,675,806; 7,706,207; 7,709,303; 8,004,922; 8,020,014; 8,268,672; and 8,566,836. VLSI accuses various FPGA and processor products of infringement. VLSI estimated its damages to be at least \$5.5 billion, and its complaint further sought enhanced damages, future royalties, attorneys' fees, costs, and interest. In May, June, September, and October 2018, Intel filed IPR petitions challenging the patentability of certain claims in all eight of the patents in-suit. The PTAB instituted review of six patents and denied institution on two patents. As a result of the institution decisions, the parties stipulated to stay the District Court action in March 2019. In December 2019 and February 2020, the PTAB found all claims of the '588 and '303 patents, and some claims of the '922 patent, to be unpatentable. The PTAB found the challenged claims of the '014, '672 and '207 patents to be patentable. Intel appealed the PTAB's decision as to '014, '672 and '207 patents. The Federal Circuit affirmed the PTAB's decision as to the '672 and '207 patents, but reversed and remanded as to the '014 patent. Intel moved for a continuation of the stay in March 2020 pending the appeal. In June 2020, the District Court issued an order continuing the stay through August 2021. The court lifted the stay in September 2021 and scheduled a trial for March 2024.

In June 2018, VLSI filed a second suit against Intel, in US District Court for the District of Delaware, alleging infringement by various Intel processors of five additional patents acquired from NXP: US Patent Nos. 6,212,663; 7,246,027; 7,247,552; 7,523,331; and 8,081,026. VLSI accused Intel of willful infringement and seeks an injunction or, in the alternative, ongoing royalties, enhanced damages, attorneys' fees and costs, and interest. In March 2019, the District Court dismissed VLSI's claims for willful infringement as to all the patents-in-suit except the '027 patent, and also dismissed VLSI's allegations of indirect infringement as to the '633, '331, and '026 patents. In June 2019, Intel filed IPR petitions challenging the patentability of certain claims in all five patents-in-suit. In January 2020, VLSI said that it was no longer asserting any claims of the '633 patent. In January and February 2020, the PTAB instituted review of the '552, '633, '331 and '026 patents, but declined to institute review of the '027 patent. As a result, the District Court stayed the case as to the '026 and '552 patents but allowed the case to proceed on the '027 and '331 patents. In January 2021, the PTAB invalidated certain asserted claims of the '026 patent, and in February the PTAB invalidated all asserted claims of the '552 patent. Both parties filed notices of appeal regarding the PTAB's decision as to the '026 patent in March 2021, and in April 2021, VLSI filed a notice of appeal of the PTAB's decision as to the '552 patent. The case remains stayed as to both of those patents. For the '027 and '331 patents, VLSI is seeking damages of approximately \$4.13 billion plus enhanced damages for the '027 patent. Intel is filing summary judgment motions and challenges to expert witnesses in accordance with the court's January 2022 deadline.

In March 2019, VLSI filed a third suit against Intel, also in US District Court for the District of Delaware, alleging infringement of six more patents acquired from NXP: US Patent Nos. 6,366,522; 6,663,187; 7,292,485; 7,606,983; 7,725,759; and 7,793,025. In April 2019, VLSI voluntarily dismissed this Delaware case without prejudice. In April 2019, VLSI filed three new infringement suits against Intel in the US District Court for the Western District of Texas (WDTX) accusing various Intel processors of infringement. The three suits collectively assert the same six patents from the voluntarily dismissed Delaware case plus two additional patents acquired from NXP, US Patent Nos. 7,523,373 and 8,156,357. VLSI accuses Intel of willful infringement and seeks an injunction or, in the alternative,

ongoing royalties, enhanced damages, attorneys' fees and costs, and interest. In the first Texas case, VLSI asserted the '373 and '759 patents (in December 2020, the court granted Intel summary judgment of non-infringement on the '357 patent, which had also been asserted in the first Texas case). That case went to trial in February 2021, and the jury awarded a "lump sum" to VLSI of \$1.5 billion for literal infringement of the '373 patent and \$675 million for infringement under the doctrine of equivalents of the '759 patent. The jury found that Intel had not willfully infringed either patent. Intel has challenged the verdict with post-trial motions, including filing in May 2021 a motion for a new trial and a motion for judgment as a matter of law that the '373 and '759 patents are not infringed and the '759 patent is invalid. The court denied the motion for new trial in August 2021, but other post-trial motions, including the motion for judgment as a matter of law, remain pending. If the court does not vacate the verdict, Intel will challenge it on appeal.

The second Texas case went to trial in April 2021, and the jury found that Intel does not infringe the '522 and '187 patents. VLSI had sought approximately \$3.0 billion for alleged infringement of those patents, plus enhanced damages for willful infringement. The court has not yet entered a judgment following the first or second trials in Texas.

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The third Texas case has been postponed and is not currently set for trial. In that case, VLSI seeks approximately \$2.2 billion to \$2.4 billion for alleged infringement of the '983, '025 and '485 patents, plus enhanced damages for willful infringement. In October and November 2019 and in February 2020, Intel filed IPR petitions on certain asserted claims across six of the patents-in-suit in WDTX. Between May and October 2020, the PTAB denied all of these petitions on a discretionary basis and without reviewing the merits. Intel requested a rehearing, as well as review from the POP, as to all petitions. All requests for POP review and rehearing were denied. Intel filed notices of appeal regarding the discretionary denials for all petitions in February and March of 2021. The Federal Circuit dismissed the appeals in May 2021 for lack of jurisdiction. The Federal Circuit denied Intel's petition for hearing *en banc* in August 2021. In December 2021, Intel petitioned the Supreme Court to hear its appeal as to whether the Federal Circuit has jurisdiction to review the PTAB's discretionary denials of Intel's IPRs.

In May 2019, VLSI filed a case in Shenzhen Intermediate People's Court against Intel, Intel (China) Co., Ltd., Intel Trading (Shanghai) Co., Ltd., and Intel Products (Chengdu) Co., Ltd. VLSI asserts Chinese Patent 201410094015.9, accusing certain Intel Core processors of infringement. VLSI requests an injunction as well as RMB 1 million in damages and RMB 300 thousand in expenses. Defendants filed an invalidation petition in October 2019 with the CNIPA, which held a hearing in September 2021. In May 2020, defendants filed a motion to stay the trial court proceedings pending a determination on invalidity. The court held the first evidentiary hearing in November 2020 and the second in July 2021. The court also held trial proceedings in the hearing in July 2021 and concluded that further trial proceedings were needed but indicated those would be stayed pending the outcome of defendants' invalidity challenge at the CNIPA. In July 2021, VLSI dismissed its case, but refiled it in August 2021. In November 2021, Intel moved for a stay of the August 2021 action pending a ruling on invalidity. The court has not yet ruled on that motion.

In May 2019, VLSI filed a second case in Shanghai Intellectual Property Court against Intel (China) Co., Ltd., Intel Trading (Shanghai) Co., Ltd., and Intel Products (Chengdu) Co., Ltd. VLSI asserts Chinese Patent 201080024173.7. VLSI accuses certain Intel Core processors and seeks an injunction, as well as RMB 1 million in damages and RMB 300 thousand in expenses. Defendants filed with the CNIPA an invalidation petition in October 2019 and the CNIPA held a hearing in September 2021, but has not yet issued a decision. In June 2020, defendants filed a motion to stay the trial court proceedings pending a determination on invalidity. The court held its first evidentiary hearing in September 2020. The court held a second evidentiary hearing in December 2020, and a trial the same month. At trial, VLSI dropped its monetary damages claim, but still requested expenses (RMB 300 thousand) and an injunction. The court has not yet issued a decision following the trial. Rather, the court stayed the case in December 2020 pending a determination on invalidity by the CNIPA.

In November 2019, Intel, along with Apple Inc., filed a complaint against Fortress Investment Group LLC, Fortress Credit Co. LLC, Uniloc 2017 LLC, Uniloc USA, Inc., Uniloc Luxembourg S.A.R.L., VLSI, INVT SPE LLC, Inventergy Global, Inc., DSS Technology Management, Inc., IXI IP, LLC, and Seven Networks, LLC. Plaintiffs allege violations of Section 1 of the Sherman Act by certain defendants, Section 7 of the Clayton Act by certain defendants, and California Business and Professions Code section 17200 by all defendants based on defendants' unlawful aggregation of patents. In 2020 and 2021, the court twice dismissed plaintiffs' complaint with leave to amend. In December 2020, the court granted a joint motion by Apple and Seven Networks to dismiss with prejudice Apple's claims against Seven Networks. Plaintiffs filed a second amended complaint in March 2021. Defendants moved to dismiss the Second Amended Complaint in May 2021. Apple withdrew from the case and dismissed its claims in June 2021. The court heard defendants' motion to dismiss the Second Amended Complaint in September 2021, and dismissed Intel's claims with prejudice that same month, entering judgment in favor of defendants. Intel filed a notice of appeal in December 2021.

In June 2020, affiliates controlled by Fortress Investment Group, which also controls VLSI, acquired Finjan Holdings, Inc. Intel had signed a "Settlement, Release and Patent License Agreement" with Finjan in 2012, acquiring a license to the patents of Finjan and its affiliates, current or future, through a capture period of November 20, 2022. The agreement also contains covenants wherein Finjan agrees to cause its affiliates to comply with the agreement. As such, Intel maintains that it now has a license to the patents of VLSI, which has become a Finjan affiliate, and that Finjan must cause VLSI to dismiss its suits against Intel. In August 2020, Intel started dispute resolution proceedings under the agreement. As a part of this dispute resolution process, Intel and Finjan held a mediation in December 2020, but failed to resolve their differences. Intel filed suit to enforce its rights under the License Agreement with Finjan in January 2021 in Delaware Chancery Court. In March 2021, defendants filed motions to dismiss the Chancery Court proceedings. The court heard those motions in May 2021, and dismissed all of Intel's claims—except the breach of contract claim—with prejudice in September 2021 for lack of jurisdiction because, the court reasoned, Intel's license defense has been raised in the other US suits between Intel and VLSI and could be adjudicated in one of those actions. The court stayed Intel's breach of contract claim pending a determination on whether Intel is licensed to VLSI's patents. In September 2020, Intel filed motions to stay the Texas, Delaware, and Shanghai matters pending resolution of its dispute with Finjan. In November 2020, Intel filed a motion to stay the Shenzhen matter pending resolution of its dispute with Finjan. In November 2020, the Delaware court denied Intel's motion to stay. The other stay motions remain pending. Finally, Intel filed a motion to amend its answer in the Texas matters to add a license

defense in November 2020, and filed a motion to amend its answer in the Delaware matter to add a license defense in February 2021. The Texas court has not yet ruled on Intel's motion to amend, but the Delaware court granted Intel's motion in July 2021.

In June 2021, OpenSky Industries LLC (OpenSky) requested IPR of certain claims of the '373 and '759 patents, including the ones a jury said Intel infringes. Both petitions copied Intel's earlier petitions, and used the expert declarations previously submitted by Intel. Another entity named Patent Quality Assurance LLC (PQA) also petitioned for IPR of certain claims of the '373 patent, including ones a jury said Intel infringes. PQA also largely copied Intel's petition, but added a challenge to an additional claim and included newly signed declarations from Intel's experts. In December 2021, the PTAB instituted OpenSky's petition on the '759 patent, but declined to institute on the '373 patent. In December 2021, Intel filed a motion to join OpenSky's '759 IPR. A decision on PQA's IPR petition is expected in January 2022.

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After consideration of the verdicts in the WDTX cases and the additional pending lawsuits filed by VLSI, Intel accrued a charge of \$2.2 billion in the first quarter of 2021. We dispute VLSI's claims and intend to vigorously defend against them.

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# Key Terms

We use terms throughout our document that are specific to Intel or that are abbreviations that may not be commonly known or used. Below is a list of these terms used in our document.

Term	Definition
2006 Plan	2006 Equity Incentive Plan
2006 ESPP	2006 Employee Stock Purchase Plan
2009 Debentures	3.25% junior subordinated convertible debentures due 2039
5G	The fifth-generation mobile network, which is expected to bring dramatic improvements in network speeds and latency, and which we view as a transformative technology and opportunity for many industries
ADAS	Advanced driver-assistance systems
Adjacent products	All of our non-platform products for CCG, DCG, and IOTG, such as modem, Ethernet and silicon photonics, as well as Mobileye, NSG, and PSG products. Combined with our platform products, adjacent products form comprehensive platform solutions to meet customer needs
Al	Artificial intelligence
ASIC	Application-specific integrated circuit
ASP	Average selling price
AV	Autonomous vehicle
CAGR	Compound annual growth rate
CCG	Client Computing Group operating segment
CDP	A nonprofit organization that runs a global disclosure system for investors, companies, cities, states, and regions to manage their environmental impacts
CODM	Chief operating decision maker
COVID-19	The infectious disease caused by the most recently discovered coronavirus (aka SARS-CoV-2), which was declared a global pandemic by the World Health Organization
CPU	Processor or central processing unit
CXL	Compute Express Link; an open standard for high-speed CPU-to-device and CPU-to-memory connections
DCG	Data Center Group operating segment
eASIC	An Intel line of structured ASICs that are an intermediary technology between FPGAs and standard-cell ASICs
EC	European Commission
Edge computing or intelligent edge	Placing resources to move, store, and process data closer to where data is generated and consumed
EEO-1	EEO-1 Component 1 report; a mandatory annual data collection that requires employers meeting certain criteria to submit demographic workforce data, including data by race/ethnicity, sex and jo categories.
EMIB	Embedded multi-die interconnect bridge, a form of "2.5D" packaging technology developed by Intel that enables high-density interconnect of heterogeneous chips
ERISA	Employee Retirement Income Security Act
EUNCAP	European New Car Assessment Programme
EV	Electric vehicle
EUV	Extreme ultraviolet lithography
Exchange Act	Securities Exchange Act of 1934
Form 10-K	Annual Report on Form 10-K
Foveros	Intel's high-performance, three-dimensional stacked chip packaging technology
FPGA	Field-programmable gate array
GPU	Graphics processing unit
GSR	The EU-General Safety Regulation for motor vehicles
IDM	Integrated device manufacturer, a semiconductor company that both designs and builds chips
IFS	Intel Foundry Services
IMECAS	Institute of Microelectronics, Chinese Academy of Sciences
IMRS	Internet of Things Market Ready Solutions
Internet of Things	The Internet of Things market in which we sell our IOTG and Mobileye products
I/O	Input/output
IOTG	Internet of Things Group operating segment
IP	Intellectual property
 IDO	Initial public offering

IPO

Initial public offering

**Table of Contents** 

IPU Infrastructure Processing Unit, a programmable networking device designed to enable cloud and

communication service providers to reduce overhead and free up performance for CPUs

L1 Level 1 of autonomous driving; most functions are controlled by a human driver; certain functions

(parking assist, acceleration, and limited steering) can be done automatically by the vehicle

L2 Level 2 of autonomous driving; the system controls both steering and acceleration using

information about the driving environment, but with the expectation that a human will perform all remaining aspects of driving; the driver can have his or her hands off the steering wheel, but must

monitor the "dynamic driving task" at all times

L2+ Level 2+ of autonomous driving; the system controls both steering and acceleration using a multi-

camera sensor suite and/or high-definition maps to enhance and solidify L2 capabilities

Level 4 of autonomous driving; the system performs all aspects of the driving task even if the

driver does not respond appropriately to a request for intervention, including all safety-critical driving functions and monitoring roadway conditions for an entire trip. For a defined use case, no

driver intervention is required at all.

MaaS Mobility-as-a-Service

MD&A Management's Discussion & Analysis
MG&A Marketing, general and administrative

NAND NAND flash memory

NIC Network interface controller

nm Nanometer

NSG Non-Volatile Memory Solutions Group operating segment

ODM Original design manufacturer
OEM Original equipment manufacturer

Platform products A microprocessor (CPU) and chipset, a stand-alone SoC, or a multichip package, based on

Intel architecture. Platform products are primarily used in solutions sold through the CCG, DCG,

and IOTG segments

PLD Programmable logic device

Program (specific

to Mobileye A process that takes two to three years of intense activity with the carmaker and Tier 1 after a

business) design win until Mobileye technology is launched into production

PRQ Product release qualification, which is the milestone when costs to manufacture a product are

included in inventory valuation

PSG Programmable Solutions Group operating segment

PSU Performance stock unit

QLC Quad-level cell

RAMP-C Rapid Assured Microelectronics Prototypes-Commercial, a program from the US Department of

Defense to facilitate the use of a domestic commercial foundry infrastructure

R&D Research and development

RDFV Readily determinable fair value

REM Road Experience Management

RSU Restricted stock unit SDS Self-driving system

SEC US Securities and Exchange Commission

SoC A System-on-a-Chip, which integrates most of the components of a computer or other electronic

system into a single silicon chip. We offer a range of SoC platform products in CCG, DCG, and

IOTG

SSD Solid-state drive

TAM Total addressable market

Tax Reform US Tax Cuts and Jobs Act

TCFD Task Force on Climate-Related Financial Disclosures

TLC Triple-level cell

TSR Total stockholder return

US GAAP US Generally Accepted Accounting Principles

US Pension Plan US Intel Minimum Pension Plan

US Retiree US Postretirement Medical Benefits Plan

Medical Plan

VPU Vision processing unit

xPU A term for processors that are designed for one of four major computing architectures: CPU, GPU,

accelerators, and FPGA

On July 26, 2021, we provided an update on our manufacturing process and packaging technology roadmaps. As part of this update, we introduced a new naming structure for our manufacturing process nodes, which includes the name changes summarized below:

Previous Process Node Name	New Process Node Name	
10nm SuperFin	10nm SuperFin (unchanged)	
10nm Enhanced SuperFin	Intel 7	
Intel 7nm	Intel 4	
intc-202 <b>3</b> പ്പറ്റമ്മ് ഇമുക്ക് petails		113

# Controls and Procedures

## Inherent Limitations on Effectiveness of Controls

Our management, including the principal executive officer and principal financial officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well-designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected.

### **Evaluation of Disclosure Controls and Procedures**

Based on management's evaluation (with the participation of our principal executive officer and principal financial officer), as of the end of the period covered by this report, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), are effective to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

# Changes in Internal Control Over Financial Reporting

There were no changes to our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended December 25, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

# Management Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of Consolidated Financial Statements for external purposes in accordance with US GAAP.

Management assessed our internal control over financial reporting as of December 25, 2021. Management based its assessment on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Management's assessment included evaluation of elements such as the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies, and our overall control environment.

Based on this assessment, management has concluded that our internal control over financial reporting was effective as of the end of the fiscal year to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Consolidated Financial Statements for external reporting purposes in accordance with US GAAP. We reviewed the results of management's assessment with the Audit Committee of our Board of Directors.

Our independent registered public accounting firm, Ernst & Young LLP, independently assessed the effectiveness of the company's internal control over financial reporting, as stated in the firm's attestation report, which is included within Financial Statements and Supplemental Details.

# **Exhibits**

- Financial Statements: See "Index to Consolidated Financial Statements" within the Consolidated Financial Statements.
- 2. Financial Statement Schedules; not applicable or the required information is otherwise included in the Consolidated Financial Statements and accompanying notes.
- 3. Exhibits: The exhibits listed in the accompanying index to exhibits are filed, furnished, or incorporated by reference as part of this Form 10-K.

Certain of the agreements filed as exhibits to this Form 10-K contain representations and warranties by the parties to the agreements that have been made solely for the benefit of the parties to the agreement. These representations and warranties:

- may have been qualified by disclosures that were made to the other parties in connection with the negotiation of the agreements, which disclosures are not necessarily reflected in the agreements;
- may apply standards of materiality that differ from those of a reasonable investor; and
- were made only as of specified dates contained in the agreements and are subject to subsequent developments and changed circumstances.

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date that these representations and warranties were made or at any other time. Investors should not rely on them as statements of fact.

# **Exhibit Index**

Incorporated I	by Reference
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						Filed or
Exhibit Number	Exhibit Description	Form	File Number	Exhibit	Filing Date	Furnished Herewith
2.1	Master Purchase Agreement between Intel Corporation and SK hynix Inc., dated as of October 19, 2020	8-K	000-06217	2.1	10/20/2020	
3.1	Intel Corporation Third Restated Certificate of Incorporation of Intel Corporation dated May 17, 2006	8-K	000-06217	3.1	5/22/2006	
3.2	Intel Corporation Bylaws, as amended and restated on March 10,2021	8-K	000-06217	3.2	3/16/2021	
4.1	Indenture dated as of March 29, 2006 between Intel Corporation and Wells Fargo Bank, National Association (as successor to Citibank N.A.) (the "Open-Ended Indenture")	S-3ASR	333-132865	4.4	3/30/2006	
4.2	First Supplemental Indenture to Open- Ended Indenture, dated as of December 3, 2007	10-K	000-06217	4.2.4	2/20/2008	
4.3	Second Supplemental Indenture to Open- Ended Indenture for the Registrant's 1.95% Senior Notes due 2016, 3.30% Senior Notes due 2021, and 4.80% Senior Notes due 2041, dated as of September 19, 2011	8-K	000-06217	4.01	9/19/2011	
4.4	Third Supplemental Indenture to Open- Ended Indenture for the Registrant's 1.35% Senior Notes due 2017, 2.70% Senior Notes due 2022, 4.00% Senior Notes due 2032, and 4.25% Senior Notes due 2042, dated as of December 11, 2012	8-K	000-06217	4.01	12/11/2012	
4.5	Fourth Supplemental Indenture to Open- Ended Indenture for the Registrant's 4.25% Senior Notes due 2042, dated as of December 14, 2012	8-K	000-06217	4.01	12/14/2012	
4.6	Fifth Supplemental Indenture to Open- Ended Indenture, dated as of July 29, 2015, between Intel Corporation and Wells Fargo Bank, National Association, as successor trustee	8-K	000-06217	4.1	7/29/2015	
4.7	Eighth Supplemental Indenture to Open- Ended Indenture, dated as of May 19, 2016, between Intel Corporation and Wells Fargo Bank, National Association, as successor trustee	8-K	000-06217	4.1	5/19/2016	
4.8	Ninth Supplemental Indenture to Open- Ended Indenture, dated as of May 11, 2017, between Intel Corporation and Wells Fargo Bank, National Association, as successor trustee	8-K	000-06217	4.1	5/11/2017	
4.9	Tenth Supplemental Indenture to Open- Ended Indenture, dated as of June 16, 2017, between Intel Corporation and Wells Fargo Bank, National Association, as successor trustee	8-K	000-06217	4.1	6/16/2017	
4.10	Eleventh Supplemental Indenture to Open- Ended Indenture, dated as of August 14, 2017, among Intel Corporation, Wells Fargo Bank, National Association, as successor trustee, and Elavon Financial Services DAC, UK Branch, as paying agent	8-K	000-06217	4.1	8/14/2017	
4.11	Twelfth Supplemental Indenture to Open- Ended Indenture, dated as of December 8, 2017, between Intel Corporation and Wells	10-K	000-06217	4.2.13	2/16/2018	

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Incor	porated	by R	eference

Exhibit Number	Exhibit Description	Form	File Number	Exhibit	Filing Date	Filed or Furnished Herewith
4.12	Thirteenth Supplemental Indenture, dated as of November 21, 2019, between Intel Corporation and Wells Fargo Bank, National Association, as successor trustee	8-K	000-06217	4.1	11/21/2019	
4.13	Fourteenth Supplemental Indenture, dated as of February 13, 2020, between Intel Corporation and Wells Fargo Bank, National Association, as successor trustee	8-K	000-06217	4.1	2/13/2020	
4.14	Fifteenth Supplemental Indenture, dated as of February 13, 2020, between Intel Corporation and Wells Fargo Bank, National Association, as successor trustee	8-K	000-06217	4.2	2/13/2020	
4.15	Sixteenth Supplemental Indenture, dated as of March 25, 2020, between Intel Corporation and Wells Fargo Bank, National Association, as successor trustee	8-K	000-06217	4.1	3/25/2020	
4.16	Seventeenth Supplemental Indenture, dated as of August 12, 2021, between Intel Corporation and Wells Fargo Bank, National Association, as successor trustee	8-K	000-06217	4.1	8/12/2021	
4.17	Guarantee dated December 28, 2015 by Intel Corporation in favor of U.S. Bank, National Association, as Trustee for the holders of Altera's 1.750% Senior Notes due 2017, 2.500% Senior Notes due 2018 and 4.100% Senior Notes due 2023	8-K	000-06217	99.2	12/28/2015	
	Certain instruments defining the rights of holders of long-term debt of Intel Corporation are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. Intel Corporation hereby agrees to furnish to the Securities and Exchange Commission, upon request, copies of such instruments.					
4.18	Description of Intel Securities Registered under Section 12 of the Exchange Act					Х
10.1 <sup>†</sup>	Intel Corporation 2006 Equity Incentive Plan, as amended and restated, effective May 16, 2019	10-Q	000-06217	10.1	7/26/2019	
10.1.2 <sup>†</sup>	Intel Corporation Form of Notice of Grant - Restricted Stock Units	10-Q	000-06217	10.1	10/25/2018	
10.1.3 <sup>†</sup>	Intel Corporation Form of Restricted Stock Unit Grant Agreement under the 2006 Equity Incentive Plan (for RSUs with retirement vesting terms granted to executives on or after January 30, 2019)	10-Q	000-06217	10.3	4/26/2019	
10.1.4 <sup>†</sup>	Intel Corporation Form of Restricted Stock Unit Grant Agreement under the 2006 Equity Incentive Plan (for RSUs without retirement vesting terms granted to executives on or after January 30, 2019)	10-Q	000-06217	10.4	4/26/2019	
10.1.5 <sup>†</sup>	Intel Corporation Form of Restricted Stock Unit Grant Agreement under the 2006 Equity Incentive Plan (for performance-based RSUs granted to grandfathered executives on or after January 30, 2019)	10-Q	000-06217	10.5	4/26/2019	
10.1.6 <sup>†</sup>	Intel Corporation Form of Restricted Stock Unit Grant Agreement under the 2006 Equity Incentive Plan (for performance-based RSUs granted to non-grandfathered executives on or after January 30, 2019)	10-Q	000-06217	10.1	4/24/2020	

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			Incorporated b	Incorporated by Reference				
Exhibit Number	Exhibit Description	Form	File Number	Exhibit	Filing Date	Filed or Furnished Herewith		
10.1.7 <sup>†</sup>	Intel Corporation Form of Restricted Stock Unit Grant Agreement under the 2006 Equity Incentive Plan (for strategic growth performance-based RSUs granted to executives on or after February 1, 2019)	10-Q	000-06217	10.6	4/26/2019			
10.1.8 <sup>†</sup>	Intel Corporation Restricted Stock Unit Grant Agreement under the 2006 Equity Incentive Plan (for performance-based RSUs granted to Robert Swan for interim CEO service on January 30, 2019)	10-Q	000-06217	10.9	4/26/2019			
10.1.9 <sup>†</sup>	Intel Corporation Form of Stock Option Grant Agreement under the 2006 Equity Incentive Plan (for strategic growth performance-based stock options granted to executives on or after February 1, 2019)	10-Q	000-06217	10.7	4/26/2019			
10.1.10 <sup>†</sup>	Intel Corporation Form of Non-Employee Director Restricted Stock Unit Grant Agreement under the 2006 Equity Incentive Plan (for RSUs granted to non-employee directors on or after January 30, 2019)	10-Q	000-06217	10.11	4/26/2019			
10.1.11 <sup>†</sup>	Intel Corporation 2021 Inducement Plan	S-8	333-253077	99.1	2/12/2021			
10.1.12 <sup>†</sup>	Intel Corporation Restricted Stock Unit Agreement under the 2021 Inducement Plan (for time-vesting RSUs)	10-Q	000-06217	10.3	4/23/2021			
10.1.13 <sup>†</sup>	Intel Corporation Restricted Stock Unit Agreement under the 2021 Inducement Plan (for optional investment matching RSUs)	10-Q	000-06217	10.4	4/23/2021			
10.1.14 <sup>†</sup>	Intel Corporation Restricted Stock Unit Agreement under the 2021 Inducement Plan (for relative TSR performance-based RSUs)	10-Q	000-06217	10.5	4/23/2021			
10.1.15 <sup>†</sup>	Intel Corporation Restricted Stock Unit Agreement under the 2021 Inducement Plan (for strategic growth performance-based RSUs)	10-Q	000-06217	10.6	4/23/2021			
10.1.16 <sup>†</sup>	Intel Corporation Restricted Stock Unit Agreement under the 2021 Inducement Plan (for outperformance performance-based RSUs)	10-Q	000-06217	10.7	4/23/2021			
10.1.17 <sup>†</sup>	Intel Corporation Option Agreement under the 2021 Inducement Plan (for strategic growth performance-based stock options)	10-Q	000-06217	10.8	4/23/2021			
10.2 <sup>†</sup>	Intel Corporation Executive Annual Performance Bonus Plan, effective as of January 1, 2020	8-K	000-06217	10.1	1/22/2020			
10.3 <sup>†</sup>	Intel Corporation Sheltered Employee Retirement Plan Plus, as amended and restated, effective January 1, 2020	10-Q	000-06217	10.3	4/24/2020			
10.4 <sup>†</sup>	Intel Corporation 2006 Employee Stock Purchase Plan, as amended and restated, effective May 14, 2020	10-Q	000-06217	10.1	7/24/2020			
10.5 <sup>†</sup>	Intel Corporation 2006 Deferral Plan for Outside Directors, effective November 15, 2006	10-K	000-06217	10.41	2/26/2007			
10.6 <sup>†</sup>	Form of Indemnification Agreement with Directors and Executive Officers	10-K	000-06217	10.15	2/22/2005			
10.7 <sup>†</sup>	Form of Indemnification Agreement with Directors and Executive Officers (for Directors and Executive Officers who joined Intel after July 1, 2016)	10-Q	000-06217	10.2	10/31/2016			
10.8	Settlement Agreement Between Advanced	8-K	000-06217	10.1	11/12/2009			

			<u>-</u>			
Exhibit Number	Exhibit Description	Form	File Number	Exhibit	Filing Date	Filed or Furnished Herewith
10.9 <sup>††</sup>	Patent Cross License Agreement between NVIDIA Corporation and Intel Corporation, dated January 10, 2011	8-K	000-06217	10.1	1/10/2011	
10.10 <sup>†</sup>	Offer Letter between Intel Corporation and Sandra Rivera, dated June 21, 2021	10-Q	000-06217	10.1	7/23/2021	
10.11 <sup>†</sup>	Offer Letter between Intel Corporation and Patrick Gelsinger, dated January 13, 2021	8-K	000-06217	10.1	1/14/2021	
10.12 <sup>†</sup>	Lease Agreement between Intel Corporation and Steven R. Rodgers <sup>††</sup>	10-Q	000-06217	10.12	4/26/2019	
10.13 <sup>†</sup>	Offer Letter between Intel Corporation and George S. Davis, dated April 2, 2019	8-K	000-06217	10.1	4/3/2019	
21.1	Intel Corporation Subsidiaries					X
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm					Χ
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) of the Exchange Act					Х
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act					Х
32.1	Certification of the Chief Executive Officer and the Chief Financial Officer pursuant to Rule13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350					Х
99.1	Supplement to Present Required Information in Searchable Format					Χ
101	Inline XBRL Document Set for the consolidated financial statements and accompanying notes in Financial Statements and Supplemental Details					Х
104	Cover Page Interactive Data File - formatted in Inline XBRL and included as Exhibit 101					Χ

<sup>&</sup>lt;sup>†</sup> Management contracts or compensation plans or arrangements in which directors or executive officers are eligible to participate.

 $<sup>^{\</sup>dagger\dagger}$  Portions of this exhibit have been omitted pursuant to an order granting confidential treatment.

# Form 10-K Cross-Reference Index

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tem 1.	Business:	D 0.7.40	
	General development of business	Pages <u>2-7</u> , <u>19</u>	
	Description of business	Pages <u>2-36</u> , <u>48-49</u> , <u>66</u> , <u>82-85</u>	
	Available information	Page <u>66</u>	
tem 1A.	Risk Factors	Pages <u>50</u> - <u>63</u>	
tem 1B.	Unresolved Staff Comments	Not applicable	
tem 2.	Properties	Pages <u>12</u> , <u>64</u>	
tem 3.	Legal Proceedings	Pages <u>105</u> - <u>110</u>	
tem 4.	Mine Safety Disclosures	Not applicable	
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Item 5.	Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities	Equity, Related Stockholder Matters, and Issuer Purchases of Equity Pages 9, 64-65	
tem 6.	[Reserved]		
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations:		
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	Liquidity and capital resources	Pages <u>4-5, 42-44, 45-47</u>	
	Critical accounting estimates and policies	Pages <u>44, 77</u> - <u>82</u>	
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	Page <u>49</u>	
tem 8.	Financial Statements and Supplementary Data	Pages <u>68</u> - <u>113</u>	
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	Not applicable	
tem 9A.	Controls and Procedures	Page <u>114</u>	
tem 9B.	Other Information  Disclosure Pursuant to Section 13(r) of the Securities Exchange Act of 1934	Page <u>67</u>	
tem 9C.	Disclosure Regarding Foreign Jurisdictions that Prevent Inspections	Not applicable	
Part III			
tem 10.	Directors, Executive Officers, and Corporate Governance	Page <u>66</u> , (a)	
tem 11.	<b>Executive Compensation</b>	(b)	
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	(c)	
Item 13.	Certain Relationships and Related Transactions, and Director Independence	(d)	
Item 14.	Principal Accounting Fees and Services	(e)	
Part IV			
Item 15.	Exhibits and Financial Statement Schedules	Pages <u>115</u> - <u>119</u>	
Item 16.	Form 10-K Summary	Not applicable	
Signatures		Page <u>121</u>	

- (a) Incorporated by reference to "Proposal 1: Election of Directors," "Corporate Governance," "Code of Conduct," and "Other Matters-Delinquent Section 16(a) Reports" in the 2022 Proxy Statement. The information under the heading "Information about Our Executive Officers" within Other Key Information is also incorporated by reference in this section.
- (b) Incorporated by reference to "Director Compensation," "Compensation Discussion and Analysis," "Report of the Compensation Committee," and "Executive Compensation" in the 2022 Proxy Statement.
- (c) Incorporated by reference to "Security Ownership of Certain Beneficial Owners and Management" and "Equity Compensation Plan Information" in the 2022 Proxy Statement.
- (d) Incorporated by reference to "Corporate Governance" and "Certain Relationships and Related Transactions" in the 2022 Proxy Statement.
- (e) Incorporated by reference to "Report of the Audit Committee" and "Proposal 2: Ratification of Selection of Independent Registered Public Accounting Firm" in the 2022 Proxy Statement.

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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.

# INTEL CORPORATION Registrant

By: /s/ PATRICK P. GELSINGER

Patrick P. Gelsinger

Chief Executive Officer, Director, and Principal

Executive Officer January 26, 2022

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.

/s/ PATRICK P. GELSINGER	/s/ DAVID ZINSNER			
Patrick P. Gelsinger	David Zinsner			
Chief Executive Officer, Director, and Principal Executive Officer	Executive Vice President, Chief Financial Officer, Principal			
January 26, 2022	Financial Officer, and Principal Accounting Officer January 26, 2022			
/s/ JAMES J. GOETZ	/s/ DR. TSU-JAE KING LIU			
James J. Goetz	Dr. Tsu-Jae King Liu			
Director	Director			
January 26, 2022	January 26, 2022			
/s/ DR. ANDREA J. GOLDSMITH	/s/ GREGORY D. SMITH			
Andrea J. Goldsmith	Gregory D. Smith			
Director	Director			
January 26, 2022	January 26, 2022			
/s/ ALYSSA HENRY	/s/ DION J. WEISLER			
Alyssa Henry	Dion J. Weisler			
Director	Director			
January 26, 2022	January 26, 2022			
/s/ DR. OMAR ISHRAK	/s/ FRANK D. YEARY			
Dr. Omar Ishrak	Frank D. Yeary			
Chairman of the Board and Director	Director			
January 26, 2022	January 26, 2022			
/s/ DR. RISA LAVIZZO-MOUREY				
Dr. Risa Lavizzo-Mourey				
Director				
January 26, 2022				

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## **UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

## **FORM 10-K**

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  For the fiscal year ended December 26, 2020.  or  TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  For the transition period from
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  For the transition period from to  Commission File Number 000-06217  intc-20201226_g1.jpg  INTEL CORPORATION  (Exact name of registrant as specified in its charter)
For the transition period from to  Commission File Number 000-06217  intc-20201226_g1.jpg  INTEL CORPORATION  (Exact name of registrant as specified in its charter)
intc-20201226_g1.jpg  INTEL CORPORATION (Exact name of registrant as specified in its charter)
intc-20201226_g1.jpg  INTEL CORPORATION  (Exact name of registrant as specified in its charter)
INTEL CORPORATION (Exact name of registrant as specified in its charter)
(Exact name of registrant as specified in its charter)
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Delaware 94-16/2/43
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)
2200 Mission College Santa California 95054-1549
Boulevard, Clara,
(Address of principal executive offices) (Zip Code)
Registrant's telephone number, including area code <b>(408) 765-8080</b> Securities registered pursuant to Section 12(b) of the Act:
<u>Title of each class</u> <u>Trading symbol</u> <u>Name of each exchange on which registers</u>
Common stock, \$0.001 par value INTC Nasdaq Global Select Market
Securities registered pursuant to Section 12(g) of the Act:  None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes 🗵 No
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes $\square$ No $\square$
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes $\square$ No $\square$
Indicate by check mark whether the registrant has submitted electronically every interactive data file required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes $\square$ No $\square$
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.
Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Smaller Reporting Company Company
If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for

complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.  $\ \Box$ 

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the
effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C 7262(b)) by the
registered public accounting firm that prepared or issued its audit report. ☑

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

Aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant as of June 26, 2020, based upon the closing price of the common stock as reported by the Nasdaq Global Select Market on such date, was \$244.5 billion. 4,063 million shares of common stock were outstanding as of January 15, 2021.

## DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's proxy statement related to its 2021 Annual Stockholders' Meeting to be filed subsequently are
incorporated by reference into Part III of this Form 10-K. Except as expressly incorporated by reference, the registrant's proxy
statement shall not be deemed to be part of this report.

## **Table of Contents**

## Organization of Our Form 10-K

The order and presentation of content in our Form 10-K differs from the traditional SEC Form 10-K format. Our format is designed to improve readability and better present how we organize and manage our business. See "Form 10-K Cross-Reference Index" within the Financial Statements and Supplemental Details for a cross-reference index to the traditional SEC Form 10-K format. To reflect our focus on transforming from a PC-centric¹ company to a data-centric company, we have presented our data-centric businesses¹ first in the "Segment Trends and Results" within MD&A.

We have defined certain terms and abbreviations used throughout our Form 10-K in "Key Terms" within the Financial Statements and Supplemental Details.

The preparation of our Consolidated Financial Statements is in conformity with U.S. GAAP. Our Form 10-K includes key metrics that we use to measure our business, some of which are non-GAAP measures. See "Non-GAAP Financial Measures" within MD&A for an explanation of these measures and why management uses them and believes they provide investors with useful supplemental information.

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<sup>&</sup>lt;sup>1</sup> Intel's definition is included in "Key Terms" within the Financial Statements and Supplemental Details.

## Forward-Looking Statements

This Form 10-K contains forward-looking statements that involve a number of risks and uncertainties. Words such as "anticipates," "expect," "intend," "strive," "goals," "plans," "ambitions," "opportunity," "future," "to be," "achieve," "grow," "committed," "believes," "seeks," "targets," "estimated," "continues," "likely," "possible," "may," "might," "potentially," "will," "would," "should," "could," "on track," and variations of such words and similar expressions are intended to identify such forward-looking statements. In addition, any statements that refer to future responses to and effects of COVID-19; projections of our future financial performance; future business, social, and environmental performance, goals, and measures; our anticipated growth and trends in our businesses and operations; projected growth and trends in markets relevant to our businesses; business and investment plans; future products and technology, and the expected regulation, availability and benefits of such products and technology; projected cost and yield trends; expected timing and impact of acquisitions, divestitures, and other significant transactions, including statements relating to the pending divestiture of our NAND memory business to SK hynix Inc. (SK hynix); expected completion of restructuring activities; availability, uses, sufficiency, and cost of capital of capital resources, including expected returns to stockholders such as dividends and share repurchases, and the expected timing of future repurchases; our valuation; future production capacity and product supply; the future purchase, use, and availability of products, components, and services supplied by third parties, including third-party IP and manufacturing services; tax- and accounting-related expectations; LIBOR-related expectations; uncertain events or assumptions, including statements relating to TAM or market opportunity, and other characterizations of future events or circumstances are forwardlooking statements. Such statements are based on management's expectations as of the date of this filing, unless an earlier date is specified, and involve many risks and uncertainties that could cause our actual results to differ materially from those expressed or implied in our forward-looking statements. Such risks and uncertainties include those described throughout this report and particularly in "Risk Factors" within Other Key Information. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. Readers are urged to carefully review and consider the various disclosures made in this Form 10-K and in other documents we file from time to time with the SEC that disclose risks and uncertainties that may affect our business. Unless specifically indicated otherwise, the forward-looking statements in this Form 10-K do not reflect the potential impact of any divestitures, mergers, acquisitions, or other business combinations that have not been completed as of the date of this filing. In addition, the forward-looking statements in this Form 10-K are made as of the date of this filing, unless an earlier date is specified, including expectations based on third-party information and projections that management believes to be reputable, and Intel does not undertake, and expressly disclaims any duty, to update such statements, whether as a result of new information, new developments, or otherwise, except to the extent that disclosure may be required by law.

## Note Regarding Third-Party Information

This Form 10-K includes market data and certain other statistical information and estimates that are based on reports and other publications from industry analysts, market research firms, and other independent sources, as well as management's own good faith estimates and analyses. Intel believes these third-party reports to be reputable, but has not independently verified the underlying data sources, methodologies, or assumptions. The reports and other publications referenced are generally available to the public and were not commissioned by Intel. Information that is based on estimates, forecasts, projections, market research, or similar methodologies is inherently subject to uncertainties, and actual events or circumstances may differ materially from events and circumstances reflected in this information.

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## A Year in Review

We achieved record revenue of \$77.9 billion, with 49% from our data-centric businesses, amid the effects of the COVID-19 pandemic. The dynamic of work and learn from home resulted in strong demand for notebook PCs, while demand for desktop PCs weakened. Demand in the DCG cloud service providers market segment grew, while enterprise and government declined on macroeconomic weakness. We shipped a higher volume of 10nm products than we had anticipated at the beginning of the year. The increased mix of 10nm, combined with a higher portion of revenue from lower margin adjacent businesses, offset higher platform revenue and drove a decline in gross margin of 3 percentage points. We invested \$13.6 billion in R&D, reduced our spending to 25.3% of revenue, and signed an agreement to divest our NAND memory business. We made capital investments of \$14.3 billion, and generated \$35.4 billion cash from operations and \$21.1 billion of free cash flow. We also returned \$19.8 billion to stockholders, including \$5.6 billion in dividends and \$14.2 billion in buybacks.

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"We achieved record revenue for the fifth consecu year and maintained a strong balance sheet and lice position. Our results amid the challenges of a glob pandemic and an uncertain economy reflect the importance of our technology and the resilience of employees around the world."

—George Davis, Chief Financial Officer

\$5.30

non-GAAP1

Diluted EPS up

\$0.43 or 9% from

	/ei	

- PC-centric \$B
- Data-centric \$B

## **Operating Income**

■ GAAP \$B ■ Non-GAAP \$B

## **Diluted EPS**

■ GAAP ■ Non-GAAP

## Cash Flows

Operating Cash Flow \$

\$35.4B

Operating cash

flow up \$2.2B or

cash flow to net

income at 169%

Working capital cha

accounts receivable

income taxes offse

liabilities; free cash

operating cash flow

7%; operating

■ Free Cash Flow¹ \$B

**GAAP** 

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**GAAP** 

at 30%

\$23.7B

Operating income

up \$1.6B or 7%

from 2019; 2020

operating margin

## \$77.9B

### **GAAP**

Revenue up 8% from 2019; Datacentric up 9% and PC-centric up 8%

Strong demand in notebook PCs and DCG cloud and communications market segments, and NAND pricing recovery, partially offset by weakened demand in desktop PCs and lower platform<sup>2</sup> ASPs

recovery, and improved NAND unit cost, partially offset by higher platform unit cost with increased 10nm product mix, and lower platform ASPs

Higher gross margin dollars driven by

higher platform unit sales, NAND pricing

\$25.3B

Operating income

up \$1.5B or 6%

from 2019; 2020

operating margin

at 32%

non-GAAP1

## Goal (2019 - 2021)<sup>3</sup>

Keep non-GAAP operating margin roughly flat at approximately 32% over the next three years

**GAAP** 

## \$4.94

Diluted EPS up \$0.23 or 5% from 2019

Goal (2019 - 2021)3

# 2019

Higher gross margin dollars, lower shares outstanding, and equity investment gains, partially offset by higher effective tax rate

Grow non-GAAP diluted EPS in line

with revenue over the next three years

## Goal (2019 - 2021)

Achieve free cash flow approximately 80% of income by 2021

spending

## Goal (2019 - 2021)<sup>3</sup>

Low single-digit growth over the next three years to \$76B-\$78B; data-centric businesses high singledigit growth and PC-centric business approximately flat to slightly down

## **Progress**

Non-GAAP diluted EPS grew 9% from 2019 to 2020; revenue grew 8% over the same period

## **Progress**

Free cash flow in 2020 non-GAAP net income

## **Progress**

Revenue grew 8% from 2019 to 2020, to \$77.9B

## **Progress** Non-GAAP operating margin was 32%

- See "Non-GAAP Financial Measures" within MD&A.
- <sup>2</sup> See "Our Products" within MD&A.
- <sup>3</sup> 2019-2021 goals were announced during the May 2019 Investor Meeting.

The COVID-19 pandemic has changed the lives of our employees, our customers, and our community. We are proud of how our team responded, showing resilience, innovating in real time, and demonstrating the tremendous value of our worldwide manufacturing netw customers and partners around the world. Additionally, we launched our Pandemic Response Technology Initiative, which supports es workers, hard-hit businesses, and students of all ages with Intel-funded projects led by employees along with our global customers an We have learned vital lessons about the critical role technology can play, and has played, in so many areas during the pandemic—from healthcare and telehealth, to remote learning, to innovative technology solutions to help businesses safely reopen. Most importantly, a company, we have learned to operate with more empathy, agility, and velocity. We look at our products not for what we know they can what they might be able to do in a changed world.

Data-Centric Businesses Expand with New Opportunities

## Data-centric portfolio for 5G network infrastructure

We introduced a broad, data-centric portfolio for 5G network infrastructure, including the Intel<sup>®</sup> Atom<sup>®</sup> P5900, our first Intel<sup>®</sup> architecture-based 10nm SoC for wireless base stations; a next-generation structured ASIC for 5G network acceleration; new 2nd Gen Intel<sup>®</sup> Xeon<sup>®</sup> Scalable processors; and the Intel<sup>®</sup> Ethernet 700 Series Network Adapter with hardware-enhanced Precision Time Protocol, the first 5G network-optimized Ethernet NIC.

PC-Centric Business Innovates

11th Gen Intel® Core™ processor

We launched our new processor familaptops, 11th Gen Intel Core processor Intel® Iris® Xe graphics leveraging our SuperFin process technology. The 11 Intel Core processors optimize power with leading performance and responsible running at significantly higher from the processor of the processor

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intc-20201226\_g14.jpg

## Ice Lake server processors

We are now shipping the 10nm-based 3rd Gen Intel Xeon Scalable processors (previously referred to as Ice Lake), which include several architectural, process technology, and platform innovations for performance, security, and operational efficiency.

## Moovit acquisition

We acquired Moovit for \$915 million to accelerate Mobileye's MaaS offering. Moovit is known for its urban mobility application and brings Mobileye closer to achieving our plan to become a complete mobility provider, including robotaxi services.

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## Intel<sup>®</sup> Evo™ platforms

We introduced the Intel Evo platform brand for designs based on 11th Gen Intel Core processors with Intel Iris Xe graphics. Devices with the Intel Evo platform brand are verified, measured, and tested against specification

intc-202012

## Planned divestiture of NAND memory business

We signed an agreement with SK hynix Inc. (SK hynix), to divest our NAND memory business, including our NAND memory fabrication facility in Dalian, China and certain related equipment and tangible assets (Fab Assets), our NAND SSD business (NAND SSD Business), and our NAND memory technology and manufacturing business (NAND OpCo Business).

and key experience indicators as part edition of our laptop innovation progra Athena.

xPU era with oneAPI and discrete GPUs

### 2030 RISE Strategy and Corporate Responsibility Goals

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We created our **RISE** strategy and established our 2030 corporate responsibility goals (2030 through which we aim to leverage our leadership position in the global technology ecosystem create a more **responsible**, **inclusive**, and **sustainable** world, **enabled** through our technology the expertise and passion of our employees.

Our RISE strategy and 2030 goals are deeply rooted in our corporate purpose and aligned wire business strategy to enable us to create value for our customers, investors, employees, and costakeholders over the next decade and beyond.

intc-2020 Un2026 meg 2ajp of Our Business

## Our Strategy

Our strategy is to play a larger role in our customers' success by delivering a predictable cadence of leadership products.

The world is changing and driving the need for exponentially more computing. First we experienced the PC era, followed by the mobile and cloud era. We are now entering the era of distributed intelligence, where computing is pervasive and so many things in our lives—our homes, our cars, our hospitals, and our cities—now function like computers. In this world of distributed intelligence, our three fastest growing opportunities are AI, 5G network transformation, and the intelligent and autonomous edge.

We have a history of transforming to capitalize on market shifts, and we are in the midst of another significant transformation to position ourselves and our customers for growth. With our focus on execution and re-energized culture as a force multiplier, we are transforming from a CPU to a multi-architecture xPU company, from silicon to platforms, and from a traditional IDM to a new, modern IDM. Our priorities are to strengthen our core, extend our reach, and redefine our position in the industry. Our capital provides a foundation to invest in our growth and to supplement and strengthen our capabilities. We are thoughtfully deploying capital and focusing our investment in differentiated technologies where we can play a bigger role in the success of our customers and deliver attractive returns to our stockholders.

### **Our Priorities**

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## Improve Execution to Strengthen Our Core

We have made changes that help position us to sharpen our operational excellence and process technology. We have streamlined our product roadmaps, evolved our technical organization to drive greater transparency and accountability, and exited businesses to enable focus on our core strategy.

Technical talent. Our leadership team has deep technical, engineering, and business expertise and is focused on our opportunities. We are re-energizing our culture to drive better business outcomes for our customers by instilling a growth mindset, increasing accountability around shared company goals, implementing new operational protocols, and renewing a sense of purpose and value to create an environment for innovation and growth.

Continuous innovation. To deliver leadership products, we continue to innovate across all of the areas that are key to product leadership: process and packaging, architecture, memory, interconnect, security, and software. With these six areas, we are creating innovative xPU platforms that uniquely serve diverse new workload opportunities, and transforming from silicon to platforms to solve customers' problems through complete solutions offerings.

Predictable cadence. We have made an architectural shift to die disaggregation that, when combined with our differentiated advanced packaging, creates flexibility to use the process that best serves our customers and supports our ability to deliver on a predictable cadence. Disaggregated design allows us to manufacture different components of a chip on different processes: some components can benefit from the greater performance of the latest process node, while others can leverage lower-cost nodes where differentiated performance is not needed. Through disaggregated design, we mix and match architectures, IP, process nodes, and silicon from our own manufacturing facilities or from external foundries.

New, modern IDM. We are investing to transform our traditional IDM model to adapt to an evolving industry. This means creating greater flexibility to use internal or external foundry processes. It requires that we continue to lead advances in silicon technology by leaning into our expertise and manufacturing scale, while evolving to engage with the ecosystem in new and different ways. It also requires that we leverage our disaggregated design capabilities and continue to manufacture new products with significant cost advantage. We will also continue to invest in process technology development to bring to market the future process nodes and advanced packaging capabilities that create product differentiation and customization, while also enabling manufacturing optionality.

Evolving our engagement with the broader silicon manufacturing and design ecosystem involves working as a strategic partner with equipment vendors, EDA providers, and third-party foundries to help enhance the performance of our manufacturing tools, optimize design software for our processes, simplify design, improve efficiency, and standardize components. This also involves increasing the strategic use of third-party IP for standardized components to allow us to focus on differentiating technology, and updating our design methodologies to support movement of our designs to and from external foundries.

## Extend Our Reach to Accelerate Our Growth

Diverse product portfolio to capitalize on the fastest growing opportunities. The proliferation of data analytics, edge computing, and AI is driving a diverse and expanding range of computing applications from edge to cloud. In response, we are innovating to deliver products including a mix of scalar, vector, matrix, and spatial architectures deployed in CPUs, GPUs, accelerators, and FPGAs—unified by an open, industry-standard programming model, oneAPI, to simplify application development.

Al helps our customers make sense of data to unleash its potential. We offer a combination of hardware and software technologies that deliver broad capabilities to support computing, storage, transmission, and tuning in Al. We have taken a multi-architecture approach to Al hardware. Intel Xeon processors provide a foundation for analytics and Al, and software like the OpenVINO<sup>TM</sup> toolkit significantly simplifies the deployment of solutions. Intel<sup>®</sup> FPGAs allow customers to access leading Al inferencing performance for their models. Similarly, Intel<sup>®</sup> Movidius<sup>TM</sup> Myriad<sup>TM</sup> VPUs are purpose-built for Al and support diverse approaches for innovation in a wide range of applications, from healthcare to autonomous driving to facial recognition. Habana's Gaudi\* Al training Processor and Goya\* Al Inference Processor offer an easy-to-program development environment to help customers deploy and differentiate their solutions as Al workloads continue to evolve with growing demands on computing, memory, and connectivity.

The transition to 5G and the cloudification<sup>1</sup> of the network present a significant opportunity. 5G connectivity will transform industries from all business sectors and it continues to be a strategic priority across Intel. We are collaborating with ecosystem and vertical industry partners to define, prototype, test, and deliver 5G standards and solutions. Our 5G efforts are focused on network infrastructure and other data-centric opportunities, and our team has developed a valuable IP portfolio of products designed to support 5G network infrastructure, including the Intel Atom P5900 processor, a next-generation structured ASIC for 5G network acceleration, the new 2nd Gen Intel Xeon Scalable processors, and the Intel<sup>®</sup> Ethernet 700 Series Network Adapter.

Moving compute to the edge, where data is generated and consumed, provides new insight and revenue from previously untapped data. Our portfolio of products and capabilities positions us well to play a larger role in our customers' success. We are investing in processors with features made for edge workloads. We announced new enhanced Internet of Things capabilities, including 11th Gen Intel Core processors, Intel Atom x6000E series processors, Pentium® processors, and Celeron® N and J series processors, bringing new AI, security, functional safety, and real-time capabilities to edge customers. This year, we announced Mobileye\* Supervision™, the EyeQ5\*-based solution that incorporates an end-to-end engine control unit, surround-view camera array, processors, driving policy, and high-definition maps—all derived directly from our ongoing autonomous vehicle program.

### Redefine Our Position in the Industry

Solve our customers' problems through solutions and platforms. We are expanding beyond the CPU to better solve our customers' problems, and not just deliver parts of the solution. With our xPU portfolio, platform vision, IDM capabilities, and scale, we are able to help our customers tackle their own opportunities. We announced the Intel Evo platform brand powered by 11th Gen Intel Core processors with Intel Iris X<sup>e</sup> graphics, representing laptop designs supported by Intel's Project Athena innovation program. In addition, we acquired Moovit to accelerate Mobileye's transformation to a full-stack MaaS provider that can provide hardware, software, sensors, integration, and large-scale services. We are actively evaluating opportunities in software, services, and solutions, in AI, network transformation, and intelligent edge.

intc-2020un226meg2ajpogf Our Business		

<sup>1</sup> Intel's definition is included in "Key Terms" within the Financial Statements and Supplemental Details.

## Our Capital

We deploy various forms of capital to execute our strategy in a way that seeks to reflect our corporate values, help our customers succeed, and create value for our stakeholders.

Capital	Strategy	Value
Financial		
intc-2020122	Leverage financial capital to invest in ourselves and grow our capabilities, supplement and 6sted representations and strategic investments, and provide returns to stockholders.	We strategically invest financial capital to create long-term value and provide returns to our stockholders in the form of dividends and buybacks.
Intellectual		
intc-2020122	Invest significantly in R&D and IP to enable us to deliver a predictable cadence of leadership 6pg200 pbg that move, store, and process data at scale, and extend our reach to accelerate our growth.	We develop IP to enable next-generation products, create synergies across our businesses, expand into new markets, and establish and support our brands.
Manufacturin	g	
intc-2020122	Invest timely and at a level sufficient to meet customer demand for current technologies and prepare for future technologies as we evolve our IDM model.	Our manufacturing scope and scale enable us to provide our customers and consumers with a broad range of leading-edge products.
Human		
intc-2020122	Continue to build a diverse, inclusive, and safe work environment to attract, develop, and retain 6the 12a liping needed to remain at the forefront of innovation.	Our talented employees enable the development of solutions and enhance the intellectual and manufacturing capital critical to helping our customers win the technology inflections of the future.
Social and Re	elationship	
intc-2020122	Build trusted relationships for both Intel and our stakeholders, including employees, suppliers, customers, local communities, and governments. 6_g23.jpg	We collaborate with stakeholders on programs to empower underserved communities through education and technology, and on initiatives to advance accountability and capabilities across our global supply chain, including accountability for the respect of human rights.
Natural		
intc-2020122	Continually strive to reduce our environmental footprint through efficient and responsible use of 224. Ipg natural resources and materials used to create our products.	Our proactive efforts help us mitigate climate and water impacts, achieve efficiencies, and lower costs, and position us to respond to the expectations of our stakeholders.

## 2030 RISE Strategy and Corporate Responsibility Goals

Our commitment to corporate responsibility and sustainability leadership is deeply integrated throughout our business. We strive to create an inclusive and positive work environment where every employee has a voice and a sense of belonging, and we are proactive in our efforts to reduce our environmental footprint through efficient and responsible use of natural resources and materials.

We continue to raise the bar for ourselves and leverage our leadership position in the global technology ecosystem to make greater strides in corporate responsibility and apply technology to address social and environmental challenges. Through our new **RISE** strategy and 2030 goals, we aim to create a more **responsible**, **inclusive**, and **sustainable** world, **enabled** through our technology and the expertise and passion of our employees. This corporate responsibility strategy is designed to increase the scale of our work through new levels of collaboration with our stakeholders and other organizations; we know that acting alone, we cannot achieve the broad social impact to which we aspire. Details on the results of our 2020 goals and more information on our new 2030 goals are included in our Corporate Responsibility Report<sup>1</sup>.

intc-20201226\_g2.jpg Fundamentals of Our Business Our Capital 8

<sup>&</sup>lt;sup>1</sup> The contents of our Corporate Responsibility Report are referenced for general information only and are not incorporated by reference in this Form 10-K.

## 

Our financial capital allocation strategy focuses on building stockholder value. We have returned 95% of free cash flow to investors over the past five years.

Cash from Operating Activities \$B

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■ Capital Investment ■ Free Cash Flow¹

Our Financial Capital Allocation Decisions Are Driven by Three Priorities

### Invest in the Business

Our first allocation priority is to invest in R&D and capital spending to strengthen our competitive position. We are efficiently maintaining our R&D investment as a percentage of revenue and continue to make significant capital investments, increasing our 14nm and 10nm wafer capacity. We also invested in 7nm and future process development. In addition to our own manufacturing capacity, we continue to use third-party foundries to expand the ways we can support our customers.

### Acquire and Integrate

Our second allocation priority is to invest in companies around the world that will complement our strategic objectives and stimulate growth of data-centric opportunities. We look for acquisitions that leverage and strengthen our capital and R&D investments. In 2020, we completed various acquisitions to expand our product offerings and the markets we serve. Those acquisitions included Moovit, which accelerates our MaaS offering and brings Mobileye closer to achieving our plan to become a complete mobility provider, including robotaxi services. We take action when investments do not meet our criteria, and in 2020 we divested the majority of our Home Gateway Platform division and signed an agreement to divest our NAND memory business.

### Return Cash to Stockholders

Our third allocation priority is to return stockholders. We achieve this through and share repurchase programs. In M suspended stock repurchases in light COVID-19 pandemic and in August w \$10.0 billion in ASR agreements in rebelief that our stock was trading below valuation at that time. In Q1 2021, we complete the remaining \$2.4 billion of \$20.0 billion planned repurchases and October 2019. During 2020, we paid \$ dividends and repurchased \$14.2 billion our approach has reduced diluted shoutstanding over time.

Di

### Dividends Per Share

		_
2020	\$1.32	
2019	\$1.26	

2018 \$1.20 S% CAGR

## R&D and Capital Investments \$B

Acquisitions

Cash to Stockholders \$

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■ R&D ■ Logic ■ Memory

# of Acquisitions

■ Total Spent \$B

■ Buyback ■ Dividend

Our Capital

<sup>&</sup>lt;sup>1</sup> See "Non-GAAP Financial Measures" within MD&A.

## intc-2020 Pre Doing a Capital

## Research and Development

R&D investment is critical for enabling us to deliver a predictable cadence of leadership products and extend our reach to accelerate our growth. Successful R&D efforts can lead to new products and technologies or improvements to existing ones, which we seek to protect through our IP rights. We may augment our R&D initiatives by acquiring or investing in companies, entering into R&D agreements, and directly purchasing or licensing technology.

## Areas Key to Product Leadership

Every year we make significant investments in R&D and we have intensified our focus on areas key to product leadership. Our objective is to improve user experiences and value through advances in performance, power, cost, connectivity, security, form factor, and other features with each new generation of products. We are also focused on reducing our design complexity, re-using IP, and increasing ecosystem collaboration to improve our efficiency, including a significant reduction of design rules for future process nodes.

Process and packaging. We are creating a new wave of compute engines that mix and match different process technologies and then connect them with high-performance, low-power packaging technologies like EMIB¹ and Foveros¹, the industry's first implementation of stacked processing components. This disaggregated design approach allows us to manufacture different components of a chip on different processes, giving us the flexibility to use the process that best serves our customers.

- We launched our Intel Core processors with Intel®
  Hybrid Technology, also referred to as Lakefield, which
  use Foveros 3D stacking technology to achieve a
  dramatic reduction in package area.
- We introduced our 10nm SuperFin Technology, a redefinition of the FinFET with new SuperMIM capacitors. It enables the largest single intranode enhancement in our history. We are planning further 10nm intranode enhancements.

xPU architecture. The future is a diverse mix of scalar, vector, matrix, and spatial architectures deployed in CPU, GPU, accelerator, and FPGA

sockets, enabled by a scalable software stack and integrated into systems by advanced packaging technology. We are building processors that span four major computing architectures, moving toward an era of heterogeneous computing:

- CPU. We started shipping our 11th Gen Intel Core processors, with our next-generation Willow Cove CPU
  microarchitecture, which includes redesigned caching hierarchy and security enhancements, among other
  features. These processors also include the next generation of Intel Iris X<sup>e</sup> graphics architecture with
  upgraded 3D performance and media engine capabilities.
- GPU. We launched the Intel Iris X<sup>e</sup> MAX GPU for laptops and the first discrete Intel Server GPU. We also powered on our next-generation GPU for client, referred to as DG2.
- Accelerator. Habana Gaudi accelerators are at the forefront of AI solutions for data centers. Amazon Web Services announced that Habana Gaudi will be used to power future Amazon Elastic Compute Cloud instances.
- FPGA. We announced Intel® Stratix® 10 NX and Intel Stratix 10 AX FPGAs, extending our Intel Stratix 10 FPGA family.

Memory. With our Intel® Optane $^{TM}$  technology, we are developing products to disrupt the memory and storage hierarchy.

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• The Intel Optane DC persistent memory 200 series is available with 3rd Gen Intel Xeon Scalable platforms and will be supported with the Ice Lake server processor. The series is targeted at many workloads, including inmemory AI and analytics, databases, and virtual machine per container density.

Interconnect. We deliver leading technologies that scale across all interconnect layers, spanning on-die, on-package, data center, and long-distance networks.

- We have a broad portfolio of data center connectivity products, including Intel<sup>®</sup> Ethernet, Intel<sup>®</sup> Silicon Photonics Optical Transceivers, and Intel<sup>®</sup> Tofino<sup>™</sup> P4-programmable Ethernet switch ASICs.
- The new 11th Gen Intel Core processors introduced integrated Thunderbolt™ 4 and USB4. Thunderbolt 4, the next-generation universal cable connectivity solution, delivers increased minimum performance, expanded capabilities, and USB4 specification compliance. Thunderbolt 4 enables docks with up to four Thunderbolt ports and universal cables up to 2 meters in length.

intc-20201226\_g2.jpg Fundamentals of Our Business Our Capital

<sup>1</sup> Intel's definition is included in "Key Terms" within the Financial Statements and Supplemental Details.

Security. We continue to deliver innovation to the market across foundational security, workload protection, and software reliability. We are working with customers and partners to build a more trusted foundation in a data-centric world.

- The new 11th Gen Intel Core processors include both TME and Intel® Control-flow Enforcement Technology (Intel® CET) security capabilities. TME provides the capability to encrypt the entirety of the physical memory of a system, while Intel CET delivers CPU-level security capabilities to help protect against common malware attack methods that have been a challenge to mitigate with software alone.
- We announced Intel® Trust Domain Extensions (Intel® TDX), which enhance control of data security and IP
  protection for the cloud tenant while helping maintain the cloud service provider's role of managing resources
  and cloud-platform integrity.

Software. Software unleashes the potential of our hardware platforms across all workloads, domains, and architectures.

- We released the oneAPI open industry specification and launched the Gold release of Intel's oneAPI toolkits in support of our xPU roadmap. Our oneAPI toolkits enable developers to build cross-architecture applications using a single-code base across xPUs that take advantage of unique hardware features and lower software and maintenance cost. Developers can choose the best architecture for the problem they are solving without needing to rewrite software for different architectures and platforms.
- The OpenVINO toolkit brings the full power of our xPU roadmap to the Internet of Things, client, and data center businesses. This complementary production-level toolkit focuses on helping developers deliver highperformance deep learning inference and computer vision across CPU, GPU, and FPGA products.

## **IP Rights**

We own and develop significant IP and related IP rights around the world that support our products, services, R&D, and other activities and assets. Our IP portfolio includes patents, copyrights, trade secrets, trademarks, mask work, and other rights. We actively seek to protect our global IP rights and to deter unauthorized use of our IP and other assets. For a detailed discussion of our IP rights, see "Intellectual Property Rights and Licensing" within Other Key Information.

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"In addition to pledging funds, Intel gave COVID-19 scientists and researchers free access to our vast worldwide intellectual property portfolio this year in the hope and belief that making this intellectual property freely available to them will save lives. We will continue to invent—and protect—our intellectual property, but we offered it freely to those working to protect people from the pandemic."

—**Steve Rodgers**, Executive Vice President and General Counsel

## intc-2020 Manufacturing Capital

We are transforming from a traditional IDM to a modern IDM by investing to lead advances in silicon technology, leaning into our expertise and manufacturing scale, while evolving to engage with the ecosystem and leveraging our disaggregated design capabilities. Unlike many other semiconductor companies, we primarily design and manufacture our products in our own manufacturing facilities and we will continue to integrate engineering and manufacturing to provide new products with significant cost advantage. At the same time, our architectural shift to die disaggregation allows us to mix and match architectures, IP, process nodes, and silicon that creates increasing flexibility for our products.

In developing new generations of manufacturing process technology, we seek to realize the benefits from Moore's Law, a law of economics predicted by our co-founder Gordon Moore more than 50 years ago. Realizing Moore's Law

can create economic benefits as we are able to either reduce a chip's cost as we shrink its size, or increase functionality and performance of a chip while maintaining the same cost with higher density. This makes possible the innovation of new products with higher performance while balancing power efficiency, cost, and size to meet customers' needs. Our ability to optimize and apply our manufacturing expertise to deliver more advanced, differentiated products has been foundational to our success and is a continued focus of our investments.

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"The IDM model has been foundational to Intel's success as a global leader in semiconductor manufacturing by enabling product optimization, improved economics, and supply assurance. We are committed to be the supplier of choice for achieving best-in-class performance and to deliver worldchanging products on a predictable cadence for our customers."

—Keyvan Esfarjani, Senior Vice President and General Manager of Manufacturing and Operations

We shipped higher volumes of 10nm products in 2020 than we had anticipated at the beginning of the year. We also launched our 11th Gen Intel Core processors with new 10nm SuperFin Technology.

We announced in July 2020 that our 7nm-based CPU product timing would be delayed and that the primary driver was the yield of our 7nm manufacturing process. We will continue to invest in our future process technology roadmap and advanced packaging technologies to differentiate our products, provide manufacturing optionality and deliver a predictable cadence of leadership products to our customers.

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intc-20201226\_g35.jpg

"Our goal is to enable leadership products for Intel by delivering predictable process and packaging technology innovation."

—Ann Kelleher, Senior Vice President and General Manager of Technology Development

## **Network and Supply Chain**

Our global supply chain supports internal partners across architecture, product design, technology development, manufacturing and operations, sales and marketing, and business units, with the goal of enabling product and process leadership, industry-leading total cost of ownership, and uninterrupted supply for our customers. Our supply chain ecosystem comprises thousands of suppliers globally. Our worldwide site expansion projects remained on track despite disruptions from the COVID-19 pandemic. In addition to our own manufacturing capacity, we continue to use third-party foundries to expand the ways in which we can support our customers. These third-party solutions complement our manufacturing and provide additional flexibility. Our world-class safety standards and supply chain operations, including our robust risk management and crisis response model, have to date allowed our worldwide factory and supply chain network to continue to operate safely and with mostly on-time deliveries despite the pandemic.

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"As Intel pursues an expanded data-centric market, our collaboration with our wide-ranging supplier ecosystem is deeper, more vibrant, and farther reaching than ever. Together with the ecosystem, we are focused on enabling technology advancements to deliver uninterrupted supply of leadership products to our customers."

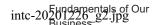
—Dr. Randhir Thakur, Corporate Vice President and Chief Supply Chain Officer

The majority of our logic wafer manufacturing is conducted in the U.S. We have 10 manufacturing sites—six are wafer fabrication, three are assembly/test facilities, and our Costa Rica site added in 2020 is a test-only site. The following map shows our present factory sites and the countries where we have a significant R&D and/or sales presence. In response to COVID-19, we quickly made operational changes and adopted measures to enable a continued safe environment for our employees and operation of our manufacturing sites.

Our manufacturing facilities are primarily used for silicon wafer manufacturing, assembling, and testing of our platform and memory products. We operate in a network of manufacturing facilities integrated as one factory to provide the most flexible supply capacity, allowing us to better analyze our production costs and adapt to changes in capacity needs. Our new process technologies are transferred identically from a central development fab to each manufacturing facility. After transfer, the network of factories and the development fab collaborate to continue driving operational improvements. This enables fast ramp of the operation, fast learning, and better quality control.

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Our NAND memory fabrication facility in Dalian, China is included in the transaction entered into with SK hynix to divest our NAND memory business, and is part of the NAND assets held for sale as of December 26, 2020. Our Intel Optane memory business is expressly excluded from this transaction. The next generations of Intel Optane technology and SSDs are being developed in New Mexico following the sale of our non-controlling interest in IMFT to Micron Technology, Inc. (Micron) in 2019. We will continue to purchase product manufactured by Micron under our supply agreement, which includes the next generation of Intel® 3D XPoint<sup>TM</sup> technology.



Our Capital

## intc-2020 12126 ng 38 njp Capital

Culture is critically important to Intel's success. We are re-energizing our culture to deliver on our corporate purpose and to attract, develop, and retain top talent needed to build transformative products and services that help our customers succeed in an increasingly data-driven world. We invest in our highly-skilled global workforce of 110,600 people by seeking to create a diverse, inclusive, and safe work environment where our employees can learn, innovate, and deliver their workplace best every day.

Our values—fearless, inclusion, customer-obsessed, one Intel, truth and transparency, and quality—guide how we make decisions, treat each other, and serve our customers. All employees are responsible for upholding these values, the Intel Code of Conduct, and Intel's Global Human Rights Principles, which form the foundation of our policies and practices and ethical business culture.

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"People with diverse perspectives, experiences, and input are critical to Intel's innovation, playing important roles in key projects and programs across the company. An essential element of our growth strategy is to build a culture that empowers and inspires employees to collaborate and create, as we strive to become the most inclusive workplace on the planet."

—Sandra Rivera, Executive Vice President and Chief People Officer

## Inclusion

Diversity and inclusion are core to Intel's values and instrumental in driving innovation and delivering stronger business growth. We achieved our 2020 goal of full representation in our U.S. workforce two years ahead of schedule, the result of an integrated strategy focused on hiring, retention, and progression. We are proud of what we have accomplished to advance diversity and inclusion. but we recognize we still have work to do, including beyond the walls of Intel. Our RISE strategy and 2030 goals set our global ambitions for the next decade, including doubling the number of women in senior leadership: exceeding 40% female representation in technical roles, including engineering positions and other roles with technical job requirements; increasing the percentage of employees who self-identify as having a disability to 10%; and ensuring accountability for embedding inclusive leadership practices across our business. Our goals also include doubling the number of underrepresented minorities in U.S. senior leadership. To drive accountability, we continue to link a portion of our executive and employee compensation to diversity and inclusion metrics.

Today's greatest challenges require a shared commitment to a plan and meaningful action. That is why we have committed our scale, expertise, and reach through our comprehensive RISE strategy to work with customers and other stakeholders to accelerate the adoption of inclusive business practices across industries. We are creating and implementing a Global Inclusion Index and convening a coalition of companies to focus on unified goals and metrics that will be shared through the index. This collective effort will allow the industry to more clearly identify actions needed to advance progress. We will also continue to collaborate on initiatives that expand the diverse pipeline of talent for our industry, advance social equity, make technology fully inclusive, and expand digital readiness for millions of people around the world.

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## Compensation and Benefits

We strive to provide pay, benefits, and services that help meet the varying needs of our employees. Our total rewards package includes market-competitive pay, broad-based stock grants and bonuses, an employee stock purchase plan, healthcare and retirement benefits, paid time off and family leave, parent reintegration, fertility assistance, flexible work schedules, sabbaticals, and on-site services. Since 2019, we have achieved gender pay equity globally and we continued to maintain race/ethnicity pay equity in the U.S. We achieve pay equity by closing the gap in average pay between employees of different genders or race/ethnicity in the same or similar roles after accounting for legitimate business factors that can explain differences, such as location, time at grade level, and tenure. We also advanced transparency in our pay and representation data by publicly releasing our EEO-1 survey pay data in 2019. Although the U.S. Equal Employment Opportunity Commission did not require employers to file EEO-1 survey pay data in 2020 due to COVID-19, we felt it was important to continue collecting the data and to disclose it publicly in 2020. We believe that our holistic approach toward pay equity, representation, and creating an inclusive culture enables us to cultivate a workplace that helps employees develop and progress in their careers at all levels.

To aid and support employees during COVID-19, we are investing more than \$100 million in additional benefits, including special recognition for employees working on site. We also put in place a telecommuting reimbursement program to help employees required to work from home improve their workspaces, and increased flexibility in our leave programs to support employees caring for children and others.

<sup>&</sup>lt;sup>1</sup> Senior leadership refers to salary grades 10+ and equivalent grades. While we present male and female, we acknowledge this is not fully encompassing of all gender identities.

<sup>&</sup>lt;sup>2</sup> The term underrepresented minority (URM) is used to describe diverse populations, including African American, Hispanic, and Native American employees in the U.S.

## **Growth and Development**

We invest significant resources to develop the talent needed to remain at the forefront of innovation and make Intel an employer of choice. We offer extensive training programs and provide rotational assignment opportunities. We implemented a new performance management system to support our culture evolution and to increase focus on continuous learning and development. Through our regular Employee Experience Surveys, employees can voice their perceptions of the company and their work experience, including learning and development opportunities. Our undesired turnover rate was 4% in 2020.

## Health, Safety, and Wellness

Our commitment in Intel's Environmental, Health, and Safety Policy is to provide a safe and injury-free workplace. We continually invest in programs designed to improve physical, mental, and social well-being. We provide access to a variety of innovative, flexible, and convenient health and wellness programs, including on-site health centers, which were increasingly critical this year for our essential workers who have worked on site since the start of the COVID-19 pandemic. Throughout our response to COVID-19, our priority has remained protecting the health and safety of our employees. Intel's Pandemic Leadership Team—which has been in place for 15 years—regularly reviews and adapts our policies based on evolving research and guidance related to the virus. In support of our 2030 goals, we will continue to build our strong safety culture and drive global expansion of our corporate wellness program through continued employee education and engagement activities.

## intc-2020 Social and Relationship Capital

We are committed to engaging in corporate responsibility and sustainability initiatives that support our communities and help us develop trusted relationships with our stakeholders. Proactive engagement with our stakeholders and investments in social impact initiatives, including those aligned with the United Nations Sustainable Development Goals, advance our position as a leading corporate citizen and create shared value for Intel, our global supply chain, and our communities.

Economic and social. The health of our business and local economies depends on continued investments in innovation. We provide high-skill, high-paying jobs around the world. Many of these are manufacturing and R&D jobs located in our own domestic and international factories. We also benefit economies through our R&D ecosystem spending, sourcing activities, consumer spending by our employees, and tax payments. We make sizable capital investments and provide leadership in public-private partnerships to spur economic growth and innovation.

We stand at the forefront of new technologies that are increasingly being used to empower individuals, companies, and governments around the world to solve major societal challenges. We also aim to empower people through education and advance social initiatives to create career pathways into the technology industry. This has included our global Intel AI for Youth program, scaled in partnership with governments and institutions to empower youth with digital readiness and Al skills, as well as our multi-year partnerships with historically black colleges and universities in the U.S. aimed at increasing the number of African Americans who pursue electrical engineering, computer engineering, and computer science fields. Our employees and retirees actively share their expertise through volunteer initiatives in the communities where we operate. These efforts contributed more than 10 million hours of service over the past decade, and our new goals include a commitment to volunteer an additional 10 million hours by 2030. In 2020, we volunteered 910 thousand hours. COVID-19 presented challenges for in-person volunteering, resulting in lower reported volunteer hours compared to prior years. However, we saw an outpouring of support from employees for virtual volunteering, donations, and innovative technology projects to support our communities. In April, we announced the Pandemic Response Technology Initiative, a commitment of \$50 million to combat COVID-19. Our focus is to leverage our technology, expertise, resources, and our global ecosystem, to accelerate access to technology that can combat the current pandemic and get ahead of future pandemics through scientific discovery, enable remote learning for students, and aid in economic recovery. To date, we have partnered with many organizations on numerous projects across sectors, including technology, healthcare, education, industrial, retail, transportation, and academia.

Human rights commitment. We are committed to maintaining and improving processes to avoid human rights violations related to our operations, supply chain, and products. We have established an integrated approach to managing human rights across our business, including board-level oversight and the involvement of senior-level Management Review Committees. We also meet throughout the year with external stakeholders and experts on human rights to continue to inform and evolve our human rights policies and oversight processes. While we do not always know nor can we control what products our customers create or the applications end users may develop, we do not tolerate our products being used to violate human rights. Where we become aware of a concern that Intel products are being used by a business partner in connection with abuses of human rights, we restrict or cease business with the third party until we have high confidence that Intel's products are not being used to violate human

rights. As a result, in 2020 we restricted certain sales based on our Human Rights Principles that would have otherwise been considered lawful.

## Supply Chain Responsibility

We actively manage our supply chain to help reduce risk, improve product quality, achieve environmental and social goals, and improve overall performance and value creation for Intel, our customers, and our suppliers. To drive responsible and sustainable practices throughout our supply chain, we have robust programs to educate and engage suppliers that support our global manufacturing operations. We actively collaborate with other companies and lead industry initiatives on key issues such as improving transparency around climate and water impacts in the global electronics supply chain and, as part of our RISE strategy, we will advance collaboration across our industry on responsible minerals sourcing.

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Over the past decade, we have directly engaged with our suppliers to verify compliance and build capacity to address risks of forced and bonded labor and other human rights issues. We perform supplier audits and identify critical direct suppliers to engage through capability-building programs, which help suppliers build sustainability acumen and verify compliance with the Responsible Business Alliance and our Code of Conduct. The suppliers covered by these audits represent 78% of cash payments made to managed suppliers. We also engage with indirect suppliers through our programs on forced and bonded labor, responsible minerals, and supplier diversity. Although COVID-19 presented travel and safety challenges in 2020 that impacted our ability to complete as many in-person supplier audits as in the previous year, we continued to engage with our suppliers and communicate our expectations and requirements. To achieve our 2030 goals, we will significantly expand the number of suppliers covered by our engagement activities to deepen accountability for human rights.

Our commitment to diversity and inclusion also extends to our suppliers. We believe a diverse supply chain supports greater innovation and value for our business. We achieved our 2020 goal to reach \$1 billion in annual spending with diverse-owned suppliers and our new 2030 goals include doubling this figure over the next decade. Beginning in 2021, we will not retain or use outside law firms in the U.S. that are average or below average on diversity for their equity partners. We are applying a similar rule to firms used by our tax department, including non-legal firms.

## intc-2020 Satura Capital

Driving to the lowest environmental footprint possible helps create efficiencies, lower costs, and respond to the needs of our stakeholders. We invest in conservation projects and set company-wide environmental targets to drive reductions in greenhouse gas emissions, energy use, water use, and waste generation. We build energy efficiency into our products to help our customers lower their own emissions and energy costs, and we collaborate with policymakers and other stakeholders to use technology to address environmental challenges. We achieved our 2020 greenhouse gas goal, reducing our emissions 39% on a per unit basis from 2010 levels. Through our 2030 goals we will continue to drive to higher levels of operational efficiency, including a further 10% reduction in our carbon emissions on an absolute basis even as we continue to grow. Our 2030 strategy and goals also focus on improving product energy efficiency and increasing our "handprint"—the ways in which Intel technologies can help others reduce their footprints, including Internet of Things solutions that enable intelligence in machines, buildings, supply chains, and factories, and make electrical grids smarter, safer, and more efficient.

## Climate and Energy

We focus on reducing our own climate impact, and over the past two decades have reduced our direct emissions and indirect emissions associated with energy consumption. We achieved our 2020 energy goal, saving more than 4.5 billion kWh since 2012 by investing in energy conservation projects in our global operations. In 2020, we conserved more than 155 million kWh of energy in support of our new 2030 goal to conserve an additional 4 billion kWh of energy over the next 10 years. In addition to conserving energy, we invest in green power and on-site alternative energy projects that provide power directly to our buildings. We continue to link a portion of our executive and employee compensation to corporate responsibility metrics. In 2020, these included a climate-related metric to use 75% renewable energy globally during the year, which supports our 2030 goal to achieve 100% renewable energy use across our global manufacturing operations. In 2020, we signed on to RE100, a global coalition of businesses committed to 100% renewable electricity use.

We are committed to transparency around our carbon footprint and climate risk and use the framework developed by the TCFD to inform our disclosure on climate governance, strategy, risk management, and metrics and targets. For governance and strategy, we follow an integrated approach to address climate change, with multiple teams responsible for managing climate-related activities, initiatives, and policies. Strategies and progress toward goals are reviewed with senior executives and the Intel Board of Directors' Corporate Governance and Nominating Committee. We describe our overall risk management processes in our Proxy Statement, and describe our climate-related risks and opportunities in our annual Corporate Responsibility Report, the Intel Climate Change Policy, and "Risk Factors" within this Form 10-K. In addition to what is included within this Form 10-K, results of our 2020 goals and information on our 2030 goals, are included in our Corporate Responsibility Report. Our Corporate Responsibility Report includes a mapping of our disclosure to the TCFD, the Sustainability Accounting Standards Board framework, and our CDP Climate Change Survey, all available on our website.<sup>1</sup>

## Water Stewardship

Water is essential to the semiconductor manufacturing process. We use ultrapure water to remove impurities from our silicon wafers, and we use fresh and reclaimed water to run our manufacturing facility systems. Over the past decade, our sustainable water management efforts and partnerships have enabled us to conserve billions of gallons of water, and through our 2030 goals we have committed to conserve an additional 60 billion gallons in this decade. As part of this commitment, we plan to achieve net positive water use globally. In 2020, we linked a portion of our executive and

employee compensation to our target to conserve more than 5 billion gallons of water in our operations and fund new water restoration projects in collaboration with environmental and community partners that restore more than 1 billion gallons of water during the year to local watersheds.

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<sup>1</sup> The contents of our website and our Corporate Responsibility Report, Climate Change Policy, and CDP Climate Change Survey are referenced for general information only and are not incorporated by reference in this Form 10-K.

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## Circular Economy and Waste Management

We have long been committed to waste management, recycling, and circular economy strategies that enable the recovery and productive re-use of waste streams. We achieved our 2020 waste management goals, reaching a 93% recycle rate for our non-hazardous waste and sending zero hazardous waste to landfills. Our 2030 goals include a target of zero total waste to landfill, as well as implementation of circular economy strategies for 60% of our manufacturing waste streams in partnership with our suppliers. This can include reuse of waste streams directly in our own operations or enabling reuse of our waste streams by other industries.

## Value We Create

Each of our six forms of capital plays a critical role in our long-term value creation. We consider numerous indicators in determining the success of our capital deployment in creating value. Highlights of value created in 2020 are as follows:

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<sup>&</sup>lt;sup>2</sup> See "Non-GAAP Financial Measures" within MD&A.



Our Capital

<sup>&</sup>lt;sup>1</sup> We define zero hazardous waste to landfill as 1% or less.

## Management's Discussion and Analysis

## **Our Products**

We are at the forefront of developing new technologies and products as building blocks for an increasingly smart and connected world. These technologies and products are used as integrated solutions for a broad spectrum of markets.

## We Have an End-to-End Product Portfolio

From processing to moving and storing data, our end-to-end product portfolio offers innovative solutions that scale from edge computing to the network, the cloud, and the emerging fields of Al and autonomous driving. Our products, such as our gaming CPUs, may be sold directly to end consumers, or they may be further integrated by our customers into end products such as notebooks and storage servers. Combining some of these products—for example, integrating FPGAs and memory with Intel Xeon processors in a data-center solution—enables incremental synergistic value and performance. We introduced new products in 2020 such as 10nm-based 11th Gen Intel Core processors, 3rd Gen Intel Xeon Scalable processors (previously referred to as Cooper Lake), Intel Atom P5900 processors for wireless base stations, a next-generation structured ASIC for 5G network acceleration, Intel Stratix 10 NX FPGAs, and the Intel Optane DC persistent memory 200 series. We are now shipping our 10nm-based 3rd Gen Intel Xeon Scalable processors (previously referred to as Ice Lake).

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Platform Products: Our platform products can be a CPU and chipset, an SoC, or a multichip package, based on Intel® architecture that processes data and controls other devices in a system. These products are primarily used in solutions sold through CCG, DCG, and IOTG.

Adjacent Products: Our non-platform, or adjacent, products can be combined with platform products to form comprehensive platform solutions to meet customer needs. These products are used in solutions sold through each of our businesses and include the following:

- Accelerators Silicon products that can operate alone or accompany our processors in a system, such as FPGAs for PSG, VPUs for IOTG, and Mobileye EyeQ\* SoCs
- Boards and Systems Server boards and small form factor systems such as Intel<sup>®</sup> NUCs for CCG
- Connectivity Products Ethernet controllers and silicon photonics for DCG; and cellular modems, Wi-Fi, and Bluetooth® for CCG
- Memory and Storage Products SSD, persistent memory, and memory components sold through NSG and DCG

"Our customers' success is our obsession. We are committed to delivering a portfolio of the best quality products, performance, and experiences to enable our customers to intc-20201226\_g46.jpg solve the world's most challenging problems."

—Michelle Johnston Holthaus, Executive Vice President and General Manager of the Sales, Marketing and Communications Group

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## % Intel Revenue Key Markets and Products

Includes workload-optimized platforms and related products designed for cloud service

intc-20201226\_g48.jpg providers, enterprise and

government, and communications service providers market segments. Includes high-performance

Includes high-performance compute solutions for targeted verticals and embedded

intc-20201226\_g50.jpg applications in market segments such as retail, industrial,

such as retail, industrial healthcare, and vision.

Includes development of

ket segments intc-20201226\_g51.jpg

computer vision and machine learning-based sensing, data intc-20201226\_g52.jpg and driving policy technology for

SSDs.

and driving policy technology for ADAS and autonomous driving.

Includes memory and storage products like Intel® Optane™ technology and Intel® 3D NAND intc-20201226\_g54.jpg technology, primarily used in

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Includes programmable semiconductors, primarily FPGAs and structured ASICs, intc-20201226\_g56.jpg and related products for communications, cloud and enterprise, and embedded

market segments.

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## Highlights

Revenue from our data-centric businesses was up 9% year over year. Growth in DCG, NSG, and Mobileye was partially offset by decline in IOTG and PSG. We are now shipping our 10nm-based 3rd Gen Intel Xeon Scalable processors (Ice Lake). We also introduced new data-centric products, such as the 3rd Gen Intel Xeon Scalable processor (Cooper Lake), the Intel Optane DC persistent memory 200 series, Intel Atom P5900 processors for wireless base stations, a next-generation structured ASIC for 5G network acceleration, and Intel Stratix 10 NX FPGAs. In addition, Mobileye continued to secure new design wins at major U.S. and global automakers.

## Opportunities

Our broadened portfolio enables new opportunities for us and creates value for our customers. For example, our product offerings for Al workloads reach from the cloud to the edge, and we are developing CPU, GPU, FPGA, and Al accelerator products to span inference and training Al workloads, while also pursuing ongoing software optimizations for Al.

## Challenges

In the first half of 2020, DCG cus expanded capacity and continuer robust cloud and network-fueled solutions. As macroeconomic unpersisted and businesses began through inventory, demand slowe second half. We are operating in increasingly competitive market. gross margin was impacted by hiplatform unit cost associated with our 10nm products. We expect 1 improve as the node matures.

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intc-20201226\_g58.jpg % Intel Revenue

## **Key Markets and Products**

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Includes platforms designed for end-user form factors, focusing on high-growth segments of 2in-1, thin-and-light, commercial and gaming, and growing adjacencies such as connectivity and graphics.

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## Highlights

Our PC-centric business revenue grew 8% year over year. We began shipping our 10nm SuperFin Technology-based 11th Gen Intel Core processors. These processors feature an optimized CPU, GPU, AI acceleration, best-inclass connectivity, and software optimization and platform capabilities to maximize real-world performance on commonly used applications and features. We also announced the Intel Evo platform brand, representing premium laptop designs that are verified to deliver exceptional real-world experiences, powered by 11th Gen Intel Core processors.

## Opportunities

We are targeting an approximately \$71 billion PC-centric revenue TAM¹. This expanded portfolio includes markets such as connectivity, graphics, and systems, which enable new opportunities as we innovate through the platform. We continue to drive industry innovation through programs, such as our Intel Evo platform brand, which is designed to deliver advanced laptops that are verified to meet ambitious key experience indicators in areas like responsiveness, battery life, instant wake, and connectivity.

### Challenges

Our PC-centric business is opera increasingly disruptive and comp environment, and we are focused executing a predictable cadence leadership products to deliver the experiences people need in this distributed intelligence. The acce to cloud makes our investments i differentiated performance and fe cloud applications even more crit Excellence in engineering and m as well as accelerating our comp response, is of utmost importance gross margin was impacted by hi platform unit cost associated with our 10nm products. We expect 1 improve as the node matures.

<sup>&</sup>lt;sup>1</sup> Source: Intel calculated 2025 TAM derived from industry analyst reports.

#### Overview

DCG develops workload-optimized platforms for compute, storage, and network functions. With unmatched scale, portfolio breadth, and ecosystem support, we are uniquely positioned to enable the world to unleash the potential of data, unlocking value for people, business, and society on a global scale. Market segments include cloud service providers, enterprise and government, and communications service providers. We serve the global appetite for cloud computing and enable transformation of the network and edge.

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### **Highlights and Segment Imperatives**

- Revenue grew 11% as cloud service providers increased capacity to serve customer demand and the communications service providers market segment continued to grow. We also experienced significant growth in adjacencies driven by 5G networking deployment. The enterprise and government market segment declined due to COVID-related demand impacts.
- In 2020, we continued to advance our data-centric portfolio with the introduction of the 3rd Gen Intel Xeon Scalable processor family; the Intel Optane persistent memory 200 series; the first Intel architecture-based 10nm SoC for wireless base stations, the Intel Atom P5900 platform; and the Intel Silicon Photonics 400G transceiver.
- We have significant opportunities in cloud, networking, AI, and data analytics. As we broadened our Group<sup>1</sup> product offerings and continued to innovate, the data center market TAM<sup>2</sup> is expected to grow to approximately \$119 billion<sup>3</sup> by 2025.

"We are driving gamechanging platforms that enable our customers to move, store, and proces the world's data."

—Navin Shenoy, Execut Vice President and Gener Manager, Data Platforms Group<sup>1</sup>

### 5-year Trends

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■ Revenue \$B

Op Income \$B

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<sup>&</sup>lt;sup>1</sup> Our Data Platforms Group includes our DCG segment. See "Information About Our Executive Officers" within Other Key Information for more details.

<sup>&</sup>lt;sup>2</sup> Source: Intel calculated 2025 TAM derived from industry analyst reports.

<sup>&</sup>lt;sup>3</sup> DCG 2025 TAM includes Optane SSDs.

### Market and Business Overview

### Market Trends and Strategy

Data is a significant force in society, and is being generated at an unprecedented pace. The future of technology is being shaped by the rise of several technology inflections:

- The levels of efficiency and scale that cloud architectures brought to the data center are now being extended to the network and edge. Workloads are no longer static between enterprises and public clouds; they are distributed to a mix of hybrid and multi-cloud.
- 5G will enable rich new experiences and services, fundamentally changing the way we think of compute and requiring most networks to transform.
- Al is fundamental and becoming pervasive in all applications, and is enabling customers to leverage the power of data.
- The edge is demanding more and more compute closer to where data is being created and consumed, driving a new wave of multifunction, compute-hungry devices.

Data centers—whether in the cloud, the network, or at the edge—will go through a massive architectural transformation in the coming years, leveraging heterogeneous computing with different types of processor architectures optimized for different workloads. With unmatched scale, portfolio breadth, and ecosystem support, we are uniquely positioned to unlock the value of data for people, business, and society on a global scale.

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Cloud revenue grew in 2020, driven by rapidly expanding hyperscaler demand for capacity, peaking in the first half with inventory digestion throughout the remainder of the year. The on-premises enterprise business experienced cyclical declines due to sustained COVID-19 workplace trends and macroeconomic uncertainty; enterprise customers continue to embrace cloud as an alternative to traditional legacy architectures. The communications service providers segment continued to grow, accelerating the global transformation of the network and edge through 5G-enabled solutions.

### **Products and Competitiveness**

We offer customers a broad portfolio of silicon and software designed to provide workload-optimized performance across compute, storage, and network. As a leading provider of data center platforms, we face competition from competitors such as Advanced Micro Devices, Inc. (AMD), providers of GPU products such as NVIDIA Corporation (NVIDIA), companies using ARM\* architecture, new entrants developing products customized for specific data center workloads, and internally developed solutions by cloud service providers and others. We expect an increasingly competitive environment in 2021.

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We are now shipping our 10nm-based 3rd Gen Intel Xeon Scalable processors (previously referred to as Ice Lake). In 2020, we introduced our 3rd Gen Intel Xeon Scalable processors (previously referred to as Cooper Lake) accompanied by the Intel Optane DC persistent memory 200 series. As the industry's only mainstream data center CPUs with built-in AI acceleration, Intel Xeon processors are helping customers solve problems and gain insight for future opportunities. We also collaborated with 5G leaders to design the world's first standard, high-volume silicon for

radio access networks, the Intel Atom P5900 processor, designed from the ground up for 5G wireless base stations. Since acquiring Habana Labs in December 2019, we aligned our specialized AI accelerator investments around the Habana Gaudi training processor and we began shipping Goya inference processors this year, which contributed to advancing our AI strategy. Amazon Web Services announced that Habana Gaudi will be used to power future Amazon Elastic Compute Cloud instances. In the connectivity space, we brought together Barefoot Networks' programmable Ethernet switch technology and our silicon photonics technology in a successful demonstration of the industry's first co-packaged optics Ethernet switch.

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### **Financial Performance**

### DCG Revenue \$B

DCG Operating Income \$B

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■ Platform ■ Adjacent

- Higher platform volume driven by strength in cloud service providers (up 20%) and continued growth in communications service providers (up 17%), partially offset by decline in enterprise and government (down 8%) (compared to cloud service providers up 13%, communications service providers up 6%, and enterprise and government down 14% from 2019 to 2018). Cloud service providers grew over the first three quarters as they added capacity to serve demand before entering a capacity digestion cycle in the fourth quarter. The enterprise and government segment declined in the second half of the year on COVID-related macroeconomic weakness.
- Adjacent growth driven by 5G networking deployment.
- Platform ASP decline driven by SoC volume growth, competitive pricing environment, and customer mix, partially
  offset by Xeon product mix.

	2020 v	2020 vs. 2019				vs. 2018			
(In Millions) % Gro		Growth \$ Impact		% Growth	\$ I	mpact			
Platform volume	up 11%	\$	2,316	down (3)%	\$	(654)			
Platform ASP	down (3)%		(701)	up 5%		940			
Adjacent products	up 49%		1,007	up 11%		204			
Total change in revenue		\$	2,622		\$	490			

### **Operating Income Summary**

Operating income increased 3% year over year, and operating margin was 40% in 2020.

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\$ 10,571	2020 Operating Income
1,325	Higher gross margin from platform revenue
235	Lower period charges due to lower factory start-up costs associated with the initial ramp of 10nm, partially offset by platform product reserves
(425)	Higher operating expenses
(375)	Lower DCG adjacent product margin
(295)	Higher platform unit cost
(125)	Primarily driven by higher logistic expenses due to COVID-19
4	Other
\$ 10,227	2019 Operating Income
(805)	Higher period charges, primarily associated with the initial ramp of 10nm
(510)	Higher operating expenses primarily related to R&D
(140)	Lower DCG adjacent product margin
(80)	Higher platform unit cost
370	Higher gross margin from platform revenue
(84)	Other
\$ 11,476	2018 Operating Income

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More industries are harnessing the power of data to create business value, innovate, and grow. This requires that intelligence move closer to the edge, allowing data to be acted on where it is created. Working with our partners, we are using our architecture, accelerators, and software to develop and scale a growing Internet of Things portfolio and ecosystem. Our Internet of Things portfolio is comprised of our IOTG and Mobileye businesses.

## Internet of Things Group

#### Overview

IOTG develops high-performance compute platforms that solve for technology and business use cases that can scale across vertical industries and embedded markets. Our customers include retailers, manufacturers, health and life sciences, governments, and education providers. We reduce complexity in the ecosystem with a common architecture and software to help enable our customers to create, store, and process data at the edge to analyze it faster and to act on it sooner.

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### Highlights and Segment Imperatives

- Revenue was down 21%, driven by weaker core mix and lower demand for IOTG platform products due to economic impacts of COVID-19. Revenue was also negatively affected by considerations related to the U.S. government Entity List.
- We announced enhanced Internet of Things product capabilities, which include the 11th Gen Intel Core processors, Intel Atom x6000E series processors, Pentium processors, and Celeron N and J series processors, bringing new AI, security, functional safety, and real-time capabilities to edge customers. These products are a response to needs across the Internet of Things industry to reduce edge complexity, lower cost of ownership, and support a range of environmental conditions.
- We are working with our ecosystem partners to continue to grow the portfolio of Intel® IoT Market Ready Solutions (Intel® IMRS) and Intel® IoT RFP Ready Kit—scalable, end-to-end solutions that provide solid business results today and lay the foundation for the future. Currently, IOTG has over 450 Intel IMRS and Intel IoT RFP Ready Kit offerings with approximately 13,000 new deployments across 130 countries in 2020.
- We continue to update solutions to accelerate market adoption of edge and Al applications. This includes advancing the OpenVINO toolkit, which has been downloaded hundreds of thousands of times since launching in 2018 and nearly doubled the number of developers from 2019 to 2020. It is supported by Intel DevCloud for the Edge, which allows users to prototype and experiment with Al workloads on Intel hardware from anywhere at any time.

"The acceleration of data creation across industri requires high-performan compute at the edge built Al and edge-native functionality. The value unlocked through distrik intelligence is helping companies accelerate th digital transformation to customer needs. Togeth with our ecosystem part we are solving those ne through scalable solution built with our hardware a software."

—Tom Lantzsch, IOTG General Manager

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Revenue \$B

Op Income \$B

### Market and Business Overview

#### Market Trends and Strategy

The Internet of Things market is at the center of a global digital transformation. Through a broad portfolio of technology, solutions, and tools, we are transforming the way businesses create products, deliver services, and conduct operations—from schools and hospitals, to retailers and smart factories. Solving customer challenges in a highly fragmented global market requires a strong ecosystem in each vertical industry with horizontal technologies that can scale quickly and efficiently. Our customer verticals include the following:

Retail – Retailers produce mountains of data that can be used to proactively address evolving customer demands and improve operations. With our partners we provide solutions that enable retailers to extract insights from their data, allowing retailers to provide personalized, convenient shopping experiences and supply chain efficiencies that lead to greater customer loyalty, revenue, and profitability. With solutions like the Intel IMRS offerings, customers can adapt quickly to changing market dynamics that provide the right environment for their shoppers.

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Industrial – We are transforming manufacturing today and expanding on what is possible for tomorrow's autonomous operations. We are driving the realization of Industry 4.0 and, together with our partners, addressing industry challenges like the convergence of information technology and operational technology and bringing AI and analytics to operations. From the supply chain to the smart factory, we are using digital and physical technologies to drive flexible, responsive, and interconnected industrial infrastructure to make informed decisions that lower maintenance costs, create new service opportunities, and increase productivity. Healthcare – We are advancing technologies to enable healthcare providers to focus on patients and their care. Technologies like AI, robotics, and the Internet of Things are making healthcare and life sciences more connected, personalized, and intelligent. In lab and research environments, our technology innovations give researchers powerful tools to make breakthrough discoveries and solve some of the world's largest healthcare and life science challenges. By working together with solution providers and end users in the healthcare community, we will continue to develop transformative technologies for the future of healthcare and life sciences.

#### **Products and Competitiveness**

We meet the specific requirements of each vertical industry by utilizing platform and adjacent products and technology from Intel's entire portfolio, while making additional investments needed to further enhance Internet of Things and edge products. We offer end-to-end solutions with our wide spectrum of products, including Intel Atom, Intel Core, and Intel Xeon processor-based computing, wireless connectivity, FPGAs, Movidius VPUs, and developer tools, such as the Intel DevCloud for the Edge, the OpenVINO ecosystem, and the Intel® Edge Software Hub. IOTG product development focuses on addressing the key challenges businesses face when implementing Internet of Things solutions, including interoperability, connectivity, safety, security, industrial use conditions, and long-life support.

For more than 30 years, we have been a supplier of technology and software for embedded products and edge computing. Our strategy is to continue to serve this market to unlock business opportunities for our partners and customers. This marketplace continues to expand significantly, with increasing types and numbers of smart and connected devices for retail, industrial, and healthcare uses. As this marketplace evolves, we face numerous large and small incumbent processor competitors, as well as new entrants that use the ARM architecture and other operating systems and software. The Internet of Things requires a broad range of connectivity solutions and we face competition from semiconductor companies providing traditional wireless solutions such as cellular, Wi-Fi, and Bluetooth, as well as several new entrants who are taking advantage of new focused communications protocols.

As businesses continue to create a deluge of data from more and more smart and connected devices across industries, the demand for high-performance compute at the edge has expanded exponentially. The Internet of Things market is fragmented and complex, requiring interoperability, standard-based approaches, software, developer tools, and the ecosystem working together to accelerate time to value with commercial solutions at scale.

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## Mobileye

#### Overview

Mobileye is the global leader in driving assistance and self-driving solutions. Our product portfolio employs a broad set of technologies, covering computer vision and machine learning-based sensing, data analysis, localization, mapping, and driving policy technology for ADAS and AVs. Mobileye's ADAS products form the building blocks for higher levels of autonomy. Our customers and strategic partners include major global OEMs, Tier 1 automotive system integrators, fleet managers, and transportation operators.

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#### Highlights and Segment Imperatives

- We achieved record revenue in 2020 despite a significant decline in global vehicle production related to COVID-19 in the first half of the year. Our EyeQ SoC volume grew approximately 12% and we expect to see additional growth in the adoption of enhanced ADAS technologies.
- Despite unprecedented challenges to the auto industry amid the COVID-19 pandemic, we secured
  more than 37 new design wins, including deals with major OEMs such as Geely and Ford. We are
  currently active in 49 production programs<sup>1</sup> across over 25 OEMs.
- We expanded our relationship with Ford, providing our suite of EyeQ sensing technology to support Ford's Co-Pilot360<sup>TM</sup> Technology driver-assist features, which will be visible in vehicles with Mobileye's logo on display. We also announced a large-scale deal with Chinese automaker Geely to provide Mobileye Supervision, our new ADAS solution. This win marks the first time Mobileye will be responsible for the full solution stack, including hardware and software, driving policy, and control
- We acquired Moovit to accelerate Mobileye's MaaS offering. Moovit is known for its urban mobility application and brings Mobileye closer to achieving our plan to become a complete mobility provider, including robotaxi services.

"The trinity of Mobileye vision is based on a uninterplay between ADAS AV realms, a full-fledged mapping solution, and a industry-first formal mosafety. With the past years achievements, we companother leap in executing vision for autonomous mobility solutions."

—Prof. Amnon Shashua President and Chief Exec Officer, Mobileye

#### 4-Year Trends<sup>2</sup>

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■ Revenue \$B

Op Income \$B

#### Market and Business Overview

### Market Trends and Strategy

The COVID-19 pandemic negatively impacted the global vehicle industry, resulting in a year over year decline in overall production of approximately 17%<sup>3</sup>, and delayed deployment of certain OEMs' advanced features and other projects. We expect ADAS volume to recover from the effects of COVID-19 faster than overall global vehicle production, and we expect long-term growth of ADAS to remain unaffected as consumers increasingly consider ADAS a differentiating factor in their automotive purchasing decisions.

The continued growth of ADAS is dependent on various factors, including regulation, market demand, and consumers' recognition of its value. Mobileye's ADAS solutions also serve as a qualification space for our autonomous technology, using vast experience and proliferation to validate and constantly improve AV technology. This year, we introduced

Mobileye Supervision, the EyeQ5-based solution that incorporates an end-to-end engine control unit, surround-view camera array, processors, driving policy, and high-definition maps—all derived directly from our ongoing autonomous vehicle program. AV technologies such as Mobileye Supervision will make their way into premium ADAS solutions, broadening monetization opportunities and value proposition.

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<sup>&</sup>lt;sup>1</sup> This refers to the total number of production programs with active project managers. Intel's definition of program is included in "Key Terms" within the Financial Statements and Supplemental Details.

<sup>&</sup>lt;sup>2</sup> Mobileye was acquired in Q3 2017; 2017 results do not represent the full year.

<sup>&</sup>lt;sup>3</sup> Source: IHS Markit

Despite the COVID-19-related impact on vehicle production, OEMs are still looking to enhance current L2+ solutions by improving system fidelity, availability, and performance. High-definition maps with constant updates, global coverage, and various semantic features are prerequisites for L2+ applications and the future deployment of robotaxi and passenger car autonomy (Consumer AV). Canonical mapping methods rely on extensive manual labor and dedicated mapping vehicles. Mobileye's disruptive REM crowdsource mapping technology provides automatic map creation and updates. REM mapping capabilities are also being leveraged to extend the value of static and dynamic data to businesses in new market segments such as smart cities and infrastructure surveys.

We believe the future of autonomous driving will unfold in two phases: commercial robotaxi and series-production passenger car consumer AVs. We expect consumer AVs to materialize only after the robotaxi industry deploys and matures. The main inhibitors of a mass market product offering of consumer AV are the cost of AV technology, ability to scale at a low cost, regulatory framework, and public acceptance. Thus, we see the robotaxi phase as a necessary corridor to consumer AV. Mobileye is well-positioned to play a significant role in the broader MaaS market with the commercialization of robotaxi and the future consumer AV market. Our full-stack self-driving system—geared with our camera-centric backbone and vast experience in productizing cutting-edge technology in the automotive industry—is the foundation for developing an economically competitive AV solution. Proliferation of data-collection vehicles alongside REM technology will allow for low-cost geographic expansion and coverage. Together with Moovit's complementary assets in the service layers, Mobileye is building itself as an end-to-end service provider at scale.

Until the UNECE, EU, and U.S. provide regulation for self-driving vehicles without safety drivers for commercial ride sharing and public transportation, several countries are pushing to enact laws and regulation by 2021 to enable regular deployment and operation of MaaS fleets with self-driving vehicles starting in 2022.

### **Products and Competitiveness**

Our offering for ADAS and AV is propelled by our computer vision and AI expertise and software assets, deployed on our EyeQ SoC family. The tight co-design of hardware and software gives the EyeQ SoC the ability to support complex and computationally intense tasks and sets it apart from competition because it is purpose-fit for high-compute, low-power, automotive-compliant mission profiles. Our 5th Gen EyeQ5 SoC is designed to act as the central computer for fully autonomous driving vehicles. We have been able to achieve power, performance, and cost targets by employing proprietary computational cores that are optimized for a wide variety of computer vision, signal processing, and machine learning tasks, including deep neural networks. Starting with EyeQ5, we are supporting an automotive-grade standard operating system and providing a complete software development kit to allow customers to differentiate their solutions by deploying their algorithms on EyeQ5. The EyeQ5 SoC is expected to be in commercial vehicles starting in 2021 and is already operational in our autonomous test vehicles.

EyeQ5 serves as the computational foundation for our scalable camera-only surround sensing system. The system consists of multiple independent computer vision engines and deep networks for algorithmic redundancy. The result is a robust and comprehensive model of the environment that allows end-to-end autonomous driving. The surround computer vision system is the backbone of Mobileye's AV architecture and the flagship offering for next-generation ADAS.

The next significant building block in our complete offering is REM mapping technology, which compiles crowdsourced mapping data from EyeQ SoC-equipped vehicles. We are focused on our crowd-sourced mapping efforts and expect a significant increase in harvesting capabilities in 2021. We also expect an expansion of the number of vehicles using our localization capabilities by the end of 2021. The REM Roadbook<sup>TM</sup> can enhance current ADAS applications through a variety of advanced features, including predictive adaptive cruise control, lane-level localization in all weather and road conditions, hands-free driving application, and real-time alerts.

Leveraging this data, we launched a full suite of vision-based data services for cities, road operators, transportation authorities, and mapping companies. Using vehicles equipped with Mobileye's road mapping technology, we provide highly refreshed geographic information systems data about the road network, infrastructure assets, pavement condition, mobility, and traffic. This information allows our customers to monitor and preserve their infrastructure more efficiently, making roadways and streets safer for all.

The third building block in our full stack offering is our unique formal model for AV safety (RSS). At its core, RSS is a pragmatic method to design and then efficiently validate the safety of an AV, serving as the governing safety layer for the decision-making system. RSS formalizes human decision making for safe driving under two main principles: first, it acknowledges the need to balance safety with useful driving by making plausible worst-case scenario assumptions for other road users; and second, it provides a technology-neutral model and a transparent framework for the regulatory endeavor of building an industry standard for safety. In late 2019, Intel was named to lead the IEEE working group to develop AV decision making standards.

These building blocks are already part of our recently launched Mobileye Supervision, a direct derivative of our autonomous driving program. This solution proves that there is a valuable use case for AV technology in the most advanced driver-assistance systems.

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### **Financial Performance**

### Internet of Things Revenue \$B

Internet of Things Op Income \$B

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■ IOTG ■ Mobileye

#### Revenue Summary

#### 2020 vs. 2019

IOTG revenue decreased \$814 million, or 21%, primarily driven by the economic impacts of COVID-19 with \$470 million in lower ASPs driven by weaker core mix and \$265 million driven by weaker demand for IOTG platform products. Revenue was also negatively affected by considerations related to the U.S. government Entity List.

Mobileye revenue was \$967 million, up \$88 million, driven by higher demand from improved global vehicle production in the second half of 2020, offsetting the decline in production experienced in the first half of the year due to the effects of the COVID-19 pandemic.

#### 2019 vs. 2018

IOTG revenue increased \$366 million, or 11%, driven by \$283 million in higher ASPs from stronger core mix and \$92 million from higher IOTG platform unit sales, partially offset by lower revenue from our divestiture of Wind River in Q2 2018, which negatively impacted the revenue comparison by approximately \$153 million in the first half of 2019. After adjusting for Wind River, IOTG revenue grew \$519 million, or 16%, year over year.

Mobileye revenue was \$879 million, up \$181 million, due to increasing adoption of ADAS.

### **Operating Income Summary**

### 2020 vs. 2019

IOTG operating income decreased \$600 million, primarily due to lower platform revenue.

Mobileye operating income was \$241 million, down \$4 million, due to higher spending primarily driven by the Moovit acquisition, partially offset by growth in revenue.

### 2019 vs. 2018

IOTG operating income increased \$117 million, due to higher platform revenue from stronger core mix offset by higher period charges related to reserves taken on legacy products.

Mobileye operating income was \$245 million, up \$102 million, driven by growth in revenue partially offset by higher spending.

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#### Overview

NSG provides next-generation memory and storage products based on breakthrough Intel Optane technology and Intel 3D NAND technology. NSG is disrupting the memory and storage hierarchy with new tiers that balance capacity, performance, and cost. Our products are available in innovative new form factors and densities to address the memory and storage challenges our customers face in a rapidly evolving technological landscape. Our customers include enterprise and cloud-based data centers, and users of business and consumer desktops and laptops.

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### **Highlights and Segment Imperatives**

- We achieved record revenue in 2020, driven by improved NAND pricing and memory bit growth.
   We achieved significant improvement in NAND profitability from market pricing recovery and continued improvements in unit cost.
- We launched the 2nd Gen Intel Optane persistent memory and Intel<sup>®</sup> Optane<sup>™</sup> SSD P5800X, our first PCIe 4.0 SSD, which performs over three times faster than the previous generation.
- We launched Intel® SSD D7-P5500, D7-P5600 Series with 96-Layer TLC 3D NAND, and D7-P5510 portfolio continues to d Series with 144-Layer TLC 3D NAND Data Center SSDs in six capacities up to 7.68 terabytes, with the memory-and-storag industry-leading PCle Gen4, areal density, and layer count. For client applications, we launched hierarchy and allows us play a bigger and more
- We signed an agreement with SK hynix to divest our NAND memory business, including our Fab Assets, our NAND SSD Business, and our NAND OpCo Business. The NAND memory business represents the substantial majority of NSG.

"The world's data is gro at an exponential rate, a Intel is leading two majo innovations in non-vola memory, Optane and No Our advanced product oportfolio continues to do the memory-and-storag hierarchy and allows us play a bigger and more strategic role for our customers."

—Rob Crooke, NSG Ger Manager

#### 5-Year Trends

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■ Revenue \$B

Op Income \$B

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#### Market and Business Overview

### Market Trends and Strategy

The combination of ever-exploding growth in data and the desire to analyze data for actionable insights requires our customers to balance performance, real-time access, and cost. Our technology innovations enable various tiers of memory and storage to ensure that critical, or "hot," data is close to the CPU for rapid access to larger data sets with Intel Optane-based products and efficient cost-effective capacity storage with Intel 3D NAND TLC and QLC Technology.

In October 2020, we signed an agreement with SK hynix to divest our NAND memory business. This transaction will allow us to further prioritize our investments in differentiated technology where we can play a bigger role in the success of our customers and deliver attractive returns to our stockholders. Our Intel Optane business is expressly excluded from the sale. The transaction will occur over two closings. In connection with the first closing, the parties will enter into a NAND wafer manufacturing and sale agreement, pursuant to which we will continue to manufacture NAND wafers at our Dalian, China memory fabrication facility. We will sell these wafers to SK hynix until final closing.

#### **Products and Competitiveness**

We compete against other providers of NAND products. We offer 96-layer and 64-layer TLC NAND high-capacity SSDs, and 144-layer QLC NAND high-capacity SSDs. We also provide unparalleled low latency and high performance with Intel Optane technology. We focus our efforts primarily on incorporating NAND into solution products and on our innovative Intel Optane technology, which offers a unique combination of performance, density, power, non-volatility, and cost advantages that redefine the memory storage hierarchy between conventional DRAM memory and NAND. We believe that our memory offerings, including our Intel Optane technology, complement our product offerings in our other segments.

The acceleration in data growth across our customer base requires significant innovation in storage and memory technology. Our storage and memory roadmap led the way in re-imagining usages and architecting innovative solutions that have disrupted the industry with 96-layer and 144-layer 3D NAND TLC and QLC solutions. We launched six new products to keep up with the evolving business needs of our customers. We have seen increased volume in the Intel Optane technology business.

We launched the second generation of Intel Optane persistent memory products, available for 3rd Gen Intel Xeon processor platforms for data center usages. This technology redefines the memory storage hierarchy and offers the performance of memory with the large capacities and persistence characteristics of storage. We offer the industry's only drive to combine Intel Optane memory and Intel® QLC 3D NAND Technology. This new technology will enable innovative new form factors and higher capacity drives.

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### **Financial Performance**

#### **NSG Revenue \$B**

**NSG Operating Income \$B** 

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#### Revenue Summary

#### 2020 vs. 2019

Revenue increased \$996 million, driven by \$716 million higher ASP from improved NAND pricing and \$280 million from improved overall demand.

### 2019 vs. 2018

Revenue increased \$55 million, driven by a \$3.9 billion increase in unit sales due to an increase in demand for NAND products, offset by a \$3.8 billion impact from lower ASP due to lower NAND market pricing.

#### **Operating Income Summary**

#### 2020 vs. 2019

NSG had an operating profit of \$361 million, up from an operating loss of \$1.2 billion in 2019. The operating profit was driven by \$716 million higher ASPs from market pricing recovery and \$741 million due to continued improvements in unit cost.

### 2019 vs. 2018

NSG had an operating loss of \$1.2 billion, down from an operating loss of \$5 million in 2018. The operating loss was driven by \$3.8 billion lower ASPs, partially offset by \$1.6 billion of improved unit cost and \$1.1 billion higher unit sales. While the ramp at Fab 68 in 2019 drove cost improvements, the decline in ASP and the absence of \$160 million in government grants recognized in Q3 2018 more than offset improved unit cost, resulting in lower gross margin.

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Overview intc-20201226\_g87.j

PSG offers programmable semiconductors, primarily FPGAs, structured ASICs, and related products, for a broad range of applications across our embedded, communications, and cloud and enterprise market segments. Our product portfolio delivers FPGA acceleration in tandem with Intel microprocessors, which enables us to combine the benefits of our broad portfolio of technologies to allow more flexibility for systems to operate with increased efficiency and higher performance.

#### **Highlights and Segment Imperatives**

- Revenue was down 7% year over year, driven by a decline in our communications market segment "With major technology due to customer transition to 5G ASICs and decline in our embedded market segment, partially inflections happening a offset by strength in the cloud and enterprise market segment.

  \*\*TWITH Major technology inflections happening a 5G, AI, intelligent edge,
- We continue to leverage our heterogeneous architecture on advanced nodes to deliver innovative products at an accelerated pace. We announced Intel Stratix 10 NX, extending our Intel Stratix 10 FPGA family.
- We expanded our FPGA SmartNIC portfolio with the introduction of the Intel<sup>®</sup> FPGA SmartNIC C5000X platform architecture, targeting cloud data center applications. Together with Silicom Ltd., we introduced the Intel FPGA SmartNIC N5010 platform for network infrastructure acceleration.
- We introduced the Intel<sup>®</sup> eASIC<sup>™</sup> N5X device family, previously referred to as Diamond Mesa, for low-latency 5G network acceleration, cloud acceleration and storage, AI, and edge applications.

"With major technology inflections happening a 5G, AI, intelligent edge, the cloud, the flexibility programmability of Intel FPGAs and structured A are critical elements of portfolio that enable rapinnovation and customization."

—**David Moore**, PSG Ge Manager

#### 5-Year Trends<sup>1</sup>

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■ Revenue \$B

Op Income \$B

<sup>1</sup> PSG was acquired in Q1 2016.

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#### Market and Business Overview

### Market Trends and Strategy

With the rise of pervasive connectivity and autonomous transactions, vast networks of devices and systems are linked from the edge through infrastructure to the cloud. Our FPGA and structured ASIC technologies enhance Intel's ability to meet the needs of customers across these technology inflections by delivering flexible and high-performance acceleration to extend platform capabilities, intercepting evolving requirements when standards are still changing, and enabling customers to validate next-generation technology proof points early in the market transition. The Intel FPGA portfolio enables this transformation with discrete FPGAs and software-defined, hardware-based, multi-function acceleration cards that allow faster development times, high performance, and power efficiency with lower overall total cost of ownership.

We enable a broad range of solutions targeting applications across our embedded, communications, and cloud and enterprise market segments. The configurability and efficiency of FPGAs provide advantages to enable transformative applications such as 5G wireless, network function virtualization acceleration, and edge acceleration for video analytics and Industry 4.0. At the edge, where systems ingest large amounts of data, Intel FPGAs are ideal for preprocessing data to accelerate Intel processors. In the network, where data traffic is increasing and network functions are being virtualized to improve transport efficiency, Intel FPGAs are built to deliver high-bandwidth aggregation and processing. In the cloud, where workloads shift dynamically and algorithms change, Intel FPGAs are the ideal solution for adapting to new demands through reconfigurability.

#### **Products and Competitiveness**

We deliver solutions in the PLD market, primarily FPGAs and structured ASICs, to accelerate applications that help secure, power, and connect billions of devices and the infrastructure of the smart, connected, data-centric world. We face competition from other programmable logic companies, as well as companies that make other types of semiconductor products, such as ASICs, application-specific standard products, GPUs, digital signal processors, and CPUs. Targeted growth areas for our programmable solutions include 5G, AI, intelligent edge, and cloud applications. The FPGA life cycle generally takes three or more years from the time that a design win is secured before a customer starts volume production and we receive the associated revenue.

We expanded our FPGA silicon portfolio by offering additional capability with the Intel Stratix 10 FPGA family. We announced the Intel Stratix 10 NX FPGA. Intel's first Al-optimized FPGA for high-bandwidth, low-latency Al acceleration. We continued the rollout of our 10nm Intel® Agilex<sup>TM</sup> family, which leverages our innovative heterogeneous architecture that allows the capability to integrate analog, memory, custom computing, custom I/O, and Intel eASIC chiplets into a single package. We continue to invest in the Intel eASIC silicon portfolio. We announced Intel eASIC N5X, the next-generation Intel eASIC device. Structured ASIC products serve as an intermediary technology between FPGAs and standardcell ASICs that provides lower unit cost and lower power compared to FPGAs, and faster time-to-market and lower non-recurring engineering cost compared to standard-cell ASICs. Intel eASIC products have growth opportunities through adoption in 5G applications and scale across a wide range of markets.

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We announced several new FPGA SmartNIC platforms to help cloud service providers, communications service providers, and enterprise customers optimize and future-proof their infrastructures. Our FPGA SmartNIC platform strategy includes delivering platforms from Intel and leveraging our ecosystem partners to deliver platforms based on Intel® FPGA silicon. We introduced the Intel FPGA SmartNIC C5000X platform architecture, targeted for data center applications, and partnered with Silicom on the Silicom FPGA SmartNIC N5010 platform, powered by Intel Stratix 10 FPGAs and targeted for the communications market.

We also announced the Intel® Open FPGA Stack (Intel® OFS), the first source-accessible FPGA hardware and software acceleration infrastructure, which will enable solution and board providers to build their own differentiated FPGA platforms for servers with Intel Xeon CPUs.

We continue to execute to our developer-first strategy with the release of oneAPI in production, with support for several Intel FPGA families and the Intel® FPGA Programmable Acceleration Card (Intel® FPGA PAC). OneAPI allows users to save significant development time and enhance productivity while using a single, unified language for CPUs, GPUs, and FPGAs.

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### **Financial Performance**

### **PSG Revenue \$B**

**PSG Operating Income \$B** 

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#### Revenue Summary

### 2020 vs. 2019

Revenue decreased \$134 million, driven by a decline in our communications market segment due to customer transition to 5G ASICs which benefited DCG adjacencies, and decline in our embedded market segment. The decline was partially offset by strength in the cloud and enterprise market segment.

#### 2019 vs. 2018

Revenue decreased \$136 million, driven by a decline in our cloud and enterprise market segment, offset by strength in wireless and advanced products.

#### **Operating Income Summary**

### 2020 vs. 2019

Operating income decreased \$58 million, driven by lower revenue in our embedded and communications market segments, partially offset by strength in the cloud and enterprise market segment.

#### 2019 vs. 2018

Operating income decreased \$148 million, driven by lower revenue in our cloud and enterprise market segment, offset by strength in wireless and advanced products.

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#### Overview

The PC is more essential than ever, enriching lives by helping people focus, create, and connect with friends, family, and coworkers around the world. Working with our partners across the industry, we intend to continue to advance PC experiences. As the largest business unit at Intel, CCG is investing more heavily in the PC, ramping its capabilities even more aggressively, and designing the PC experience even more deliberately, including delivering a predictable cadence of leadership products. As a result, we are able to fuel innovation across Intel, providing an important source of IP, scale, and cash flow.

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### **Highlights and Segment Imperatives**

- We delivered our fifth consecutive year of revenue growth, to \$40.1 billion, as the PC became more "At a time when people essential than ever with more people working and learning from home due to COVID-19-related impacts. We maintained focus on high-growth segments and disciplined portfolio management.
- We introduced our 11th Gen Intel Core processor-based systems built on our new 10nm SuperFin process technology and launched our new 10th Gen Intel® Core<sup>TM</sup> vPro® processors.
- We continue to accelerate the pace of innovation to deliver new experiences and form factors. We announced the Intel Evo platform brand, powered by 11th Gen Intel Core processors. We experienced growth through Intel Evo-verified designs and continued growth in the commercial market segment. We also drove growth in our adjacencies in areas like systems and connectivity, while also introducing our first discrete graphics product—Intel Iris X<sup>e</sup> MAX graphics.

relying on their PCs mo than ever, we are comm to creating and deliverin most advanced PC experiences to meet the world needs."

—**Gregory Bryant,** Exect Vice President and Gener Manager, CCG

#### 5-Year Trends

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■ Revenue \$B

Op Income \$B

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#### Market and Business Overview

### Market Trends and Strategy

Time spent on PCs has increased dramatically across all major usage categories, as well as the number of PCs per household, reinforcing the importance of bringing innovative platforms and form factors to market that support and enhance user experiences. The COVID-19 pandemic has also driven a shift to notebooks that enables increased user mobility and connectivity to enable working and learning from home.

Currently, we estimate there are approximately 150 million<sup>1</sup> enterprise and government PCs that are more than four years old. The experience and capabilities that new PCs deliver are dramatically better today, reinforcing the opportunity to drive a refresh cycle among enterprise customers. This brings a significant opportunity in the commercial market segment.

Overall, market conditions across consumer and commercial market segments continue to improve in an increasingly competitive environment. We will optimize our strategy to stay focused on these competitive market segments and exit businesses that are not delivering growth—most recently seen by our exit in our Home Gateway Platform division.

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#### **Products and Competitiveness**

We are accelerating the pace of innovation and delivering a predictable cadence of leadership products, including for modern notebooks and high-end enthusiast PCs. We deliver value to our customers by leveraging our engineering capabilities and working with our partners to deliver technology across every major vector of the computing experience, including performance, battery life, connectivity, memory, graphics, and form factors to create the most advanced PC platforms.

We launched our 11th Gen Intel Core processors with Intel Iris X<sup>e</sup> graphics. This latest generation of processors, powered by our new 10nm SuperFin transistors, combines new industry technologies like Wi-Fi 6 (Gig+), Thunderbolt 4, AV1 media decode, CPU-attached PCIe Gen 4 interface, and hardware-hardened security features. There were more than 100 designs based on 11th Gen Intel Core processors by the end of 2020 from partners including Acer, Asus, Dell, HP, Lenovo, LG, Razer, Samsung, and others, and approximately 50 additional designs are expected in 2021.

We announced the Intel Evo platform brand powered by 11th Gen Intel Core processors with Intel Iris X<sup>e</sup> graphics, representing laptop designs made possible by Intel's Project Athena innovation program. Laptop designs built on the Intel Evo platform will feature the Intel Evo badge, signaling that they are tested and verified in Intel labs to ensure they deliver new experience targets or key experience indicators defined by real-world usage models and innovation across areas like responsiveness, battery life, instant wake, and connectivity.

We also introduced three additions to our 10th Gen Intel Core processor family, extending our leadership in gaming and business. The Intel Core H-series mobile processors include a new H-series processor that delivers desktop-caliber performance that gamers and creators can take anywhere; the Intel Core S-series desktop processors include Intel's flagship Core i9-10900K processor, featuring up to 10 cores, 20 threads and DDR4-2933 memory speeds; and our new 10th Gen Intel Core vPro processors are designed for enterprise needs and deliver increased productivity improvements, connectivity, security features, and remote manageability.

We expanded the Intel NUC small form factor product lines for commercial, gaming, and channel laptops, and launched the Intel NUC Elements modular product. At the end of 2020, these product lines started the transition to 11th Gen Intel Core processors. We continue to enhance our platform products with new adjacent technologies. We launched the Intel® Wi-Fi 6 (Gig+) 802.11ax connectivity solution, the first Wi-Fi 6 solution in the PC market, featuring faster speeds, increased throughput, and better experiences for activities such as video conferencing. We are driving new industry standards for USB-C connector-based products with the introduction of Thunderbolt 4, Intel's universal

cable connectivity solution. Strong adoption of Thunderbolt<sup>TM</sup> 3 continues, and it serves as the underlying architecture of USB4.

We continue to focus on an advanced pace of innovation and a predictable cadence of leadership products. We operate in a particularly competitive market with strong competition from AMD; vendors who use applications processors based on ARM architecture, such as Qualcomm Inc. (Qualcomm); and customers who internally develop their own semiconductors, which now include Apple Inc. (Apple). We expect this competitive environment to intensify in 2021.

<sup>1</sup> Source: Intel calculated the volume of devices over four years old from industry analyst reports and internal data.

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### **Financial Performance**

### CCG Revenue \$B

CCG Operating Income \$B

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■ Platform ■ Adjacent

### Revenue Summary

- Increased unit sales driven by strength in notebook demand, partially offset by lower desktop demand.
- Lower notebook ASPs resulting from higher demand for consumer education PCs, partially offset by higher desktop ASPs from increased demand for performance products in the gaming market segment.
- Weakness in adjacent revenue driven by volume decline in LTE modem and connected home devices, partially offset by strength in Wi-Fi sales.

	2020 \	2019 \	2019 vs. 2018			
(In Millions)	%		Impact	%	\$	Impact
Desktop platform volume	down (11)%	\$	(1,316)	down (6)%	\$	(705)
Desktop platform ASP	up 2%		186	up 3%		307
Notebook platform volume	up 28%		5,770	down (5)%		(1,080)
Notebook platform ASP	down (6)%		(1,646)	up 5%		929
Adjacent products and other			(83)			691
Total change in revenue		\$	2,911		\$	142

### **Operating Income Summary**

Operating income remained flat year over year, and operating margin was 38% in 2020.

(In Millions)
---------------

\$ 15,129	2020 Operating Income
(3,025)	Higher platform unit cost primarily from increased mix of 10nm products
(125)	Primarily driven by higher logistic expenses due to COVID-19
1,715	Higher gross margin from platform revenue
640	Lower operating expenses
420	Lower period charges due to lower start-up cost associated with 10nm products and sell-through of previously reserved platform products related to our 10nm process technology
300	Higher CCG adjacent product margin
2	Other
\$ 15,202	2019 Operating Income
1,425	Lower period charges primarily due to lower factory start-up costs and sell-through of previously reserved non-qualified platform product associated with our 10nm process technology
725	Lower operating expenses primarily driven by lower investment in modem
(1,170)	Higher platform unit cost
(145)	Lower gross margin from platform revenue
145	Other
	2018 Operating Income

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# Consolidated Results of Operations

We achieved record revenue in 2020 amid a volatile environment. Data-centric and PC-centric revenue were both up, driven by growth in DCG, CCG, and NSG. Our gross margin was impacted by a higher mix of 10nm products, but we reduced spending to 25.3% of revenue while increasing our investment in R&D.

	December	· 26, 2020		· 28, 2019			
,	Amount	% of Net Revenue		Amount	% of Net Revenue		Amo
\$	77,867	100.0 %	\$	71,965	100.0 %	\$	
	34,255	44.0 %		29,825	41.4 %		
	43,612	56.0 %		42,140	58.6 %		-
	13,556	17.4 %		13,362	18.6 %		
	6,180	7.9 %		6,350	8.8 %		
	198	0.3 %		393	0.5 %		
	23,678	30.4 %		22,035	30.6 %		:
	1,904	2.4 %		1,539	2.1 %		
	(504)	(0.6)%		484	0.7 %		
	25,078	32.2 %		24,058	33.4 %		
	4,179	5.4 %		3,010	4.2 %		
\$	20,899	26.8 %	\$	21,048	29.2 %	\$	- :
\$	4.94		\$	4.71		\$	
		Amount \$ 77,867 34,255 43,612 13,556 6,180 198 23,678 1,904 (504) 25,078 4,179 \$ 20,899	Amount         Revenue           \$ 77,867         100.0 %           34,255         44.0 %           43,612         56.0 %           13,556         17.4 %           6,180         7.9 %           198         0.3 %           23,678         30.4 %           1,904         2.4 %           (504)         (0.6)%           25,078         32.2 %           4,179         5.4 %           \$ 20,899         26.8 %	Amount       % of Net Revenue         \$ 77,867       100.0 %       \$         34,255       44.0 %       \$         43,612       56.0 %       \$         13,556       17.4 %       \$         6,180       7.9 %       \$         198       0.3 %       \$         23,678       30.4 %       \$         1,904       2.4 %       \$         (504)       (0.6)%       \$         25,078       32.2 %       \$         4,179       5.4 %       \$         \$ 20,899       26.8 %       \$	Amount         % of Net Revenue         Amount           \$ 77,867         100.0 %         \$ 71,965           34,255         44.0 %         29,825           43,612         56.0 %         42,140           13,556         17.4 %         13,362           6,180         7.9 %         6,350           198         0.3 %         393           23,678         30.4 %         22,035           1,904         2.4 %         1,539           (504)         (0.6)%         484           25,078         32.2 %         24,058           4,179         5.4 %         3,010           \$ 20,899         26.8 %         \$ 21,048	Amount         % of Net Revenue         Amount         % of Net Revenue           \$ 77,867         100.0 %         \$ 71,965         100.0 %           34,255         44.0 %         29,825         41.4 %           43,612         56.0 %         42,140         58.6 %           13,556         17.4 %         13,362         18.6 %           6,180         7.9 %         6,350         8.8 %           198         0.3 %         393         0.5 %           23,678         30.4 %         22,035         30.6 %           1,904         2.4 %         1,539         2.1 %           (504)         (0.6)%         484         0.7 %           25,078         32.2 %         24,058         33.4 %           4,179         5.4 %         3,010         4.2 %           \$ 20,899         26.8 %         \$ 21,048         29.2 %	Amount         % of Net Revenue         Amount         % of Net Revenue           \$ 77,867         100.0 %         \$ 71,965         100.0 %         \$ 34,255           43,612         56.0 %         42,140         58.6 %           13,556         17.4 %         13,362         18.6 %           6,180         7.9 %         6,350         8.8 %           198         0.3 %         393         0.5 %           23,678         30.4 %         22,035         30.6 %           1,904         2.4 %         1,539         2.1 %           (504)         (0.6)%         484         0.7 %           25,078         32.2 %         24,058         33.4 %           4,179         5.4 %         3,010         4.2 %           \$ 20,899         26.8 %         \$ 21,048         29.2 %         \$

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### Revenue

Our total revenue grew from \$59.4 billion in 2016 to \$77.9 billion in 2020, representing 7% CAGR. Data-centric businesses collectively grew faster than Intel at 9% CAGR over the last five years and are approaching 50% of our revenue.

### PC to Data-centric Transformation Over the Last 5 years

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■ PC-centric \$B ■ Data-centric \$B — Data-centric as a % of total Intel revenue

#### Segment Revenue Walk \$B

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#### 2020 vs. 2019

In 2020, revenue was \$77.9 billion, up \$5.9 billion, or 8%, from 2019. Our data-centric businesses collectively grew 9% due to increased platform volume as cloud service providers increased capacity to serve customer demand. We also saw continued growth in DCG communications service providers, partially offset by enterprise and government decline. We saw growth in DCG adjacencies driven by 5G networking deployment and improved NAND pricing and higher demand in NAND, partially offset by weaker core mix and demand in IOTG platform products due to COVID-19. Our PC-centric business was up 8% year over year driven by strength in notebook and Wi-Fi sales. That growth was slightly offset by lower desktop volume and lower notebook ASPs resulting from higher demand for consumer and education PCs, and volume decline in LTE modem and connected home following the exit of those businesses.

#### 2019 vs. 2018

In 2019, revenue was \$72.0 billion, up \$1.1 billion, or 2%, from 2018. Our data-centric businesses collectively grew 3% year over year and made up nearly half of our total revenue in 2019. Platform ASPs increased due to stronger core mix offset by a decline in NSG ASPs due to lower NAND market pricing and a decrease in DCG platform unit sales as the enterprise and government market segment contracted. Our PC-centric business was flat year over year as ASP strength from richer commercial segment mix and modem growth were offset by declines in platform volume.

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## **Gross Margin**

We derived most of our overall gross margin dollars from the sale of platform products in the DCG and CCG operating segments. Our overall gross margin dollars in 2020 increased by \$1.5 billion, or approximately 3%, compared to 2019, and in 2019 decreased by \$1.6 billion, or 4%, compared to 2018. Our gross margin percentage was down as the increase in platform revenue was offset by higher platform unit cost and a higher portion of our revenue from lower margin adjacent businesses.

### Gross Margin \$B

(Percentages in chart indicate gross margin as a percentage of total revenue)

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### (In Millions)

43,612	2020 Gross Margin
2,360 1,855	Higher gross margin from platform revenue Higher gross margin from adjacent businesses primarily due to higher margins on NAND, modem, and Wi-Fi, part offset by lower margins on DCG adjacencies
630 155	Lower factory start-up costs associated with our 10nm process technology Lower period charges
(3,285) (255)	Higher platform unit cost primarily from increased mix of 10nm products Primarily driven by higher logistic expenses due to COVID-19
12	Other
42,140	2019 Gross Margin
(1,360)	Lower gross margin from adjacent businesses primarily due to NAND, DCG adjacencies, and PSG offset by higher margin on Mobileye
(1,300)	Higher platform unit cost, primarily from increased mix of performance products
580	Higher gross margin from platform revenue
490	Lower period charges primarily due to lower factory start-up costs and sell-through of previously reserved non-quaplatform product, offset by higher initial production costs associated with our 10nm process technology
(7)	Other
43,737	2018 Gross Margin
	2,360 1,855 630 155 (3,285) (255) 12 42,140 (1,360) (1,300) 580 490 (7)

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## **Operating Expenses**

Total R&D and MG&A expenses for 2020 were \$19.7 billion, flat compared to 2019. These expenses represented 25.3% of revenue for 2020 and 27.4% of revenue for 2019.

We continue to invest in R&D to accelerate our growth and profitability, while driving operational efficiencies to reduce our MG&A spending.

#### Research and Development \$B

Marketing, General, and Administrative \$B

(Percentages indicate expenses as a percentage of total revenue)

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#### Research and Development

#### 2020 vs. 2019

R&D spending increased by \$194 million, or 1%, driven by the following:

- + Investments in our process technology
- + Investments in our PC and data-centric businesses
- Ramp down of 5G smartphone modem business
- Incentive-based cash compensation

### 2019 vs. 2018

R&D spending decreased by \$181 million, or 1%, driven by the following:

- Ramp down of 5G smartphone modem business and other projects
- Incentive-based cash compensation
- Corporate spending efficiencies
- + Investments in our data-centric businesses
- + Investments in our process technology

### Marketing, General and Administrative

### 2020 vs. 2019

MG&A spending decreased by \$170 million, or 3%, driven by the following:

- Corporate spending efficiencies
- Incentive-based cash compensation

### 2019 vs. 2018

MG&A spending decreased by \$600 million, or 9%, driven by the following:

- Corporate spending efficiencies
- Reduction in marketing programs
- Incentive-based cash compensation
- Lower expenses due to the Wind River divestiture in Q2 2018

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## Gains (Losses) on Equity Investments and Interest and Other, Net

Years Ended (In Millions)	Dec	26, 2020	Dec	28, 2019	Dec	29, 2018
Ongoing mark-to-market adjustments on marketable equity securities	\$	(133)	\$	277	\$	(129)
Observable price adjustments on non-marketable equity securities		176		293		202
Impairment charges		(303)		(122)		(424)
Sale of equity investments and other		2,164		1,091		226
Gains (losses) on equity investments, net	\$	1,904	\$	1,539	\$	(125)
Interest and other, net	\$	(504)	\$	484	\$	126

## Gains (Losses) on Equity Investments, Net

Ongoing mark-to-market net gains and losses reported during 2020 were primarily driven by Montage Technology, Co. Ltd. (Montage); 2019 and 2018 net gains and losses were primarily driven by ASML Holding N.V. (ASML) and Cloudera. In 2019, we sold our equity investment in ASML.

During 2020, we recognized higher than historically experienced impairment charges on our non-marketable portfolio based on our assessment of the impact of recent public and private market volatility and tightening of liquidity. We recognized impairments of \$290 million on non-marketable equity securities (\$122 million in 2019 and \$132 million in 2018). In 2018, we recognized an impairment charge of \$290 million in our equity method investment in IMFT.

In sale of equity investments and other, we recognized \$1.1 billion on the initial fair value adjustment from a Montage holding becoming marketable and \$606 million related to four other equity investments that went public in 2020. We recognized McAfee dividends of \$126 million in 2020 and \$632 million in 2019, and in 2019 we recognized \$107 million from our sale of our non-controlling interest in IMFT.

### Interest and Other, Net

We recognized a net loss in interest and other in 2020 compared to a net gain in 2019, primarily due to lower divestiture gains in 2020 compared to 2019.

We recognized a higher net gain in interest and other in 2019 compared to 2018, primarily due to lower loss on debt conversions and larger divestiture gains in 2019 compared to 2018.

### **Provision for Taxes**

Years Ended (Dollars in Millions)	De	Dec 26, 2020			Dec 29, 2018		
Income before taxes	\$	25,078	\$	24,058	\$	23,317	
Provision for taxes	\$	4,179	\$	3,010	\$	2,264	
Effective tax rate		16.7 %		12.5 %		9.7 %	

Our effective tax rate increased in 2020 compared to 2019, primarily driven by a change in our permanent reinvestment assertion with respect to undistributed earnings in China, as a result of our planned divestiture of the NAND memory business. It also increased due to the reduction in our foreign derived intangible income benefit in 2020

Our effective tax rate increased in 2019 compared to 2018, primarily driven by one-time benefits that occurred in 2018.

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## Liquidity and Capital Resources

We consider the following when assessing our liquidity and capital resources:

(In Millions)	De	c 26, 2020	De	c 28, 2019
Cash and cash equivalents, short-term investments, and trading assets	\$	23,895	\$	13,123
Other long-term investments	\$	2,192	\$	3,276
Loans receivable and other	\$	947	\$	1,239
Reverse repurchase agreements with original maturities greater than three months	\$	_	\$	350
Total debt	\$	36,401	\$	29,001
Temporary equity	\$	_	\$	155

Cash generated by operations is our primary source of liquidity. When assessing our sources of liquidity, we include cash and investments as shown in the preceding table. We maintain a diverse investment portfolio that we continually analyze based on issuer, industry, and country. Substantially all of our investments in debt instruments and financing receivables are in investment-grade securities.

Other potential sources of liquidity include our commercial paper program and our automatic shelf registration statement on file with the SEC, pursuant to which we may offer an unspecified amount of debt, equity, and other securities. Under our commercial paper program, we have an ongoing authorization from our Board of Directors to borrow up to \$10.0 billion. As of December 26, 2020, we had no commercial paper outstanding. During 2020, we issued a total of \$10.3 billion aggregate principal amount of senior notes and repaid \$1.0 billion of our 1.85% senior notes that matured in May 2020 and \$1.8 billion of our 2.45% senior notes that matured in July 2020. We also repaid \$700 million in floating-rate senior notes that matured in May 2020. Additionally, we paid \$1.1 billion to satisfy conversion obligations for the remaining \$372 million of our \$2.0 billion 2009 Debentures.

On March 24, 2020, we suspended the use of our financial resources for stock repurchases. On August 19, 2020, in response to our belief that our stock was trading well below its intrinsic valuation at that time, we entered into ASR agreements to repurchase an aggregate of \$10.0 billion of our common stock. In total, we have repurchased approximately \$17.6 billion in shares as part of our planned \$20.0 billion share repurchases announced in October 2019. We intend to complete the remaining \$2.4 billion balance of these planned repurchases in Q1 2021.

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

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# Sources and Uses of Cash (In Millions)

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

Years Ended (In Millions)	De	c 26, 2020	De	c 28, 2019	De	c 29, 2018
Net cash provided by operating activities	\$	35,384	\$	33,145	\$	29,432
Net cash used for investing activities		(20,796)		(14,405)		(11,239)
Net cash provided by (used for) financing activities		(12,917)		(17,565)		(18,607)
Net increase (decrease) in cash and cash equivalents	\$	1,671	\$	1,175	\$	(414)

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### **Operating Activities**

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

For 2020 compared to 2019, the \$2.2 billion increase in cash provided by operating activities was primarily due to changes in working capital. Changes in working capital were driven by accounts receivable, inventory, and income taxes, offset by other assets and liabilities.

For 2019 compared to 2018, the \$3.7 billion increase in cash provided by operating activities was primarily due to changes in working capital. Changes in working capital were driven by taxes, other assets and liabilities, and accounts receivable, offset by customer utilization of prepaid supply agreement payments and inventory build.

### **Investing Activities**

Investing cash flows consist primarily of capital expenditures, investment purchases, sales, maturities, and disposals, and proceeds from divestitures and cash used for acquisitions. Our capital expenditures were \$14.3 billion in 2020, excluding NAND capital expenditures subsequent to the held for sale date (\$16.2 billion in 2019 and \$15.2 billion in 2018).

The increase in cash used for investing activities in 2020 compared to 2019 was primarily due to an increase in purchases of available-for-sale debt investments and trading assets, offset by an increase in maturities and sales of available-for-sale debt investments and trading assets, and a decrease in capital expenditures and cash paid for acquisitions.

The increase in cash used for investing activities in 2019 compared to 2018 was primarily due to net trading asset activity, acquisitions, and capital expenditures. The increase was partially offset by net available-for-sale debt investment activity.

### **Financing Activities**

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

The decrease in cash used for financing activities in 2020 compared to 2019 was primarily due to an increase in cash provided by long-term debt issuances, offset by an increase in repayments of debt and debt conversions and an increase in repurchases of common stock. During 2020, we repurchased \$14.2 billion of common stock under our authorized common stock repurchase program, compared to \$13.6 billion in 2019. As of December 26, 2020, \$9.7 billion remained available for repurchasing common stock under the repurchase authorization limit. Our total dividend payments were \$5.6 billion in 2020 compared to \$5.6 billion in 2019. We have paid a cash dividend in each of the past 113 quarters.

The decrease in cash used for financing activities in 2019 compared to 2018 was primarily due to increased long-term debt issuance, offset by increased repurchases of common stock.

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## **Contractual Obligations**

Significant contractual obligations as of December 26, 2020 were as follows:

	Payments Due by Period									
(In Millions)	Total		Less than 1 year		1–3 years		3-5 years		More than 5 years	
Operating lease obligations <sup>1</sup>	\$	559	\$	175	\$	229	\$	121	\$	34
Capital purchase obligations <sup>2</sup>		8,570		8,006		556		8		_
Other purchase obligations and commitments <sup>3</sup>		2,585		1,831		598		149		7
Tax obligations <sup>4</sup>		4,418		259		1,234		2,478		447
Long-term debt obligations <sup>5</sup>		55,543		3,725		7,046		7,571		37,201
Other long-term liabilities <sup>6</sup>		2,059		1,072		820		41		126
Total <sup>7</sup>	\$	73,734	\$	15,068	\$	10,483	\$	10,368	\$	37,815

- Operating lease obligations represent the undiscounted lease payments under non-cancelable leases, but exclude non-lease components.
- <sup>2</sup> Capital purchase obligations represent commitments for the construction or purchase of property, plant and equipment. They were not recorded as liabilities on our Consolidated Balance Sheets as of December 26, 2020, as we had not yet received the related goods nor taken title to the property.
- Other purchase obligations and commitments include payments due under various types of licenses and agreements to purchase goods or services.
- <sup>4</sup> Tax obligations represent the future cash payments related to Tax Reform enacted in 2017 for the one-time transition tax on our previously untaxed foreign earnings. For further information, see "Note 8: Income Taxes" within the Consolidated Financial Statements.
- <sup>5</sup> Amounts represent principal payments for all debt obligations and interest payments for fixed-rate debt obligations. Interest payments on floating-rate debt obligations, as well as the impact of fixed-rate to floating-rate debt swaps, are excluded.
- <sup>6</sup> Amounts represent future cash payments to satisfy other long-term liabilities recorded on our Consolidated Balance Sheets, including the short-term portion of these long-term liabilities. Derivative instruments are excluded from the preceding table because they do not represent the amounts that may ultimately be paid.
- 7 Total excludes contractual obligations already recorded on our Consolidated Balance Sheets as current liabilities, except for the short-term portions of long-term debt obligations and other long-term liabilities.

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

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

For the purchase of raw materials, we have entered into certain agreements that specify minimum prices and quantities based on a percentage of the total available market or based on a percentage of our future purchasing requirements. Due to the uncertainty of the future market and our future purchasing requirements, as well as the non-binding nature of these agreements, obligations under these agreements have been excluded from the preceding table. Our purchase orders for other products are based on our current manufacturing needs and are fulfilled by our vendors within short time horizons. In addition, some of our purchase orders represent authorizations to purchase rather than binding agreements.

Contractual obligations that are contingent upon the achievement of certain milestones have been excluded from the preceding table. Approximately half of our milestone-based contracts are tooling related for the purchase of capital equipment. These arrangements are not considered contractual obligations until the milestone is met by the counterparty. As of December 26, 2020, assuming that all future milestones are met, the additional required payments would be approximately \$530 million.

For the majority of RSUs granted, the number of shares of common stock issued on the date the RSUs vest is net of the minimum statutory withholding requirements that we pay in cash to the appropriate taxing authorities on behalf of our employees. The obligation to pay the relevant taxing authority is excluded from the preceding table, as the amount is contingent upon continued employment. In addition, the amount of the obligation is unknown, as it is based in part on the market price of our common stock when the awards vest.

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### Quantitative and Qualitative Disclosures About Market Risk

We are affected by changes in currency exchange and interest rates, as well as equity and commodity prices. Our risk management programs are designed to reduce, but may not entirely eliminate, the impacts of these risks. All of the following potential changes are based on sensitivity analyses performed on our financial positions as of December 26, 2020 and December 28, 2019. Actual results may differ materially.

### **Currency Exchange Rates**

We are exposed to currency exchange risks of non-U.S.-dollar-denominated investments in debt and equity instruments and loans receivable, and may economically hedge this risk with foreign currency contracts, such as currency forward contracts or currency interest rate swaps. Gains or losses on these non-U.S.-currency investments are generally offset by corresponding losses or gains on the related hedging instruments. We are exposed to currency exchange risks from our non-U.S.-dollar-denominated debt indebtedness and may use foreign currency contracts designated as cash flow hedges to manage this risk.

Substantially all of our revenue is transacted in U.S. dollars. However, a significant portion of our operating expenditures and capital purchases are incurred in other currencies, primarily the euro, the Japanese yen, the Israeli shekel, and the Chinese yuan. We have established currency risk management programs to protect against currency exchange rate risks associated with non-U.S. dollar forecasted future cash flows and existing non-U.S. dollar monetary assets and liabilities. We may also hedge currency risk arising from funding of foreign currency-denominated future investments. We may utilize foreign currency contracts, such as currency forwards or option contracts in these hedging programs. We considered the historical trends in currency exchange rates and determined that it was reasonably possible that a weighted average adverse change of 10% in currency exchange rates could be experienced in the near term. Such an adverse change, after taking into account balance sheet hedges only and offsetting recorded monetary asset and liability positions outstanding as of December 26, 2020 and December 28, 2019, would result in an adverse impact on income before taxes of less than \$61 million and less than \$38 million, respectively.

### **Interest Rates**

We are exposed to interest rate risk related to our fixed-rate investment portfolio and outstanding debt. The primary objective of our investment policy is to preserve principal and the financial flexibility to fund our business while maximizing yields, which generally track the U.S. dollar three-month LIBOR. We generally enter into interest rate contracts to convert the returns on our fixed-rate debt investment with remaining maturities longer than six months into U.S. dollar three-month LIBOR-based returns. We also enter into swaps to convert fixed-rate coupon payments into floating-rate coupon payments for our existing indebtedness. Gains or losses on these instruments are generally offset by corresponding losses or gains on the related hedging instruments.

A hypothetical increase in benchmark interest rates of up to 1%, after taking into account investment hedges, would have resulted in a decrease in the fair value of our investment portfolio of approximately \$75 million as of December 26, 2020 (a hypothetical decrease of 1% would have resulted in an increase of approximately \$88 million as of December 28, 2019).

Taking into account floating-rate debt and fixed-rate debt that is swapped to floating-rate debt, a hypothetical increase in interest rates of up to 1% would result in an increase in annual interest expense on our indebtedness of approximately \$132 million from debt outstanding as of December 26, 2020 (an increase of approximately \$139 million from debt outstanding as of December 28, 2019).

### **Equity Prices**

We are exposed to equity market risk through our investments in marketable equity securities, which we typically do not attempt to reduce or eliminate through hedging activities.

As of December 26, 2020, the fair value of our marketable equity securities was \$1.8 billion (\$450 million as of December 28, 2019). Substantially all of our marketable equity securities portfolio as of December 26, 2020 was concentrated in securities traded on the Chinese Shanghai Stock Exchange Science and Technology Innovation Board. To determine reasonably possible decreases in the market value of our marketable equity securities, we have analyzed the historical market price sensitivity of our portfolio. Assuming a decline of 60% in market prices, the aggregate value of our marketable equity securities could decrease by approximately \$1.1 billion, based on the value as of December 26, 2020 (a decrease in value of approximately \$180 million, based on the value as of December 28, 2019 using an assumed decline of 40%).

We utilize total return swaps to offset changes in liabilities related to the equity market risks of certain deferred compensation arrangements. Gains or losses from changes in fair value of these total return swaps are generally offset by the losses or gains on the related liabilities.

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Many of the same factors that could result in an adverse movement of equity market prices affect our non-marketable equity investments, although we cannot always quantify the impacts directly. Financial markets are volatile, which could negatively affect the prospects of the companies we invest in, their ability to raise additional capital, and the likelihood of our ability to realize value in our investments through liquidity events such as initial public offerings, mergers, and private sales. These types of investments involve a great deal of risk, and there can be no assurance that any specific company will grow or become successful; consequently, we could lose all or part of our investment. Our non-marketable equity securities had a carrying amount of \$3.3 billion as of December 26, 2020 (\$3.5 billion as of December 28, 2019) and included our investment in Beijing Unisoc Technology Ltd. of \$658 million (\$658 million as of December 28, 2019). The carrying amount of our equity method investments was \$18 million as of December 26, 2020 (\$37 million as of December 28, 2019).

## Commodity Price Risk

Although we operate facilities that consume commodities, we are not directly affected by commodity price risk to a material degree. We have established forecasted transaction risk management programs to protect against fluctuations in commodity prices. We may use commodity derivatives contracts, such as commodity swaps, in these hedging programs. In addition, we have sourcing plans in place that are designed to mitigate the risk of a potential supplier concentration for our key commodities.

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# Non-GAAP Financial Measures

In addition to disclosing financial results in accordance with U.S. GAAP, this document contains references to the non-GAAP financial measures below. We believe these non-GAAP financial measures provide investors with useful supplemental information about our operating performance, enable comparison of financial trends and results between periods where certain items may vary independent of business performance, and allow for greater transparency with respect to key metrics used by management in operating our business and measuring our performance.

Our non-GAAP financial measures reflect adjustments based on one or more of the following items, as well as the related income tax effects where applicable. Income tax effects have been calculated using an appropriate tax rate for each adjustment. These non-GAAP financial measures should not be considered a substitute for, or superior to, financial measures calculated in accordance with U.S. GAAP, and the financial results calculated in accordance with U.S. GAAP and reconciliations from these results should be carefully evaluated.

Non-GAAP adjustment or measure	Definition	Usefulness to management and investors					
Acquisition-related adjustments	as developed technology, brands, and customer relationships acquired in connection with business combinations. Charges related to the amortization of these intangibles are	with additional means to evaluate cost					
Restructuring and other charges	Restructuring charges are costs associated with a formal restructuring plan and are primarily related to employee severance and benefit arrangements. Other charges include asset impairments, pension charges, and costs associated with restructuring activity.	We exclude restructuring and other charges, including any adjustments to charges recorded in prior periods, for purposes of calculating certain non-GAAP measures because these costs do not reflect our current operating performance. These adjustments facilitate a useful evaluation of our current operating performance and comparisons to past operating results and provide investors with additional means to evaluate expense trends.					
Gains (losses) from divestiture	Gains or losses are recognized at the close of a divestiture.	We exclude gains or losses resulting from divestitures for purposes of calculating certain non-GAAP measures because they do not reflect our current operating performance. These adjustments facilitate a useful evaluation of our current operating performance and comparisons to past operating results.					
Ongoing mark-to-market on marketable equity securities	After the initial mark-to-market adjustment is recorded upon a security becoming marketable, gains and losses are recognized from ongoing mark-to-market adjustments of our marketable equity securities.	We exclude these ongoing gains and losses for purposes of calculating certain non-GAAP measures because we do not believe this volatility correlates to our core operational performance. These adjustments facilitate a useful evaluation of our current operating performance and comparisons to past operating results.					
Tax Reform	We made adjustments to the original estimate of income tax expense resulting from Tax Reform.	We exclude adjustments to the provisional tax estimate for purposes of calculating certain non-GAAP measures because they are the result of regulatory change and do not reflect our current operating performance. These adjustments facilitate a useful evaluation of our current operating performance and comparisons to past operating results.					
Free cash flow	our sources of liquidity, capital resources, and quality of earnings. Free cash flow is operating cash flow adjusted to exclude additions to property, plant and equipment. We	This non-GAAP financial measure is helpful in understanding our capital requirements and provides an additional means to evaluate the cash flow trends of our business. We excluded additions to held for sale NAND property, plant and equipment because the additions are not representative of our long-term capital requirements and we expect these assets to be sold. The ratio of free					

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Following are the reconciliations of our most comparable U.S. GAAP measures to our non-GAAP measures presented:

Years Ended (In Millions, Except Per Share	An	nounts)	Dec	26, 2	020	De	c 2	8, 2019	[	Dec	29, 2018
Operating income			\$	23,6	78	\$	2	2,035	\$		23,316
Acquisition-related adjustments				1,4	16			1,324			1,305
Restructuring and other charges				19	98			393	_		(72)
Non-GAAP operating income			\$	25,2	92	\$	2	3,752	\$		24,549
Operating margin				30	.4 %			30.6 %			32.9 %
Acquisition-related adjustments				1	.8 %			1.8 %			1.8 %
Restructuring and other charges				0	.3 %			0.5 %			(0.1)%
Non-GAAP operating margin				32	.5 %			33.0 %	_		34.7 %
Net income			\$	20,8	99	\$	2	1,048	\$		21,053
Acquisition-related adjustments				1,4	16			1,324			1,305
Restructuring and other charges				19	98			393			(72)
(Gains) losses from divestiture					(6)			(690)			(494)
Ongoing mark-to-market on marketable eq	uity	securities		13	33			(277)			129
Tax Reform								_			(294)
Income tax effects				(20	09)			(14)			(102)
Non-GAAP net income			\$	22,4	31	\$	2	1,784	\$		21,525
Earnings per share—diluted			\$	4.9	94	\$		4.71	\$		4.48
Acquisition-related adjustments				0.3	33			0.29			0.28
Restructuring and other charges				0.0	05			0.09			(0.02)
(Gains) losses from divestiture								(0.16)			(0.11)
Ongoing mark-to-market on marketable equity securities			0.0	03			(0.06)			0.03	
Tax Reform					_			_			(0.06)
Income tax effects				(0.0	)5)				_		(0.02)
Non-GAAP earnings per share—diluted			\$	5.3	30	\$		4.87	\$		4.58
		Dec 26,	Dec 28,		Dec 2	00		Dec 30.			Dec 31,
Years Ended (In Millions)		2020	2019	'	2018	,		2017			2016
Net cash provided by operating activities	\$	35,384	\$ 33,145	\$	29,	432	\$	22,11	0	\$	21,808
Additions to property, plant and equipment		(14,259)	(16,213)		(15,	181)		(11,77	8)		(9,625)
Free cash flow	\$	21,125	\$ 16,932	\$	14,	251	\$	10,33	2	\$	12,183
Net cash used for investing activities	\$	(20,796)	\$ (14,405)	\$	(11,	239)	\$	(15,76	2)	\$	(25,817)
Net cash provided by (used for) financing activities	\$	(12,917)	\$ (17,565)	\$	(18,	607)	\$	(8,47	5)	\$	(5,739)

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# Other Key Information

# Selected Financial Data

Years	Ende	d		
/I BA:		E	D	OI

(In Millions, Except Per Share Amounts)	D	ec 26, 2020	D	ec 28, 2019	D	ec 29, 2018	D	ec 30, 2017	De	ec 31, 2016
Net revenue	\$	77,867	\$	71,965	\$	70,848	\$	62,761	\$	59,387
Gross margin <sup>1</sup>	\$	43,612	\$	42,140	\$	43,737	\$	39,098	\$	36,233
Gross margin percentage <sup>1</sup>		56.0 %		58.6 %		61.7 %		62.3 %		61.0 %
Research and development <sup>1</sup>	\$	13,556	\$	13,362	\$	13,543	\$	13,035	\$	12,685
Marketing, general and administrative <sup>1</sup>	\$	6,180	\$	6,350	\$	6,950	\$	7,629	\$	8,671
R&D and MG&A as a percentage of revenue <sup>1</sup>		25.3 %		27.4 %		28.9 %		32.9 %		36.0 %
Operating income <sup>1</sup>	\$	23,678	\$	22,035	\$	23,316	\$	18,050	\$	13,133
Net income <sup>2</sup>	\$	20,899	\$	21,048	\$	21,053	\$	9,601	\$	10,316
Effective tax rate <sup>2</sup>		16.7 %		12.5 %		9.7 %		52.8 %		20.3 %
Earnings per share <sup>2</sup>										
Basic	\$	4.98	\$	4.77	\$	4.57	\$	2.04	\$	2.18
Diluted	\$	4.94	\$	4.71	\$	4.48	\$	1.99	\$	2.12
Weighted average diluted shares of common stock outstanding		4,232		4,473		4,701		4,835		4,875
Dividends per share of common stock, declared and paid	\$	1.32	\$	1.26	\$	1.20	\$	1.0775	\$	1.04
Net cash provided by operating activities	\$	35,384	\$	33,145	\$	29,432	\$	22,110	\$	21,808
Additions to property, plant and equipment	\$	14,259	\$	16,213	\$	15,181	\$	11,778	\$	9,625
Repurchase of common stock	\$	14,229	\$	13,576	\$	10,730	\$	3,615	\$	2,587
Payment of dividends to	Ψ	14,223	Ψ	13,570	Ψ	10,730	Ψ	3,013	Ψ	2,507
stockholders	\$	5,568	\$	5,576	\$	5,541	\$	5,072	\$	4,925
(In Millions)	D	ec 26, 2020	D	ec 28, 2019	D	ec 29, 2018	D	ec 30, 2017	De	ec 31, 2016
Property, plant and equipment, net	\$	56,584	\$	55,386	\$	48,976	\$	41,109	\$	36,171
Total assets	\$	153,091	\$	136,524	\$	127,963	\$	123,249	\$	113,327
Debt	\$	36,401	\$	29,001	\$	26,359	\$	26,813	\$	25,283
Stockholders' equity	\$	81,038	\$	77,504	\$	74,563	\$	69,019	\$	66,226
Employees (in thousands)		110.6		110.8		107.4		102.7		106.0

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

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

# Sales and Marketing

#### Customers

We sell our products primarily to OEMs, ODMs, and cloud service providers. ODMs provide design and manufacturing services to branded and unbranded private-label resellers. In addition, our customers include other manufacturers and service providers, such as industrial and communication equipment manufacturers and other cloud service providers, who buy our products through distributor, reseller, retail, and OEM channels throughout the world. For more information about our customers, including customers who accounted for greater than 10% of our net consolidated revenue, see "Note 3: Operating Segments" within the Consolidated Financial Statements.

Our worldwide reseller sales channel consists of thousands of indirect customers—systems builders that purchase Intel® processors and other products from our distributors. We have incentive programs that allow distributors to sell our microprocessors and other products in small quantities to systems integrators. Our microprocessors and other products are also available in direct retail outlets.

#### Sales Arrangements

Our products are sold through distribution channels throughout the world. Sales of our products are frequently made via purchase order acknowledgments that contain standard terms and conditions covering matters such as pricing, payment terms, and warranties, as well as indemnities for issues specific to our products, such as patent and copyright indemnities. Because our customers generally order from us on a purchase order basis, they can typically cancel, change, or delay product purchase commitments with little or no notice to us and without penalty. From time to time, we may enter into additional agreements with customers covering, for example, changes from our standard terms and conditions, new product development and marketing, and private-label branding. Our sales are routinely made using electronic and web-based processes that allow the customer to review inventory availability and track the progress of specific goods ordered. Pricing on particular products may vary based on volumes ordered and other factors. We also offer discounts, rebates, and other incentives to customers to increase acceptance of our products and technology.

In accordance with contract terms, revenue for product sales is recognized at the time of product shipment from our facilities or delivery to the customer location, as determined by the agreed-upon shipping terms. Our standard terms and conditions of sale typically provide that payment is due at a later date, 30 days after shipment or delivery. We assess credit risk through quantitative and qualitative analysis. From this analysis, we establish shipping and credit limits, and determine whether we will seek to use one or more credit support protection devices, such as obtaining a parent guarantee, standby letter of credit, or credit insurance. Credit losses may still be incurred due to bankruptcy, fraud, or other failure of the customer to pay.

Our sales to distributors are typically made under agreements allowing for price protection on unsold merchandise and a right of return on stipulated quantities of unsold merchandise. Under the price protection program, we give distributors credits for the difference between the original price paid and the current price that we offer. Our products typically have no contractual limit on the amount of price protection, nor is there a limit on the time horizon under which price protection is granted. The right of return granted generally consists of a stock rotation program in which distributors are able to exchange certain products based on the number of qualified purchases made by the distributor.

#### Distribution

Distributors typically handle a wide variety of products, including those that compete with our products, and fill orders for many customers. Customers may place orders directly with us or through distributors. We have several distribution warehouses that are located in proximity to key customers.

#### **Seasonal Trends**

Historically, our net revenue has typically been higher in the second half of the year than in the first half of the year, accelerating in the third quarter and peaking in the fourth quarter. Due to COVID-19 related impacts on demand in 2020, net revenue was higher in the first half of the year due to strong notebook platform demand driven by the increase in working and learning from home, and strength in data center demand as cloud service providers increased capacity.

### Marketing

Our global marketing objectives are to build a strong, well-known, differentiated, and meaningful Intel corporate brand that drives preference with businesses and consumers, and to offer a limited number of meaningful and valuable

brands in our portfolio to aid businesses and consumers in making informed choices about technology purchases. The Intel Core processor family and the Intel Atom, Celeron, Pentium, and Intel Xeon trademarks make up our key CPU brands. This year, we added a new GPU brand, Intel Iris. We also introduced the Intel Evo platform brand for designs based on 11th Gen Intel Core processors.

In 2020, we launched our new brand that signals our business transformation. We promote brand awareness and preference, and generate demand through our own direct marketing, as well as through co-marketing programs. Our direct marketing activities primarily include advertising through digital and social media and television, as well as consumer and trade events, industry and consumer communications, and press relations. We market to consumer and business audiences and focus on building awareness and generating demand for our products. Our key messaging focuses on increased performance, improved energy efficiency, and other capabilities such as connectivity.

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Certain customers participate in cooperative advertising and marketing programs. These cooperative advertising and marketing programs broaden the reach of our brands beyond the scope of our own direct marketing. Certain customers are licensed to place Intel® logos on computing devices containing our microprocessors and processor technologies, and to use our brands in their marketing activities. The program partially reimburses customers for marketing activities for products featuring Intel® brands, subject to customers meeting defined criteria. These marketing activities primarily include advertising through digital and social media and television, as well as press relations. We have also entered into joint marketing arrangements with certain customers.

# Intellectual Property Rights and Licensing

Intel owns and develops significant IP and related IP rights around the world that relate to our products, services, R&D, and other activities and assets. Our IP portfolio includes patents, copyrights, trade secrets, trademarks, trade dress rights, and mask work rights. We actively seek to protect our global IP rights and to deter unauthorized use of our IP and other assets. Such efforts can be difficult, however, particularly in countries that provide less protection to IP rights and in the absence of harmonized international IP standards. For a discussion of the risks related to IP and our IP rights, see "We are subject to IP risks and risks associated with litigation and regulatory proceedings" in "Risk Factors" within this section. While our IP rights are important to our success, our business as a whole is not significantly dependent on any single patent, copyright, or other IP right.

We have obtained patents in the U.S. and other countries. Because of the fast pace of innovation and product development, and the comparative pace of governments' patenting processes, our products are often obsolete before the patents related to them expire; in some cases, our products may be obsolete before the patents related to them are granted. As we expand our product offerings into new industries, we also seek to extend our patent development efforts to patent such products. In addition to developing patents based on our own R&D efforts, we may purchase or license patents from third parties. Established competitors in existing and new industries, as well as companies that purchase and enforce patents and other IP, may already have patents covering similar products. There is no assurance that we will be able to obtain patents covering our own products, or that we will be able to obtain licenses from other companies on favorable terms or at all.

The software that we distribute, including software embedded in our component-level and platform products, is entitled to copyright and other IP protection. To distinguish our products from our competitors' products, we have obtained trademarks and trade names for our products, and we maintain cooperative advertising programs with customers to promote our brands and to identify products containing genuine Intel components. We also protect details about our processes, products, and strategies as trade secrets, keeping confidential the information that we believe provides us with a competitive advantage.

# **Critical Accounting Estimates**

The methods, assumptions, and estimates that we use in applying our accounting policies may require us to apply judgments regarding matters that are inherently uncertain. We consider an accounting policy to be a critical estimate if: (1) we must make assumptions that were uncertain when the judgment was made, and (2) changes in the estimate assumptions, or selection of a different estimate methodology, could have a significant impact on our financial position and the results that we report in our Consolidated Financial Statements. While we believe that our estimates, assumptions, and judgments are reasonable, they are based on information available when the estimate was made.

Refer to "Note 2: Accounting Policies" within the Consolidated Financial Statements for further information on our critical accounting estimates and policies, which are as follows:

- Inventories—the transition of manufacturing costs to inventory, excluding factory excess capacity costs. Inventory
  reflected at the lower of cost or net realizable value considering future demand and market conditions;
- Long-lived assets—the valuation methods and assumptions used in assessing the impairment of property, plant
  and equipment, identified intangibles, and goodwill, including the determination of asset groupings and the
  identification and allocation of goodwill to reporting units;
- Non-marketable equity investments—the valuation estimates and assessment of impairment and observable price adjustments; and
- Loss contingencies—the estimation of when a loss is probable and reasonably estimable.

#### Risk Factors

The following risks could materially and adversely affect our business, financial condition, cash flows, and results of operations, and the trading price of our common stock could decline. These risk factors do not identify all risks that we face; our operations could also be affected by factors that are not presently known to us or that we currently consider to be immaterial to our operations. Due to risks and uncertainties, known and unknown, our past financial results may not be a reliable indicator of future performance, and historical trends should not be used to anticipate results or trends in future periods. Refer also to the other information set forth in this Form 10-K, including in the MD&A and Financial Statements and Supplemental Details sections.

## Changes in product demand can adversely affect our financial results.

Demand for our products is variable and hard to predict. Our products are used in different market segments, and demand for our products varies within or among the market segments served by our PC-centric and data-centric businesses. It is difficult to forecast these changes and their impact. For example, we saw negative COVID-driven demand impacts in several areas of our business during the second half of 2020, as discussed in MD&A, and the nature and extent of future impacts are difficult to predict. Changes in the demand for our products, particularly our CCG and DCG platform products, can reduce our revenue, lower our gross margin, or require us to write down the value of our assets.

Important factors that lead to variation in the demand for our products include:

- business conditions, including downturns in the market segments in which we operate, or in global or regional economies;
- consumer confidence or income levels, and the levels of customer capital spending, which may be impacted by changes in market conditions, including changes in government borrowing, taxation, or spending policies; the credit market; expected inflation; employment; and energy or other commodity prices;
- our ability to timely introduce competitive products;
- competitive and pricing pressures, including new product introductions and other actions taken by competitors;
- the level of our customers' inventories and computing capacity;
- customer order patterns, including order cancellations, which can be affected by maturing product cycles for our products, customers' products, and related products such as operating system upgrade cycles; disruptions affecting customers; and other factors;
- market acceptance and industry support of our new and maturing products, including the introduction and availability
  of products used together with our products; and
- customer product needs and emerging technology trends, including changes in the levels and nature of customer and end-user computing workloads.

Due to the complexity of our manufacturing operations, we are not always able to timely respond to fluctuations in demand and we may incur significant charges and costs. Because we own and operate high-tech fabrication facilities, our operations have high costs that are fixed or difficult to reduce in the short term, including our costs related to utilization of existing facilities, facility construction and equipment, R&D, and the employment and training of a highly skilled workforce. To the extent product demand decreases or we fail to forecast demand accurately, we could be required to write off inventory or record excess capacity charges, which would lower our gross margin. To the extent the demand decrease is prolonged, our manufacturing or assembly and test capacity could be underutilized, and we may be required to write down our long-lived assets, which would increase our expenses. We may also be required to shorten the useful lives of under-used facilities and equipment and accelerate depreciation. Conversely, at times product demand increases or we fail to forecast accurately or produce the mix of products demanded, and we are unable to add capacity or increase production fast enough, or otherwise fail to meet market demand, which can result in a loss of revenue opportunities or market share, legal claims, and/or damage to customer relationships.

We face significant competition. The industry in which we operate is highly competitive and subject to rapid technological and market developments; changes in industry standards; changes in customer and end-user needs, expectations, and preferences; and frequent product introductions and improvements. When we do not anticipate and/ or respond to these developments, our competitive position can weaken, and our products or technologies can become uncompetitive or obsolete. Our competitive environment has intensified, and we expect it to continue to do so in the future.

Our products primarily compete based on performance, energy efficiency, integration, ease-of-use, innovative design, features, workload optimization, price, quality, reliability, security, software ecosystem and developer support, time-to-market, reliable product roadmap execution, brand recognition, customer support and customization, and availability.

The importance of these factors varies by product and market segment. For example, our competitors have introduced data center and client platform products with performance improvements and additional processor core counts that have contributed to an increasingly competitive environment. In our IOTG business, for example, interoperability, connectivity, safety, security, industrial use conditions, and long-life support are among the key competitive factors. To the extent our products do not meet our customers' requirements across these factors in an increasingly competitive landscape, our business and results of operation can be harmed.

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We face intense competition across our product portfolio from companies offering platform products, such as AMD and Qualcomm; accelerator products such as GPUs, including those offered by NVIDIA; other accelerator products such as ASICs, application-specific standard products, and FPGAs; memory and storage products; connectivity and networking products; and other semiconductor products. Some of these competitors have developed or utilize competing computing architectures and platforms, such as the ARM architecture, and these architectures and platforms can produce beneficial network effects for competitors when an ecosystem of customers and application developers for such architectures and platforms grows at scale. For example, ARM-based products are being used in PCs and servers, which could lead to further development and growth of the ARM ecosystem. We also compete with internally developed semiconductors from OEMs, cloud service providers, and others, some of whom are customers. Some of these customers vertically integrate their own semiconductor designs with their software assets and/or customize their designs for specific computing workloads. For example, in 2020, Apple introduced PC products utilizing its own internally developed ARM-based semiconductor designs in place of our client CPUs.

Most of our competitors rely on third-party foundries, such as Taiwan Semiconductor Manufacturing Company, Ltd. (TSMC) or Samsung Electronics Co., Ltd., and subcontractors for manufacture and assembly and test of their semiconductor components and products. Manufacturing process improvements introduced by TSMC have contributed, and may continue to contribute, to increasingly competitive offerings by our competitors. As an IDM, we have higher capital expenditures and R&D spending than many of our "fabless" competitors. We also face new sources of competition as a result of changes in industry participants through, for example, acquisitions or business collaborations, as well as new entrants, including in China, which could have a significant impact on our competitive position. For example, we could face increased competition as a result of China's programs to promote a domestic semiconductor industry and supply chains.

Introduction of competitive new products and technologies, aggressive pricing, and other actions taken by competitors can harm demand for our products, exert downward pricing pressure on our products, and adversely affect our business. For example, our DCG platform ASPs were impacted by the competitive pricing environment during 2020. Additionally, a number of business combinations and strategic partnerships in the semiconductor industry have occurred over the last several years, and more could occur in the future. For example, in 2020, NVIDIA announced an agreement to acquire ARM Holdings plc, and AMD announced an agreement to acquire Xilinx, Inc. Consolidation could also lead to fewer customers, partners, or suppliers, any of which could negatively affect our financial results.

If we are not able to compete effectively, our financial results will be adversely affected, including reduced revenue and gross margin, and we may be required to accelerate the write-down of the value of certain assets.

We invest significantly in R&D, and to the extent our R&D efforts are unsuccessful, our competitive position can be harmed and we may not realize a return on our investments. To compete successfully, we must maintain a successful R&D effort, develop new products and manufacturing processes, and improve our existing products and processes, all ahead of competitors. We are focusing our R&D efforts across several key areas: process and packaging technology, architecture, memory, interconnect, security, and software. These include ambitious initiatives, such as our unified oneAPI portfolio of developer tools. We cannot guarantee that all of these efforts will deliver the benefits we anticipate. For example, we previously experienced significant delays in the implementation of our 10nm process technology, and during 2020, we announced that our 7nm process technology would be delayed relative to our prior expectations, as discussed in the risk factor "We are subject to risks associated with the development and implementation of new manufacturing process technology." To the extent we do not timely introduce new manufacturing process technologies that improve transistor density with sufficient manufacturing yields and operational efficiency, relative to competing foundry processes, we can face cost, product performance, and time-to-market disadvantages. In addition, we are not always able to timely or successfully develop new product designs. To the extent our R&D efforts do not timely produce semiconductor designs for our platform products with improvements in areas like performance, performance per watt, die utilization, and core counts, and with new features such as optimizations for Al and other workloads, our competitive position can be harmed. We have adopted a disaggregated design approach for some of our future products, in which different processors and components can be manufactured on different processes and connected by advanced packaging technology into a single package. This approach introduces new areas of complexity in design and manufacturability, particularly in the deployment of advanced packaging technologies, several of which are novel, have a limited manufacturing history, and/or have increased costs. Delays or failures in implementing disaggregated designs could adversely affect our ability to timely introduce competitive products. For example, adapting a processor or component design for a new or different manufacturing process involves additional R&D expense and can result in delays in the development of the associated product.

We do not expect all of our R&D investments to be successful. Some of our efforts to develop and market new products fail, and the products and technologies we invest in and develop are not always well received by customers, who may adopt competing technologies. We make significant investments in R&D, and our investments at times do not contribute to our future operating results for several years, if at all, and such contributions at times do not meet our expectations or even cover the costs of such investments.

Our investments in new businesses, products, and technologies are inherently risky and do not always succeed. In recent years, we have entered new areas and introduced new products as we seek to lead in key technology inflections such as AI, 5G networking, and the intelligent and autonomous edge. We have expanded our adjacent product offerings in client computing, the data center, the Internet of Things, and memory, with offerings such as discrete GPUs, silicon photonics solutions, and Intel Optane technology products. These efforts are not always successful. For example, in 2019, we exited the 5G smartphone modem business based on our determination that there was no clear path to profitability for the business.

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These new and developing areas and products represent a significant portion of our expanded TAM, and they also introduce new sources of competition, including, in some of these market segments, incumbent competitors with established technologies, ecosystems, and customer bases, lower prices or costs, and greater brand recognition. These developing products and market segments require significant investment, do not always grow as projected or at all, or sometimes utilize technologies that are different from the ones that we develop and manufacture, and we may not realize an adequate return on our investments. For example, Al and machine learning are increasingly driving innovations in technology, but if we fail to develop leading products for these workloads, or if our customers use competing technologies, we may not realize a return on our investments in these areas. Similarly, while we see significant opportunity in networking infrastructure and the distribution of computing to the network edge, we expect intense competition for this opportunity and may not succeed in our efforts. To be successful, we need to cultivate new industry relationships with customers and partners in these market segments. In addition, we must continually improve the cost, performance, integration, time-to-market, and energy efficiency of our products, as well as expand our software capabilities to provide customers with comprehensive computing solutions. Some of these new businesses face challenging market conditions. For example, market pricing for NAND memory products has been, and may continue to be, highly volatile. Despite our ongoing efforts, there is no guarantee that we will achieve or maintain market demand or acceptance for our products and services in these various market segments or realize an adequate return on our investments, which could lead to impairment of assets and restructuring charges, as well as opportunity

Changes in the mix of products sold can materially impact our financial results. Our pricing and margins vary across our products and market segments due in part to marketability of our products and differences in their features or manufacturing costs. For example, our platform product offerings range from lower-priced and entry-level platforms, such as those based on Intel Atom processors, to higher-end platforms based on Intel Xeon processors. Our adjacent products also typically have significantly lower margins than our higher-priced platform products, and at times are not profitable. To the extent demand shifts from our higher-priced to lower-priced platform products in any of our market segments, or our adjacent products represent an increasingly greater share of our mix of products sold, our gross margin percentage may decrease.

## We are vulnerable to product and manufacturing-related risks.

We are subject to risks associated with the development and implementation of new manufacturing technologies. Production of integrated circuits is a complex process. We are continually engaged in the development of next-generation process technologies at increasingly advanced nodes as we seek to realize the benefits of Moore's Law. Forecasting our progress and schedule for developing advanced nodes is challenging, and at times we encounter unexpected delays due to the complexity of interactions among steps in the manufacturing process, challenges in using new materials, and other issues. Diagnosing defects in our manufacturing processes often takes a long time, as manufacturing throughput times can delay our receipt of data about defects and the effectiveness of fixes.

We are not always successful or efficient in developing or implementing new process nodes and manufacturing processes. We experienced significant delays in implementing our 10nm process technology. Although we began shipping products based on our 10nm process technology in volume in 2019, our delays in transitioning to this node occurred while third-party foundries such as TSMC developed new, competitive process technologies. Competitors using third-party foundries are able to benefit from the improvements such process technologies have made in performance, energy efficiency, and other features, which has helped increase the competitiveness of their products. In 2020, we encountered a defect mode in the development of our 7nm process technology that resulted in yield degradation, which was the primary driver for a delay in our expectations for our 7nm-based CPU product timing. These delays can allow competitors to benefit from advancements in manufacturing processes introduced ahead of us by third-party foundries and could adversely affect the competitiveness of our products. Because of the delays in our 10nm and 7nm process technologies, we may experience greater adverse competitive impacts in the event of delays in the development of future manufacturing process technologies and products. To increase our manufacturing and design flexibility, we have developed a disaggregated design approach for certain products, which enables us to manufacture processors and components on different process technologies, including third-party foundry processes, and connect them in a single package with advanced packaging technologies. This approach introduces additional risks as described in the risk factor "We face supply chain risks."

Our efforts to innovate involve significant expense and carry inherent risks, including difficulties in designing and developing next-generation process technologies, and investments in manufacturing assets and facilities that are made years in advance of the process node introduction. We cannot guarantee that we will realize the expected benefits of next-generation process technologies, including the expected cost and density advantages, or that we will achieve an adequate return on our capital and R&D investments, particularly as development of new nodes has grown increasingly expensive. In such circumstances, we may be required to write down the value of some of our manufacturing assets and facilities, increasing our expenses.

Risks inherent in the development of next-generation process technologies include production timing delays, lowerthan-anticipated manufacturing yields, longer manufacturing throughput times, and product defects and errata. Production timing delays have at times caused us to miss customer product design windows, which can result in lost revenue opportunities and damage to our customer relationships. Furthermore, when the introduction of nextgeneration process nodes is delayed, including additional cores or other competitive features in our products can result in larger die size products, manufacturing supply constraints, and increased product costs. Lower manufacturing yields and longer manufacturing throughput times, compared to previous process nodes, can increase our product costs and adversely affect our gross margins, and can contribute to manufacturing supply constraints. When we introduce a new process node, it typically has higher costs compared to a mature node due to factors that include higher depreciation costs and lower yields. For example, our increased 10nm product mix in 2020 had a negative impact on our overall unit cost and gross margins, and yields on our 10nm manufacturing process remain below our mature 14nm process. In addition, the improvements we expect to make in 10nm costs and yields may not proceed at the same rate as the improvements we made on 14nm. As the die size of our products has increased and our manufacturing process nodes have shrunk, our products and manufacturing processes have grown increasingly complex and more susceptible to product defects and errata, which at times also contribute to production timing delays and lower yields.

From time to time, disruptions in the production process result from errors, defects in materials, delays in obtaining or revising operating permits and licenses, interruptions in our supply of materials or resources, and disruptions at our fabrication and assembly and test facilities due to accidents, maintenance issues, power interruptions, equipment malfunctions, or unsafe working conditions—all of which could affect the timing of production ramps and yields.

Production issues periodically lead to increased costs and affect our ability to meet product demand, which can adversely impact our business and the results of operations. In addition, delays in our product introductions can cause us to become less competitive and lose revenue opportunities, and our gross margin could be adversely affected because we incur significant costs up front in the product development stage and earn revenue to offset these costs over time.

We face supply chain risks. Thousands of suppliers provide materials and equipment that we use in production and other aspects of our business. Where possible, we seek to have several sources of supply. However, for certain materials and equipment, including certain photolithography tools, we rely on a single or a limited number of suppliers, or upon suppliers in a single location. In addition, supplier consolidation or business failures can impact the nature, quality, availability, and pricing of the products and services available to us. Finding and qualifying alternate or additional suppliers is often a lengthy process and can lead to production delays or additional costs, and such alternatives are sometimes not available at all. The inability of suppliers to deliver necessary production materials or equipment can disrupt our production processes and make it more difficult for us to implement our business strategy. Suppliers periodically extend lead times, face capacity constraints, limit supplies, increase prices, experience quality issues, or encounter cybersecurity or other issues that can interrupt or increase the cost of our supply. Our production can be disrupted by the unavailability of resources, such as water, silicon, electricity, gases, and other materials. The unavailability or reduced availability of materials or resources at times requires us to reduce production or incur additional costs, which could harm our business and results of operations. Our manufacturing operations and ability to meet product demand may also be impacted by IP or other litigation between our suppliers, where an injunction against Intel or a supplier could interrupt the availability of goods or services supplied to Intel by others.

We also rely on third-party providers to manufacture, assemble and test, and supply certain components and products, including for areas such as networking, communications, programmable semiconductor solutions, and memory. We may utilize third-party providers for these and other components and products in the future. From time to time, these third parties are unable to perform these services on a timely or cost-effective basis, in sufficient volumes, or at all. In some cases there are limited or no readily available satisfactory alternate providers. In any of these circumstances, we can encounter supply delays or disruptions or incur additional costs that could prevent us from meeting customer demand and/or adversely affect our business and financial results. For example, while we have a supply agreement with Micron providing for the supply of Intel 3D XPoint memory, we may need to fund and develop internal manufacturing options to continue 3D XPoint memory supply in the longer term. We typically have less control over delivery schedules, design and manufacturing co-optimization, manufacturing yields, quality, product quantities, and costs for components and products that are manufactured or supplied by third parties.

Our disaggregated design strategy poses increased logistical risks and challenges, particularly where we decide to manufacture different components on different process technologies, including third-party foundries' process technologies. To combine components in a single package, they need to be manufactured on a timely basis and in sufficient quantities, while the manufacturing processes we utilize may have differing yields, throughput times, and capacity constraints. We may be required to safely store some components pending the manufacture of others. Delays or quality issues with one component could limit our ability to manufacture the entire completed product. In addition, the packaging technologies used to combine these components can increase our costs and may introduce

additional complexity and quality issues. To the extent we are unable to manage these risks, our ability to timely supply competitive products can be harmed, our costs could increase, and our business and results of operation could be adversely affected.

Increased regulation or stakeholder expectations regarding responsible sourcing practices could cause our compliance costs to increase or result in publicity that negatively affects our reputation. Moreover, given that we use many materials in the manufacturing of our products and rely on many suppliers to provide these materials, but do not directly control the procurement or employment practices of such suppliers, we could be subject to similar financial or reputational risks as a result of our suppliers' conduct.

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We are subject to the risks of product defects, errata, or other product issues. From time to time, we identify product defects, errata (deviations from published specifications), and other product issues, which can result from problems in our product design or our manufacturing and assembly and test processes. Components and products we purchase or license from third-party suppliers, or attain through acquisitions, can also contain defects. Product issues can lead to product failures, unpredictable system behavior, system instability, and other issues, and sometimes result from the interaction between our products and third-party products and software. We also face risks if products that we design, manufacture, or sell, or that include our technology, cause personal injury or property damage, even where the cause is unrelated to product defects or errata. These risks may increase as our products are introduced into new devices, market segments, technologies, or applications, including transportation, autonomous driving, healthcare, communications, financial services, and other industrial, critical infrastructure, and consumer uses.

Costs from defects, errata, or other product issues could include:

- writing off some or all of the value of inventory;
- recalling products that have been shipped;
- providing product replacements or modifications;
- providing consideration to customers, including reimbursement for certain costs they incur;
- defending against litigation and/or paying resulting damages; and
- paying fines imposed by regulatory agencies.

These costs could be large and may increase expenses and lower gross margin, and/or result in delay or loss of revenue. Mitigation techniques designed to address product issues, including software and firmware updates, are not always available on a timely basis—or at all—and do not always operate as intended or effectively resolve such issues for all applications, and can result in adverse performance or power effects. We and third parties, such as hardware and software vendors, may make prioritization decisions about which product issues to address, which can delay, limit, or prevent development or deployment of a mitigation and harm our reputation and result in costs. Product defects, errata, or other issues can damage our reputation, negatively affect product demand, delay product releases, result in legal liability, or make our products less competitive, which could harm our business and financial results. In addition, our liability insurance coverage has certain exclusions or may not adequately cover liabilities incurred. Our insurance providers may be unable or unwilling to pay a claim, and losses not covered by insurance could be large, which could harm our financial condition.

We face risks related to security vulnerabilities in our products. We or third parties regularly identify security vulnerabilities with respect to our processors and other products, as well as the operating systems and workloads that run on them and the components that interact with them. Components and IP we purchase or license from third parties for use in our products, as well as industry-standard specifications we implement in our products, are also regularly subject to security vulnerabilities. As we have become a more data-centric company, our processors and other products are being used in additional and new critical application areas that create new or increased cybersecurity and privacy risks, including applications that gather and process large amounts of data, such as the cloud or Internet of Things, and critical infrastructure and automotive applications. The security vulnerabilities identified in our processors include a category known as side-channel vulnerabilities, such as the variants referred to as "Spectre" and "Meltdown." Additional categories and variants have been identified and are expected to continue to be identified. Publicity about these and other security vulnerabilities has resulted in, and is expected to continue to result in, increased attempts by third parties to identify additional vulnerabilities, including with respect to security and manageability features in our products. Vulnerabilities are not always mitigated before they become known. We, our customers, and the users of our products do not always promptly learn of or have the ability to fully assess the magnitude or effects of a vulnerability, including the extent, if any, to which a vulnerability has been exploited. Subsequent events or new information can develop that changes our assessment of the impact of a security vulnerability, including additional information learned as we develop and deploy mitigations or updates, become aware of additional variants, evaluate the competitiveness of existing and new products, and address future warranty or other claims or customer satisfaction considerations, as well as developments in the course of any litigation or regulatory inquiries or actions over these matters.

Mitigation techniques designed to address security vulnerabilities, including software and firmware updates or other preventative measures, are not always available on a timely basis—or at all—and at times do not operate as intended or effectively resolve vulnerabilities for all applications. In addition, we are often required to rely on third parties, including hardware, software, and services vendors, as well as our customers and end users, to develop and/or deploy mitigation techniques, and the availability, effectiveness, and performance impact of mitigation techniques can depend solely or in part on the actions of these third parties in determining whether and how to develop and deploy mitigations. We and such third parties may make prioritization decisions about which vulnerabilities to address, which can delay, limit, or prevent development or deployment of a mitigation and harm our reputation. Security vulnerabilities and/or mitigation techniques can result in adverse performance or power effects, reboots, system instability or

unavailability, loss of functionality, data loss or corruption, unpredictable system behavior, decisions by customers and end users to limit or change the applications in which they use our products or product features, and/or the misappropriation of data by third parties.

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Security vulnerabilities and any limitations of, or adverse effects resulting from, mitigation techniques can adversely affect our results of operations, financial condition, customer relationships, prospects, and reputation in a number of ways, any of which may be material. For example, whether or not vulnerabilities involve attempted or successful exploits, they may result in our incurring significant costs related to developing and deploying updates and mitigations, writing down inventory value, defending against product claims and litigation, responding to regulatory inquiries or actions, paying damages, addressing customer satisfaction considerations, providing product replacements or modifications, or taking other remedial steps with respect to third parties. Adverse publicity about security vulnerabilities or mitigations could damage our reputation with customers or users and reduce demand for our products and services. These effects may be greater to the extent that competing products are not susceptible to the same vulnerabilities or if vulnerabilities can be more effectively mitigated in competing products. Moreover, third parties can release information regarding potential vulnerabilities of our products before mitigations are available, which, in turn, could lead to attempted or successful exploits, adversely affect our ability to introduce mitigations, or otherwise harm our business and reputation.

We are subject to risks associated with environmental, health, and safety regulations. The manufacturing and assembly and test of our products require the use of hazardous materials that are subject to a broad array of environmental, health, and safety laws and regulations. Our failure to comply with these laws or regulations can result in regulatory penalties, fines, and legal liabilities; suspension of production; alteration of our manufacturing and assembly and test processes; damage to our reputation; and restrictions on our operations or sales.

Our failure to manage the use, transportation, emissions, discharge, storage, recycling, or disposal of hazardous materials can lead to increased costs or future liabilities. Our ability to expand or modify our manufacturing capability in the future may be impeded by environmental regulations, such as air quality and wastewater requirements. Environmental laws and regulations sometimes require us to acquire additional pollution abatement or remediation equipment, modify product designs, or incur other expenses. Regulations in response to climate change could result in increased manufacturing costs associated with air pollution requirements and increased compliance and energy costs. Many new materials that we are evaluating for use in our operations are subject to regulation under environmental laws and regulations. These restrictions could harm our business and results of operations by increasing our expenses or requiring us to alter manufacturing and assembly and test processes.

# The COVID-19 pandemic could materially adversely affect our financial condition and results of operations.

The COVID-19 pandemic has adversely affected significant portions of our business and could have a material adverse effect on our financial condition and results of operations. We are subject to numerous pandemic-related risks, including those described below. The degree to which COVID-19 impacts our results will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to, the duration and severity of the pandemic, the actions taken to contain the virus or treat its impact, other actions taken by governments, businesses, and individuals in response to the virus and resulting economic disruption, and how quickly and to what extent normal economic and operating conditions can resume. We are similarly unable to predict the extent of the impact of the pandemic on our customers, suppliers, vendors, and other partners, and their financial conditions, but a material effect on these parties could also materially adversely affect us.

Operational risks. The pandemic has resulted in authorities imposing, and businesses and individuals implementing, numerous measures to try to contain the virus, such as travel bans and restrictions, quarantines, shelter-in-place/ stay-at-home and social distancing orders, and shutdowns. These measures have impacted and may further impact our workforce and operations, the operations of our customers, and those of our respective vendors, suppliers, and partners. We have significant manufacturing operations in the U.S., Ireland, Israel, China, Malaysia, and Vietnam, and each of these countries has been affected by the pandemic and is taking measures to try to contain it.

There is considerable uncertainty regarding the business impacts from such measures and potential future measures. Shelter-in-place orders and other measures, including work-from-home and social distancing policies implemented to protect employees, have resulted in reduced workforce availability at some of our sites, construction delays, and reduced capacity at some of our vendors and suppliers. Restrictions on our manufacturing or support operations or workforce, or similar limitations for our vendors and suppliers, can impact our ability to meet customer demand and could have a material adverse effect on our financial condition and results of operations, particularly if prolonged. Similarly, current and future restrictions or disruptions of transportation can also impact our ability to meet demand and could materially adversely affect us. Our customers have experienced, and may in the future experience, disruptions in their operations and supply chains, which can result in delayed, reduced, or cancelled orders, or collection risks, and which may adversely affect our results of operations. We previously paused new construction projects at several of our manufacturing sites due to local government restrictions. While these restrictions were subsequently lifted, similar restrictions affecting construction could be imposed again in the future.

The pandemic has caused us to modify our business practices, including with respect to employee travel; employee work locations; cancellation of physical participation in meetings, events, and conferences; and social distancing measures. We may take further actions as required by government authorities or others, or that we determine are in the best interests of our employees, customers, suppliers, vendors, and partners. Work-from-home and other measures introduce additional operational risks, including cybersecurity risks, and have affected the way we conduct our product development, validation, and qualification, customer support, and other activities, which could have a material adverse effect on our operations. There is no certainty that such measures will be sufficient to mitigate the risks posed by the virus, and illness and workforce disruptions could lead to unavailability of key personnel and harm our ability to perform critical functions.

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Demand and macroeconomic risks. The pandemic has significantly increased economic and demand uncertainty. It has caused a significant contraction in the global economy, and there is considerable uncertainty as to the severity and duration of the contraction. Risks related to adverse changes in global economic conditions are described in our risk factor titled "Global or regional conditions can harm our financial results," and include the risk that demand for our products will be significantly harmed. During the second half of 2020 in particular, we saw negative COVID-related demand trends in several areas of our data-centric businesses, as well as COVID-related changes in product mix that drove lower ASPs in our PC-centric business, as discussed in MD&A. Given the continued and substantial economic uncertainty and volatility created by the pandemic, it is difficult to predict the nature and extent of impacts on demand for our products. For example, the increased demand for notebook products as a result of work- and learn-from-home dynamics may not continue as the pandemic progresses, or demand mix shifts that have been pronounced during the pandemic and have negatively impacted our ASPs could continue, such as the mix shift from desktop to notebook products in our CCG business and the mix shift from the enterprise and government market segment to the cloud service provider market segment in DCG.

Liquidity risks. The pandemic has led to increased disruption and volatility in capital markets and credit markets. Unanticipated consequences of the pandemic and resulting economic uncertainty could adversely affect our liquidity and capital resources in the future.

Other risks. The impact of COVID-19 can also exacerbate other risks discussed in this Risk Factors section and throughout this report, which could in turn have a material adverse effect on us. Developments related to COVID-19 have been unpredictable, and additional impacts and risks may arise that we are not aware of or able to respond to appropriately.

### We operate globally and are subject to significant risks in many jurisdictions.

Global or regional conditions can harm our financial results. We have manufacturing, assembly and test, R&D, sales, and other operations in many countries, and some of our business activities are concentrated in one or more geographic areas. Moreover, sales outside the U.S. accounted for 79% of our revenue for the fiscal year ended December 26, 2020, with revenue from billings to China, including Hong Kong, contributing 26% of our total revenue. As a result, our operations and our financial results, including our ability to manufacture, assemble and test, design, develop, or sell products, and the demand for our products, are at times adversely affected by a number of global and regional factors outside of our control.

Adverse changes in global or regional economic conditions periodically occur, including recession or slowing growth, changes or uncertainty in fiscal, monetary, or trade policy, higher interest rates, tighter credit, inflation, lower capital expenditures by businesses including on IT infrastructure, increases in unemployment, and lower consumer confidence and spending. The COVID-19 pandemic has

caused a significant contraction in the global economy, and there is considerable uncertainty as to its severity and duration. Adverse changes in economic conditions, including those related to the pandemic, can significantly harm demand for our products and make it more challenging to forecast our operating results and make business decisions, including regarding prioritization of investments in our business. An economic downturn or increased uncertainty may also lead to increased credit and collectability risks, higher borrowing costs or reduced availability of capital markets, reduced liquidity, adverse impacts on our suppliers, failures of counterparties including financial institutions and insurers, asset impairments, and declines in the value of our financial instruments.

We can be adversely affected by other global and regional factors that periodically occur, including:

- geopolitical and security issues, such as armed conflict and civil or military unrest, political instability, human rights concerns, and terrorist activity, including, for example, geopolitical tensions and conflict affecting Israel, where our Mobileye business headquarters and certain of our fabrication facilities are located;
- natural disasters, public health issues (including the COVID-19 pandemic), and other catastrophic events;
- inefficient infrastructure and other disruptions, such as supply chain interruptions and large-scale outages or unreliable provision of services from utilities, transportation, data hosting, or telecommunications providers;
- formal or informal imposition of new or revised export, import, or doing-business regulations, including trade sanctions, tariffs, and changes in the ability to obtain export licenses, which could be changed without notice;
- government restrictions on, or nationalization of, our operations in any country, or restrictions on our ability to repatriate earnings from a particular country;
- adverse changes relating to government grants, tax credits, or other government incentives, including more favorable incentives provided to competitors;
- differing employment practices and labor issues;
- ineffective legal protection of our IP rights in certain countries;

- local business and cultural factors that differ from our current standards and practices;
- continuing uncertainty regarding social, political, immigration, and tax and trade policies in the U.S. and abroad, including as a result of the United Kingdom's withdrawal from the European Union; and
- fluctuations in the market values of our domestic and international investments, which can be negatively affected by liquidity, credit deterioration or losses, interest rate changes, financial results, political risk, sovereign risk, or other factors.

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We are also subject to risks related to uncertainty regarding LIBOR. Certain of our interest rate derivatives and investments are based on LIBOR, and a portion of our indebtedness bears interest at variable interest rates, primarily based on LIBOR. LIBOR is the subject of recent national, international, and other regulatory guidance and proposals for reform, which may cause LIBOR to disappear entirely after 2021 or to perform differently than in the past. While we expect that reasonable alternatives to LIBOR will be implemented prior to the 2021 target date or that the 2021 cessation date may be extended, we cannot predict the consequences and timing of these developments, and they could include an increase in our interest expense and/or a reduction in our interest income.

We are subject to risks related to trade policies and regulations. Trade policies and disputes at times result in increased tariffs, trade barriers, and other protectionist measures, which can increase our manufacturing costs, make our products less competitive, reduce demand for our products, limit our ability to sell to certain customers, limit our ability to procure components or raw materials, or impede or slow the movement of our goods across borders. Increasing protectionism and economic nationalism may lead to further changes in trade policies and regulations, domestic sourcing initiatives, or other formal and informal measures that could make it more difficult to sell our products in, or restrict our access to, some markets.

In particular, trade tensions between the U.S. and China have led to increased tariffs and trade restrictions, including tariffs applicable to some of our products, and have affected customer ordering patterns. The U.S. has imposed restrictions on the export of U.S.-regulated products and technology to certain Chinese technology companies, including certain of our customers. These restrictions have reduced our sales, and continuing or future restrictions could adversely affect our financial performance, result in reputational harm to us due to our relationship with such companies, or lead such companies to develop or adopt technologies that compete with our products. It is difficult to predict what further trade-related actions governments may take, which may include trade restrictions and additional or increased tariffs and export controls imposed on short notice, and we may be unable to quickly and effectively react to or mitigate such actions.

Trade disputes and protectionist measures, or continued uncertainty about such matters, could result in declining consumer confidence and slowing economic growth or recession, and could cause our customers to reduce, cancel, or alter the timing of their purchases with us. Sustained geopolitical tensions could lead to long-term changes in global trade and technology supply chains, and decoupling of global trade networks, which could have a material adverse effect on our business and growth prospects.

Laws and regulations can have a negative impact on our business. We are subject to laws and regulations worldwide that differ among jurisdictions, affecting our operations in areas including, but not limited to: IP ownership and infringement; tax; import and export requirements; anti-corruption; foreign exchange controls and cash repatriation restrictions; data privacy requirements; competition; advertising; employment; product regulations; environment, health, and safety requirements; and consumer laws. Compliance with such requirements can be onerous and expensive, and may otherwise impact our business operations negatively. For example, unfavorable developments with evolving laws and regulations worldwide related to 5G or autonomous driving technology may limit global adoption, impede our strategy, or negatively impact our long-term expectations for our investments in these areas. Expanding privacy legislation and compliance costs of privacy-related and data protection measures could adversely affect our customers and their products and services, particularly in cloud, Internet of Things, and AI applications, which could in turn reduce demand for our products used for those workloads.

Although we have policies, controls, and procedures designed to help ensure compliance with applicable laws, there can be no assurance that our employees, contractors, suppliers, or agents will not violate such laws or our policies. Violations of these laws and regulations can result in fines; criminal sanctions against us, our officers, or our employees; prohibitions on the conduct of our business; and damage to our reputation. The technology industry is subject to intense media, political, and regulatory scrutiny, which can increase our exposure to government investigations, legal actions, and penalties.

We are affected by fluctuations in currency exchange rates. We are exposed to adverse as well as beneficial movements in currency exchange rates. Although most of our sales occur in U.S. dollars, expenses may be paid in local currencies. An increase in the value of the dollar can increase the real cost to our customers of our products in those markets outside the U.S. where we sell in dollars, and a weakened dollar can increase the cost of expenses such as payroll, utilities, tax, and marketing expenses, as well as overseas capital expenditures. We also conduct certain investing and financing activities in local currencies. Our hedging programs may not be effective to offset any, or more than a portion, of the adverse impact of currency exchange rate movements; therefore, changes in exchange rates can harm our results of operations and financial condition.

Catastrophic events can have a material adverse effect on our operations and financial results. Our operations and business, and those of our customers and suppliers, can be disrupted by natural disasters; industrial accidents; public health issues (including the COVID-19 pandemic); cybersecurity incidents; interruptions of service from utilities,

transportation, telecommunications, or IT systems providers; manufacturing equipment failures; or other catastrophic events. For example, we have at times experienced disruptions in our manufacturing processes as a result of power outages, improperly functioning equipment, and disruptions in supply of raw materials or components, including due to cybersecurity incidents affecting our suppliers. Our headquarters and many of our operations and facilities are in locations that are prone to earthquakes and other natural disasters. Global climate change can result in certain natural disasters occurring more frequently or with greater intensity, such as drought, wildfires, storms, sea-level rise, and flooding, and could disrupt the availability of water necessary for the operation of our fabrication facilities located in semi-arid regions. During 2020, the west coast of the U.S. experienced historic wildfires, including in Oregon, where we have major manufacturing facilities. The long-term effects of climate change on the global economy and the IT industry in particular are unclear, but could be severe.

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Catastrophic events could make it difficult or impossible to manufacture or deliver products to our customers, receive production materials from our suppliers, or perform critical functions, which could adversely affect our revenue and require significant recovery time and expenditures to resume operations. While we maintain business recovery plans, some of our systems are not fully redundant and we cannot be sure that our plans will fully protect us from such disruptions. Furthermore, even if our operations are unaffected or recover quickly, if our customers or suppliers cannot timely resume their own operations due to a catastrophic event, we may experience reduced or cancelled orders or disruptions to our supply chain that may adversely affect our results of operations.

We maintain a program of insurance coverage for a variety of property, casualty, and other risks. The types and amounts of insurance we obtain vary depending on availability, cost, and decisions with respect to risk retention. Some of our policies have large deductibles and broad exclusions. In addition, one or more of our insurance providers may be unable or unwilling to pay a claim. Losses not covered by insurance may be large, which could harm our results of operations and financial condition.

Damage to our reputation can damage our business. Our reputation is a critical factor in our relationships with customers, employees, governments, suppliers, and other stakeholders. Our failure to address, or the appearance of our failure to address, issues that give rise to reputational risk, including those described throughout this Risk Factors section, could significantly harm our reputation and our brands. Our reputation can be impacted by catastrophic events (including our response to the COVID-19 pandemic); incidents involving unethical behavior or misconduct; product quality, security, or safety issues; allegations of legal noncompliance; internal control failures; corporate governance issues; data breaches; workplace safety incidents; environmental incidents; the use of our products for illegal or objectionable applications, including Al and machine learning applications that present ethical, regulatory, or other issues; marketing practices; media statements; the conduct of our suppliers or representatives; and other issues or incidents that, whether actual or perceived, result in adverse publicity. To the extent we fail to respond quickly and effectively to address corporate crises, the ensuing negative public reaction could significantly harm our reputation and our brands and could lead to increases in litigation claims and asserted damages or subject us to regulatory actions or restrictions.

Damage to our reputation could reduce demand for our products and adversely affect our business and operating environment. It could reduce investor confidence in us, adversely affecting our stock price. It may also limit our ability to be seen as an employer of choice when competing for highly skilled employees. Moreover, repairing our reputation and brands may be difficult, time-consuming, and expensive.

# We are subject to cybersecurity and privacy risks.

We face risks related to cybersecurity threats and incidents. We regularly face attempts by others to gain unauthorized access through the Internet, or to introduce malicious software, to our IT systems. Individuals or organizations, including malicious hackers, state-sponsored organizations, insider threats including employees and third-party service providers, or intruders into our physical facilities, at times attempt to gain unauthorized access and/or corrupt the processes used to design and manufacture our hardware products and our associated software and services. Due to the widespread use of our products, we are a frequent target of computer hackers and organizations that intend to sabotage, take control of, or otherwise corrupt our manufacturing or other processes, products, and services. We are also a target of malicious attackers who attempt to gain access to our network or data centers or those of our suppliers, customers, or end users; steal proprietary information related to our business, products, employees, suppliers, and customers; interrupt our systems and services or those of our suppliers, customers, or others; or demand ransom to return control of such systems and services. Such attempts are increasing in number and in technical sophistication, and if successful, expose us and the affected parties to risk of loss or misuse of proprietary or confidential information or disruptions of our business operations, including our manufacturing operations. Our IT infrastructure also includes products and services provided by third parties, and these providers can experience breaches of their systems and products that impact the security of our systems and our proprietary or confidential information.

From time to time, we encounter intrusions or unauthorized access to our network, products, services, or infrastructure, as well as those of third parties who provide products and services to us. For example, in the fourth quarter of 2020, our Habana Labs subsidiary's network was breached, resulting in unauthorized third-party access of certain confidential information, in connection with a suspected unsuccessful ransomware attack. The breach was confined to our subsidiary's network and is not expected to have a material impact on Habana Labs' business. We are also subject to risks associated with attacks involving our supply chain. In the fourth quarter of 2020, we became aware of reports that an update to widely used IT infrastructure management software provided by one of our vendors, SolarWinds Corporation, had been compromised by attackers, and we are investigating these reports. To date, cybersecurity incidents have not resulted in a material adverse impact to our business or operations, but there can be no guarantee we will not experience such an impact. Such incidents, whether or not successful, could result in our incurring significant costs related to, for example, rebuilding internal systems, writing down inventory value,

implementing additional threat protection measures, providing modifications to our products and services, defending against litigation, responding to regulatory inquiries or actions, paying damages, providing customers with incentives to maintain the business relationship, or taking other remedial steps with respect to third parties, as well as reputational harm. In addition, these threats are constantly evolving, thereby increasing the difficulty of successfully defending against them or implementing adequate preventative measures. As a result of the COVID-19 pandemic, remote work and remote access to our systems has increased significantly, which also increases our cybersecurity attack surface. We have also seen an increase in cyberattack volume, frequency, and sophistication driven by the global enablement of remote workforces. We seek to detect and investigate unauthorized attempts and attacks against our network, products, and services, and to prevent their recurrence where practicable through changes to our internal processes and tools and changes or updates to our products and services; however, we remain potentially vulnerable to additional known or unknown threats. In some instances, we, our suppliers, our customers, and the users of our products and services can be unaware of an incident or its magnitude and effects.

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Theft, loss, or misuse of personal data about our employees, customers, or other third parties could increase our expenses, damage our reputation, or result in legal or regulatory proceedings. The theft, loss, or misuse of personal data collected, used, stored, or transferred by us to run our business could result in significantly increased business and security costs or costs related to defending legal claims. We anticipate that our collection of such personal data will increase as we enter into the MaaS market in our Mobileye business, and it may increase as we enter into other new or adjacent businesses. Global privacy legislation, enforcement, and policy activity in this area are rapidly expanding and creating a complex regulatory compliance environment. Costs to comply with and implement these privacy-related and data protection measures could be significant, and noncompliance could expose us to significant monetary penalties, damage to our reputation, suspension of online services or sites in certain countries, and even criminal sanctions. Even our inadvertent failure to comply with federal, state, or international privacy-related or data-protection laws and regulations could result in audits, regulatory inquiries, or proceedings against us by governmental entities or other third parties.

# We are subject to IP risks and risks associated with litigation and regulatory proceedings.

We cannot always enforce or protect our IP rights. We regard our patents, copyrights, trade secrets, and other IP rights as important to the success of our business. We rely on IP law—as well as confidentiality and licensing agreements with our customers, employees, technology development partners, and others—to protect our IP rights. Our ability to enforce these rights is subject to general litigation risks, as well as uncertainty as to the enforceability of our IP rights in various countries. We are not always able to enforce or protect our IP rights. Enforcement is costly and time-consuming and can divert management attention. When we seek to enforce our rights, we may be subject to claims that our IP rights are invalid, not enforceable, or licensed to an opposing party. Our assertion of IP rights may result in another party seeking to assert claims against us, which could harm our business. From time to time, governments adopt regulations—and governments or courts render decisions—requiring compulsory licensing of IP rights, or governments require products to meet standards that favor local companies. Our inability to enforce our IP rights under any of these circumstances can harm our competitive position and business. In some cases, our IP rights can offer inadequate protection for our innovations. In addition, the theft or unauthorized use or publication of our trade secrets and other confidential business information could harm our competitive position and reduce acceptance of our products; as a result, the value of our investment in R&D, product development, and marketing could be reduced. This risk is heightened as competitors for technical talent increasingly seek to hire our employees.

Our licenses with other companies and participation in industry initiatives at times allow competitors to use some of our patent rights. Technology companies often bilaterally license patents between each other to settle disputes or as part of business agreements. Some of our competitors have in the past had, and may in the future have, licenses to some of our patents, and under current case law, some of the licenses can exhaust our patent rights as to licensed product sales under some circumstances. Our participation in industry standards organizations or with other industry initiatives at times requires us to offer to license our patents to companies that adopt industry-standard specifications. Depending on the rules of the organization, government regulations, or court decisions, we sometimes have to grant licenses to some of our patents for little or no cost, and as a result, we may be unable to enforce certain patents against others, and the value of our IP rights may be impaired.

Third parties assert claims based on IP rights against us and our products, which could harm our business. We face claims based on IP rights from individuals and companies, including claims from those who have aggregated patents acquired from multiple sources to form a new, larger portfolio to assert claims against us and other companies. Some of these claimants are funded by investment firms and have substantial resources, which can increase our defense costs. Additionally, large patent portfolio owners sometimes divest portions of their portfolios to more than one individual or company, increasing the number of parties who own IP rights previously all held by a single party. We are typically engaged in a number of disputes involving IP rights. Claims that our products or processes infringe the IP rights of others, regardless of their merits, cause us to incur large costs to respond to, defend, and resolve the claims, and they divert the efforts and attention of our management and technical personnel from our business and operations. In addition, we may face claims based on the alleged theft or unauthorized use or disclosure of third-party trade secrets, confidential information, or end-user data that we obtain in conducting our business. Any such incidents and claims could severely disrupt our business, and we could suffer losses, including the cost of product recalls and returns, and reputational harm. Furthermore, we have agreed to indemnify customers for certain IP rights claims against them. IP rights claims against our customers could also limit demand for our products or disrupt our customers' businesses, which could in turn adversely affect our results of operations.

As a result of IP rights claims, we could:

- pay monetary damages, including payments to satisfy indemnification obligations, or royalties;
- stop manufacturing, using, selling, offering to sell, or importing products or technology subject to claims;

- need to develop other products or technology not subject to claims, which could be time-consuming or costly; and/or
- enter into settlement or license agreements, which agreements may not be available on commercially reasonable terms.

These IP rights claims could harm our competitive position, result in expenses, or require us to impair our assets. If we alter or stop production of affected items, our revenue could be harmed.

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We rely on access to third-party IP, which may not be available to us on commercially reasonable terms or at all. Many of our products include third-party technology or implement industry standards and may require licenses from third parties. Based on past experience and industry practice, we believe such licenses generally can be obtained on commercially reasonable terms. However, there is no assurance that the necessary licenses can be obtained on acceptable terms or at all. Failure to obtain the right to use third-party technology, or to license IP on commercially reasonable terms, could preclude us from selling certain products or otherwise have a material adverse impact on our financial condition and operating results. To the extent our products include software that contains or is derived from open-source software, we may be required to make the software's source code publicly available and/or license the software under open-source licensing terms.

We are subject to risks associated with litigation and regulatory matters. From time to time, we face legal claims or regulatory matters involving stockholder, consumer, competition, commercial, IP, and other issues on a global basis. As described in "Note 19: Commitments and Contingencies" within the Consolidated Financial Statements, we are engaged in a number of litigation and regulatory matters. Litigation and regulatory proceedings are inherently uncertain, and adverse rulings could occur, including monetary damages, or an injunction stopping us from manufacturing or selling certain products, engaging in certain business practices, or requiring other remedies, such as compulsory licensing of patents. An unfavorable outcome can result in a material adverse impact on our business, financial condition, and results of operations. In addition, regardless of the outcome, litigation and regulatory proceedings can be costly, time-consuming, disruptive to our operations, harmful to our reputation, and distracting to management.

#### We must attract, retain, and motivate key employees.

Hiring and retaining qualified executives, scientists, engineers, technical staff, and sales representatives are critical to our business. The competition for highly skilled employees in our industry is increasingly intense. Competitors for technical talent increasingly seek to hire our employees. In addition, changes in immigration policies may further limit the pool of available talent and impair our ability to recruit and hire technical and professional talent. Changes in the interpretation and application of employment-related laws to our workforce practices may also result in increased operating costs and less flexibility in how we meet our changing workforce needs. To help attract, retain, and motivate qualified employees, we use share-based awards, such as RSUs, and performance-based cash incentive awards. Our employee hiring and retention also depend on our ability to build and maintain a diverse and inclusive workplace culture and be viewed as an employer of choice. If our share-based or other compensation programs and workplace culture cease to be viewed as competitive, our ability to attract, retain, and motivate employees would be weakened, which could harm our results of operations. Moreover, sustained declines in our stock price can reduce the retention value of our share-based awards. Changes in our management team can also disrupt our business. For example, we underwent several significant changes to our technical leadership during 2020 and announced the appointment of a new CEO in January 2021. The failure to successfully transition and assimilate key employees, including in connection with these changes, could adversely affect our results of operations. To the extent we do not effectively hire, onboard, retain, and motivate key employees, our business can be harmed.

# We are subject to risks associated with our strategic transactions.

Our acquisitions, divestitures, and other strategic transactions could fail to achieve our financial or strategic objectives, disrupt our ongoing business, and adversely impact our results of operations. Strategic transactions are an important component of our financial capital allocation strategy. We routinely evaluate opportunities and enter into agreements for possible acquisitions, divestitures, and other strategic transactions. These transactions involve numerous risks, including:

- our inability to identify opportunities in a timely manner or on terms acceptable to us;
- failure of the transaction to advance our business strategy and of its anticipated benefits to materialize;
- disruption of our ongoing operations and diversion of our management's attention;
- failure to complete a transaction in a timely manner, if at all, due to our inability to obtain required government or other approvals at all or without materially burdensome conditions, IP disputes or other litigation, difficulty in obtaining financing on terms acceptable to us, or other unforeseen factors;
- our failure to realize a satisfactory return on our investment, potentially resulting in an impairment of goodwill and other assets, and restructuring charges;
- our inability to effectively enter new market segments through our strategic transactions or retain customers and partners of acquired businesses;
- our inability to retain key personnel of acquired businesses or our difficulty in integrating employees, business systems, and technology;

- controls, processes, and procedures of acquired businesses that do not adequately ensure compliance with laws and regulations, and our failure to identify compliance issues or liabilities;
- our failure to identify, or our underestimation of, commitments, liabilities, and other risks associated with acquired businesses or assets; and
- the potential for our acquisitions to result in dilutive issuances of our equity securities or significant additional debt.

Any of these risks could have a material adverse effect on our business, results of operations, financial condition, or cash flows, particularly in the case of a large acquisition or several concurrent acquisitions. Moreover, our resources are limited and our decision to pursue a transaction has opportunity costs; accordingly, if we pursue a particular transaction, we at times need to forgo the prospect of entering into other transactions that could help us achieve our financial or strategic objectives.

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Where an existing investment does not meet our criteria for success, we routinely evaluate opportunities for possible divestitures and other options. We may not realize the anticipated benefits of divestitures, such as the pending divestiture of our NAND memory business to SK hynix, due to risks that include unfavorable prices and terms; changes in market conditions or geopolitical conditions affecting the regions or industries in which we or counterparties operate; failure to receive regulatory or governmental approvals; limitations or restrictions due to regulatory or governmental approvals, litigation, contractual terms, or other conditions; delays in closing; lack of support by third parties; actions by competitors; adverse effects on our business relationships, operating results, or business due to the announcement and pendency of such transactions; and continued financial obligations, unanticipated liabilities, or transition costs associated with such transactions. In some cases, we are not able to divest investments on acceptable terms or at all.

We invest in public and private companies and do not always realize a return on our investments. We make investments in public and private companies around the world to further our strategic and financial objectives and to support certain key business initiatives. Companies in which we invest range from early-stage companies still defining their strategic direction to mature companies with established revenue streams and business models. Many of the instruments in which we invest are non-marketable and illiquid at the time of our initial investment, and we are not always able to achieve a return in a timely fashion, if at all. Our ability to realize a return on our investment in a private company, if any, is typically dependent on the company participating in a liquidity event, such as a public offering or acquisition. To the extent any of the companies in which we invest are not successful, which can include failures to achieve business objectives as well as bankruptcy, we could recognize an impairment and/or lose all or part of our investment.

#### We are subject to sales-related risks.

We face risks related to sales through distributors and other third parties. We sell a significant portion of our products through third parties such as distributors, value-added resellers, and channel partners (collectively referred to as distributors), as well as OEMs and ODMs. We depend on many distributors to help us create end-customer demand, provide technical support and other value-added services to customers, fill customer orders, and stock our products. At times, we rely on one or more key distributors for a product, and a material change in our relationship with one or more of these distributors or their failure to perform as expected could reduce our revenue. Our ability to add or replace distributors for some of our products is limited. In addition, our distributors' expertise in the determination and stocking of acceptable inventory levels for some of our products is not always easily transferable to a new distributor; as a result, end customers may be hesitant to accept the addition or replacement of a distributor. Using third parties for distribution exposes us to many risks, including competitive pressure and concentration, credit, and compliance risks. Distributors and other third parties sell products that compete with our products, and we sometimes need to provide financial and other incentives to focus them on the sale of our products. From time to time, they face financial difficulties, including bankruptcy, which could harm our collection of accounts receivable and financial results. Violations of the Foreign Corrupt Practices Act or similar laws by distributors or other third-party intermediaries could have a material impact on our business. Failure to manage risks related to our use of distributors and other third parties may reduce sales, increase expenses, and weaken our competitive position.

From time to time, our products are resold by third parties in an unauthorized "gray market." Gray market products can distort demand and pricing dynamics in our distribution channel and certain geographies, which at times adversely affects our revenue opportunities. Gray market activity is difficult to monitor and can make forecasting demand more challenging. Gray market products also sometimes include parts that have been altered or damaged, and our reputation may be harmed when these products fail or are found to be substandard.

We receive a significant portion of our revenue from a limited number of customers. Collectively, our three largest customers accounted for 39% of our net revenue in 2020 and 41% of our net revenue in 2019. We expect a small number of customers will continue to account for a significant portion of our revenue in the foreseeable future.

Industry trends, such as the increasing shift of data center workloads to the public cloud, have increased the significance and purchasing power of certain customers, particularly cloud service providers, in some of our data-centric businesses. The cloud and cloud applications represent a new and increasingly demanding computing environment. The further consolidation of computing workloads in the cloud, and consolidation among cloud service providers, can heighten the competitive importance of factors such as collaboration and customization with cloud service provider customers to optimize products for their environments; optimization for cloud services and applications; product performance; energy efficiency; feature differentiation; product quality, reliability, and factors affecting server uptime; and product security and security features. We are operating in an increasingly competitive environment, and to the extent we do not execute effectively across these factors, our competitive position and market segment share may be adversely affected.

Some cloud service provider customers have also internally developed, and may continue to develop, their own semiconductors, including designs customized for their specific computing workloads. The shift of data center workloads to the cloud has also adversely affected, and may continue to affect, sales to enterprise and government market segment customers when end users have elected to migrate workloads. During the second half of 2020, the mix shift in sales from enterprise and government market segment customers to cloud service providers contributed to lower ASPs in DCG. To the extent we differentiate our products through customization to meet cloud customer specifications, order changes, delays, or cancellations may result in non-recoverable costs.

The loss of, or substantial reduction in sales to, one of our key customers, or their delays in orders for our products, can lead to a reduction in our revenue and harm our results of operations and financial condition. For more information about our customers, including customers who accounted for greater than 10% of our net consolidated revenue, see "Note 3: Operating Segments" within the Consolidated Financial Statements.

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We face risks related to transactions with government entities. We receive proceeds from U.S. federal, state, local, and foreign government entities associated with grants, incentives, and sales of our products and services. Government demand and payment are often affected by public sector budgetary cycles and funding authorizations, including, with respect to U.S. government contracts, congressional approval of appropriations. Government contracts are subject to procurement laws and regulations relating to the award, administration, and performance of those contracts, as well as oversight and penalties for violations. For example, U.S. government contracts are subject to special rules on accounting, IP rights, expenses, reviews, information handling, and security, and failure to comply with these rules could result in civil and criminal penalties and sanctions, including termination of contracts, fines, and suspension or debarment from future business with the U.S. government.

## Changes in our effective tax rate may reduce our net income.

A number of factors can increase our effective tax rates, which could reduce our net income, including:

- changes in the volume and mix of profits earned and location of assets across jurisdictions with varying tax rates;
- the resolution of issues arising from tax audits, including payment of interest and penalties;
- changes in the valuation of our deferred tax assets and liabilities, and in deferred tax valuation allowances;
- adjustments to income taxes upon finalization of tax returns;
- increases in expenses not deductible for tax purposes, including impairments of goodwill;
- changes in available tax credits;
- changes in our ability to secure new, or renew existing, tax holidays and incentives;
- changes in U.S. federal, state, or foreign tax laws or their interpretation, including changes in the U.S. to the taxation
  of manufacturing enterprises and of non-U.S. income and expenses and changes resulting from the adoption by
  countries of OECD recommendations or other legislative actions;
- · changes in accounting standards; and
- our decision to repatriate non-U.S. earnings for which we have not previously provided for local country withholding taxes incurred upon repatriation.

### We have fluctuations in the amount and frequency of our stock repurchases.

We are not obligated to make repurchases under our stock repurchase program, and the amount, timing, and execution of our repurchases fluctuate based on our priorities for the use of cash for other purposes—such as investing in our business, including operational spending, capital spending, and acquisitions, and returning cash to our stockholders as dividend payments. Changes in cash flows, tax laws and other laws, and the market price of our common stock can also limit or alter the amount and frequency of our stock repurchases. Our stock repurchase program may be suspended or terminated at any time. For example, we suspended stock repurchases during a portion of 2020 due to uncertainty surrounding the COVID-19 pandemic. Moreover, we cannot guarantee that our stock repurchase program will enhance long-term stockholder value.

# **Properties**

As of December 26, 2020, our major facilities consisted of:

(Square Feet in Millions)	United States	Other Countries	Total
Owned facilities	31	23	54
Leased facilities	1	5	6
Total facilities	32	28	60

Our principal executive offices are located in the U.S. For more information on our wafer fabrication and our assembly and test facilities, see "Manufacturing Capital" within Fundamentals of Our Business.

The facilities described above are suitable for our present purposes, and the productive capacity in our facilities is being utilized or being prepared for utilization as we continue to make investments to expand our manufacturing capacity.

We do not identify or allocate assets by operating segment, as they are interchangeable in nature and used by multiple operating segments. For information on net property, plant and equipment by country, see "Note 6: Other Financial Statement Details" within the Financial Statements and Supplemental Details.

# Market for Our Common Stock

The principal U.S. market on which Intel's common stock (symbol INTC) is traded is the Nasdaq Global Select Market. For dividend information, see "Financial Information by Quarter (Unaudited)" within Financial Statements and Supplemental Details.

As of January 15, 2021, there were approximately 107,222 registered holders of record of Intel's common stock. A substantially greater number of holders of Intel common stock are "street name" or beneficial holders, whose shares of record are held by banks, brokers, and other financial institutions.

# Stock Performance Graph

The graph and table that follow compare the cumulative TSR of Intel's common stock with the cumulative total return of the S&P 100 Index\*, the S&P 500 Index\*, the S&P 500 IT Index\*, and the SOX Index\*<sup>1</sup> for the five years ended December 26, 2020. The cumulative returns shown on the graph are based on Intel's fiscal year.

Comparison of Five-Year Cumulative Return for Intel, S&P 100 Index, S&P 500 Index, S&P 500 IT Index, and SOX Index intc-20201226\_g106.jpg

Years Ended	ec 26, 2015	ec 31, 2016	ec 30, 2017	ec 29, 2018	ec 28, 2019	ec 26, 2020
Intel Corporation	\$ 100	\$ 107	\$ 140	\$ 145	\$ 192	\$ 154
S&P 100 Index	\$ 100	\$ 110	\$ 135	\$ 128	\$ 172	\$ 205
S&P 500 Index	\$ 100	\$ 111	\$ 135	\$ 128	\$ 171	\$ 199
S&P 500 IT Index	\$ 100	\$ 113	\$ 157	\$ 155	\$ 235	\$ 335
SOX Index	\$ 100	\$ 137	\$ 193	\$ 180	\$ 297	\$ 447

<sup>&</sup>lt;sup>1</sup> The graph and table assume that \$100 was invested on the last day of trading for the fiscal year ended December 26, 2015 in Intel's common stock, the S&P 100 Index, S&P 500 Index, S&P 500 IT Index, and PHLX Semiconductor Sector Index (SOX), and that all dividends were reinvested.

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# Issuer Purchases of Equity Securities

We have an ongoing authorization, originally approved by our Board of Directors in 2005, and subsequently amended, to repurchase shares of our common stock in open market or negotiated transactions. In March 2020, we suspended stock repurchases in light of the COVID-19 pandemic. In August 2020, we entered into ASR agreements to repurchase \$10.0 billion of our common stock and these agreements were settled in December 2020. As of December 26, 2020, we were authorized to repurchase up to \$110.0 billion, of which \$9.7 billion remained available.

Common stock repurchase activity under our publicly announced stock repurchase program during each quarter of 2020 was as follows:

Period	Total Number of Shares Purchased (In Millions)	rage Price Per Share	Dollar Value of Shares That May Yet Be Purchased Under the Program (In Millions)		
December 29, 2019 - March 28, 2020	71.4	\$ 57.60	\$	19,658	
March 29, 2020 - June 27, 2020	_	\$ 	\$	19,658	
June 28, 2020 - September 26, 2020					
Accelerated Share Repurchases <sup>1</sup>	165.5	\$ 49.20	\$	9,658	
September 27, 2020 - December 26, 2020					
Accelerated Share Repurchases <sup>1</sup>	37.7	\$ 49.20	\$	9,658	
Total	274.6				

Common stock repurchase activity under our stock repurchase program during Q4 2020 was as follows:

Period	Total Number of Shares Purchased (In Millions)	rage Price Per Share	Dollar Value of Shares That May Yet Be Purchased Under the Program (In Millions)		
September 27, 2020 - October 24, 2020	_	\$ _	\$	9,658	
October 25, 2020 - November 21, 2020	_	\$ _	\$	9,658	
November 22, 2020 - December 26, 2020					
Accelerated Share Repurchases <sup>1</sup>	37.7	\$ 49.20	\$	9,658	
Total	37.7				

In August 2020, we entered into ASR agreements with financial institutions under which we paid an aggregate of \$10.0 billion and received an aggregate initial share delivery of 165.5 million shares of our common stock, which were immediately retired. We received and immediately retired an additional 37.7 million shares upon settlement of the ASR agreements in December 2020. In total, 203.2 million shares were repurchased under the ASR agreements at an average repurchase price per share of \$49.20.

We issue RSUs as part of our equity incentive plans. In our Consolidated Financial Statements, we treat shares of common stock withheld for tax purposes on behalf of our employees in connection with the vesting of RSUs as common stock repurchases because they reduce the number of shares that would have been issued upon vesting. These withheld shares of common stock are not considered common stock repurchases under our authorized common stock repurchase program and are excluded from the preceding table.

# Information About Our Executive Officers

Name	
Current	Title

#### Age Experience

Gregory M. Bryant

Executive Vice

President and General

Manager, Client

Computing Group

Mr. Bryant is our Executive Vice President and General Manager of the Client Computing Group, leading strategy and product development for client computing end-user solutions, including notebooks, desktops, and client adjacencies. Mr. Bryant served as Senior Vice President and General Manager of CCG from June 2017 to September 2019. From January 2015 to June 2017, he served as Corporate Vice President and General Manager of the Connected Home and Commercial Client Group within CCG. Prior to that, he was Vice President and General Manager for the Asia Pacific and Japan region, based in Hong Kong from 2012 to 2015. From 2010 to 2012, he was a Vice President in the Sales and Marketing Group located in Beijing, China, and from 2007 to 2010, he was a Vice President in the Digital Enterprise Group. Mr. Bryant joined Intel in 1992 and has also held engineering, operations, and director roles in Intel's information technology organization.

George S. Davis
Chief Financial Officer

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Mr. Davis joined Intel in April 2019 as our Executive Vice President and Chief Financial Officer. He oversees Intel's global finance and information technology organizations, as well as its M&A function. Prior to joining Intel, Mr. Davis was Executive Vice President and Chief Financial Officer of Qualcomm, a global provider of wireless technologies, from March 2013 to April 2019, where he led the finance, information technology, and investor relations organizations. Mr. Davis was Chief Financial Officer of Applied Materials, Inc. from November 2006 to March 2013. He held several other leadership positions at Applied Materials from November 1999 to November 2006. Prior to joining Applied Materials, Mr. Davis served for 19 years with Atlantic Richfield Company in a number of finance and other corporate positions. Mr. Davis serves on the board of trustees of the Old Globe Theatre. He is also a member of the Wall Street Journal CFO Council and a member of the USA Chapter of The Prince's Accounting for Sustainability Project CFO Leadership Network.

Steven R. Rodgers

Executive Vice

President and General

Counsel

Mr. Rodgers has been our Executive Vice President and General Counsel since January 2017 and oversees our legal, government, and China groups. He previously led our legal and government groups as Senior Vice President and General Counsel from January 2015 to January 2017 and as Corporate Vice President and General Counsel from June 2014 to January 2015. Mr. Rodgers joined Intel in 2000 and has held a number of roles in our legal department, including Corporate Vice President and Deputy General Counsel from January 2014 until his appointment as Intel's fifth General Counsel in June 2014. Prior to joining Intel, he was a litigation partner at the firm of Brown & Bain, P.A.

Navin Shenoy
Executive Vice
President and General
Manager, Data
Platforms Group

Mr. Shenoy oversees our DCG, IOTG, and PSG businesses and leads strategy and product development for most of our data-centric offerings, including server, network, storage, AI, Internet of Things, and FPGA products, across a range of use cases that include cloud computing, virtualization of network infrastructure, and AI adoption. Mr. Shenoy has served in this role since May 2017, and his organization was renamed the Data Platforms Group, from the Data Center Group, in November 2019. From May 2016 to May 2017, Mr. Shenoy was Senior Vice President and General Manager of CCG. From April 2012 to April 2016, he served as General Manager of the Mobility Client Platform Division, as Vice President from April 2012 until December 2014 and Corporate Vice President from January 2015 to May 2016. From October 2007 to April 2012, Mr. Shenoy served as Vice President and General Manager of our Asia-Pacific business. He joined Intel in 1995.

# **Availability of Company Information**

Our Internet address is <u>www.intel.com</u>. We publish voluntary reports on our website that outline our performance with respect to corporate responsibility, including environmental, health, and safety compliance.

We use our Investor Relations website, <a href="www.intc.com">www.intc.com</a>, as a routine channel for distribution of important information, including news releases, information about upcoming webcasts, analyst presentations, financial information, corporate governance practices, and corporate responsibility information. We post our filings at <a href="www.intc.com">www.intc.com</a> the same day they are electronically filed with, or furnished to, the SEC, including our annual and quarterly reports on Forms 10-K and 10-Q and current reports on Form 8-K; our proxy statements; and any amendments to those reports or statements. We post our quarterly and annual earnings results at <a href="www.intc.com">www.intc.com</a>, and do not distribute our financial results via a news wire service. All such postings and filings are available on our Investor Relations website free of charge. In addition, our Investor Relations website allows interested persons to sign up to automatically receive e-mail alerts when we post financial information and issue press releases, and to receive information about upcoming events.

The content on any website referred to in this Form 10-K is not incorporated by reference in this Form 10-K unless expressly noted.

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# Financial Statements and Supplemental Details

We have defined certain terms and abbreviations used throughout our Form 10-K in "Key Terms" within this section.

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# Report of Independent Registered Public Accounting Firm

# To the Stockholders and the Board of Directors of Intel Corporation

#### Opinion on the Financial Statements

We have audited the accompanying Consolidated Balance Sheets of Intel Corporation (the Company) as of December 26, 2020 and December 28, 2019, the related Consolidated Statements of Income, Comprehensive Income, Cash Flows and Stockholders' Equity for each of the three years in the period ended December 26, 2020, and the related notes (collectively referred to as the "Consolidated Financial Statements"). In our opinion, the Consolidated Financial Statements present fairly, in all material respects, the financial position of the Company at December 26, 2020 and December 28, 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 26, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 26, 2020, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated January 21, 2021 expressed an unqualified opinion thereon

### **Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

#### Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the Consolidated Financial Statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

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### **Inventory Valuation**

#### Description of the Matter

The Company's net inventory totaled \$8.4 billion as of December 26, 2020, representing 5.5% of total ass explained in "Note 2: Accounting Policies" within the Consolidated Financial Statements, the Company computes inventory cost on a first-in, first-out basis, and applies judgment in determining saleability of pro and the valuation of inventories. The Company assesses inventory at each reporting date in order to asse it is recorded at net realizable value, giving consideration to, among other factors: whether the products has achieved the substantive engineering milestones to qualify for sale to customers; the determination of non capacity levels in its manufacturing process to determine which manufacturing overhead costs can be inclined in the valuation of inventory; whether the product is valued at the lower of cost or net realizable value; and estimation of excess and obsolete inventory or that which is not of saleable quality.

Auditing management's assessment of net realizable value for inventory was challenging because the determination of lower of cost or net realizable value and excess and obsolete inventory reserves is judgm and considers a number of factors that are affected by market and economic conditions, such as custome forecasts, dynamic pricing environments, and industry supply and demand. Additionally, for certain new pr launches there is limited historical data with which to evaluate forecasts.

### How We Addressed the Matter in Our Audit

We evaluated and tested the design and operating effectiveness of the Company's internal controls over t costing of inventory, the determination of whether inventory is of saleable quality, the calculation of lower or net realizable value reserves including related estimated costs and selling prices, and the determination demand forecasts and related application against on hand inventory.

Our audit procedures included, among others, testing the significant assumptions (e.g., estimated product and selling prices, and product demand forecasts) and the underlying data used in management's inventor valuation assessment. We compared the significant assumptions used by management to current industry economic trends. We assessed whether there were any potential sources of contrary information, includin historical forecast accuracy or history of significant revisions to previously recorded inventory valuation adjustments, and performed sensitivity analyses over significant assumptions to evaluate the changes in inventory valuation that would result from changes in the assumptions.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1968.

San Jose, California January 21, 2021

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# Report of Independent Registered Public Accounting Firm

## To the Stockholders and the Board of Directors of Intel Corporation

#### Opinion on Internal Control Over Financial Reporting

We have audited Intel Corporation's internal control over financial reporting as of December 26, 2020, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), (the COSO criteria). In our opinion, Intel Corporation (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 26, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2020 Consolidated Financial Statements of the Company and our report dated January 21, 2021 expressed an unqualified opinion thereon.

### **Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

San Jose, California January 21, 2021

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# Consolidated Statements of Income

Years Ended (In Millions, Except Per Share Amounts)		c 26, 2020	Dec 28, 2019		Dec 29, 2018	
Net revenue	\$	77,867	\$	71,965	\$	70,848
Cost of sales		34,255		29,825		27,111
Gross margin		43,612		42,140		43,737
Research and development		13,556		13,362		13,543
Marketing, general and administrative		6,180		6,350		6,950
Restructuring and other charges		198		393		(72)
Operating expenses		19,934		20,105		20,421
Operating income		23,678		22,035		23,316
Gains (losses) on equity investments, net		1,904		1,539		(125)
Interest and other, net		(504)		484		126
Income before taxes		25,078		24,058		23,317
Provision for taxes		4,179		3,010		2,264
Net income	\$	20,899	\$	21,048	\$	21,053
Earnings per share—basic	\$	4.98	\$	4.77	\$	4.57
Earnings per share—diluted	\$	4.94	\$	4.71	\$	4.48
Weighted average shares of common stock outstanding:						
Basic		4,199		4,417		4,611
Diluted		4,232		4,473		4,701

See accompanying notes.

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Consolidated Statements of Income

# Consolidated Statements of Comprehensive Income

De	Dec 26, 2020		Dec 28, 2019		Dec 29, 2018	
\$	20,899	\$	21,048	\$	21,053	
					-	
	677		177		(253)	
	(183)		(564)		210	
	35		81		(3)	
	529		(306)		(46)	
\$	21,428	\$	20,742	\$	21,007	
		\$ 20,899 677 (183) 35 529	\$ 20,899 \$ 677 (183) 35 529	\$ 20,899 \$ 21,048 677 177 (183) (564) 35 81 529 (306)	\$ 20,899 \$ 21,048 \$ 677 177 (183) (564) 35 81 529 (306)	

See accompanying notes.

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# Consolidated Balance Sheets

(In Millions, Except Par Value)	De	c 26, 2020	De	c 28, 2019
Assets				
Current assets:				
Cash and cash equivalents	\$	5,865	\$	4,194
Short-term investments		2,292		1,082
Trading assets		15,738		7,847
Accounts receivable, net of allowance for doubtful accounts		6,782		7,659
Inventories		8,427		8,744
Assets held for sale		5,400		
Other current assets		2,745		1,713
Total current assets		47,249		31,239
Property, plant and equipment, net		56,584		55,386
Equity investments		5,152		3,967
Other long-term investments		2,192		3,276
Goodwill		26,971		26,276
Identified intangible assets, net		9,026		10,827
Other long-term assets		5,917		5,553
Total assets	\$	153,091	\$	136,524
Liabilities, temporary equity, and stockholders' equity				
Current liabilities:				
Short-term debt	\$	2,504	\$	3,693
Accounts payable		5,581		4,128
Accrued compensation and benefits		3,999		3,853
Other accrued liabilities		12,670		10,636
Total current liabilities		24,754		22,310
Debt		33,897		25,308
Contract liabilities		1,367		1,368
Income taxes payable		4,578		4,919
Deferred income taxes		3,843		2,044
Other long-term liabilities		3,614		2,916
Commitments and Contingencies (Note 19)				
Temporary equity		_		155
Stockholders' equity:				
Preferred stock, \$0.001 par value, 50 shares authorized; none issued		_		_
Common stock, \$0.001 par value, 10,000 shares authorized; 4,062 shares issued and outstanding (4,290 issued and outstanding in 2019) and capital in excess of par		05.550		05.004
value		25,556		25,261
Accumulated other comprehensive income (loss)		(751)		(1,280)
Retained earnings		56,233		53,523
Total stockholders' equity	_	81,038	_	77,504
Total liabilities, temporary equity, and stockholders' equity	<b>\$</b>	153,091	\$	136,524

See accompanying notes.

# Consolidated Statements of Cash Flows

Years Ended (In Millions)	Dec 26, 2020	I	Dec 28, 2019	Dec 29, 2018
Cash and cash equivalents, beginning of period	\$ 4,194	\$	3,019	\$ 3,433
Cash flows provided by (used for) operating activities:				
Net income	20,899		21,048	21,053
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	10,482		9,204	7,520
Share-based compensation	1,854		1,705	1,546
Amortization of intangibles	1,757		1,622	1,565
(Gains) losses on equity investments, net	(1,757)		(892)	155
(Gains) losses on divestitures	(30)		(690)	(497)
Changes in assets and liabilities:				
Accounts receivable	883		(935)	(1,714)
Inventories	(687)		(1,481)	(214)
Accounts payable	412		696	211
Accrued compensation and benefits	463		91	(260)
Prepaid supply agreements	(181)		(782)	1,367
Income taxes	1,620		885	(1,601)
Other assets and liabilities	(331)		2,674	301
Total adjustments	14,485		12,097	8,379
Net cash provided by operating activities	35,384		33,145	 29,432
Cash flows provided by (used for) investing activities:				 20,402
Additions to property, plant and equipment	(14,259)		(16,213)	(15,181)
Additions to held for sale NAND property, plant and equipment	(194)		(10,210)	(13,101)
Acquisitions, net of cash acquired	(837)		(1,958)	(190)
Purchases of available-for-sale debt investments	(6,862)		(2,268)	(3,843)
Maturities and sales of available-for-sale debt investments	6,781		4,226	3,163
Purchases of trading assets	(22,377)		(9,162)	(9,503)
Maturities and sales of trading assets	15,377		7,178	12,111
Purchases of equity investments	(720)		(522)	(874)
. ,				
Sales of equity investments  Proceeds from divestitures	910 123		2,688 911	2,802 548
			715	
Other investing	1,262			 (272)
Net cash used for investing activities	(20,796)		(14,405)	 (11,239)
Cash flows provided by (used for) financing activities:				
Issuance of term debt, net of issuance costs	10,247		3,392	423
Repayment of term debt and debt conversions	(4,525)		(2,627)	(3,026)
Proceeds from sales of common stock through employee equity incentive plans	897		750	555
Repurchase of common stock	(14,229)		(13,576)	(10,730)
Payment of dividends to stockholders	(5,568)		(5,576)	(5,541)
Other financing	261		72	(288)
Net cash provided by (used for) financing activities	(12,917)		(17,565)	(18,607)
Net increase (decrease) in cash and cash equivalents	1,671		1,175	(414)
Cash and cash equivalents, end of period	\$ 5,865	\$	4,194	\$ 3,019
Supplemental disclosures:				
Acquisition of property, plant and equipment included in accounts payable and accrued liabilities	2,973	\$	1,761	\$ 2,340
Cash paid during the year for:				
Interest, net of capitalized interest	594	\$	469	\$ 448
Income taxes, net of refunds	2,436	\$	2,110	\$ 3,813

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Consolidated Statements of Cash Flows

# Consolidated Statements of Stockholders' Equity

# Common Stock and Capital in Excess of Par Value

**Accumulated** 

Other Comprehensive Number of Income Retained (In Millions, Except Per Share Amounts) **Shares Amount** (Loss) **Earnings** Total Balance as of December 31, 20171 4.687 \$ 26,074 \$ (928) \$ 44,507 \$ 69,653 Components of comprehensive income, net of tax: Net income 21,053 21,053 (46)Other comprehensive income (loss) (46)21,007 Total comprehensive income Employee equity incentive plans and other<sup>2</sup> 424 56 424 Share-based compensation 1,548 1,548 447 Temporary equity reduction 447 Convertible debt (1,591)(1,591)(9.650)Repurchase of common stock (217)(1,208)(10,858)Restricted stock unit withholdings (10)(329)(197)(526)Cash dividends declared (\$1.20 per share of common stock) (5,541)(5,541)4,516 25.365 (974)50.172 74,563 Balance as of December 29, 2018 Components of comprehensive income, net of tax: Net income 21,048 21,048 Other comprehensive income (loss) (306)(306)20,742 Total comprehensive income Employee equity incentive plans and other 55 892 892 Share-based compensation 1,705 1,705 Temporary equity reduction 265 265 Convertible debt (1,032)(1,032)(272)(11,973)Repurchase of common stock (1,592)(13,565)Restricted stock unit withholdings (9)(342)(146)(488)Cash dividends declared (\$1.26 per share of (5,578)(5,578)common stock) Balance as of December 28, 2019 4,290 25,261 (1,280)53,523 77,504 Components of comprehensive income, net of tax: Net income 20,899 20,899 Other comprehensive income (loss) 529 529 21,428 Total comprehensive income 1,018 Employee equity incentive plans and other 55 1,018 Share-based compensation 1,854 1,854 Temporary equity reduction 155 155 Convertible debt (750)(750)Repurchase of common stock (275)(1,628)(12,481)(14,109)Restricted stock unit withholdings (8)(354)(140)(494)Cash dividends declared (\$1.32 per share of (5,568)(5,568)common stock) 4,062 25,556 (751)56,233 81,038 Balance as of December 26, 2020

Balances as of December 31, 2017 include opening balance adjustments made as a result of changes in accounting principle due to the adoption of new accounting standards in 2018.

See accompanying notes.

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<sup>&</sup>lt;sup>2</sup> Includes approximately \$375 million of non-controlling interest activity due to our acquisition of Mobileye in 2017, which was eliminated in 2018 due to purchase of remaining shares.

# Notes to Consolidated Financial Statements

# Note 1:

# **Basis of Presentation**

We have a 52- or 53-week fiscal year that ends on the last Saturday in December. Fiscal years 2020, 2019, and 2018 were 52-week fiscal years. Our Consolidated Financial Statements include the accounts of Intel and our subsidiaries. We have eliminated intercompany accounts and transactions. We have reclassified certain prior period amounts to conform to current period presentation.

#### Use of Estimates

The preparation of Consolidated Financial Statements in conformity with U.S. GAAP requires us to make estimates and judgments that affect the amounts reported in our Consolidated Financial Statements and the accompanying notes. The inputs into our judgments and estimates consider the economic implications of COVID-19 on our critical and significant accounting estimates. The actual results that we experience may differ materially from our estimates.

# Note 2:

# **Accounting Policies**

## Revenue Recognition

We recognize net product revenue when we satisfy performance obligations as evidenced by the transfer of control of our products or services to customers. Substantially all of our revenue is derived from product sales. In accordance with contract terms, revenue for product sales is recognized at the time of product shipment from our facilities or delivery to the customer location, as determined by the agreed upon shipping terms.

We measure revenue based on the amount of consideration we expect to be entitled to in exchange for products or services. Variable consideration is estimated and reflected as an adjustment to the transaction price. We determine variable consideration, which consists primarily of various sales price concessions, by estimating the most likely amount of consideration we expect to receive from the customer based on historical analysis of customer purchase volumes. Sales rebates earned by customers are offset against their receivable balances. Rebates earned by customers when they do not have outstanding receivable balances are recorded within other accrued liabilities.

We make payments to our customers through cooperative advertising programs for marketing activities for some of our products. We generally record the payment as a reduction in revenue in the period that the revenue is earned, unless the payment is for a distinct service, which we record as expense when the marketing activities occur.

#### **Inventories**

We compute inventory cost on a first-in, first-out basis. Our process and product development life cycle corresponds with substantive engineering milestones. These engineering milestones are regularly and consistently applied in assessing the point at which our activities and associated costs change in nature from R&D to cost of sales, and when cost of sales can be capitalized as inventory.

For a product to be manufactured in high volumes and sold to our customers under our standard warranty, it must meet our rigorous technical quality specifications. This milestone is known as PRQ. We have identified PRQ as the point at which the costs incurred to manufacture our products are included in the valuation of inventory. A single PRQ has previously valued inventory up to \$870 million in the quarter the PRQ milestone was achieved. Prior to PRQ, costs that do not meet the criteria for R&D are included in cost of sales in the period incurred.

The valuation of inventory includes determining which fixed production overhead costs can be included in inventory based on the normal capacity of our manufacturing and assembly and test facilities. We apply our historical loadings compared to our total available capacity in a statistical model to determine our normal capacity level. If the factory loadings are below the established normal capacity level, a portion of our fixed production overhead costs would not be included in the cost of inventory; instead, it would be recognized as cost of sales in that period. We refer to these costs as excess capacity charges. Excess capacity charges are insignificant in the years presented. Charges in years prior to those presented have ranged up to \$1.1 billion taken in connection with the 2009 economic recession.

Inventory is valued at the lower of cost or net realizable value, based upon assumptions about future demand and market conditions. Product-specific facts and circumstances reviewed in the inventory valuation process include a review of our customer base, the stage of the product life cycle, variations in market pricing, and an assessment of selling price in relation to product cost. Lower of cost or net realizable value inventory reserves fluctuate as we ramp new process technologies with costs improving over time due to scale and improved yields. Additionally, inventory valuation is impacted by cyclical changes in market conditions and the associated pricing environment.

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Notes to Consolidated Financial Statements

The valuation of inventory also requires us to estimate obsolete and excess inventory, as well as inventory that is not of salable quality. We use the demand forecast to develop our short-term manufacturing plans to enable consistency between inventory valuations and build decisions. For certain new products, we have limited historical data when developing these demand forecasts. We compare the estimate of future demand to work in process and finished goods inventory levels to determine the amount, if any, of obsolete or excess inventory. When our demand forecast for specific products is greater than actual demand and we fail to reduce manufacturing output accordingly, we write off amounts considered to be excess inventory.

## Property, Plant and Equipment

We compute depreciation using the straight-line method over the estimated useful life of assets. We also capitalize interest on borrowings related to eligible capital expenditures. Capitalized interest is added to the cost of qualified assets and depreciated together with that asset cost. We record capital-related government grants earned as a reduction to property, plant and equipment.

We evaluate the period over which we expect to recover the economic value of our property, plant and equipment, considering factors such as the process technology cadence between node transitions, changes in machinery and equipment technology, and re-use of machinery and tools across each generation of process technology. As we make manufacturing process conversions and other factory planning decisions, we use assumptions involving the use of management judgments regarding the remaining useful lives of assets, primarily process-specific semiconductor manufacturing tools and building improvements. When we determine that the useful lives of assets are shorter or longer than we had originally estimated, we adjust the rate of depreciation to reflect the assets' revised useful lives.

Assets are "grouped" and evaluated for impairment at the lowest level of identifiable cash flows. Factors that we consider in deciding when to perform an impairment review include significant under-performance of a business or product line in relation to expectations, significant negative industry or economic trends, and significant changes or planned changes in our use and fungibility of the assets. If an asset grouping carrying value is not recoverable through the related undiscounted cash flows, the asset grouping is considered to be impaired.

#### Fair Value

When determining fair value, we consider the principal or most advantageous market in which we would transact, as well as assumptions that market participants would use when pricing the asset or liability. Our financial assets are measured and recorded at fair value on a recurring basis, except for equity securities measured using the measurement alternative, equity method investments, grants receivable, and reverse repurchase agreements with original maturities greater than three months. We assess fair value hierarchy levels for our issued debt and fixed-income investment portfolio based on the underlying instrument type.

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

- Level 1. Quoted prices in active markets for identical assets or liabilities. We evaluate security-specific market data when determining whether a market is active.
- Level 2. Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in less active markets, or model-derived valuations. All significant inputs used in our valuations, such as discounted cash flows, are observable or can be derived principally from or corroborated with observable market data for substantially the full term of the assets or liabilities. We use LIBOR-based yield curves, overnight indexed swap curves, currency spot and forward rates, and credit ratings as significant inputs in our valuations. Level 2 inputs also include non-binding market consensus prices, as well as quoted prices that were adjusted for security-specific restrictions. When we use non-binding market consensus prices, we corroborate them with quoted market prices for similar instruments or compare them to output from internally developed pricing models such as discounted cash flow models.
- Level 3. Unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of assets or liabilities. We monitor and review the inputs and results of these valuation models to help ensure the fair value measurements are reasonable and consistent with market experience in similar asset classes. Level 3 inputs also include non-binding market consensus prices or non-binding broker quotes that we were unable to corroborate with observable market data.

#### **Debt Investments**

We consider all highly liquid debt investments with original maturities from the date of purchase of three months or less as cash equivalents. Cash equivalents can include investments such as corporate debt, financial institution instruments, government debt, and reverse repurchase agreements.

Marketable debt investments are generally designated as trading assets when a market risk is economically hedged at inception with a related derivative instrument, or when the marketable debt investment itself is used to economically hedge currency exchange rate risk from remeasurement. Investments designated as trading assets are reported at fair value. Gains or losses on these investments arising from changes in fair value due to interest rate and currency market fluctuations and credit market volatility, largely offset by losses or gains on the related derivative instruments and balance sheet remeasurement, are recorded in interest and other, net.

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Notes to Consolidated Financial Statements

Marketable debt investments are considered available-for-sale investments when the interest rate and foreign currency risks are not hedged at the inception of the investment or when our criteria for designation as trading assets are not met. Available-for-sale debt investments with original maturities of approximately three months or less from the date of purchase are classified within cash and cash equivalents. Available-for-sale debt investments with original maturities at the date of purchase greater than approximately three months and remaining maturities of less than one year are classified as short-term investments. Available-for-sale debt investments with remaining maturities beyond one year are classified as other long-term investments. Available-for-sale debt investments are reported at fair value, with unrealized gains or losses, net of tax, recorded in accumulated other comprehensive income (loss). We determine the cost of the investment sold based on an average cost basis at the individual security level, and record the interest income and realized gains or losses on the sale of these investments in interest and other, net.

Our available-for-sale debt investments are subject to periodic impairment reviews. For investments in an unrealized loss position, we determine whether a credit loss exists by considering information about the collectability of the instrument, current market conditions, and reasonable and supportable forecasts of economic conditions. We recognize an allowance for credit losses, up to the amount of the unrealized loss when appropriate, and write down the amortized cost basis of the investment if it is more likely than not we will be required or we intend to sell the investment before recovery of its amortized cost basis. Allowances for credit losses and write-downs are recognized in interest and other, net, and unrealized losses not related to credit losses are recognized in other comprehensive income (loss).

# **Equity Investments**

We regularly invest in equity securities of public and private companies to promote business and strategic objectives. Equity investments are measured and recorded as follows:

- Marketable equity securities are equity securities with RDFV that are measured and recorded at fair value on a recurring basis with changes in fair value, whether realized or unrealized, recorded through the income statement.
- Non-marketable equity securities are equity securities without RDFV that are measured and recorded using a
  measurement alternative that measures the securities at cost minus impairment, if any, plus or minus changes
  resulting from qualifying observable price changes.
- Equity method investments are equity securities in investees we do not control but over which we have the ability
  to exercise significant influence. Equity method investments are measured at cost minus impairment, if any, plus
  or minus our share of equity method investee income or loss. Our proportionate share of the income or loss from
  equity method investments is recognized on a one-quarter lag.

Realized and unrealized gains and losses resulting from changes in fair value or the sale of our equity investments are recorded in gains (losses) on equity investments, net. The carrying value of our non-marketable equity securities is adjusted for qualifying observable price changes resulting from the issuance of similar or identical securities in an orderly transaction by the same issuer. Determining whether an observed transaction is similar to a security within our portfolio requires judgment based on the rights and preferences of the securities. Recording upward and downward adjustments to the carrying value of our equity securities as a result of observable price changes requires quantitative assessments of the fair value of our securities using various valuation methodologies and involves the use of estimates.

Non-marketable equity securities and equity method investments (collectively referred to as non-marketable equity investments) are also subject to periodic impairment reviews. Our quarterly impairment analysis considers both qualitative and quantitative factors that may have a significant impact on the investee's fair value. Qualitative factors considered include the investee's financial condition and business outlook, industry and sector performance, market for technology, operational and financing cash flow activities, and other relevant events and factors affecting the investee. When indicators of impairment exist, we prepare quantitative assessments of the fair value of our non-marketable equity investments using both the market and income approaches, which require judgment and the use of estimates, including discount rates, investee revenue and costs, and comparable market data of private and public companies, among others.

- Non-marketable equity securities are tested for impairment using a qualitative model similar to the model used for goodwill and long-lived assets. Upon determining that an impairment may exist, the security's fair value is calculated and compared to its carrying value and an impairment is recognized immediately if the carrying value exceeds the fair value.
- Equity method investments are subject to periodic impairment reviews using the other-than-temporary impairment model, which considers the severity and duration of a decline in fair value below cost and our ability and intent to hold the investment for a sufficient period of time to allow for recovery.

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Notes to Consolidated Financial Statements

#### **Derivative Financial Instruments**

Our primary objective for holding derivative financial instruments is to manage currency exchange rate risk and interest rate risk, and, to a lesser extent, equity market risk, commodity price risk, and credit risk. We enter into master netting arrangements to mitigate credit risk in derivative transactions by permitting net settlement of transactions with the same counterparty. We also enter into collateral security arrangements with certain of our counterparties to exchange cash collateral when the net fair value of certain derivative instruments fluctuates from contractually established thresholds. For presentation on our Consolidated Balance Sheets, we do not offset fair value amounts recognized for derivative instruments under master netting arrangements. Our derivative financial instruments, including related collateral amounts, are presented at fair value on a gross basis and are included in other current assets, other long-term assets, other accrued liabilities, or other long-term liabilities.

Cash flow hedges use foreign currency contracts, such as currency forwards and currency interest rate swaps, to hedge exposures for variability in the U.S.-dollar equivalent of non-U.S.-dollar-denominated cash flows associated with our forecasted operating and capital purchases spending.

The after-tax gains or losses from the effective portion of a cash flow hedge is reported as a component of accumulated other comprehensive income (loss) and reclassified into earnings in the same period or periods in which the hedged transaction affects earnings, and in the same line item on the Consolidated Statements of Income as the impact of the hedge transaction. For foreign currency contracts hedging our capital purchases, forward points are excluded from the hedge effectiveness assessment, and are recognized in earnings in the same income statement line item used to present the earnings effect of the hedged item. If the cash flow hedge transactions become improbable, the corresponding amounts deferred in accumulated other comprehensive income (loss) would be immediately reclassified to interest and other, net. These derivatives are classified in the Consolidated Statements of Cash Flows in the same section as the underlying item.

Fair value hedges use interest rate contracts, such as interest rate swaps, to hedge against changes in the fair value on certain of our fixed-rate indebtedness attributable to changes in the benchmark interest rate. The gains or losses on these hedges, as well as the offsetting losses or gains related to the changes in the fair value of the underlying hedged item attributable to the hedged risk, are recognized in earnings in the current period, primarily in interest and other, net. These derivatives are classified in the Consolidated Statements of Cash Flows in the same section as the underlying item, primarily within cash flows from financing activities.

Non-designated hedges use foreign currency contracts to economically hedge the functional currency equivalent cash flows of recognized monetary assets and liabilities, non-U.S.-dollar-denominated debt instruments classified as trading assets, and non-U.S.-dollar-denominated loans receivables recognized at fair value. We also use interest rate contracts to hedge interest rate risk related to our U.S.-dollar-denominated fixed-rate debt instruments classified as trading assets. The change in fair value of these derivatives is recorded through earnings in the line item on the Consolidated Statements of Income to which the derivatives most closely relate, primarily in interest and other, net. Changes in the fair value of the underlying assets and liabilities associated with the hedged risk are generally offset by the changes in the fair value of the related derivatives.

#### Loans Receivable

We elect the fair value option when the interest rate or foreign currency exchange rate risk is economically hedged at the inception of the loan with a related derivative instrument. When the fair value option is not elected, the loans are carried at amortized cost. We measure interest income for all loans receivable using the interest method, which is based on the effective yield of the loans rather than the stated coupon rate. We classify our loans within other current and long-term assets.

#### Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist principally of investments in debt instruments, derivative financial instruments, loans receivable, reverse repurchase agreements, and trade receivables. We generally place investments with high-credit-quality counterparties and, by policy, we limit the amount of credit exposure to any one counterparty based on our analysis of that counterparty's relative credit standing. As required per our investment policy, substantially all of our investments in debt instruments and financing receivables are in investment-grade instruments. Credit-rating criteria for derivative instruments are similar to those for other investments.

We enter into master netting arrangements to mitigate credit risk in derivative transactions by permitting net settlement of transactions with the same counterparty. Due to master netting arrangements, the amounts subject to credit risk related to derivative instruments are generally limited to the amounts, if any, by which the counterparty's obligations exceed our obligations with that counterparty. As of December 26, 2020, our total credit exposure to any single counterparty, excluding money market funds invested in U.S. treasury and U.S. agency securities and reverse repurchase agreements collateralized by treasury and agency securities, did not exceed \$2.0 billion. To further reduce credit risk, we enter into collateral security arrangements with certain of our derivative counterparties and obtain and secure collateral from counterparties against obligations, including securities lending transactions when we deem it appropriate. Cash collateral exchanged under our collateral security arrangements are included in other current assets, other long-term assets, other accrued liabilities, or other long-term liabilities. For reverse repurchase agreements collateralized by other securities, we do not record the collateral as an asset or a liability unless the collateral is repledged.

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Notes to Consolidated Financial Statements

A substantial majority of our trade receivables are derived from sales to OEMs and ODMs. We also have accounts receivable derived from sales to industrial and communications equipment manufacturers in the computing and communications industries. We believe the net accounts receivable balances from our three largest customers (43% as of December 26, 2020) do not represent a significant credit risk, based on cash flow forecasts, balance sheet analysis, and past collection experience.

We have adopted credit policies and standards intended to accommodate industry growth and inherent risk. We believe credit risks are moderated by the financial stability of our major customers. We assess credit risk through quantitative and qualitative analysis. From this analysis, we establish shipping and credit limits, and determine whether we will seek to use one or more credit support protection devices, such as obtaining a parent guarantee, standby letter of credit, or credit insurance.

#### **Business Combinations**

We allocate the purchase price paid for assets acquired and liabilities assumed in connection with our acquisitions based on their estimated fair values at the time of acquisition. This allocation involves a number of assumptions, estimates, and judgments in determining the fair value of the following:

- intangible assets, including the valuation methodology, estimations of future cash flows, discount rates, market segment growth rates, and our assumed market segment share, as well as the estimated useful life of intangible assets;
- deferred tax assets and liabilities, uncertain tax positions, and tax-related valuation allowances, which are initially estimated as of the acquisition date;
- inventory; property, plant and equipment; pre-existing liabilities or legal claims; deferred revenue; and contingent consideration, each as may be applicable; and
- goodwill as measured as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed.

Our assumptions and estimates are based upon comparable market data and information obtained from our management and the management of the acquired companies. We allocate goodwill to the reporting units of the business that are expected to benefit from the business combination.

## Goodwill

We perform an annual impairment assessment of goodwill at the reporting unit level in the fourth quarter of each year, or more frequently if indicators of potential impairment exist. The analysis may include both qualitative and quantitative factors to assess the likelihood of an impairment. The reporting unit's carrying value used in an impairment test represents the assignment of various assets and liabilities, excluding certain corporate assets and liabilities, such as cash, investments, and debt.

Qualitative factors include industry and market considerations, overall financial performance, and other relevant events and factors affecting the reporting unit. Additionally, as part of this assessment, we may perform a quantitative analysis to support the qualitative factors above by applying sensitivities to assumptions and inputs used in measuring a reporting unit's fair value.

Our quantitative impairment test considers both the income approach and the market approach to estimate a reporting unit's fair value. Significant estimates include market segment growth rates, our assumed market segment share, estimated costs, and discount rates based on a reporting unit's weighted average cost of capital.

We test the reasonableness of the inputs and outcomes of our discounted cash flow analysis against available market data. In the current year, the fair value for all of our reporting units substantially exceeds their carrying value, and our annual qualitative assessment did not indicate that a more detailed quantitative analysis was necessary.

## Identified Intangible Assets

We amortize acquisition-related intangible assets that are subject to amortization over their estimated useful life. Acquisition-related in-process R&D assets represent the fair value of incomplete R&D projects that had not reached technological feasibility as of the date of acquisition; initially, these are classified as in-process R&D and are not subject to amortization. Once these R&D projects are completed, the asset balances are transferred from in-process

R&D to acquisition-related developed technology and are subject to amortization from this point forward. The asset balances relating to projects that are abandoned after acquisition are impaired and expensed to R&D.

We perform a quarterly review of significant finite-lived identified intangible assets to determine whether facts and circumstances indicate that the carrying amount may not be recoverable. These reviews can be affected by various factors, including external factors such as industry and economic trends, and internal factors such as changes in our business strategy and our forecasts for specific product lines.

## **Employee Equity Incentive Plans**

We use the straight-line amortization method to recognize share-based compensation expense over the service period of the award, net of estimated forfeitures. Upon exercise, cancellation, forfeiture, or expiration of stock options, or upon vesting or forfeiture of RSUs, we eliminate deferred tax assets for options and RSUs with multiple vesting dates for each vesting period on a first-in, first-out basis as if each vesting period were a separate award.

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Notes to Consolidated Financial Statements

### **Income Taxes**

We compute the provision for income taxes using the asset and liability method, under which deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and for operating losses and tax credit carryforwards. We measure deferred tax assets and liabilities using the currently enacted tax rates that apply to taxable income in effect for the years in which those tax assets are expected to be realized or settled.

We assess the likelihood that we will be able to recover our deferred tax assets. If recovery is not likely, we must increase our provision for taxes by recording a valuation allowance against the deferred tax assets that we estimate will not ultimately be recoverable. We believe that we will ultimately recover the deferred tax assets recorded on our Consolidated Balance Sheets. Recovery of a portion of our deferred tax assets is affected by management's plans with respect to holding or disposing of certain investments; therefore, such changes could also affect our future provision for taxes.

We recognize tax benefits from uncertain tax positions only if (based on the technical merits of the position) it is more likely than not that the tax positions will be sustained on examination by the tax authority. The tax benefits recognized in the financial statements from such positions are measured based on the largest amount that is more than 50% likely to be realized upon ultimate settlement. We recognize interest and penalties related to unrecognized tax benefits within the provision for taxes on the Consolidated Statements of Income.

We recognize the tax impact of including certain foreign earnings in U.S. taxable income as a period cost. We have recognized deferred income taxes for local country income and withholding taxes that could be incurred on distributions of certain non-U.S. earnings or for outside basis differences in our subsidiaries, because we do not plan to indefinitely reinvest such earnings and basis differences. Remittances of non-U.S. earnings are based on estimates and judgments of projected cash flow needs, as well as the working capital and investment requirements of our non-U.S. and U.S. operations. Material changes in our estimates of cash, working capital, and investment needs in various jurisdictions could require repatriation of indefinitely reinvested non-U.S. earnings, which could be subject to applicable non-U.S. income and withholding taxes.

#### Leases

Leases primarily consist of real property, and, to a lesser extent, certain machinery and equipment. Our lease terms may include options to extend when it is reasonably certain that we will exercise that option. We have lease agreements with lease and non-lease components, and the non-lease components are accounted for separately and not included in our leased assets and corresponding liabilities. Payments on leases may be fixed or variable, and variable lease payments are based on output of the underlying leased assets.

## Loss Contingencies

We are subject to loss contingencies, including various legal and regulatory proceedings, asserted and potential claims, liabilities related to repair or replacement of parts in connection with product defects, as well as product warranties and potential asset impairments that arise in the ordinary course of business. An estimated loss from such contingencies is recognized as a charge to income if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated.

# Note 3:

# **Operating Segments**

We manage our business through the following operating segments:

- DCG
- IOTG
- Mobileye
- NSG
- PSG
- CCG

We derive a substantial majority of our revenue from platform products, which are our principal products and considered as one class of product. We offer platform products that incorporate various components and technologies, including a microprocessor and chipset, a stand-alone SoC, or a multichip package, based on Intel architecture. Platform products are used in various form factors across our DCG, IOTG, and CCG operating segments. Our non-platform, or adjacent, products can be combined with platform products to form comprehensive platform solutions to meet customer needs.

DCG and CCG are our reportable operating segments. IOTG, Mobileye, NSG, and PSG do not meet the quantitative thresholds to qualify as reportable operating segments; however, we have elected to disclose the results of these non-reportable operating segments. Our Internet of Things portfolio, presented as Internet of Things, is comprised of the IOTG and Mobileye operating segments. Beginning with the first quarter of 2021, we expect our DCG operating segment to include the results of our Intel Optane memory business, and our NSG segment will be composed of our NAND memory business.

We have sales and marketing, manufacturing, engineering, finance, and administration groups. Expenses for these groups are generally allocated to the operating segments.

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Notes to Consolidated Financial Statements

We have an "all other" category that includes revenue, expenses, and charges such as:

- results of operations from non-reportable segments not otherwise presented;
- historical results of operations from divested businesses;
- results of operations of start-up businesses that support our initiatives, including our foundry business;
- amounts included within restructuring and other charges;
- a portion of employee benefits, compensation, and other expenses not allocated to the operating segments; and
- acquisition-related costs, including amortization and any impairment of acquisition-related intangibles and goodwill.

The CODM, who is our CEO, allocates resources to and assesses the performance of each operating segment using information about the operating segment's revenue and operating income (loss). The CODM does not evaluate operating segments using discrete asset information and we do not identify or allocate assets by operating segments. Based on the interchangeable nature of our manufacturing and assembly and test assets, most of the related depreciation expense is not directly identifiable within our operating segments, as it is included in overhead cost pools and subsequently absorbed into inventory as each product passes through our manufacturing process. Because our products are then sold across multiple operating segments, it is impracticable to determine the total depreciation expense included as a component of each operating segment's operating income (loss) results. Operating segments do not record inter-segment revenue. We do not allocate gains and losses from equity investments, interest and other income, or taxes to operating segments. Although the CODM uses operating income to evaluate the segments, operating costs included in one segment may benefit other segments. The accounting policies for segment reporting are the same as for Intel as a whole.

Net revenue and operating income (loss) for each period were as follows:

Years Ended (In Millions)	Dec 26, 2020		Dec 28, 2019		Dec 29, 2018	
Net revenue:						
Data Center Group						
Platform	\$	23,056	\$	21,441	\$	21,155
Adjacent		3,047		2,040		1,836
		26,103		23,481		22,991
Internet of Things						
IOTG		3,007		3,821		3,455
Mobileye		967		879		698
		3,974		4,700		4,153
Non-Volatile Memory Solutions Group		5,358		4,362		4,307
Programmable Solutions Group		1,853		1,987		2,123
Client Computing Group						
Platform		35,642		32,681		33,234
Adjacent		4,415		4,465		3,770
		40,057		37,146		37,004
All other		522		289		270
Total net revenue	\$	77,867	\$	71,965	\$	70,848
Operating income (loss):						
Data Center Group	\$	10,571	\$	10,227	\$	11,476
Internet of Things						
IOTG		497		1,097		980
Mobileye		241		245		143
		738		1,342		1,123
Non-Volatile Memory Solutions Group		361		(1,176)		(5)
Programmable Solutions Group		260		318		466
Client Computing Group		15,129		15,202		14,222
All other		(3,381)		(3,878)		(3,966)
Total operating income	\$	23,678	\$	22,035	\$	23,316

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Notes to Consolidated Financial Statements

Disaggregated net revenue for each period was as follows:

Years Ended (In Millions)	Dec 26, 2020		Dec 28, 2019		Dec 29, 2018	
Platform revenue		-				
DCG platform	\$	23,056	\$	21,441	\$	21,155
IOTG platform		2,705		3,440		3,065
CCG desktop platform		10,692		11,822		12,220
CCG notebook platform		24,903		20,779		20,930
CCG other platform <sup>1</sup>		47		80		84
		61,403		57,562		57,454
Adjacent revenue <sup>2</sup>		16,464		14,403		13,394
Total revenue	\$	77,867	\$	71,965	\$	70,848

- <sup>1</sup> Includes our tablet and service provider revenue.
- <sup>2</sup> Includes all of our non-platform products for DCG, IOTG, and CCG, such as modem, Ethernet, and silicon photonics, as well as Mobileye, NSG, and PSG products.

In 2020, our three largest customers accounted for 39% of our net revenue (41% in 2019 and 39% in 2018), with Dell Inc. accounting for 17% (17% in 2019 and 16% in 2018), Lenovo Group Limited accounting for 12% (13% in 2019 and 12% in 2018), and HP Inc. accounting for 10% (11% in 2019 and 11% in 2018). These three customers accounted for 43% of our accounts receivable as of December 26, 2020 (39% as of December 28, 2019). Substantially all of the revenue from these customers was from the sale of platforms and other components by the CCG and DCG operating segments.

Net revenue by country, based on the billing location of the customer, was as follows:

Years Ended (In Millions)	Dec 26, 2020		Dec 28, 2019		Dec 29, 2018	
China (including Hong Kong)	\$	20,257	\$	20,026	\$	18,824
Singapore		17,845		15,650		15,409
United States		16,573		15,617		14,303
Taiwan		11,605		10,058		10,646
Other countries		11,587		10,614		11,666
Total net revenue	\$	77,867	\$	71,965	\$	70,848

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Dec 26, 2020		Dec 28, 2019		Dec 29, 2018	
\$	20,899	\$	21,048	\$	21,053
	4,199		4,417		4,611
	33		41		50
	_		15		40
	4,232		4,473		4,701
\$	4.98	\$	4.77	\$	4.57
\$	4.94	\$	4.71	\$	4.48
	\$ \$	Dec 26, 2020 \$ 20,899 4,199 33 4,232 \$ 4.98	\$ 20,899 \$ 4,199 33 — 4,232 \$ 4.98 \$	Dec 26, 2020     Dec 28, 2019       \$ 20,899     \$ 21,048       4,199     4,417       33     41       —     15       4,232     4,473       \$ 4.98     \$ 4.77	Dec 26, 2020         Dec 28, 2019         Dec 28, 2019           \$ 20,899         \$ 21,048         \$ 4,417           33         41         15           4,232         4,473         \$ 4.77           \$ 4.98         \$ 4.77         \$ 4.77

We computed diluted earnings per share of common stock based on the weighted average number of shares of common stock outstanding plus potentially dilutive shares of common stock outstanding during the period. Potentially dilutive shares of common stock from employee incentive plans are determined by applying the treasury stock method to the assumed exercise of outstanding stock options, the assumed vesting of outstanding RSUs, and the assumed issuance of common stock under the 2006 ESPP. In January 2020, we fully redeemed the remaining principal of our 2009 Debentures. We included our 2009 Debentures in the calculation of diluted earnings per share of common stock

in 2019 and 2018 by applying the treasury stock method because the average market price was above the conversion price.

Securities that would have been anti-dilutive are insignificant and are excluded from the computation of diluted earnings per share in all periods presented.

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Notes to Consolidated Financial Statements

# Note 5 : Contract Liabilities (In Millions) Dec 26, 2020 Dec 28, 2019 Prepaid supply agreements \$ 1,625 \$ 1,805 Other 250 236 Total contract liabilities \$ 1,875 \$ 2,041

Contract liabilities are primarily related to prepayments received from customers on long-term prepaid supply agreements toward future NSG product delivery. The short-term portion of contract liabilities (\$508 million as of December 26, 2020 and \$673 million as of December 28, 2019) is reported on the Consolidated Balance Sheets within other accrued liabilities.

The following table shows the changes in contract liability balances relating to long-term prepaid supply agreements during 2020:

### (In Millions)

Prepaid supply agreements balance as of December 28, 2019	\$ 1,805
Additions	70
Prepaids utilized	(250)
Prepaid supply agreements balance as of December 26, 2020	\$ 1,625

During the second quarter of 2020, we issued a contract termination notification for breach to our largest prepaid supply customer with a \$1.6 billion contract liability balance. The timing and amount of future anticipated revenue or reversal of any contract liability balance resulting from contract termination may vary due to ongoing customer negotiations.

### Note 6:

### Other Financial Statement Details

### **Inventories**

(In Millions)	Dec 26, 2020		Dec 28, 2019		
Raw materials	\$	908	\$	840	
Work in process		6,007		6,225	
Finished goods		1,512		1,679	
Total inventories	\$	8,427	\$	8,744	

### Property, Plant and Equipment

(In Millions)	Dec 26, 2020		Dec 28, 2019		
Land and buildings	\$	37,536	\$	37,743	
Machinery and equipment		79,384		74,901	
Construction in progress		17,309		16,063	
Total property, plant and equipment, gross		134,229		128,707	
Less: accumulated depreciation		(77,645)		(73,321)	
Total property, plant and equipment, net	\$	56,584	\$	55,386	

Our depreciable property, plant and equipment assets are depreciated over the following estimated useful lives: machinery and equipment, 2 to 5 years, and buildings, 10 to 25 years.

Net property, plant and equipment by country at the end of each period was as follows:

(In Millions)	Millions) Dec 26, 2020		Dec 28, 201		
United States		\$	38,829	\$	35,262
Israel			7,837		8,463
China			851		5,315
Ireland			5,828		3,854
Other countries			3,239		2,492
Total property, plant and equipment, net	quipment, net	\$	56,584	\$	55,386
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### Other Long-term Assets

(In Millions)	Dec 20	6, 2020	Dec 28, 2019		
Derivative assets	\$	1,550	\$	706	
Deferred tax assets		1,232		1,209	
Pre-payments for property, plant and equipment		1,502		1,641	
Other		1,633		1,997	
Total other long-term assets	\$	5,917	\$	5,553	

### Other Accrued Liabilities

Other accrued liabilities include deferred compensation of \$2.5 billion as of December 26, 2020 (\$2.1 billion as of December 28, 2019) and collateral received for derivatives under credit support annex agreements of \$2.0 billion as of December 26, 2020 (\$846 million as of December 28, 2019).

### Advertising

Advertising costs, including direct marketing, are expensed as incurred and recorded within MG&A expenses. Advertising costs were \$763 million in 2020 (\$832 million in 2019 and \$1.2 billion in 2018).

### Interest and Other, Net

Years Ended (In Millions)	Dec 2	6, 2020	Dec	28, 2019	Dec 2	29, 2018
Interest income	\$	272	\$	483	\$	438
Interest expense		(629)		(489)		(468)
Other, net		(147)		490		156
Total interest and other, net	\$	(504)	\$	484	\$	126

Interest expense in the preceding table is net of \$338 million of interest capitalized in 2020 (\$472 million in 2019 and \$496 million in 2018).

### **Accelerated Share Repurchases**

In August 2020, we entered into ASR agreements with financial institutions under which we paid an aggregate of \$10.0 billion and received an aggregate initial share delivery of 165.5 million shares of our common stock, which were immediately retired. We received and immediately retired an additional 37.7 million shares upon settlement of the ASR agreements in December 2020. In total, 203.2 million shares were repurchased under the ASR agreements at an average repurchase price per share of \$49.20. The ASR agreements were entered into pursuant to our existing share repurchase program.

Note 7:	Restructuring and Other Charges							
Years Ended (In Millions)	Dec 2	26, 2020	Dec 2	28, 2019	Dec 2	29, 2018		
2020 Restructuring Program	\$	198	\$	_	\$			
2019 Restructuring Program		_		393		_		
2016 Restructuring Program				_		(72)		
Total restructuring and other charges	\$	198	\$	393	\$	(72)		

### 2020 and 2019 Restructuring Programs

A restructuring program, which is ongoing, was approved in the first quarter of 2020 to further align our workforce with our continuing investments in the business and to execute the planned divestiture of Home Gateway Platform, a division of CCG. These actions are expected to be substantially completed in 2021.

A restructuring program was approved in the second quarter of 2019 to align our workforce with our exit of the 5G smartphone modern business. This action was substantially completed in the third quarter of 2020.

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Notes to Consolidated Financial Statements

Restructuring and other charges (benefits) by type for the 2020 and 2019 Restructuring Programs were as follows:

Years Ended (In Millions)	Dec 26, 202	20	Dec 28, 2019	
Employee severance and benefit arrangements	\$ 12	4	\$	280
Asset impairment and other charges	7	4		113
Total restructuring and other charges	\$ 19	8	\$	393

# Note 8: Income Taxes

### **Income Tax Provision**

Years Ended (In Millions)	Dec 26, 2020		Dec 28, 2019		Dec 29, 2018		
Income before taxes:							
U.S.	\$	15,452	\$	13,729	\$	14,753	
Non-U.S.		9,626		10,329		8,564	
Total income before taxes		25,078		24,058		23,317	
Provision for taxes:							
Current:							
Federal		1,120		1,391		2,786	
State		46		37		(11)	
Non-U.S.		1,244		1,060		1,097	
Total current provision for taxes		2,410		2,488		3,872	
Deferred:							
Federal		1,369		597		(1,389)	
State		25		1		11	
Non-U.S.		375		(76)		(230)	
Total deferred provision for taxes		1,769		522		(1,608)	
Total provision for taxes	\$	4,179	\$	3,010	\$	2,264	
Effective tax rate		16.7 %		12.5 %		9.7 %	

The difference between the tax provision at the statutory federal income tax rate and the tax provision as a percentage of income before income taxes (effective tax rate) for each period was as follows:

Years Ended	Dec 26, 2020	Dec 28, 2019	Dec 29, 2018
Statutory federal income tax rate	21.0 %	21.0 %	21.0 %
Increase (reduction) in rate resulting from:			
Non-U.S. income taxed at different rates	(3.7)	(3.7)	(3.6)
Research and development tax credits	(2.1)	(2.3)	(2.7)
Foreign derived intangible income benefit	(1.9)	(3.2)	(3.7)
Change in permanent reinvestment assertion	1.6	_	0.2
Tax Reform	_	_	(1.3)
Other	1.8	0.7	(0.2)
Effective tax rate	16.7 %	12.5 %	9.7 %

Our effective tax rate increased in 2020 compared to 2019, primarily driven by a change in our permanent reinvestment assertion with respect to undistributed earnings in China, as a result of our planned divestiture of the

NAND memory business. It also increased due to the reduction in our foreign derived intangible income benefit in 2020.

Our effective tax rate increased in 2019 compared to 2018, primarily driven by one-time benefits that occurred in 2018.

We derive the effective tax rate benefit attributed to non-U.S. income taxed at different rates primarily from our operations in China, Hong Kong, Ireland, and Israel. The statutory tax rates in these jurisdictions range from 12.5% to 25.0%. In addition, we are subject to reduced tax rates in China and Israel as long as we conduct certain eligible activities and make certain capital investments. These conditional reduced tax rates expire at various dates through 2035 and we expect to apply for renewals upon expiration.

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Notes to Consolidated Financial Statements

### **Deferred and Current Income Taxes**

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for income tax purposes. Significant components of our deferred tax assets and liabilities at the end of each period were as follows:

(In Millions)	Dec 26, 2020	Dec 28, 2019		
Deferred tax assets:				
Accrued compensation and other benefits	\$ 865	\$ 740		
Share-based compensation	324	294		
Inventory	835	760		
State credits and net operating losses	1,829	1,511		
Other, net	617	515		
Gross deferred tax assets	4,470	3,820		
Valuation allowance	(1,963)	(1,534)		
Total deferred tax assets	2,507	2,286		
Deferred tax liabilities:				
Property, plant and equipment	(3,109)	(1,807)		
Licenses and intangibles	(725)	(720)		
Convertible debt	_	(88)		
Unrealized gains on investments and derivatives	(735)	(292)		
Unremitted earnings of non-U.S. subsidiaries	(403)	(28)		
Other, net	(146)	(186)		
Total deferred tax liabilities	(5,118)	(3,121)		
Net deferred tax assets (liabilities)	\$ (2,611)	\$ (835)		
Reported as:				
Deferred tax assets	1,232	1,209		
Deferred tax liabilities	(3,843)	(2,044)		
Net deferred tax assets (liabilities)	\$ (2,611)	\$ (835)		

Change in valuation allowance for deferred tax assets were as follows:

Charged Balance at to Expenses/ Net Beginning of Other (Deducti				uctions)	,		
\$	1,534	\$	378	\$	51	\$	1,963
\$	1,302	\$	239	\$	(7)	\$	1,534
\$	1,171	\$	185	\$	(54)	\$	1,302
	Beg \$	### Seginning of Year   \$ 1,534   \$ 1,302	Balance at Beginning of Year A  \$ 1,534 \$ \$ 1,302 \$	Balance at Beginning of Year         to Expenses/ Other Accounts           \$ 1,534         \$ 378           \$ 1,302         \$ 239	Charged to Expenses   Other Accounts   CDed Rec	Balance at Beginning of Year  \$\begin{array}{c} \text{Charged to Expenses/} \text{Other Accounts} \text{ (Deductions)} \text{Recoveries} \end{array} \$\$ \$ 1,534 \$ \$ 378 \$ 51 \$ 1,302 \$ 239 \$ (7)	Charged to Expenses/ Other Accounts

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Deferred tax assets are included within other long-term assets on the Consolidated Balance Sheets.

The valuation allowance as of December 26, 2020 included allowances primarily related to unrealized state credit carryforwards of \$1.8 billion.

As of December 26, 2020, our federal and non-U.S. net operating loss carryforwards for income tax purposes were \$345 million and \$826 million, respectively. Most of the non-U.S. net operating loss carryforwards have no expiration date. The remaining non-U.S. and U.S. federal net operating loss carryforwards expire at various dates through 2040. A significant amount of the net operating loss carryforwards in the U.S. relates to acquisitions and, as a result, is limited in the amount that can be recognized in any one year. The non-U.S. net operating loss carryforwards include \$772 million that is not likely to be recovered and has been reduced by a valuation allowance.

At December 26, 2020, we have undistributed earnings of certain foreign subsidiaries of approximately \$19.0 billion that we have indefinitely invested, and on which we have not recognized deferred taxes. Estimating the amount of potential tax is not practicable because of the complexity and variety of assumptions necessary to compute the tax.

Current income taxes receivable of \$131 million as of December 26, 2020 (\$76 million as of December 28, 2019) are included in other current assets. Current income taxes payable of \$756 million as of December 26, 2020 (\$575 million as of December 28, 2019) are included in other accrued liabilities.

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Notes to Consolidated Financial Statements

Long-term income taxes payable of \$4.6 billion as of December 26, 2020 (\$4.9 billion as of December 28, 2019) is primarily comprised of the transition tax from Tax Reform, which is payable over eight years beginning in 2018, as well as amounts for uncertain tax positions, reduced by the associated deduction for state taxes and non-U.S. tax credits.

### **Uncertain Tax Positions**

(In Millions)	Dec	26, 2020	Dec	28, 2019	Dec 29, 2018	
Beginning gross unrecognized tax benefits	\$	548	\$	283	\$	211
Settlements and effective settlements with tax authorities		(142)		(4)		(7)
Changes in balances related to tax position taken during prior periods		165		122		(11)
Changes in balances related to tax position taken during current period		257		147		90
Ending gross unrecognized tax benefits	\$	828	\$	548	\$	283

If the remaining balance of unrecognized tax benefits were recognized in a future period, it would result in a tax benefit of \$550 million as of December 26, 2020 (\$454 million as of December 28, 2019) and a reduction in the effective tax rate. Interest, penalties, and accrued interest related to unrecognized tax benefits were insignificant in the periods presented.

We comply with the tax laws, regulations, and filing requirements of all jurisdictions in which we conduct business. We regularly engage in discussions and negotiations with tax authorities regarding tax matters in various jurisdictions. Although the timing of the resolutions and/or closures of audits is highly uncertain, it is reasonably possible that certain U.S. federal and non-U.S. tax audits may be concluded within the next 12 months, which could increase or decrease the balance of our gross unrecognized tax benefits. We estimate that the unrecognized tax benefits as of December 26, 2020 could decrease by as much as \$430 million in the next 12 months.

We file federal, state, and non-U.S. tax returns. Excluding pre-acquisition Altera tax years, we are no longer subject to U.S. federal and non-U.S. tax examinations for years prior to 2010. For U.S. state tax returns, we are no longer subject to tax examination for years prior to 2012.

### Note 9 : Investments

### **Debt Investments**

### **Trading Assets**

Net gains related to trading assets still held at the reporting date were \$694 million in 2020 (net gains of \$26 million in 2019 and net losses of \$188 million in 2018). Net losses on the related derivatives were \$667 million in 2020 (net gains of \$22 million in 2019 and net gains of \$163 million in 2018).

### Available-for-Sale Debt Investments

Available-for-sale investments include corporate debt, government debt, and financial institution instruments. Government debt includes instruments such as non-U.S. government bonds and U.S. agency securities. Financial institution instruments include instruments issued or managed by financial institutions in various forms, such as commercial paper, fixed- and floating-rate bonds, money market fund deposits, and time deposits. As of December 26, 2020 and December 28, 2019, substantially all time deposits were issued by institutions outside the U.S. The adjusted cost of our available-for-sale investments was \$7.8 billion as of December 26, 2020 and \$6.5 billion as of December 28, 2019. The adjusted cost of our available-for-sale investments approximated the fair value for these periods.

The fair values of available-for-sale debt investments by contractual maturity as of December 26, 2020 were as follows:

(In Millions)	Fa	ir Value
Due in 1 year or less	\$	2,978
Due in 1–2 years		1,093
Due in 2–5 years		1,099
Due after 5 years		_
Instruments not due at a single maturity date		2,781
Total	\$	7,951
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### **Equity Investments**

(In Millions)	ec 26, 2020	ec 28, 2019
Marketable equity securities	\$ 1,830	\$ 450
Non-marketable equity securities	3,304	3,480
Equity method investments	 18	37
Total	\$ 5,152	\$ 3,967

The components of gains (losses) on equity investments, net for each period were as follows:

Years Ended (In Millions)	Dec	26, 2020	Dec	28, 2019	Dec 29, 2018		
Ongoing mark-to-market adjustments on marketable equity securities	\$	(133)	\$	277	\$	(129)	
Observable price adjustments on non-marketable equity securities		176		293		202	
Impairment charges		(303)		(122)		(424)	
Sale of equity investments and other <sup>1</sup>		2,164		1,091		226	
Total gains (losses) on equity investments, net	\$	1,904	\$	1,539	\$	(125)	

Sale of equity investments and other includes initial fair value adjustments recorded upon a security becoming marketable, realized gains (losses) on sales of non-marketable equity investments, and our share of equity method investee gains (losses) and distributions.

In 2020, we recognized higher than historically experienced impairment charges on our non-marketable portfolio based on our assessment of the impact of recent public and private market volatility and tightening of liquidity. We recognized impairments of \$290 million on non-marketable equity securities in 2020 (\$122 million in 2019 and \$132 million in 2018).

Gains and losses for our marketable and non-marketable equity securities during each period were as follows:

(In Millions)	Dec	26, 2020	Dec	28, 2019	Dec	29, 2018
Net gains (losses) recognized during the period on equity securities	\$	1,679	\$	734	\$	298
Less: Net (gains) losses recognized during the period on equity securities sold during the period		(254)		(424)		(445)
Net unrealized gains (losses) recognized during the period on equity securities still held at the reporting date	\$	1,425	\$	310	\$	(147)

As of December 28, 2019, Intel owned \$307 million of shares in Cloudera, all of which we sold in 2020. As of December 29, 2018, Intel owned \$1.1 billion of shares in ASML, all of which we sold in 2019.

### **IMFT**

IMFT was formed in 2006 by Micron Technology, Inc. (Micron) and Intel to jointly develop NAND and 3D XPoint technology products. We owned a 49% interest in the entity.

Upon Micron's notice of intent to exercise its right to call our interest in IMFT, we recognized an impairment charge of \$290 million related to our investment in the third quarter of 2018. In 2019, Micron exercised its right and we sold our non-controlling interest in IMFT to Micron. We received \$1.7 billion in sales proceeds and certain other repayments from Micron during 2019 and reported a gain of \$107 million. We continue to purchase products manufactured by Micron at the IMFT facility under our supply agreement, which includes the next generation of 3D XPoint technology.

### McAfee

McAfee completed its initial public offering in October 2020. Due to our 40% ownership and significant influence as of December 26, 2020, we account for it as an equity method investment. We had no accounting carrying value as of December 26, 2020 and as of December 28, 2019. During 2020, we received \$126 million in dividends (\$632 million in 2019).

# Note 10 : Acquisitions and Divestitures

### Acquisitions

We completed six acquisitions in 2020 and five acquisitions in 2019, all of which qualified as business combinations. The consideration for the acquisitions in 2020 and 2019 primarily consisted of cash and was allocated to goodwill and identified intangible assets. For information on the assignment of goodwill to our operating segments, see "Note 11: Goodwill," and for information on the classification of intangible assets, see "Note 12: Identified Intangible Assets."

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Notes to Consolidated Financial Statements

### Moovit

On May 4, 2020, we acquired Moovit, a MaaS solutions company, for total consideration of \$915 million. The fair values of the assets acquired relate to goodwill of \$638 million and intangible assets of \$331 million. The goodwill arising from the acquisition is attributed to the expected synergies and other benefits that will be generated from the combination of Intel and Moovit. We expect substantially all of the goodwill will not be deductible for local tax purposes. The acquisition-related intangible assets are primarily related to Moovit's monthly active user base and application platform. The goodwill and operating results of Moovit are included in our Mobileye operating segment.

### Habana Labs

On December 12, 2019, we acquired Habana Labs, an Israel-based developer of programmable deep learning accelerators targeting AI workloads in the data center, for total consideration of \$1.7 billion. Habana Labs strengthens our AI portfolio and accelerates our efforts to capitalize on the nascent, fast-growing AI silicon market opportunity. The fair values of the assets acquired relate to goodwill of \$1.5 billion and acquisition-related intangible assets of \$250 million. The goodwill arising from the acquisition is attributed to the expected synergies and other benefits that will be generated from the combination of Intel and Habana Labs. We expect substantially all of the goodwill will not be deductible for tax purposes. The acquisition-related intangible assets are primarily related to in-process R&D. The goodwill and operating results of Habana Labs are included in our DCG operating segment.

### **Divestitures**

### **NAND Memory Business**

On October 19, 2020, we signed an agreement with SK hynix Inc. (SK hynix) to divest our NAND memory business, including our NAND memory fabrication facility in Dalian, China and certain related equipment and tangible assets (the Fab Assets), our NAND SSD business (the NAND SSD Business), and our NAND memory technology and manufacturing business (the NAND OpCo Business). Our Intel Optane memory business is expressly excluded from the transaction. The transaction will occur over two closings for total consideration of \$9.0 billion in cash, of which \$7.0 billion will be received upon initial closing, not to occur prior to November 1, 2021, and the remaining \$2.0 billion will be received no earlier than March 2025. The consummations of the first closing and the second closing are subject to customary conditions, including the receipt of certain governmental approvals.

At the first closing, Intel will sell to SK hynix the Fab Assets and the NAND SSD Business, and SK hynix will assume from Intel certain liabilities related to the Fab Assets and the NAND SSD Business. In connection with the first closing, we and certain affiliates of SK hynix will also enter into a NAND wafer manufacturing and sale agreement pursuant to which we will manufacture and sell to SK hynix NAND memory wafers to be manufactured using the Fab Assets in Dalian, China, until the second closing.

We will transfer certain employees, IP, and other assets related to the NAND OpCo Business to separately created, wholly owned subsidiaries of Intel at the first closing. The equity interest of these wholly owned subsidiaries will transfer to SK hynix at the second closing. We have concluded based on the terms of the transaction agreements that the subsidiaries will be variable interest entities for which we are not the primary beneficiary, and accordingly will deconsolidate at the first closing.

The carrying amounts of the major classes of NAND assets held for sale included the following:

(In Millions)	Dec	26, 2020
Inventories	\$	962
Property, plant and equipment, net		4,363
Total assets held for sale	\$	5,325

We ceased recording depreciation on property, plant and equipment as of the date the assets triggered held for sale accounting. Additional capital purchases of approximately \$1.8 billion expected prior to first close will be classified as assets held for sale in the Consolidated Balance Sheet and within additions to held for sale NAND property, plant and equipment on the Consolidated Statement of Cash Flows.

### Home Gateway Platform Division

On July 31, 2020, we completed the divestiture of the majority of Home Gateway Platform, a division of CCG, for proceeds of \$150 million. The divestiture included the transfer of certain employees, equipment, and an ongoing supply agreement for future units.

### **Smartphone Modem Business**

On December 2, 2019, we completed the divestiture of the majority of our smartphone modem business, including certain employees, IP, equipment, and leases. Net assets sold were \$267 million. We recognized a pre-tax gain of \$690 million on the divestiture.

### Wind River

During the second quarter of 2018, we completed the divestiture of Wind River and recognized a pre-tax gain of \$494 million.

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Notes to Consolidated Financial Statements

# Note 11

### Goodwill

(In Millions)	Dec	28, 2019	Acc	uisitions	Other	Dec	26, 2020
Data Center Group	\$	7,182	\$	50	\$ _	\$	7,232
Internet of Things Group		1,579		12	_		1,591
Mobileye		10,290		638	_		10,928
Programmable Solutions Group		2,654		2	(34)		2,622
Client Computing Group		4,333		27	_		4,360
All other		238		_	_		238
Total	\$	26,276	\$	729	\$ (34)	\$	26,971
(In Millions)	Dec	29, 2018	Acc	uisitions	Other	Dec	28, 2019
Data Center Group	\$	5,424	\$	1,758	\$ _	\$	7,182
Internet of Things Group		1,579		_	_		1,579
Mobileye		10,290		_	_		10,290
Programmable Solutions Group		2,579		67	8		2,654
Client Computing Group		4,403		_	(70)		4,333
All other		238					238
Total	\$	24,513	\$	1,825	\$ (62)	\$	26,276

During the fourth quarters of 2020 and 2019, we completed our annual impairment assessments and we concluded that goodwill was not impaired in either of these years. The accumulated impairment loss as of December 26, 2020 was \$719 million: \$365 million associated with CCG, \$275 million associated with DCG, and \$79 million associated with IOTG.

# Note 12

# Identified Intangible Assets

		De	cem	ber 26, 2020		December 28, 2019								
(In Millions)	Gro	oss Asset		cumulated ortization	Net	Gro	Net							
Developed technology	\$	10,188	\$	(4,880) \$	5,308	\$	9,407	\$	(3,801) \$	5,606				
Customer relationships and brands		2,110		(854)	1,256		2,160		(708)	1,452				
Licensed technology and patents		2,836		(1,629)	1,207		2,975		(1,455)	1,520				
In-process R&D		954		_	954		1,664		_	1,664				
Other non-amortizing intangibles		301		_	301		585			585				
Total identified intangible assets	\$	16,389	\$	(7,363) \$	9,026	\$	16,791	\$	(5,964) \$	10,827				

Amortization expenses recorded for identified intangible assets in the Consolidated Statements of Income for each period and the weighted average useful life were as follows:

Years Ended (In Millions)	Location	ec 26, 2020	Dec 28, 2019	 Dec 29, 2018	Weighted Average Useful Life <sup>1</sup>
Developed technology	Cost of sales	\$ 1,211	\$ 1,124	\$ 1,105	9 years
Customer relationships and brands	Marketing, general and administrative	205	200	200	11 years
Licensed technology and patents	Cost of sales	 341	298	 260	13 years
Total amortization expenses		\$ 1,757	\$ 1,622	\$ 1,565	

<sup>&</sup>lt;sup>1</sup> Represents weighted average useful life in years of intangible assets during 2020.

We expect future amortization expense for the next five years and thereafter to be as follows:

(In Millions)	202		2022		2023		2024	2025		Thereafter			Total	
Future amortization expenses	\$ 1,7	49 \$	1,618	\$	1,453	\$	1,076	\$	672	\$	1,203	\$	7,771	
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# Note 13 Borrowings

### **Short-Term Debt**

Short-term debt, which primarily includes the current portion of long-term debt, was \$2.5 billion as of December 26, 2020 and \$3.7 billion as of December 28, 2019.

The current portion of long-term debt includes debt classified as short-term based on time remaining until maturity and, in 2019, also included amounts outstanding under our 2009 Debentures.

We have an ongoing authorization from our Board of Directors to borrow up to \$10.0 billion under our commercial paper program.

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Notes to Consolidated Financial Statements

Long-Term Debt

	Dec 2	26, 2020	Dec 28, 2019		
	Effective				
(In Millions)	Interest Rate	Amount	Amount		
Floating-rate senior notes:	Nate	Amount	Amount		
Three-month LIBOR plus 0.08%, due May 2020	—%	\$ —	\$ 700		
Three-month LIBOR plus 0.35%, due May 2022	— / <sub>8</sub>	800	800		
Fixed-rate senior notes:	1.2370	000	000		
1.85%, due May 2020	—%		1,000		
2.45%, due May 2020	—% —%	_	1,750		
	— % 1.79%	500	500		
1.70%, due May 2021					
3.30%, due October 2021	2.99%	2,000	2,000		
2.35%, due May 2022	1.96%	750 1,000	750 1,000		
3.10%, due July 2022	2.70%	1,000	1,000		
4.00%, due December 2022 <sup>1</sup>	2.83%	417	382		
2.70%, due December 2022	2.28%	1,500	1,500		
4.10%, due November 2023	3.22%	400	400		
2.88%, due May 2024	2.31%	1,250	1,250		
2.70%, due June 2024	2.14%	600	600		
3.40%, due March 2025	3.46%	1,500	_		
3.70%, due July 2025	2.93%	2,250	2,250		
2.60%, due May 2026	1.36%	1,000	1,000		
3.75%, due March 2027	3.80%	1,000	_		
3.15%, due May 2027	1.91%	1,000	1,000		
2.45%, due November 2029	2.39%	2,000	1,250		
3.90%, due March 2030	3.94%	1,500	_		
4.00%, due December 2032	1.84%	750	750		
4.60%, due March 2040	4.62%	750	_		
4.80%, due October 2041	2.82%	802	802		
4.25%, due December 2042	2.01%	567	567		
4.90%, due July 2045	2.90%	772	772		
4.10%, due May 2046	2.13%	1,250	1,250		
4.10%, due May 2047	2.07%	1,000	1,000		
4.10%, due August 2047	1.64%	640	640		
3.73%, due December 2047	2.39%	1,967	1,967		
3.25%, due November 2049	3.20%	2,000	1,500		
4.75%, due March 2050	4.76%	2,250	_		
3.10%, due February 2060	3.12%	1,000	_		
4.95%, due March 2060	5.00%	1,000	_		
Oregon and Arizona bonds:					
2.40% - 2.70%, due December 2035 - 2040	2.49%	423	423		
5.00%, due March 2049	2.13%	138	138		
5.00%, due June 2049	2.15%	438	438		
Junior subordinated convertible debentures:					
3.25%, due August 2039	—%	_	372		
Total senior notes and other borrowings		35,214	28,751		
Unamortized premium/discount and issuance costs		(378)	(529)		
Hedge accounting fair value adjustments		1,565	781		
Long-term debt		36,401	29,003		
Current portion of long-term debt		(2,504)	(3,695)		
Total long-term debt		\$ 33,897	\$ 25,308		
•					

<sup>1</sup> To manage foreign currency risk associated with the Australian-dollar-denominated notes issued in 2015, we entered into currency interest rate swaps which had an aggregate outstanding notional amount of \$396 million at December 26, 2020, which effectively converted these notes to U.S.-dollar-denominated notes. For further discussion on our currency interest rate swaps, see "Note 16: Derivative Financial Instruments." Principal and unamortized discount/issuance costs for the Australian-dollar-denominated notes in the table above were calculated using foreign currency exchange rates as of December 26, 2020 and December 28, 2019.

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Notes to Consolidated Financial Statements

### **Senior Notes**

In 2020, we issued a total of \$10.3 billion aggregate principal amount of senior notes. Net proceeds from the offerings are being used for general corporate purposes, which may include refinancing outstanding debt, funding for working capital and capital expenditures, and repurchasing shares of our common stock. During 2020, we repaid \$1.0 billion of our 1.85% senior notes that matured in May 2020 and \$1.8 billion of our 2.45% senior notes that matured in July 2020. We also repaid \$700 million in floating-rate senior notes that matured in May 2020.

In 2019, we issued a total of \$2.8 billion aggregate principal amount of senior notes and redeemed our \$915 million, 4.70% senior notes due December 2045.

Our floating-rate senior notes pay interest quarterly and our fixed-rate senior notes pay interest semiannually. We may redeem the fixed-rate notes prior to their maturity at our option at specified redemption prices and subject to certain restrictions. The obligations under the notes rank equally in right of payment with all of our other existing and future senior unsecured indebtedness and will effectively rank junior to all liabilities of our subsidiaries.

### Oregon and Arizona Bonds

In 2019, we received proceeds of \$648 million in aggregate from the sale of the 2019 Arizona Bonds and the 2019 Oregon Bonds. The bonds are our unsecured general obligations in accordance with loan agreements we entered into with the Industrial Development Authority of the City of Chandler, Arizona and the State of Oregon Business Development Commission. The bonds mature in 2049 and carry an interest rate of 5.00%. The 2019 Arizona Bonds and the 2019 Oregon Bonds are subject to mandatory tender in June 2024 and March 2022, respectively, at which time we can re-market the bonds as either fixed-rate bonds for a specified period or as variable-rate bonds until another fixed-rate period is selected or until their final maturity date.

### Convertible Debentures

In 2009, we issued the 2009 Debentures, which were convertible, subject to certain conditions, into shares of our common stock and paid a fixed rate of interest semiannually. In 2019, we paid \$1.5 billion to satisfy conversion obligations for \$615 million in principal, resulting in a cumulative loss of \$156 million in interest and other, net, and \$1.0 billion as a reduction in stockholders' equity related to the conversion feature. In 2020, we paid \$1.1 billion in cash to settle our remaining \$372 million in principal, resulting in a loss of \$109 million in interest and other, net and \$750 million as a reduction in stockholders' equity related to the conversion feature.

### **Debt Maturities**

Our aggregate debt maturities, excluding commercial paper and drafts payable, based on outstanding principal as of December 26, 2020, by year payable, are as follows:

// <b>**</b>	2021		2022		2023		2024	2025	2026 and	Total
(In Millions)									 thereafter	
	\$ 2,500	\$	4,467	\$	400	\$	1,850	\$ 3,750	\$ 22,247	\$ 35,214

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Note 14 : Fair Value

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

			Decembe	r 26,	2020					ecembei	ber 28, 2019					
			ue Measur d at Report Using	ed a	nd			F		lue d a	Measur t Report Using	ed ar	ıd			
(In Millions)	Level	1	Level 2	Le	vel 3		Total	L	evel 1		_evel 2	Lev	rel 3	1	Total	
Assets																
Cash equivalents:																
Corporate debt		_	\$ 50	\$	_	\$	50		_	\$	713		_	\$	713	
Financial institution instruments <sup>1</sup>	2,78	81	636		_		3,417		1,064		408		_		1,472	
Reverse repurchase agreements		_	1,900		_		1,900		_		1,500		_		1,500	
Short-term investments:																
Corporate debt		_	428		_		428				347		_		347	
Financial institution instruments <sup>1</sup>		_	1,179		_		1,179		_		724		_		724	
Government debt <sup>2</sup>		_	685		_		685		_		11		_		11	
Trading assets:																
Corporate debt		_	3,815		_		3,815		_		2,848		_		2,848	
Financial institution instruments <sup>1</sup>	13	81	2,847		_		2,978		87		1,578		_		1,665	
Government debt <sup>2</sup>	-	_	8,945		_		8,945		_		3,334		_		3,334	
Other current assets:																
Derivative assets	4	8	644		_		692		50		230		_		280	
Loans receivable <sup>3</sup>		_	439				439		_		_		_		_	
Marketable equity securities	13	86	1,694				1,830		450		_		_		450	
Other long-term investments:																
Corporate debt		_	1,520		_		1,520		_		1,898		_		1,898	
Financial institution instruments <sup>1</sup>		_	257		_		257		_		825		_		825	
Government debt <sup>2</sup>		_	415		_		415		_		553		_		553	
Other long-term assets:																
Derivative assets	-	_	1,520		30		1,550		_		690		16		706	
Loans receivable <sup>3</sup>		_	157				157		_		554		_		554	
Total assets measured and recorded at fair	<b>-</b>	_	<b>^ ^ ^ ^ ^ ^ ^ ^ ^ ^</b>							_	10.010					
value	\$ 3,09		\$ 27,131	\$	30	\$ 3	30,257	\$	1,651	\$	16,213	\$	16	<b>\$ 1</b>	7,880	
Liabilities																
Other accrued liabilities:	_									_				_		
Derivative liabilities	\$ -	_	\$ 810	\$		\$	810	\$	3	\$	287	\$	_	\$	290	
Other long-term liabilities:			_				_				40				40	
Derivative liabilities		_	5				5			_	13				13	
Total liabilities measured and recorded at fair value	\$ -		\$ 815	\$	_	\$	815	\$	3	\$	300	\$	_	\$	303	

<sup>&</sup>lt;sup>1</sup> Level 1 investments in financial institution instruments consist of money market funds. Level 2 investments consist primarily of commercial paper, certificates of deposit, time deposits, and notes and bonds issued by financial institutions.

<sup>&</sup>lt;sup>2</sup> Level 2 investments in government debt consist primarily of U.S. agency notes and non-U.S. government debt, as well as marketable equity securities subject to security-specific restrictions.

<sup>&</sup>lt;sup>3</sup> The fair value of our loans receivable for which we elected the fair value option did not significantly differ from the contractual principal balance based on the contractual currency.

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

Our non-marketable equity securities, equity method investments, and certain non-financial assets, such as intangible assets and property, plant and equipment, are recorded at fair value only if an impairment or observable price adjustment is recognized in the current period. If an impairment or observable price adjustment is recognized on our non-marketable equity securities during the period, we classify these assets as Level 3.

We classify non-marketable equity securities and non-marketable equity method investments as Level 3. Impairments recognized on these investments held as of December 26, 2020 were \$272 million (\$113 million held as of December 28, 2019 and \$416 million held as of December 29, 2018).

### Financial Instruments Not Recorded at Fair Value on a Recurring Basis

Financial instruments not recorded at fair value on a recurring basis include non-marketable equity securities and equity method investments that have not been remeasured or impaired in the current period, grants receivable, reverse repurchase agreements with original maturities greater than three months, and issued debt.

We classify the fair value of grants receivables as Level 2. The estimated fair value of these financial instruments approximates their carrying value. The aggregate carrying value of grants receivable as of December 26, 2020 was \$139 million (the aggregate carrying value of grants receivable and reverse repurchase agreements with original maturities greater than three months as of December 28, 2019 was \$543 million).

We classify the fair value of issued debt (excluding commercial paper and drafts payable) as Level 2. The fair value of these instruments was \$40.9 billion as of December 26, 2020 (\$30.6 billion as of December 28, 2019).

Note 15

### Other Comprehensive Income (Loss)

The changes in accumulated other comprehensive income (loss) by component and related tax effects for each period were as follows:

(In Millions)	Hol Ga (Loss	alized ding ins es) on atives	Actu Valua and C Pens Expe	ation Other sion	Translation Adjustment and Other		Total
December 31, 2017 <sup>1</sup>	\$	130	\$ (	(1,028)	\$ (30	) \$	(928)
Other comprehensive income (loss) before reclassifications		(310)		157	(16	)	(169)
Amounts reclassified out of accumulated other comprehensive income (loss)		9		109	8		126
Tax effects		48		(56)	5		(3)
Other comprehensive income (loss)		(253)		210	(3	)	(46)
December 29, 2018		(123)		(818)	(33	)	(974)
Other comprehensive income (loss) before reclassifications		(11)		(753)	109		(655)
Amounts reclassified out of accumulated other comprehensive income (loss)		195		67	(6	)	256
Tax effects		(7)		122	(22	)	93
Other comprehensive income (loss)		177		(564)	81		(306)
December 28, 2019		54		(1,382)	48		(1,280)
Other comprehensive income (loss) before reclassifications		806		(323)	55		538
Amounts reclassified out of accumulated other comprehensive income (loss)		(8)		89	(11	)	70
Tax effects		(121)		51	(9	)	(79)
Other comprehensive income (loss)		677		(183)	35		529
December 26, 2020	\$	731	\$ (	(1,565)	\$ 83	\$	(751)

<sup>&</sup>lt;sup>1</sup> Balances as of December 31, 2017 include opening balance adjustments made as a result of changes in accounting principle due to the adoption of new accounting standards in 2018.

We estimate that we will reclassify approximately \$330 million (before taxes) of net derivative gains included in accumulated other comprehensive income (loss) into earnings within the next 12 months.

# Note 16

### Derivative Financial Instruments

### Volume of Derivative Activity

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

(In Millions)	Dec	26, 2020	Dec 28, 2019		9 Dec 29, 20		
Foreign currency contracts	\$	31,209	\$	23,981	\$	19,223	
Interest rate contracts		14,461		14,302		22,447	
Other		2,026		1,753		1,356	
Total	\$	47,696	\$	40,036	\$	43,026	

During 2020 and 2019, we did not enter into any new pay-variable, receive-fixed interest rate swaps to hedge against changes in the fair value attributable to benchmark interest rates related to our outstanding senior notes. In 2018, we entered into \$7.1 billion of such swaps and designated them as fair value hedges. The total notional amount of these swaps was \$12.0 billion as of December 26, 2020 and \$12.0 billion as of December 28, 2019. In 2019, we unwound \$7.1 billion of swaps, resulting in a \$111 million gain to be amortized over the remaining life of the debt.

### Fair Value of Derivative Instruments in the Consolidated Balance Sheets

		Decembe	er 26, 2	2020	December 28, 2019				
(In Millions)	Assets <sup>1</sup>		Lia	bilities <sup>2</sup>	Assets <sup>1</sup>		Liabilities		
Derivatives designated as hedging instruments									
Foreign currency contracts <sup>3</sup>	\$	551	\$	2	\$	56	\$	159	
Interest rate contracts		1,498				690		9	
Total derivatives designated as hedging instruments		2,049		2		746		168	
Derivatives not designated as hedging instruments									
Foreign currency contracts <sup>3</sup>		142		685		179		78	
Interest rate contracts		3		128		11		54	
Equity contracts		48		_		50		3	
Total derivatives not designated as hedging									
instruments		193		813		240		135	
Total derivatives	\$	2,242	\$	815	\$	986	\$	303	

- <sup>1</sup> Derivative assets are recorded as other assets, current and long-term.
- <sup>2</sup> Derivative liabilities are recorded as other liabilities, current and long-term.
- <sup>3</sup> The majority of these instruments mature within 12 months.

### Amounts Offset in the Consolidated Balance Sheets

Agreements subject to master netting arrangements with various counterparties, and cash and non-cash collateral posted under such agreements at the end of each period were as follows:

December	26.	2020
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								ross Am fset in th She	ie E	Balance		
(In Millions)	Gross Amounts Recognized		Gross Amounts Offset in the Balance Sheet		Net Amounts Presented in the Balance Sheet		Financial Instruments		Cash and Non-Cash Collateral Received or Pledged			Net Amount
Assets:												
Derivative assets subject to master netting arrangements	\$	2,235	\$	_	\$	2,235	\$	(264)	\$	(1,904)	\$	67
Reverse repurchase agreements		1,900		_		1,900				(1,900)		
Total assets		4,135		_		4,135		(264)		(3,804)		67
Liabilities:												
Derivative liabilities subject to master netting arrangements		711				711		(264)		(447)		
Total liabilities	\$	711	\$		\$	711	\$	(264)	\$	(447)	\$	

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Notes to Consolidated Financial Statements

Cumulative Amount of Fair

						Decembe	r 28,	2019				
		-				-	_	ross Am ffset in th She	ie B			
(In Millions)	Gross Amounts Recognized		Gross Amounts Offset in the Balance Sheet		Net Amounts Presented in the Balance Sheet			nancial truments	Cash and Non-Cash Collateral Received ts or Pledged		Α	Net .mount
Assets:												
Derivative assets subject to master netting arrangements	\$	974	\$	_	\$	974	\$	(144)	\$	(808)	\$	22
Reverse repurchase agreements		1,850				1,850				(1,850)		
Total assets		2,824		_		2,824		(144)		(2,658)		22
Liabilities:												
Derivative liabilities subject to master netting arrangements		262				262		(144)		(72)		46
Total liabilities	\$	262	\$		\$	262	\$	(144)	\$	(72)	\$	46

We obtain and secure available collateral from counterparties against obligations, including securities lending transactions and reverse repurchase agreements, when we deem it appropriate.

### Derivatives in Cash Flow Hedging Relationships

The before-tax net gains or losses attributed to the effective portion of cash flow hedges recognized in other comprehensive income (loss) were \$806 million net gains in 2020 (\$11 million net losses in 2019 and \$310 million net losses in 2018). Substantially all of our cash flow hedges are foreign currency contracts for all periods presented.

Amounts excluded from effectiveness testing were insignificant during all periods presented.

For information on the unrealized holding gains (losses) on derivatives reclassified out of accumulated other comprehensive income into the Consolidated Statements of Income, see "Note 15: Other Comprehensive Income (Loss)."

### Derivatives in Fair Value Hedging Relationships

The effects of derivative instruments designated as fair value hedges, recognized in interest and other, net for each period were as follows:

	Gains	`	,	e on Deriv		
Years Ended (In Millions)	Dec 26	, 2020	Dec	c 28, 2019	Dec	29, 2018
Interest rate contracts	\$	817	\$	1,071	\$	(138)
Hedged items		(817)		(1,071)		138
Total	\$		\$		\$	

The amounts recorded on the Consolidated Balance Sheet related to cumulative basis adjustments for fair value hedges for each period were as follows:

Line Item in the Consolidated Balance Sheet in Which the Hedged Item Is Included	Carrying An Hedged It (Liabi	em Asset/	Included in	Value Hedging Adjustment Included in the Carrying Amount Assets/(Liabilities)					
Years Ended (In Millions)	Dec 26, 2020	Dec 28, 2019	Dec 26, 2020	Dec 28, 2019					
Long-term debt	\$ (13,495)	\$ (12,678)	\$ (1,498)	\$ (681)					

### Derivatives Not Designated as Hedging Instruments

The effects of derivative instruments not designated as hedging instruments on the Consolidated Statements of Income for each period were as follows:

Location of C	3ai	ns (	Losses)	
Recognized	in	Inc	ome on	

Derivatives	Dec	26, 2020	Dec 2	28, 2019	Dec	29, 2018
Interest and other, net	\$	(572)	\$	204	\$	372
Interest and other, net		(90)		(32)		9
Various		284		297		(147)
	\$	(378)	\$	469	\$	234
		<del></del>				<del></del>
	Interest and other, net Interest and other, net	Interest and other, net \$ Interest and other, net	Interest and other, net \$ (572) Interest and other, net (90) Various 284	Interest and other, net \$ (572) \$ Interest and other, net (90) Various 284	Interest and other, net       \$ (572)       \$ 204         Interest and other, net       (90)       (32)         Various       284       297	Interest and other, net       \$ (572) \$ 204 \$         Interest and other, net       (90) (32)         Various       284 297

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# Note 17

### Retirement Benefit Plans

### **Defined Contribution Plans**

We provide tax-qualified defined contribution plans for the benefit of eligible employees, former employees, and retirees in the U.S. and certain other countries. The plans are designed to provide employees with an accumulation of funds for retirement on a tax-deferred basis. For the benefit of eligible U.S. employees, we also provide an unfunded non-tax-qualified supplemental deferred compensation plan for certain highly compensated employees.

We expensed \$398 million for matching contributions based on the amount of employee contributions under the U.S. qualified defined contribution and non-qualified deferred compensation plans in 2020. Prior to 2020, the contributions were discretionary and we expensed \$379 million in 2019 and \$372 million in 2018.

### U.S. Retiree Medical Plan

Upon retirement, we provide certain benefits to eligible U.S. employees who were hired prior to 2014 under the U.S. Retiree Medical Plan. The benefits can be used to pay all or a portion of the cost to purchase eligible coverage in a medical plan.

As of December 26, 2020 and December 28, 2019, the projected benefit obligation was \$741 million and \$633 million, which used the discount rate of 2.4% and 3.3%. The December 26, 2020 and December 28, 2019 corresponding fair value of plan assets was \$600 million and \$553 million.

The investment strategy for U.S. Retiree Medical Plan assets is to invest primarily in liquid assets, due to the level of expected future benefit payments. The assets are invested solely in a tax-aware global equity portfolio, which is actively managed by an external investment manager. The tax-aware global equity portfolio is composed of a diversified mix of equities in developed countries. As of December 26, 2020, substantially all of the U.S. Retiree Medical Plan assets were invested in exchange-traded equity securities and were measured at fair value using Level 1 inputs.

The estimated benefit payments for this plan over the next 10 years are as follows:

(In Millions)	2	2021	2022	2023	2024	2025	202	26-2030
Postretirement Medical Benefits	\$	37	\$ 38	\$ 39	\$ 40	\$ 41	\$	218

### **Pension Benefit Plans**

We provide defined-benefit pension plans in certain countries, most significantly the U.S., Ireland, Israel, and Germany. A substantial majority of the plans' benefits have been frozen.

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### Benefit Obligation and Plan Assets for Pension Benefit Plans

The vested benefit obligation for a defined-benefit pension plan is the actuarial present value of the vested benefits to which the employee is currently entitled based on the employee's expected date of separation or retirement.

(In Millions)	Dec 26, 2020			Dec 28, 2019		
Changes in projected benefit obligation:						
Beginning projected benefit obligation	\$	4,284	\$	3,433		
Service cost		49		54		
Interest cost		97		113		
Actuarial (gain) loss		373		829		
Currency exchange rate changes		261		(2)		
Plan settlements		(79)		(57)		
Other		(56)		(86)		
Ending projected benefit obligation <sup>1</sup>		4,929		4,284		
Changes in fair value of plan assets:						
Beginning fair value of plan assets		2,654		2,551		
Actual return on plan assets		203		193		
Currency exchange rate changes	change rate changes 113					
Other		(92)		(93)		
Ending fair value of plan assets <sup>2</sup>		2,878		2,654		
Net unfunded status	\$	2,051	\$	1,630		
Amounts recognized in the Consolidated Balance Sheets						
Other long-term liabilities	\$	2,051	\$	1,630		
Accumulated other comprehensive loss (income), before tax <sup>3</sup>	\$	1,911	\$	1,730		
Accumulated benefit obligation <sup>4</sup>	4,429	\$	3,862			

- <sup>1</sup> The projected benefit obligation was approximately 35% in the U.S. and 65% outside of the U.S. as of December 26, 2020 and December 28, 2019.
- <sup>2</sup> The fair value of plan assets was approximately 55% in the U.S. and 45% outside of the U.S. as of December 26, 2020 and December 28, 2019.
- <sup>3</sup> The accumulated other comprehensive loss (income), before tax, was approximately 35% in the U.S. and 65% outside of the U.S. as of December 26, 2020 and December 28, 2019.
- <sup>4</sup> All plans had accumulated benefit obligations and projected benefit obligations in excess of plan assets for all periods presented.

Changes in actuarial gains and losses in the projected benefit obligation are generally driven by discount rate movement. We use the corridor approach to amortize actuarial gains and losses. Under this approach, net actuarial gains or losses in excess of 10% of the larger of the projected benefit obligation or the fair value of plan assets are amortized on a straight-line basis.

### **Assumptions for Pension Benefit Plans**

	Dec 26, 2020	Dec 28, 2019		
Weighted average actuarial assumptions used to determine benefit obligations				
Discount rate	1.9 %	2.3 %		
Rate of compensation increase	3.2 %	3.5 %		

	2020	2019	2018
Weighted average actuarial assumptions used to determine costs			
Discount rate	2.3 %	3.4 %	3.0 %
Expected long-term rate of return on plan assets	3.3 %	4.7 %	4.7 %
Rate of compensation increase	3.2 %	3.5 %	3.3 %

We establish the discount rate for each pension plan by analyzing current market long-term bond rates and matching the bond maturity with the average duration of the pension liabilities.

We establish the long-term expected rate of return by developing a forward-looking, long-term return assumption for each pension fund asset class, taking into account factors such as the expected real return for the specific asset class and inflation. A single, long-term rate of return is then calculated as the weighted average of the target asset allocation percentages and the long-term return assumption for each asset class.

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### **Funding**

Our practice is to fund the various pension plans in amounts sufficient to meet the minimum requirements of applicable local laws and regulations. Additional funding may be provided as deemed appropriate. Funding for the U.S. Retiree Medical Plan is discretionary under applicable laws and regulations; additional funding may be provided as deemed appropriate.

On a worldwide basis, our pension and retiree medical plans were 61% funded as of December 26, 2020. The U.S. Pension Plan, which accounts for 31% of the worldwide pension and retiree medical benefit obligations, was 89% funded. Funded status is not indicative of our ability to pay ongoing pension benefits or of our obligation to fund retirement trusts. Required pension funding for U.S. retirement plans is determined in accordance with ERISA, which sets required minimum contributions. Cumulative company funding to the U.S. Pension Plan currently exceeds the minimum ERISA funding requirements.

### Net Periodic Benefit Cost

The net periodic benefit cost for pension and U.S. retiree medical benefits was \$164 million in 2020 (\$135 million in 2019 and \$197 million in 2018).

### Pension Plan Assets

		Dec 28, 2019								
	Fair									
(In Millions)	Level 1			Level 2	Level 3		Total		Total	
Equity securities	\$		\$	320	\$		\$	320	\$	278
Fixed income		_		114		21		135		119
Assets measured by fair value hierarchy	\$	_	\$	434	\$	21	\$	455	\$	397
Assets measured at net asset value								2,401		2,236
Cash and cash equivalents								22		21
Total pension plan assets at fair value							\$	2,878	\$	2,654

### U.S. Plan Assets

The investment strategy for U.S. Pension Plan assets is to manage the funded status volatility, taking into consideration the investment horizon and expected volatility to help ensure that sufficient assets are available to pay pension benefits as they come due. The allocation to each asset class will fluctuate with market conditions, such as volatility and liquidity concerns, and will typically be rebalanced when outside the target ranges, which are approximately 90% fixed income and 10% equity investments. During 2020, the U.S. Pension Plan assets were invested in collective investment trust funds, which are measured at net asset value.

### Non-U.S. Plan Assets

The investments of the non-U.S. plans are managed by insurance companies, pension funds, or third-party trustees, consistent with regulations or market practice of the country where the assets are invested. The investment manager makes investment decisions within the guidelines set by Intel or local regulations. Investments managed by qualified insurance companies or pension funds under standard contracts follow local regulations, and we are not actively involved in their investment strategies. For the assets that we have discretion to set investment guidelines, the assets are invested in developed country equity investments and fixed-income investments, either through index funds or direct investment. In general, the investment strategy is designed to accumulate a diversified portfolio among markets, asset classes, or individual securities to reduce market risk and to help ensure that the pension assets are available to pay benefits as they come due. The target allocation of the non-U.S. plan assets that we have control over was approximately 45% fixed income, 35% equity, and 20% hedge fund investments in 2020.

The equity investments in the non-U.S. plan assets are invested in a diversified mix of equities of developed countries, including the U.S., and emerging markets throughout the world.

We have control over the investment strategy related to the majority of the assets measured at net asset value, which are invested in hedge funds, bond index funds, and equity index funds.

# Estimated Future Benefit Payments for Pension Benefit Plans

Estimated benefit payments over the next 10 years are as follows:

(In Millions)	2021	 2022		2023		2024	2025		2026-2030	
Pension benefits	\$ 158	\$ 151	\$	155	\$	149	\$	154	\$	814

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# Note 18

### Employee Equity Incentive Plans

Our equity incentive plans are broad-based, long-term programs intended to attract and retain talented employees and align stockholder and employee interests. Our plans include our 2006 Plan and our 2006 ESPP.

Under the 2006 Plan, 866 million shares of common stock have been authorized for issuance as equity awards to employees and non-employee directors through June 2023. As of December 26, 2020, 193 million shares of common stock remained available for future grants.

Under the 2006 Plan, we grant RSUs and stock options. We grant RSUs with a service condition as well as RSUs with a market condition, performance condition, and a service condition, which we call PSUs. Prior to 2019, we granted OSUs, which were RSUs with only market and service conditions. PSUs are granted to a group of senior officers and employees. For PSUs granted in 2020, the number of shares of our common stock to be received at vesting will range from 0% to 200% of the target grant amount, equally based on two metrics: our three-year cumulative non-GAAP EPS growth relative to a target rate and TSR of our common stock measured against the benchmark TSR of the S&P 500 IT Sector Index over a three-year period. TSR is a measure of stock price appreciation plus any dividends paid in this performance period. As of December 26, 2020, 12 million PSUs and OSUs were outstanding. PSUs vest three years from the grant date, and OSUs, which were granted prior to 2019, generally vest three years and one month from the grant date. Other RSU awards and option awards generally vest over four years from the grant date. Stock options generally expire 10 years from the date of grant.

### **Share-Based Compensation**

Share-based compensation recognized in 2020 was \$1.9 billion (\$1.7 billion in 2019 and \$1.5 billion in 2018). During 2020, the tax benefit that we realized for the tax deduction from share-based awards totaled \$380 million (\$359 million in 2019 and \$399 million in 2018).

We estimate the fair value of RSUs with a service condition or performance condition using the value of our common stock on the date of grant, reduced by the present value of dividends expected to be paid on our shares of common stock prior to vesting. We estimate the fair value of RSUs with a market condition using a Monte Carlo simulation model as of the date of grant using historical volatility.

### Restricted Stock Units

Weighted average assumptions used in estimating grant values were as follows:

	Dec 26, 2020			C 28, 2019	Dec 29, 2018	
Estimated values	\$	54.82	\$	48.06	\$	48.95
Risk-free interest rate		0.4 %		2.3 %		2.4 %
Dividend yield		2.3 %		2.5 %		2.4 %
Volatility		30 %		25 %		22 %

Summary	of	activities:
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	Number of Stock Units (In Millions)		
December 28, 2019	84.1	\$	43.86
Granted	40.4	\$	54.82
Vested	(33.3)	\$	40.54
Forfeited	(8.5)	\$	47.89
December 26, 2020	82.7	\$	50.14
Expected to vest	76.7	\$	50.06

The aggregate fair value of awards that vested in 2020 was \$1.9 billion (\$1.9 billion in 2019 and \$2.0 billion in 2018), which represents the market value of our common stock on the date that the RSUs vested. The grant-date fair value of awards that vested in 2020 was \$1.3 billion (\$1.3 billion in 2019 and \$1.2 billion in 2018). The number of RSUs

vested includes shares of common stock that we withheld on behalf of employees to satisfy the minimum statutory tax withholding requirements. RSUs that are expected to vest are net of estimated future forfeitures.

As of December 26, 2020, unrecognized compensation costs related to RSUs granted under our equity incentive plans were \$2.4 billion. We expect to recognize those costs over a weighted average period of 1.3 years.

### Stock Purchase Plan

The 2006 ESPP allows eligible employees to purchase shares of our common stock at 85% of the value of our common stock on specific dates. Under the 2006 ESPP, 523 million shares of common stock are authorized for issuance through August 2026. As of December 26, 2020, 249 million shares of common stock remained available for issuance.

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Employees purchased 21 million shares of common stock in 2020 for \$876 million under the 2006 ESPP (17 million shares of common stock for \$688 million in 2019 and 14 million shares of common stock for \$468 million in 2018). As of December 26, 2020, unrecognized share-based compensation costs related to rights to acquire shares of common stock under the 2006 ESPP totaled \$48 million. We expect to recognize those costs over a period of approximately two months.

## Note 19

### Commitments and Contingencies

#### Leases

We recognized leased assets in other long-term assets of \$604 million and corresponding accrued liabilities of \$173 million, and other long-term liabilities of \$354 million as of December 26, 2020. Our leases have remaining terms of 1 to 15 years and may include options to extend the leases for up to 38 years. The weighted average remaining lease term was 4.5 years, and the weighted average discount rate was 2.5% as of December 26, 2020.

Lease expense was \$416 million in 2020 (\$185 million in 2019 and \$231 million in 2018), including \$237 million in variable lease expense in 2020. Discounted and undiscounted lease payments under non-cancelable leases as of December 26, 2020, excluding non-lease components, were as follows:

(In Millions)	2	2021	2	2022	2	023	2	024	2	025	Th	ereafte	r	Total
Lease payments	\$	175	\$	133	\$	96	\$	69	\$	52	\$	34	\$	559
Present value of lease payments													\$	527

### Commitments

Commitments for construction or purchase of property, plant and equipment totaled \$8.6 billion as of December 26, 2020 (\$10.9 billion as of December 28, 2019), a substantial majority of which will be due within the next 12 months. Other purchase obligations and commitments totaled approximately \$2.6 billion as of December 26, 2020 (approximately \$2.8 billion as of December 28, 2019). Other purchase obligations and commitments include payments due under various types of licenses and agreements to purchase goods or services.

### **Legal Proceedings**

We are a party to various legal proceedings, including those noted in this section. Although management at present believes that the ultimate outcome of these proceedings, individually and in the aggregate, will not materially harm our financial position, results of operations, cash flows, or overall trends, legal proceedings and related government investigations are subject to inherent uncertainties, and unfavorable rulings or other events could occur. Unfavorable resolutions could include substantial monetary damages. In addition, in matters for which injunctive relief or other conduct remedies are sought, unfavorable resolutions could include an injunction or other order prohibiting us from selling one or more products at all or in particular ways, precluding particular business practices, or requiring other remedies. An unfavorable outcome may result in a material adverse impact on our business, results of operations, financial position, and overall trends. We might also conclude that settling one or more such matters is in the best interests of our stockholders, employees, and customers, and any such settlement could include substantial payments. Except as specifically described below, we have not concluded that settlement of any of the legal proceedings noted in this section is appropriate at this time.

### **European Commission Competition Matter**

In 2001, the EC commenced an investigation regarding claims by Advanced Micro Devices, Inc. (AMD) that we used unfair business practices to persuade customers to buy our microprocessors. We received numerous requests for information and documents from the EC and we responded to each of those requests. The EC issued a Statement of Objections in July 2007 and held a hearing on that Statement in March 2008. The EC issued a Supplemental Statement of Objections in July 2008. In May 2009, the EC issued a decision finding that we had violated Article 82 of the EC Treaty and Article 54 of the European Economic Area Agreement. In general, the EC found that we violated Article 82 (later renumbered as Article 102 by a new treaty) by offering alleged "conditional rebates and payments" that required our customers to purchase all or most of their x86 microprocessors from us. The EC also found that we violated Article 82 by making alleged "payments to prevent sales of specific rival products." The EC imposed a fine in the amount of €1.1 billion (\$1.4 billion as of May 2009), which we subsequently paid during the third quarter of 2009, and ordered us to "immediately bring to an end the infringement referred to in" the EC decision.

The EC decision contained no specific direction on whether or how we should modify our business practices. Instead, the decision stated that we should "cease and desist" from further conduct that, in the EC's opinion, would violate applicable law. We took steps, which are subject to the EC's ongoing review, to comply with that decision pending

appeal. We had discussions with the EC to better understand the decision and to explain changes to our business practices.

We appealed the EC decision to the Court of First Instance (which has been renamed the General Court) in July 2009. The hearing of our appeal took place in July 2012. In June 2014, the General Court rejected our appeal in its entirety. In August 2014, we filed an appeal with the European Court of Justice. In November 2014, Intervener Association for Competitive Technologies filed comments in support of Intel's grounds of appeal. The EC and interveners filed briefs in November 2014, we filed a reply in February 2015, and the EC filed a rejoinder in April 2015. The Court of Justice held oral argument in June 2016. In October 2016, Advocate General Wahl, an advisor to the Court of Justice, issued a non-binding advisory opinion that favored Intel on a number of grounds. The Court of Justice issued its decision in September 2017, setting aside the judgment of the General Court and sending the case back to the General Court to examine whether the rebates at issue were capable of restricting competition. The General Court has appointed a panel of five judges to consider our

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appeal of the EC's 2009 decision in light of the Court of Justice's clarifications of the law. In November 2017, the parties filed initial "Observations" about the Court of Justice's decision and the appeal and were invited by the General Court to offer supplemental comments to each other's "Observations," which the parties submitted in March 2018. Responses to other questions posed by the General Court were filed in May and June 2018. The General Court heard oral argument in March 2020. Pending the final decision in this matter, the fine paid by Intel has been placed by the EC in commercial bank accounts where it accrues interest.

### Litigation Related to Security Vulnerabilities

In June 2017, a Google research team notified us and other companies that it had identified security vulnerabilities (now commonly referred to as "Spectre" and "Meltdown") that affect many types of microprocessors, including our products. As is standard when findings like these are presented, we worked together with other companies in the industry to verify the research and develop and validate software and firmware updates for impacted technologies. On January 3, 2018, information on the security vulnerabilities was publicly reported, before software and firmware updates to address the vulnerabilities were made widely available.

Numerous lawsuits have been filed against Intel and, in certain cases, our current and former executives and directors, in U.S. federal and state courts and in certain courts in other countries relating to the Spectre and Meltdown security vulnerabilities, as well as other variants of these vulnerabilities that have since been identified.

As of January 20, 2021, consumer class action lawsuits relating to the above class of security vulnerabilities publicly disclosed since 2018 were pending in the U.S., Canada, and Israel. The plaintiffs, who purport to represent various classes of purchasers of our products, generally claim to have been harmed by Intel's actions and/or omissions in connection with the security vulnerabilities and assert a variety of common law and statutory claims seeking monetary damages and equitable relief. In the U.S., numerous individual class action suits filed in various jurisdictions were consolidated in April 2018 for all pretrial proceedings in the U.S. District Court for the District of Oregon. In March 2020, the court granted Intel's motion to dismiss the complaint in that consolidated action but granted plaintiffs leave to amend. Plaintiffs filed an amended complaint in May 2020, which Intel moved to dismiss in July 2020; argument on the motion was heard in December 2020. In Canada, in one case pending in the Superior Court of Justice of Ontario, an initial status conference has not yet been scheduled. In a second case pending in the Superior Court of Justice of Quebec, the court has stayed the case until January 2021. In Israel, two consumer class action lawsuits were filed in the District Court of Haifa. In the first case, the District Court denied the parties' joint motion to stay filed in January 2019, but to date has deferred Intel's deadline to respond to the complaint. Intel filed a motion to stay the second case pending resolution of the consolidated proceeding in the U.S., and a hearing on that motion has been scheduled for November 2020. Additional lawsuits and claims may be asserted seeking monetary damages or other related relief. We dispute the pending claims described above and intend to defend those lawsuits vigorously. Given the procedural posture and the nature of those cases, including that the pending proceedings are in the early stages, that alleged damages have not been specified, that uncertainty exists as to the likelihood of a class or classes being certified or the ultimate size of any class or classes if certified, and that there are significant factual and legal issues to be resolved, we are unable to make a reasonable estimate of the potential loss or range of losses, if any, that might arise from those matters.

In addition to these lawsuits, Intel stockholders filed multiple shareholder derivative lawsuits since January 2018 against certain current and former members of our Board of Directors and certain current and former officers, alleging that the defendants breached their duties to Intel in connection with the disclosure of the security vulnerabilities and the failure to take action in relation to alleged insider trading. The complaints sought to recover damages from the defendants on behalf of Intel. Some of the derivative actions were filed in the U.S. District Court for the Northern District of California and were consolidated, and the others were filed in the Superior Court of the State of California in San Mateo County and were consolidated. The federal court granted defendants' motion to dismiss in August 2018 on the ground that plaintiffs failed to plead facts sufficient to show they were excused from making a pre-lawsuit demand on the Board. The federal court granted plaintiffs leave to amend their complaint, but subsequently dismissed the cases in January 2019 at plaintiffs' request. The California Superior Court entered judgment in defendants' favor in August 2020 after granting defendants' motions to dismiss plaintiffs' consolidated complaint and three successive amended complaints, all for failure to plead facts sufficient to show plaintiffs were excused from making pre-lawsuit demand on the Board. Plaintiffs filed a notice of appeal of the California court's judgment in October 2020. In January 2021, another Intel stockholder filed a derivative lawsuit in the Superior Court in San Mateo County against certain current and former officers and members of our Board of Directors. The lawsuit asserts claims similar to those dismissed in August 2020, except that it alleges that the stockholder made a pre-lawsuit demand on our Board of Directors and that the demand was wrongfully refused. Defendants have not yet responded.

### Institute of Microelectronics, Chinese Academy of Sciences v. Intel China, Ltd., et al.

In February 2018, the Institute of Microelectronics of the Chinese Academy of Sciences (IMECAS) sued Intel China, Ltd., Dell China, Ltd., Dell China, Ltd. (Dell) and Beijing JingDong Century Information Technology, Ltd. (JD) for patent infringement in the Beijing High Court. IMECAS alleges that Intel Core processors infringe Chinese patent CN 102956457 ('457 Patent). The complaint demands an injunction and damages of at least RMB 200 million plus the cost of litigation. A

trial date is not yet set. In March 2018, Dell tendered indemnity to Intel, which Intel granted in April 2018. JD also tendered indemnity to Intel, which Intel granted in October 2018. In March 2018, Intel filed an invalidation request on the '457 patent with the Chinese Patent Reexamination Board (PRB). The PRB held an oral hearing in September 2018 and in February 2019 upheld the validity of the challenged claims. In January 2020, Intel filed a second invalidation request on the '457 patent with the PRB, for which the PRB heard oral argument in July 2020 and in November 2020 held the challenged apparatus claims invalid. In December 2020, Intel filed a third invalidation request on the '457 patent with the PRB. In September 2018 and March 2019, Intel filed petitions with the United States Patent & Trademark Office (USPTO) requesting institution of *inter partes* review (IPR) of U.S. Patent No. 9,070,719, the U.S. counterpart to the '457 patent. The USPTO denied institution of Intel's petitions in March and October 2019, respectively. In April 2019, Intel filed a request for rehearing and a petition for a Precedential Opinion Panel (POP) in the USPTO to challenge the denial of its first IPR petition, and in November 2019 Intel filed a request for rehearing on the second IPR petition. In January 2020, the USPTO denied the POP petition on the first IPR petition. In June 2020, the Patent Trial and Appeal Board denied Intel's rehearing requests on both petitions.

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In October 2019, IMECAS filed second and third lawsuits in the Beijing IP Court, alleging infringement of Chinese Patent No. CN 102386226 ('226 Patent) based on the manufacturing and sale of Intel® Core i3 microprocessors. Defendants in the second case are Lenovo (Beijing) Co., Ltd. (Lenovo) and Beijing Jiayun Huitong Technology Development Co. Ltd. (BJHT). Defendants in the third case are Intel Corp., Intel China Co., Ltd., the Intel China Beijing Branch, Beijing Digital China Co., Ltd. (Digital China), and JD. Both complaints demand injunctions plus litigation costs and reserve the right to claim damages in unspecified amounts. No proceedings have occurred or are yet scheduled in these lawsuits. In December 2019, Lenovo tendered indemnity to Intel, which Intel granted in March 2020. In July 2020, Intel filed two invalidation requests on the '226 patent with the Chinese PRB. The PRB heard oral argument in December 2020.

Given the procedural posture and the nature of these cases, the unspecified nature and extent of damages claimed by IMECAS, and uncertainty regarding the availability of injunctive relief under applicable law, we are unable to make a reasonable estimate of the potential loss or range of losses, if any, arising from these matters. We dispute IMECAS's claims and intend to vigorously defend against them.

### VLSI Technology LLC v. Intel

In October 2017, VLSI Technology LLC (VLSI) filed a complaint against Intel in the U.S. District Court for the Northern District of California alleging infringement of eight patents acquired from NXP Semiconductors, N.V. (NXP). The patents, which originated at Freescale Semiconductor, Inc. and NXP B.V., are U.S. Patent Nos. 7,268,588; 7,675,806; 7,706,207; 7,709,303; 8,004,922; 8,020,014; 8,268,672; and 8,566,836. VLSI accuses various FPGA and processor products of infringement. VLSI estimated its damages to be as high as \$7.1 billion, and its complaint further sought enhanced damages, future royalties, attorneys' fees, costs, and interest. In May, June, September, and October 2018, Intel filed IPR petitions challenging the patentability of claims in all eight of the patents in-suit. The PTAB instituted review of six patents and denied institution on two patents. As a result of the institution decisions, the parties stipulated to stay the District Court action in March 2019. In December 2019 and February 2020, the PTAB found all claims of the '588 and '303 patents, and some claims of the '922 patent, to be unpatentable. The PTAB found the challenged claims of the '014, '672 and '207 patents to be patentable. Intel moved for a continuation of the stay in March 2020 as it appealed certain rulings by the PTAB. In June 2020, the District Court issued an order continuing the stay through August 2021 and setting trial for December 2022.

In June 2018, VLSI filed a second suit against Intel, in U.S. District Court for the District of Delaware, alleging infringement by various Intel processors of five additional patents acquired from NXP: U.S. Patent Nos. 6,212,663; 7,246,027; 7,247,552; 7,523,331; and 8,081,026. VLSI accused Intel of willful infringement and seeks an injunction or, in the alternative, ongoing royalties, enhanced damages, attorneys' fees and costs, and interest. In March 2019, the District Court dismissed VLSI's claims for willful infringement as to all the patents-in-suit except the '027 patent, and also dismissed VLSI's allegations of indirect infringement as to the '633, '331, and '026 patents. In June 2019, Intel filed IPR petitions challenging the patentability of claims in all five patents-in-suit. In January 2020, the District Court vacated the November 2020 trial date based on agreement of the parties; no trial date is currently set. In January and February 2020, the PTAB instituted review of the '552, '633, '331 and '026 patents and as a result, Intel moved for stay of the District Court proceedings. In May 2020, the District Court stayed the case as to the '026 and '552 patents but allowed the case to proceed on the '027 and '331 patents. For these two patents, VLSI is seeking damages of approximately \$4.13 billion plus enhanced damages for the '027 patent. VLSI is no longer asserting claims from the '633 patent.

In March 2019, VLSI filed a third suit against Intel, also in U.S. District Court for the District of Delaware, alleging infringement of six more patents acquired from NXP: U.S. Patent Nos. 6,366,522; 6,663,187; 7,292,485; 7,606,983; 7,725,759; and 7,793,025. In April 2019, VLSI voluntarily dismissed this Delaware case without prejudice. In April 2019, VLSI filed three new infringement suits against Intel in the U.S. District Court for the Western District of Texas (WDTX) accusing various Intel processors of infringement. The three suits collectively assert the same six patents from the voluntarily dismissed Delaware case plus two additional patents acquired from NXP, U.S. Patent Nos. 7,523,373 and 8,156,357. VLSI accuses Intel of willful infringement and seeks an injunction or, in the alternative, ongoing royalties, enhanced damages, attorneys' fees and costs, and interest. Specifically, VLSI is seeking damages of approximately \$11 billion collectively in the Texas cases, plus enhanced damages for alleged willful infringement. In the first Texas case, VLSI is asserting the '373 and '759 patents. (In December 2020, the court granted Intel summary judgment of non-infringement on the '357 patent.) VLSI seeks approximately \$2.5 billion plus enhanced damages for alleged willful infringement in that case. That case was originally scheduled for trial in November 2020, but the court has now moved trial to February 2021. In October and November 2019 and in February 2020, Intel filed IPR petitions on certain asserted claims across six of the patents-in-suit in WDTX. Between May and October 2020, the PTAB denied all of these requests, and Intel has requested a rehearing, as well as a review from the Precedential Opinion Panel (POP), as to all petitions. All requests for POP review were denied in October and December 2020, and in December 2020 requests for rehearing were denied as to petitions filed on the '373 and '759 patents.

In May 2019, VLSI filed a case in Shenzhen Intermediate People's Court against Intel, Intel (China) Co., Ltd., Intel Trading (Shanghai) Co., Ltd., and Intel Products (Chengdu) Co., Ltd. VLSI asserts Chinese Patent 201410094015.9

accusing certain Intel Core processors of infringement. VLSI requests an injunction as well as RMB 1.3 million in damages. Defendants filed an invalidation petition in October 2019 with the PRB, but no hearing date has been set. In May 2020, defendants filed a motion to stay the trial court proceedings pending a determination on invalidity. The court has not yet ruled on the motion to stay. The court held the first evidentiary hearing in November 2020.

In May 2019, VLSI filed a second case in Shanghai Intellectual Property Court against Intel (China) Co., Ltd., Intel Trading (Shanghai) Co., Ltd., and Intel Products (Chengdu) Co., Ltd. VLSI asserts Chinese Patent 201080024173.7. VLSI accuses certain Intel core processors and seeks an injunction. Defendants filed with the PRB an invalidation petition in October 2019. No hearing date has been set. In June 2020, defendants filed a motion to stay the trial court proceedings pending a determination on invalidity. The court has not yet ruled on the motion to stay. The court held its first evidentiary hearing in September 2020. The Court held a second evidentiary hearing and trial in December 2020 and has not yet issued a ruling.

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In November 2019, Intel, along with Apple Inc., filed a complaint against Fortress Investment Group LLC, Fortress Credit Co. LLC, Uniloc 2017 LLC, Uniloc USA, Inc., Uniloc Luxembourg S.A.R.L., VLSI, INVT SPE LLC, Inventergy Global, Inc., DSS Technology Management, Inc., IXI IP, LLC, and Seven Networks, LLC. Plaintiffs allege violations of Section 1 of the Sherman Act by certain defendants, Section 7 of the Clayton Act by certain defendants, and California Business and Professions Code section 17200 by all defendants based on defendants' unlawful aggregation of patents. In February 2020, defendants moved to dismiss plaintiffs' complaint. In July 2020, the court granted defendants' motion to dismiss with leave to amend. The court dismissed antitrust claims related to two DSS patents with prejudice. The plaintiffs filed an amended complaint in August 2020, and defendants moved to dismiss in September 2020. The court heard defendants' motion to dismiss the amended complaint in December 2020 and granted the motion in January 2021, with leave to further amend.

In June 2020, affiliates controlled by Fortress Investment Group, which also controls VLSI, acquired Finjan Holdings, Inc. Intel had signed a "Settlement, Release and Patent License Agreement" with Finjan in 2012, acquiring a license to the patents of Finjan and its affiliates, current or future, through a capture period of November 20, 2022. The agreement also contains covenants wherein Finjan agrees to cause its affiliates to comply with the agreement. As such, Intel maintains that it now has a license to the patents of VLSI, which has become a Finjan affiliate, and that Finjan must cause VLSI to dismiss its suits against Intel. In August 2020, Intel started dispute resolution proceedings under the agreement. As a part of this dispute resolution process, Intel and Finjan held a mediation in December 2020, but failed to resolve their differences. Intel filed suit to enforce its rights under the License Agreement with Finjan in January 2021 in Delaware Chancery Court. In September 2020, Intel filed motions to stay the Texas, Delaware, and Shanghai matters pending resolution of its dispute with Finjan. In November 2020, Intel filed a motion to stay the Shenzhen matter pending resolution of its dispute with Finjan. In November 2020, the Delaware Court denied Intel's motion to stay. The other stay motions remain pending. Finally, Intel filed a motion to amend its answer in the Texas matters to add a license defense in November 2020. The Court has yet to rule on the motion.

Given the procedural posture and the nature of these cases and that there are significant factual and legal issues to be resolved, we are unable to make a reasonable estimate of the potential loss or range of losses, if any, arising from these matters. We dispute VLSI's claims and intend to vigorously defend against them.

#### Litigation Related to 7nm Product Delay Announcement

Starting in July 2020, five securities class action lawsuits were filed in the United States District Court for the Northern District of California against Intel and certain current and former officers based on Intel's July 2020 announcement of 7nm product delays. The plaintiffs, who purport to represent classes of acquirers of Intel stock between October 2019 and July 2020, generally allege that the defendants violated securities laws by making false and misleading statements about the timeline for 7nm products in light of subsequently announced delays. In October 2020, the court consolidated the lawsuits and appointed lead plaintiffs, and in January 2021 the lead plaintiffs filed a consolidated complaint. We dispute the claims described above and intend to defend the lawsuits vigorously. Given the procedural posture and the nature of these cases, including that the proceedings are in the early stages, that alleged damages have not been specified, that uncertainty exists as to the likelihood of a class or classes being certified or the ultimate size of any class or classes if certified, and that there are significant factual and legal issues to be resolved, we are unable to make a reasonable estimate of the potential loss or range of losses, if any, that might arise from these matters.

In addition to the securities lawsuits, several Intel stockholders have filed derivative lawsuits against certain members of our Board of Directors and certain current and former officers based on Intel's July 2020 announcement of 7nm product delays. The complaints, which were filed in the United States District Court for the District of Delaware in December 2020, allege that defendants breached their fiduciary duties to Intel by either making or allowing the company to make alleged misstatements about the timeline for 7nm products during the class period alleged in the securities litigation. Certain of the complaints also allege claims under Section 14(a) of the Securities Exchange Act of 1934. The complaints seek to recover damages on behalf of Intel. Defendants have not yet responded.

# Key Terms

We use terms throughout our document that are specific to Intel or that are abbreviations that may not be commonly known or used. Below is a list of these terms used in our document.

Term	Definition
2006 Plan	2006 Equity Incentive Plan
2006 ESPP	2006 Employee Stock Purchase Plan
2009 Debentures	3.25% junior subordinated convertible debentures due 2039
2019 Arizona Bonds	Bonds issued in 2019 by the Industrial Development Authority of the City of Chandler, Arizona that are our unsecured obligations
2019 Oregon Bonds	Bonds issued in 2019 by the State of Oregon Business Development Commission that are our unsecured obligations
5G	The fifth-generation mobile network, which is expected to bring dramatic improvements in network speeds and latency, and which we view as a transformative technology and opportunity for many industries
ADAS	Advanced driver-assistance systems
Adjacent products	All of our non-platform products for CCG, DCG, and IOTG, such as modem, Ethernet and silicon photonics, as well as Mobileye, Non-Volatile Memory Solutions Group (NSG), and Programmable Solutions Group (PSG) products. Combined with our platform products, adjacent products form comprehensive platform solutions to meet customer needs
ASIC	Application-specific integrated circuit
ASR	Accelerated share repurchase
AV	Autonomous vehicle
CAGR	Compound annual growth rate
CDP	A nonprofit organization that runs a global disclosure system for investors, companies, cities, states, and regions to manage their environmental impacts
CODM	Chief operating decision maker
Cloudification	Refers to the application of cloud technologies and business practices to infrastructure outside the centralized cloud data center—bringing the same programmability, flexibility, and economies of scale to the network and edge
CPU	Processor or central processing unit
Data-centric businesses	Includes our Data Center Group (DCG), Internet of Things Group (IOTG), Mobileye, Non-Volatile Memory Solutions Group (NSG), Programmable Solutions Group (PSG), and all other businesses
EC	European Commission
EDA	Electronic design automation refers to tools used to design and verify electronic systems such as integrated circuits and printed circuit boards
Edge computing or intelligent edge	Edge computing places resources to move, store, and process data closer to where data is generated and consumed
EMIB	Embedded multi-die interconnect bridge, a form of "2.5D" packaging technology developed by Intel that enables high-density interconnect of heterogeneous chips
ERISA	Employee Retirement Income Security Act
Form 10-K	Annual Report on Form 10-K
Foveros	Intel's high-performance three-dimensional stacked chip architecture
FPGA	Field-programmable gate array
GPU	Graphics processing unit
IDM	Integrated device manufacturer
IEEE	Institute of Electrical and Electronics Engineers
IMFT	IM Flash Technologies, LLC
Internet of Things	Refers to the Internet of Things market in which we sell our IOTG and Mobileye products
I/O	Input/output
IP	Intellectual property
L2+	Level 2+ of autonomous driving; the system controls both steering and acceleration using a multi- camera sensor suite and/or high-definition maps to enhance and solidify L2 capabilities
MaaS	Mobility-as-a-Service
McAfee	Business, post divestiture of Intel Security Group in Q2 2017, in which we retained an interest in as part of our investment strategy
MD&A	Management's Discussion & Analysis
MG&A	Marketing, general and administrative
ΝΔΝΠ	NAND flash memory

NAND

NAND flash memory

NIC Network interface controller

nm Nanometer

ODM Original design manufacturer
OEM Original equipment manufacturer

PC-centric business

Our Client Computing Group (CCG) business, including both platform and adjacent products

Platform products A microprocessor (CPU) and chipset, a stand-alone SoC, or a multichip package, based on

Intel® architecture. Platform products are primarily used in solutions sold through the CCG, DCG,

and IOTG segments

PLD Programmable logic device

Program (specific

to Mobileye A process that takes two to three years of intense activity with the carmaker and Tier 1 after a

business) design win until Mobileye technology is launched into production

PRQ Product release qualification, which is the milestone when costs to manufacture a product are

included in inventory valuation

QLC Quad-level cell

R&D Research and development

RDFV Readily determinable fair value

REM Road Experience Management

RSU Restricted stock unit

SEC U.S. Securities and Exchange Commission

SoC A System-on-a-Chip, integrates most of the components of a computer or other electronic system

into a single silicon chip. We offer a range of SoC platform products in DCG, IOTG, and CCG. In our DCG business, we offer SoCs across many market segments for a variety of applications,

including products targeted for 5G base stations and network infrastructure.

SSD Solid-state drive

TAM Total addressable market

Tax Reform U.S. Tax Cuts and Jobs Act

TCFD Task Force on Climate-Related Financial Disclosures

TLC Triple-level cell

TME Total Memory Encryption, the baseline capability for memory encryption with a single ephemeral

key. Provides the capability to encrypt the entirety of the physical memory of a system.

TSR Total stockholder return

UNECE United Nations Economic Commission for Europe
U.S. GAAP U.S. Generally Accepted Accounting Principles

U.S. Pension

U.S. Intel Minimum Pension Plan

Plan

U.S. Retiree U.S. Postretirement Medical Benefits Plan

Medical Plan

VPU Vision processing unit

Wind River Systems, Inc. (divested in Q2 2018)

xPU A term for processors that are designed for one of four major computing architectures: CPU, GPU,

Al accelerator, and FPGA

# Financial Information by Quarter (Unaudited)

2020 for Quarter Ended (In Millions, Except Per Share Amounts)	De	ecember 26	Se	eptember 26		June 27	N	larch 28
Net revenue	\$	19,978	\$	18,333	\$	19,728	\$	19,828
Gross margin	\$	11,348	\$	9,741	\$	10,507	\$	12,016
Net income	\$	5,857	\$	4,276	\$	5,105	\$	5,661
Earnings per share—basic	\$	1.43	\$	1.02	\$	1.20	\$	1.33
Earnings per share—diluted	\$	1.42	\$	1.02	\$	1.19	\$	1.31
Dividends per share of common stock:								
Declared	\$	_	\$	0.66	\$	_	\$	0.66
Paid	\$	0.33	\$	0.33	\$	0.33	\$	0.33
2019 for Quarter Ended	De	ecember	Se	eptember				
(In Millions, Except Per Share Amounts)		28		28		June 29	N	larch 30
(In Millions, Except Per Share Amounts)  Net revenue	\$	20,209	\$	<b>28</b> 19,190	\$	June 29 16,505	\$	16,061
	\$ \$		\$ \$		\$ \$			
Net revenue	,	20,209	•	19,190	,	16,505	\$	16,061
Net revenue Gross margin	\$	20,209 11,878	\$	19,190 11,295	\$	16,505 9,878	\$ \$	16,061 9,089
Net revenue Gross margin Net income	\$	20,209 11,878 6,905	\$	19,190 11,295 5,990	\$	16,505 9,878 4,179	\$ \$ \$	16,061 9,089 3,974
Net revenue Gross margin Net income Earnings per share—basic	\$ \$ \$	20,209 11,878 6,905 1.60	\$ \$ \$	19,190 11,295 5,990 1.36	\$ \$ \$	16,505 9,878 4,179 0.94	\$ \$ \$	16,061 9,089 3,974 0.88
Net revenue Gross margin Net income Earnings per share—basic Earnings per share—diluted	\$ \$ \$	20,209 11,878 6,905 1.60	\$ \$ \$	19,190 11,295 5,990 1.36	\$ \$ \$	16,505 9,878 4,179 0.94	\$ \$ \$	16,061 9,089 3,974 0.88
Net revenue Gross margin Net income Earnings per share—basic Earnings per share—diluted Dividends per share of common stock:	\$ \$ \$ \$	20,209 11,878 6,905 1.60	\$ \$ \$ \$	19,190 11,295 5,990 1.36 1.35	\$ \$ \$	16,505 9,878 4,179 0.94	\$ \$ \$ \$ \$	16,061 9,089 3,974 0.88 0.87

intc-2020up22@mg2tajp@etails

# Controls and Procedures

### Inherent Limitations on Effectiveness of Controls

Our management, including the principal executive officer and principal financial officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well-designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected.

Due to the COVID-19 pandemic, a significant portion of our employees are working from home. Established business continuity plans remain activated to mitigate the impact to our control environment, operating procedures, data, and internal controls. The design of our processes and controls allows for remote execution with accessibility to secure data

### **Evaluation of Disclosure Controls and Procedures**

Based on management's evaluation (with the participation of our principal executive officer and principal financial officer), as of the end of the period covered by this report, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)), are effective to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

## Changes in Internal Control Over Financial Reporting

There were no changes to our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended December 26, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## Management Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of Consolidated Financial Statements for external purposes in accordance with U.S. GAAP.

Management assessed our internal control over financial reporting as of December 26, 2020. Management based its assessment on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Management's assessment included evaluation of elements such as the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies, and our overall control environment.

Based on this assessment, management has concluded that our internal control over financial reporting was effective as of the end of the fiscal year to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Consolidated Financial Statements for external reporting purposes in accordance with U.S. GAAP. We reviewed the results of management's assessment with the Audit Committee of our Board of Directors.

Our independent registered public accounting firm, Ernst & Young LLP, independently assessed the effectiveness of the company's internal control over financial reporting, as stated in the firm's attestation report, which is included within Financial Statements and Supplemental Details.

## **Exhibits**

- Financial Statements: See "Index to Consolidated Financial Statements" within the Consolidated Financial Statements.
- 2. Financial Statement Schedules; not applicable or the required information is otherwise included in the Consolidated Financial Statements and accompanying notes.
- 3. Exhibits: The exhibits listed in the accompanying index to exhibits are filed, furnished, or incorporated by reference as part of this Form 10-K.

Certain of the agreements filed as exhibits to this Form 10-K contain representations and warranties by the parties to the agreements that have been made solely for the benefit of the parties to the agreement. These representations and warranties:

- may have been qualified by disclosures that were made to the other parties in connection with the negotiation of the agreements, which disclosures are not necessarily reflected in the agreements;
- may apply standards of materiality that differ from those of a reasonable investor; and
- were made only as of specified dates contained in the agreements and are subject to subsequent developments and changed circumstances.

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date that these representations and warranties were made or at any other time. Investors should not rely on them as statements of fact.

## **Exhibit Index**

			Incorporated b	y Refere	nce	
Exhibit Number	Exhibit Description	Form	File Number	Exhibit	Filing Date	Filed or Furnished Herewith
2.1	Master Purchase Agreement between Intel Corporation and SK hynix Inc., dated as of October 19, 2020	8-K	000-06217	2.1	10/20/2020	
3.1	Intel Corporation Third Restated Certificate of Incorporation of Intel Corporation dated May 17, 2006	8-K	000-06217	3.1	5/22/2006	
3.2	Intel Corporation Bylaws, as amended and restated on January 16, 2019	8-K	000-06217	3.2	1/17/2019	
4.1	Indenture dated as of March 29, 2006 between Intel Corporation and Wells Fargo Bank, National Association (as successor to Citibank N.A.) (the "Open-Ended Indenture")	S-3ASR	333-132865	4.4	3/30/2006	
4.2	First Supplemental Indenture to Open- Ended Indenture, dated as of December 3, 2007	10-K	000-06217	4.2.4	2/20/2008	
4.3	Second Supplemental Indenture to Open- Ended Indenture for the Registrant's 1.95% Senior Notes due 2016, 3.30% Senior Notes due 2021, and 4.80% Senior Notes due 2041, dated as of September 19, 2011	8-K	000-06217	4.01	9/19/2011	
4.4	Third Supplemental Indenture to Open- Ended Indenture for the Registrant's 1.35% Senior Notes due 2017, 2.70% Senior Notes due 2022, 4.00% Senior Notes due 2032, and 4.25% Senior Notes due 2042, dated as of December 11, 2012	8-K	000-06217	4.01	12/11/2012	
4.5	Fourth Supplemental Indenture to Open- Ended Indenture for the Registrant's 4.25% Senior Notes due 2042, dated as of December 14, 2012	8-K	000-06217	4.01	12/14/2012	
4.6	Fifth Supplemental Indenture to Open- Ended Indenture, dated as of July 29, 2015, between Intel Corporation and Wells Fargo Bank, National Association, as successor trustee	8-K	000-06217	4.1	7/29/2015	
4.7	Eighth Supplemental Indenture to Open- Ended Indenture, dated as of May 19, 2016, between Intel Corporation and Wells Fargo Bank, National Association, as successor trustee	8-K	000-06217	4.1	5/19/2016	
4.8	Ninth Supplemental Indenture to Open- Ended Indenture, dated as of May 11, 2017, between Intel Corporation and Wells Fargo Bank, National Association, as successor trustee	8-K	000-06217	4.1	5/11/2017	
4.9	Tenth Supplemental Indenture to Open- Ended Indenture, dated as of June 16, 2017, between Intel Corporation and Wells Fargo Bank, National Association, as successor trustee	8-K	000-06217	4.1	6/16/2017	
4.10	Eleventh Supplemental Indenture to Open- Ended Indenture, dated as of August 14, 2017, among Intel Corporation, Wells Fargo Bank, National Association, as successor trustee, and Elavon Financial Services DAC, UK Branch, as paying agent	8-K	000-06217	4.1	8/14/2017	
4.11	Twelfth Supplemental Indenture to Open- Ended Indenture, dated as of December 8, 2017, between Intel Corporation and Wells	10-K	000-06217	4.2.13	2/16/2018	

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Incorporated I	by Reference
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			Incorporated b	y Refere	nce	
Exhibit Number	Exhibit Description	Form	File Number	Exhibit	Filing Date	Filed or Furnished Herewith
4.12	Thirteenth Supplemental Indenture, dated as of November 21, 2019, between Intel Corporation and Wells Fargo Bank, National Association, as successor trustee	8-K	000-06217	4.1	11/21/2019	
4.13	Fourteenth Supplemental Indenture, dated as of February 13, 2020, between Intel Corporation and Wells Fargo Bank, National Association, as successor trustee	8-K	000-06217	4.1	2/13/2020	
4.14	Fifteenth Supplemental Indenture, dated as of February 13, 2020, between Intel Corporation and Wells Fargo Bank, National Association, as successor trustee	8-K	000-06217	4.2	2/13/2020	
4.15	Sixteenth Supplemental Indenture, dated as of March 25, 2020, between Intel Corporation and Wells Fargo Bank, National Association, as successor trustee	8-K	000-06217	4.1	3/25/2020	
4.16	Guarantee dated December 28, 2015 by Intel Corporation in favor of U.S. Bank, National Association, as Trustee for the holders of Altera's 1.750% Senior Notes due 2017, 2.500% Senior Notes due 2018 and 4.100% Senior Notes due 2023 Certain instruments defining the rights of	8-K	000-06217	99.2	12/28/2015	
	holders of long-term debt of Intel Corporation are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. Intel Corporation hereby agrees to furnish to the Securities and Exchange Commission, upon request, copies of such instruments.					
4.17	Description of Intel Securities Registered under Section 12 of the Exchange Act	10-K	000-06218	4.16	1/24/2020	
10.1 <sup>†</sup>	Intel Corporation 2006 Equity Incentive Plan, as amended and restated, effective May 16, 2019	10-Q	000-06217	10.1	7/26/2019	
10.1.2 <sup>†</sup>	Form of Notice of Grant - Restricted Stock Units	10-Q	000-06217	10.3	8/3/2009	
10.1.3 <sup>†</sup>	Intel Corporation Form of Notice of Grant - Restricted Stock Units	10-Q	000-06217	10.1	10/25/2018	
10.1.4 <sup>†</sup>	Intel Corporation Restricted Stock Unit Agreement under the 2006 Equity Incentive Plan (for RSUs granted on or after January 23, 2015 under the Executive RSU program)	10-Q	000-06217	10.3	4/27/2015	
10.1.5 <sup>†</sup>	Intel Corporation Form of Restricted Stock Unit Grant Agreement under the 2006 Equity Incentive Plan (for RSUs with retirement vesting terms granted to executives on or after January 30, 2019)	10-Q	000-06217	10.3	4/26/2019	
10.1.6 <sup>†</sup>	Intel Corporation Form of Restricted Stock Unit Grant Agreement under the 2006 Equity Incentive Plan (for RSUs without retirement vesting terms granted to executives on or after January 30, 2019)	10-Q	000-06217	10.4	4/26/2019	
10.1.7 <sup>†</sup>	Intel Corporation Restricted Stock Unit Agreement under the 2006 Equity Incentive Plan (for time-based RSUs granted to Robert Swan as interim CEO on August 15, 2018)	10-Q	000-06217	10.2	10/25/2018	
10.1.8 <sup>†</sup>	Intel Corporation Restricted Stock Unit Grant Agreement under the 2006 Equity Incentive Plan (for RSUs granted to Robert Swan for interim CEO service on January 30, 2019)	10-Q	000-06217	10.8	4/26/2019	

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Incor	porated	by R	eference

			Incorporated b	y Refere	nce	
Exhibit Number	Exhibit Description	Form	File Number	Exhibit	Filing Date	Filed or Furnished Herewith
10.1.10 <sup>†</sup>	Intel Corporation Restricted Stock Unit Agreement under the 2006 Equity Incentive Plan (for performance-based RSUs granted to Robert Swan as interim CEO on August 15, 2018)	10-Q	000-06217	10.3	10/25/2018	
10.1.11 <sup>†</sup>	Intel Corporation Form of Restricted Stock Unit Grant Agreement under the 2006 Equity Incentive Plan (for performance-based RSUs granted to grandfathered executives on or after January 30, 2019)	10-Q	000-06217	10.5	4/26/2019	
10.1.12 <sup>†</sup>	Intel Corporation Form of Restricted Stock Unit Grant Agreement under the 2006 Equity Incentive Plan (for performance-based RSUs granted to non-grandfathered executives on or after January 30, 2019)	10-Q	000-06217	10.1	4/24/2020	
10.1.13 <sup>†</sup>	Intel Corporation Form of Restricted Stock Unit Grant Agreement under the 2006 Equity Incentive Plan (for strategic growth performance-based RSUs granted to executives on or after February 1, 2019)	10-Q	000-06217	10.6	4/26/2019	
10.1.14 <sup>†</sup>	Intel Corporation Restricted Stock Unit Grant Agreement under the 2006 Equity Incentive Plan (for performance-based RSUs granted to Robert Swan for interim CEO service on January 30, 2019)	10-Q	000-06217	10.9	4/26/2019	
10.1.15 <sup>†</sup>	Intel Corporation Form of Restricted Stock Unit Grant Agreement under the 2006 Equity Incentive Plan (for Annual Performance Bonus Plan-related performance-based RSUs granted to Robert Swan on February 1, 2019)	10-Q	000-06217	10.10	4/26/2019	
10.1.16 <sup>†</sup>	Intel Corporation Form of Stock Option Grant Agreement under the 2006 Equity Incentive Plan (for strategic growth performance-based stock options granted to executives on or after February 1, 2019)	10-Q	000-06217	10.7	4/26/2019	
10.1.17 <sup>†</sup>	Intel Corporation Non-Employee Director Restricted Stock Unit Agreement under the 2006 Equity Incentive Plan (for RSUs granted on or after January 23, 2015 under the Director RSU program)	10-Q	000-06217	10.1	4/27/2015	
10.1.18 <sup>†</sup>	Intel Corporation Form of Non-Employee <u>Director Restricted Stock Unit Grant</u> Agreement under the 2006 Equity Incentive <u>Plan (for RSUs granted to non-employee</u> <u>directors on or after January 30, 2019)</u>	10-Q	000-06217	10.11	4/26/2019	
10.1.19 <sup>†</sup>	Intel Corporation Non-Employee Director Restricted Stock Unit Agreement under the 2006 Equity Incentive Plan (for RSUs granted on or after February 1, 2017 under the Director OSU program)	10-Q	000-06217	10.2	4/27/2017	
10.2 <sup>†</sup>	Intel Corporation Executive Annual Performance Bonus Plan, effective as of January 1, 2020	8-K	000-06217	10.1	1/22/2020	
10.3 <sup>†</sup>	Intel Corporation Sheltered Employee Retirement Plan Plus, as amended and restated, effective January 1, 2020	10-Q	000-06217	10.3	4/24/2020	
10.4 <sup>†</sup>	Intel Corporation 2006 Employee Stock Purchase Plan, as amended and restated, effective May 14, 2020	10-Q	000-06217	10.1	7/24/2020	
10.5 <sup>†</sup>	Intel Corporation 2006 Deferral Plan for Outside Directors, effective November 15,	10-K	000-06217	10.41	2/26/2007	

			Incorporated b	y Refere	nce	
Exhibit Number	Exhibit Description	Form	File Number	Exhibit	Filing Date	Filed or Furnished Herewith
10.7 <sup>†</sup>	Form of Indemnification Agreement with Directors and Executive Officers (for Directors and Executive Officers who joined Intel after July 1, 2016)	10-Q	000-06217	10.2	10/31/2016	
10.8	Settlement Agreement Between Advanced Micro Devices, Inc. and Intel Corporation, dated November 11, 2009	8-K	000-06217	10.1	11/12/2009	
10.9 <sup>††</sup>	Patent Cross License Agreement between NVIDIA Corporation and Intel Corporation, dated January 10, 2011	8-K	000-06217	10.1	1/10/2011	
10.10 <sup>†</sup>	Offer Letter between Intel Corporation and Robert H. Swan, dated January 30, 2019	8-K	000-06217	10.1	1/31/2019	
10.11 <sup>†</sup> 10.12 <sup>†</sup>	Offer Letter between Intel Corporation and George S. Davis, dated April 2, 2019  Lease Agreement between Intel Corporation	8-K	000-06217	10.1	4/3/2019	
10.12	and Steven R. Rodgers <sup>††</sup>	10-Q	000-06217	10.12	4/26/2019	
21.1	Intel Corporation Subsidiaries					Χ
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm					Χ
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) of the Exchange Act					Х
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act					X
32.1	Certification of the Chief Executive Officer and the Chief Financial Officer pursuant to Rule13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350					Х
99.1	Supplement to Present Required Information in Searchable Format					X
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document					Х
101.SCH	XBRL Taxonomy Extension Schema Document					Χ
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					Χ
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					Χ
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					Χ
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					Х
104	Cover Page Interactive Data File - formatted in Inline XBRL and included as Exhibit 101					X

<sup>&</sup>lt;sup>†</sup> Management contracts or compensation plans or arrangements in which directors or executive officers are eligible to participate.

 $<sup>^{\</sup>dagger\dagger}$  Portions of this exhibit have been omitted pursuant to an order granting confidential treatment.

# Form 10-K Cross-Reference Index

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tem 1B.	Unresolved Staff Comments	Not applicable
tem 2.	Properties	Pages <u>12,</u> <u>65</u>
tem 3.	Legal Proceedings	Pages <u>106</u> - <u>109</u>
tem 4.	Mine Safety Disclosures	Not applicable
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	policies	Pages <u>52</u> , <u>79</u> - <u>84</u>
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tom 77t.	Disclosures About Market Risk	1 ages <u>40</u> 47
tem 8.	Financial Statements and	Pages <u>70-112</u>
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tem 9.	Changes in and Disagreements with Accountants on Accounting and	Not applicable
tem 5.	Financial Disclosure	тот арріїсавіе
tem 9A.	Controls and Procedures	Page <u>113</u>
tem 9B.	Other Information	Not applicable
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tem 10.	Corporate Governance	Page <u>68</u> , (b)
tem 11.	Executive Compensation	(c)
	Security Ownership of Certain	.,
tem 12.	Beneficial Owners and Management	(d)
	and Related Stockholder Matters	
tem 13.	Certain Relationships and Related Transactions, and Director	(e)
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tem 15.	Schedules	Pages <u>114</u> - <u>118</u>
tem 15. tem 16.		Pages <u>114-118</u> Not applicable

- (a) As of December 26, 2020, we did not have any significant off-balance-sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.
- (b) Incorporated by reference to "Proposal 1: Election of Directors," "Corporate Governance," and "Code of Conduct" in the 2021 Proxy Statement. The information under the heading "Information about Our Executive Officers" within Other Key Information is also incorporated by reference in this section.
- (c) Incorporated by reference to "Director Compensation," "Compensation Discussion and Analysis," "Report of the Compensation Committee," and "Executive Compensation" in the 2021 Proxy Statement.
- (d) Incorporated by reference to "Security Ownership of Certain Beneficial Owners and Management" and "Equity Compensation Plan Information" in the 2021 Proxy Statement.
- (e) Incorporated by reference to "Corporate Governance" and "Certain Relationships and Related Transactions" in the 2021 Proxy Statement.
- (f) Incorporated by reference to "Report of the Audit Committee" and "Proposal 2: Ratification of Selection of Independent Registered Public Accounting Firm" in the 2021 Proxy Statement.

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# Signatures

January 21, 2021

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.

INTEL CORPORATION Registrant

By: /s/ ROBERT H. SWAN

Robert H. Swan

Chief Executive Officer, Director, and Principal

Executive Officer January 21, 2021

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.

/s/ ROBERT H. SWAN	/s/ GEORGE S. DAVIS
Robert H. Swan	George S. Davis
Chief Executive Officer, Director, and Principal Executive Officer	Executive Vice President, Chief Financial Officer, and
January 21, 2021	Principal Financial Officer
	January 21, 2021
/s/ KEVIN T. MCBRIDE	
Kevin T. McBride	
Vice President of Finance, Corporate Controller, and	
Principal Accounting Officer	
January 21, 2021	
/s/ JAMES J. GOETZ	/s/ GREGORY D. SMITH
James J. Goetz	Gregory D. Smith
Director	Director
January 21, 2021	January 21, 2021
/s/ ALYSSA HENRY	/s/ DION J. WEISLER
Alyssa Henry	Dion J. Weisler
Director	Director
January 21, 2021	January 21, 2021
/s/ DR. OMAR ISHRAK	/s/ ANDREW WILSON
Dr. Omar Ishrak	Andrew Wilson
Chairman of the Board and Director	Director
January 21, 2021	January 21, 2021
/s/ DR. RISA LAVIZZO-MOUREY	/s/ FRANK D. YEARY
Dr. Risa Lavizzo-Mourey	Frank D. Yeary
Director	Director
January 21, 2021	January 21, 2021
/s/ DR. TSU-JAE KING LIU	
Dr. Tsu-Jae King Liu	
Director	
1 04 0004	

# UNITED STATES SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549

		3	,			
(Mark One)		FORM	I 10-K			
ANNUAL REPORT PURSUA  For the fiscal year ended Deco  or		•	) OF THE SEC	CURITIES EXCHANG	GE ACT OF 1934	1
☐ TRANSITION REPORT PUR	SUANT TO	SECTION 13 OR	15(d) OF THE	SECURITIES EXCH	IANGE ACT OF	n No.)  ch registered arket  Yes ☑ No ☐  Securities le such  bmitted er period that a smaller "smaller
For the transition period from						
	Coi	mmission File N	Number 000-	-06217		
		a001intellogo_o	coverfooter i	ng		
11	NTE			ATION		
		ame of registrant				
		Delaware		94	<b>1-1672743</b>	
(State or other jurisdict	ion of incorp	oration or organiza	ation)	(I.R.S. Emplo	oyer Identification	ı No.)
2200 Mission College Bo	oulevard.	Santa Clara,	California	9!	5054-1549	
(Address of p		,			Zip Code)	
` '	'	,	cluding area co	ode <b>(408) 765-8080</b>	p	
		registered pursuar				
Title of each class		Trading syr	mbol	Name of each ex	change on whic	h reaistered
Common stock, \$0.001 par va	lue	INTC			Global Select Ma	
	Securities	registered pursuar No		2(g) of the Act:		
Indicate by check mark if the registra	ant is a well-l	known seasoned is	ssuer, as defin	ed in Rule 405 of the	Securities Act.	Yes ☑ No □
Indicate by check mark if the registra Act. Yes $\square$ No $\square$	ant is not req	uired to file reports	s pursuant to S	Section 13 or Section	15(d) of the	
Indicate by check mark whether the Exchange Act of 1934 during the pre reports), and (2) has been subject to	eceding 12 m	onths (or for such	shorter period	that the registrant w		
Indicate by check mark whether the pursuant to Rule 405 of Regulation 5 the registrant was required to submit	S-T (§ 232.40	05 of this chapter)			•	
Indicate by check mark whether the reporting company, or an emerging greporting company," and "emerging g	growth comp	any. See the defin	itions of "large	accelerated filer," "a		
Large Accelerated Filer Accelera	ated Filer I	Non-Accelerated F	Filer Smaller	Reporting Company	Emerging Grov	wth Company
						]
If an emerging growth company, indicomplying with any new or revised fi	•	•				•

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

Aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant as of June 28, 2019, based upon the closing price of the common stock as reported by the Nasdaq Global Select Market on such date, was \$212.0 billion. 4,277 million shares of common stock were outstanding as of January 17, 2020.

### **DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's proxy statement related to its 2020 Annual Stockholders' Meeting to be filed subsequently are incorporated by reference into Part III of this Annual Report on Form 10-K. Except as expressly incorporated by reference, the registrant's proxy statement shall not be deemed to be part of this report.

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### ORGANIZATION OF OUR ANNUAL REPORT ON FORM 10-K

The order and presentation of content in our Form 10-K differs from the traditional SEC Form 10-K format. Our format is designed to improve readability and better presents how we organize and manage our business. See "Form 10-K Cross-Reference Index" within the Financial Statements and Supplemental Details for a cross-reference index to the traditional SEC Form 10-K format. To reflect our focus on transforming from a PC-centric¹ company to a data-centric company, we have presented our data-centric businesses¹ first in the "Segment Trends and Results" within MD&A.

We have defined certain terms and abbreviations used throughout our Form 10-K in "Key Terms" within the Financial Statements and Supplemental Details.

The preparation of our Consolidated Financial Statements is in conformity with U.S. GAAP. We have included key metrics that we use to measure our business, some of which are non-GAAP measures. See these "Non-GAAP Financial Measures" within MD&A.

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#### FORWARD-LOOKING STATEMENTS

This Form 10-K contains forward-looking statements that involve a number of risks and uncertainties. Words such as "anticipates," "expects," "intends," "goals," "plans," "opportunities," "future," "believes," "seeks," "targets," "estimates," "continues," "may," "will," "would," "should," "could," and variations of such words and similar expressions are intended to identify such forward-looking statements. In addition, any statements that refer to projections of our future financial performance; future business, social, and environmental performance, goals, and measures; our anticipated growth and trends in our businesses; projected growth and trends in markets relevant to our businesses; future products and technology and the expected availability and benefits of such products and technology; expected timing and impact of acquisitions, divestitures, and other significant transactions; expected completion of restructuring activities; expected returns to stockholders; future production capacity and product supply; uncertain events or assumptions, including statements relating to TAM or market opportunity; and other characterizations of future events or circumstances are forward-looking statements. Such statements are based on management's expectations as of the date of this filing and involve many risks and uncertainties that could cause our actual results to differ materially from those expressed or implied in our forward-looking statements. Such risks and uncertainties include those described throughout this report and particularly in "Risk Factors" within Other Key Information. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. Readers are urged to carefully review and consider the various disclosures made in this Form 10-K and in other documents we file from time to time with the SEC that disclose risks and uncertainties that may affect our business. Unless specifically indicated otherwise, the forward-looking statements in this Form 10-K do not reflect the potential impact of any divestitures, mergers, acquisitions, or other business combinations that have not been completed as of the date of this filing. In addition, the forward-looking statements in this Form 10-K are made as of the date of this filing, including expectations based on third-party information and projections that management believes to be reputable, and Intel does not undertake, and expressly disclaims any duty, to update such statements, whether as a result of new information, new developments, or otherwise, except to the extent that disclosure may be required by law.

#### NOTE REGARDING THIRD-PARTY INFORMATION

This Form 10-K includes market data and certain other statistical information and estimates that are based on reports and other publications from industry analysts, market research firms, and other independent sources, as well as management's own good faith estimates and analyses. Intel believes these third-party reports to be reputable, but has not independently verified the underlying data sources, methodologies, or assumptions. The reports and other publications referenced are generally available to the public and were not commissioned by Intel. Information that is based on estimates, forecasts, projections, market research, or similar methodologies is inherently subject to uncertainties, and actual events or circumstances may differ materially from events and circumstances reflected in this information.

<sup>\*</sup> Other names and brands may be claimed as the property of others.

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## INTRODUCTION TO OUR BUSINESS

Intel was founded in 1968 and our technology has been at the heart of combreakthroughs ever since. More than 50 years later, we are a world leader it design and manufacturing of essential technologies that power the cloud are increasingly smart, connected world. Intel is transforming from a PC-centric company to a data-centric company, with workload-optimized solutions desto help a broad set of customers process, move, and store ever-increasing amounts of data. This exponential growth of data is reshaping computing an expanding our opportunity.

We are investing to lead data-driven technology inflections that position us a bigger role in the success of our customers. These include: the rise of AI, transformation of networks, the intelligent edge<sup>1</sup> emerging with the Internet Things, and autonomous driving. Intel's ambitions have never been greater create world-changing technology that enriches the lives of every person or

Our commitment to corporate responsibility and to creating an inclusive environment to support the talent of our amazing people supports our ambit and makes us stronger. When every employee has a voice and a sense of belonging, Intel can be more innovative, agile, and competitive.

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a004bobcircle.jpg

"We are at a key inflection point with the exponential graduate creating massive demand for semiconductors. Cloworkloads are diversifying, networks are transforming, more computing performance is moving to the edge. We been on a multi-year journey to reposition the company portfolio to take advantage of this industry catalyst. To have the product and technology leadership that unique positions us to capitalize on these trends, and we are investing in the IP required to help our customers win the inflections of the future."

-Bob Swan, Chief Executive Officer

<sup>1</sup> Intel's definition is included in "Key Terms" within the Financial Statements and Supplemental Details

## **A YEAR IN REVIEW**

Our transformation to a data-centric company continued in 2019, and we experienced strong demand and reached critical product milestones. We achieved record revenue of \$72.0 billion, 48% of which was from our data-centric businesses. We invested \$13.4 billion in R&D while reducing our spending to 27% of revenue. Additionally, we made capital investments of \$16.2 billion, generated \$33.1 billion cash from operations and \$16.9 billion of free cash flow, and returned \$5.6 billion in dividends to stockholders. We continue to focus on improving supply and supporting our customers' growth. We increased our wafer capacity during 2019; however, we did not see a commensurate increase in client CPU unit volume as wafer capacity was largely consumed by increases in modem and chipset volumes, and unit die sizes.

Our 10nm manufacturing process entered full production as we launched our first products from this advanced technology. We are accelerating the pace of process node introductions and moving back to a 2- to 2.5-year cadence. We are on track to deliver our first 7nm-based product, a discrete GPU, at the end of 2021. 5G continues to be a strategic priority, and our exit from the 5G smartphone modem business is enabling us to increase the focus of our 5G efforts on the opportunity to modernize network and edge infrastructure.

a005georgecircle.jpg

"We achieved record revenue for the fourth consecutive year, exercised discipline to drive spending efficies and returned capital to our stockh Our results reflect a relentless commitment to improve execution benefits our customers and increasing shareholder value."

—George Davis, Chief Financial Off

#### **REVENUE**

#### **OPERATING INCOME**

#### **DILUTED EPS**

#### **CASH FLOWS**

PC-CENTRIC \$BDATA-CENTRIC \$B

■ GAAP \$B ■ NON-GAAP \$B

■ GAAP ■ NON-GAAP

- OPERATING CASH FLOW \$
- FREE CASH FLOW¹ \$B

chart1\_yirrevenue.jpgchart2\_yiropincome.jpgchart3\_yirdilutedeps.jpgchart

# \$72.0B

#### GAAP

## \$23.8B

non-GAAP1

# \$4.71 \$4.87

# \$33.1B \$1

non-GA

### GAAP

# Revenue up 2% from 2018; Datacentric up 3% and PC-centric flat

# Operating income down \$1.3B or 5% from 2018; 2019 operating margin at 31%

\$22.0B

# Operating income down \$797M or 3% from 2018; 2019 operating margin at 33%

# \$0.23 or 5% from 2018

Diluted EPS up

**GAAP** 

#### Diluted EPS up \$0.29 or 6% from 2018

non-GAAP1

# Operating cash flow up \$3.7B or 13%; operating cash flow to net income at 157% Free cash up \$2.7E free cash income at 157%

**GAAP** 

High-performance product sales in the second half of 2019, partially offset by NAND pricing pressure and decrease in platform<sup>2</sup> unit sales Lower gross margin from decrease in NAND market pricing and lower platform unit sales, partially offset by platform ASP strength Lower shares outstanding and platform ASP strength, partially offset by a decrease in platform unit sales and lower NAND market pricing

#### Working capital changes driv tax and other assets and liab partially offset by lower memprepayments and inventory by

#### GOAL (2019 - 2021)

#### Low single-digit growth over the next three years to \$76B-\$78B; data-centric businesses high singledigit growth and PC-centric business approximately flat to slightly down

#### GOAL (2019 - 2021)

#### Keep non-GAAP operating margin roughly flat at approximately 32% over the next three years

#### GOAL (2019 - 2021)

Grow non-GAAP diluted EPS in line with revenue over the next three years

## GOAL (2019 - 2021)

Achieve free cash flow of approximately 80% of non-GA income by 2021

#### **Progress**

## Revenue grew 2% from 2018 to 2019, to \$72.0B

#### **Progress**

## Non-GAAP operating margin was 33% in 2019

#### **Progress**

# Non-GAAP diluted EPS grew 6% from 2018 to 2019; revenue grew 2% over the same period

#### Progress

Free cash flow was 78% of no GAAP net income

- 1 See "Non-GAAP Financial Measures" within MD&A.
- 2 See "Our Products" within MD&A.

#### DATA-CENTRIC BUSINESSES EXPAND WITH NEW OPPORTUNITIES

#### **Data-Centric Portfolio Launch**

We introduced a portfolio of data-centric solutions consisting of 2nd generation Intel® Xeon® Scalable processors, Intel® Optane™ DC memory and storage solutions, and software and platform technologies optimized to help our customers extract more value from their data. Our latest data center solutions target a wide range of use cases within cloud computing, network infrastructure, and intelligent edge applications, and support highgrowth workloads, including AI and 5G.

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### PC-CENTRIC BUSINESS INNOV

#### 10nm-based 10th Generation Intel®

We started shipping our 10nm-based Intel® Core™ processors, previously re Our 10th generation Intel® Core™ procenable the first wave of PCs with instruan all-new CPU Core architecture and engine, and is the first client CPU to in Thunderbolt™ 3 connectivity modules.

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#### 10nm FPGAs Shipping

We began shipping engineering samples of Intel® Agilex™ FPGAs to customers. The 10nm-based FPGAs are used by our customers to develop advanced solutions for networking, 5G, and accelerated data analytics. The Intel® Agilex™ FPGA family leverages heterogeneous 3D SiP technology to deliver higher performance or higher power efficiency.

#### **Habana Labs Acquisition**

We acquired Habana Labs Ltd., an Israel-based developer of programmable deep learning accelerators for the data center, for approximately \$1.7 billion. Habana's AI processors provide data scientists and developers with accelerator hardware that improves processing performance and reduces power consumption. Habana's Gaudi\* AI training processor is currently sampling with select hyperscale customers. Large-node training systems based on Gaudi\* are expected to deliver up to four times increase in throughput versus systems built with the equivalent number of GPUs. The acquisition strengthens our AI portfolio and accelerates our efforts in the nascent, fast-growing AI silicon market.

#### **BIG BETS UPDATE**

We aim to be at the forefront of the constant technological change in our industry. We will evaluate new and existing big bets based on the following criteria: the "bet" is leading the edge of a technology inflection, it plays a significant role in our customers' success, and it offers a clear path to profitability and attractive returns. Currently, our big bets are memory, autonomous driving, and 5G.

We exited 5G smartphone modem business to increase the focus of our 5G efforts on the broader opportunity to modernize network and edge infrastructure.

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We continue to make progress in memory and autonomous driving. We launched Intel® Optane™ DC persistent memory for the data center and continue to take steps to improve NAND profitability. Mobileye's EyeQ\*5, the vision central computer performing sensor fusion for fully autonomous driving, is operational in Mobileye's autonomous test vehicles.

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#### **Project Athena Innovation Program**

Project Athena is a new multiyear innovation program to help the PC ecosystem create advanced laptops that meet ambitious key experience indicators in performance, responsiveness, battery life, form factor, and Al. The first laptops verified through the innovation program became

available in 2019, identified by the visu "Engineered for Mobile Performance."

a011murthyinvestor780.jpg

"While process and CPU leadership remfundamentally important, an extraordinal rate of innovation is required across a combination of foundational building blo including architecture, memory, interconsecurity, and software, to take full advan of the opportunities created by the explo of data."

—Dr. Venkata (Murthy) M. Renduchintala Group President of the Technology, System Architecture and Client Group and Chief Engineering Officer

## **OUR STRATEGY**

Data has become a driving force in society. Our customers are asking for solutions to turn data into actionable insights, amazing experiences, and operational efficiencies. Intel platforms provide the foundation for these solutions because we have developed a portfolio of data-centric technologies that span the data center to the edge, enabling us to play a differentiated and growing role in the success of our customers.

#### MAKE THE WORLD'S BEST SEMICONDUCTORS

Moore's Law, a law of economics predicted by Intel's co-founder Gordon Moore more than 50 years ago, continues to be a strategic priority and differentiator. We make significant investments and innovations in our silicon manufacturing technologies and platforms. Our proprietary technologies make it possible to integrate products and platforms that address evolving customer needs and expand the markets we serve. However, making the best semiconductors requires more than just the best manufacturing process technologies.

Product leadership is defined by our ability to optimize across six engineering pillars: process technology and packaging, architecture, memory, interconnect, security, and software. With these six pillars, we are accelerating product innovation with a focus on xPU platforms uniquely able to serve diverse new workload opportunities (e.g., CPU, GPU, AI accelerator and FPGA). These innovation efforts will extend Intel's opportunities to deliver products beyond the CPU that will contribute to the success of our customers.

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We manufacture a majority of our products in our own facilities and make significant investments in silicon manufacturing technologies and platforms as an IDM. We are focused on strengthening our IDM position by collaborating with the broader silicon manufacturing and design ecosystem to improve our design efficiency, including increased strategic use of third-party design IP and foundries for certain components to allow us to focus on differentiating technology. We are also pursuing design simplification to accelerate innovation, including a significant reduction of design rules for future process nodes, to allow us to deliver the best solutions for our customer.

#### LEAD TECHNOLOGY INFLECTIONS

Our strategic intent is to lead in key technology inflections that are fundamentally changing computing and communications. The most important drivers of change we see today are AI, the transformation of networks spearheaded by the transition to 5G, and the rise of the intelligent edge. We see a future where Intel® technologies enable our customers to move faster, store more, and process everything—from large complex applications in the cloud, to autonomous cars and small low-power devices on the edge.

Al helps our customers make sense of big data to unleash its potential. We offer a combination of hardware and software technologies that deliver broad capabilities to support computing, storage, transmission, and tuning in Al. We have taken a multi-architecture approach to Al hardware. Intel<sup>®</sup> Xeon<sup>®</sup> processors provide a foundation for analytics and Al, and software like the OpenVINO™ toolkit significantly simplifies the deployment of solutions. Intel<sup>®</sup> FPGAs allow customers to gain access to leading Al inferencing performance for their models. Similarly, the Intel<sup>®</sup> Nervana™ Neural Network Processors and Intel<sup>®</sup> Movidius™ Myriad™ VPUs are purpose-built for Al and support diverse approaches for innovation in a wide range of applications, from healthcare to autonomous driving to facial recognition. Habana's Gaudi\* Al training Processor and Goya\* Al Inference Processor offer an easy-to-program development environment to help customers deploy and differentiate their solutions as Al workloads continue to evolve with growing demands on compute, memory, and connectivity.

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We are optimistic about the opportunity presented to us by the 5G transition and the cloudification<sup>1</sup> of the network. 5G connectivity will transform industries from all business sectors and it continues to be a strategic priority across Intel. We are collaborating with ecosystem and vertical industry partners to define, prototype, test, and deliver 5G standards and solutions, and our team has developed products designed to support 5G network infrastructure and a valuable IP portfolio. With our exit from the 5G smartphone modem business, our 5G efforts are now focused on network infrastructure and other data-centric opportunities.

We provide the automobile industry's leading solution for ADAS and we continue to build on that leadership in pursuit of higher levels of autonomy, developing Road Experience Management for real-time crowdsourced mapping, and the Responsibility Sensitive Safety model for autonomous vehicle safety. As the data explosion creates new opportunities, we continue to assess other service models that will leverage our product leadership and deep technical expertise to drive more value to our customers.

# BE THE LEADING END-TO-END PLATFORM PROVIDER FOR THE NEW DATA WORLD

Customers look to Intel for our end-to-end capability to deliver solutions that enable customers to move faster, store more, and process everything. We continue to make investments in optimizing our Intel® Xeon® processors in response to our customers' need for high-performance computing. We continue to develop innovative memory and storage solutions, including Intel® QLC 3D NAND Technology and Intel® Optane™ memory, to provide data center products that are optimized to deliver world-class performance and drive lower total cost of ownership for cloud workloads. Our advancements in FPGAs enable efficient management of the changing demands of next-generation data centers and accelerate the performance of emerging applications.

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# RELENTLESS FOCUS ON OPERATIONAL EXCELLENCE AND EFFICIENCY

Underlying our transformation to a data-centric company is a relentless focus on operational excellence and efficiency. This focus includes the elimination of lower growth investments and activities, and the simplification and automation of routine processes and activities. These efforts also extend to our product design processes, where we are striving to reduce the complexity of our designs to improve our efficiency and enhance quality.

These improvements enable us to achieve scale in our core operations, providing a stable and cost-effective platform to support additional investments in the design, development, and delivery of new products. Operational excellence helps us fund the expansion of our TAM through big-bet investments.

#### CONTINUE TO HIRE, DEVELOP, AND RETAIN THE BEST, MOST DIVERSE AND INCLUSIVE TALENT

At the core of our organization are highly skilled, diverse, and talented people capable of accelerating as one team in everything we do. We are proud of our past and inspired by how our employees are rising to the challenge to evolve our culture. Inclusion is the foundation of this evolution and runs through each of our culture attributes. These attributes reinforce:

- Customer Obsessed: Our customer's success is our success. We listen, learn, and anticipate our customers' needs to deliver on their ambitions.
- One Intel: We are stronger together and commit to team over individual success.
- Fearless: We are bold and innovative. We take risks, fail fast, and learn from mistakes.
- Truth and Transparency: We are committed to being open and honest while bringing clarity to complex challenges.
- Inclusion: We strive to build a culture of belonging and welcome differences, knowing it makes us better.

Our evolution is a multi-year journey, and one that requires new and different thinking, actions, systems, and processes to ensure that our employees are equipped to innovate for a world where all data needs to be processed, moved, stored, and analyzed.

<sup>1</sup> Intel's definition is included in "Key Terms" within the Financial Statements and Supplemental Deta	ails.
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a001intellogo\_coverfooter.jpg FUNDAMENTALS OF OUR BUSINESS

# OUR CAPITAL

We deploy various forms of capital to execute our strategy in a way that seeks to reflect our corporate values, help our customers succeed, and create value for our stakeholders.

CAPITAL	STRATEGY	VALUE
FINANCIAL		
a016financialiconv2.jpg	Leverage cash flow to invest in ourselves and grow our capabilities, supplement and strengthen our capabilities through acquisitions and strategic investments, and provide returns to stockholders.	We strategically invest financial capital to create long-term value and provide returns to our stockholders in the form of dividends and buybacks.
INTELLECTUAL		
a017intellectualicona15.jpg	Invest significantly in R&D and IP to ensure our process and product technologies are competitive in our strategic pursuit of making the world's best semiconductors and realizing datacentric opportunities.	We develop IP for our platforms to enable next-generation products, create synergies across our businesses, provide a higher return as we expand into new markets, and establish and support our brands.
MANUFACTURING		
a018manufacturedicona14.jpg	Invest timely and at a level sufficient to meet customer demand for current technologies and prepare for future technologies.	Our manufacturing scope and scale enables innovations to provide our customers and consumers with a broad range of leading-edge products.
HUMAN		
a019humanicona13.jpg	Develop the talent needed to remain at the forefront of innovation and create a diverse, inclusive, and safe workplace.	We attract and retain talented employees who enable the development of solutions and enhance the intellectual and manufacturing capital critical to helping our customers win the technology inflections of the future.
SOCIAL AND RELATIONSHIP		
a020socialicona12.jpg	Build trusted relationships for both Intel and our stakeholders, including employees, suppliers, customers, local communities, and governments.	We collaborate with stakeholders on programs to empower underserved communities through education and technology, and on initiatives to advance accountability and capabilities across our global supply chain, including accountability for the respect of human rights.
NATURAL		
a021naturaliconblueglobea01.jpg	Continually strive to reduce our environmental footprint through efficient and responsible use of natural resources and materials used to create our products.	Our proactive efforts help us mitigate climate and water impacts, achieve efficiencies and lower costs, and position us to respond to the expectations of our stakeholders.

#### a016financialiconv2.jpg FINANCIAL CAPITAL

Our financial capital allocation strategy focuses on building stockholder value. We have returned approximately 90% of free cash flow to investors over the past five years and expect to return approximately 100% in 2020.

#### **CASH FROM OPERATING ACTIVITIES \$B**

chart5\_cashfromops.jpg

■ Capital Investment
■ Free Cash Flow¹

# OUR FINANCIAL CAPITAL ALLOCATION DECISIONS ARE DRIVEN BY THREE PRIORITIES

#### **INVEST IN THE BUSINESS**

Our first allocation priority is to invest in R&D and capital spending to strengthen our competitive position. We shifted our R&D focus as we began a transformation to a data-centric company, while efficiently maintaining our investment at approximately 20% of revenue. We invested record levels of capital in logic (primarily platform wafer manufacturing) during the last two years to expand our capacity. With that investment, we increased our 14nm wafer capacity while also ramping 10nm production. We expect to further increase our PC client supply on both process nodes in 2020.

#### ACQUIRE AND INTEGRATE

Our second allocation priority is to invest in companies around the world that will complement our strategic objectives and stimulate growth of data-centric opportunities. We look for acquisitions that leverage and strengthen our capital and R&D investments. In 2019, we completed various acquisitions, including Habana Labs and Barefoot Networks, to expand our product offerings and the markets we serve. We take action when investments do not meet our criteria, and in 2019 we divested the majority of our 5G smartphone modem business for this reason.

#### RETURN CASH TO STOCKHOLDE

Our third allocation priority is to return constockholders. We achieve this through of dividend and share repurchase program During 2019, we paid \$5.6 billion in divide and repurchased \$13.6 billion in shares, from 2018. In October 2019, we annound that we expect to repurchase \$20.0 billion shares over the next 15 to 18 months. Consume approach has reduced diluted shares outstanding over time.

outstand	aning over time	٥.	
	ends Per hare	7	Diluted S Outstar (In Milli
2019	\$1.26		4,47
2018	\$1.20	8% CAGR	4,70
2017	\$1.0775		4,83
	_	╛	

**CASH TO STOCKHOLDERS \$B** 

#### **R&D AND CAPITAL INVESTMENTS \$B**

#### **ACQUISITIONS**

chart6\_capinvestments.jpgchart7\_acquistions.jpgchart8\_cashtostockholders.jpg

■ R&D ■ Logic ■ Memory — # of Acquisitions ■ Total Spent \$B

s Total Spent \$B Buyback Dividend

a001intellogo\_coverfooter.jpg FUNDAMENTALS OF OUR BUSINESS

Our Capital

See "Non-GAAP Financial Measures" within MD&A.

#### a017intellectualicona15.jpg INTELLECTUAL CAPITAL

#### RESEARCH AND DEVELOPMENT

R&D is a critical factor in achieving our strategic objectives to make the world's best semiconductors, to lead technology inflections, and to provide leading end-to-end platform solutions. Successful R&D efforts can lead to new products and technologies or improvements to existing ones, which we seek to protect through our IP rights. We may augment our R&D initiatives through the following methods: acquiring or investing in companies, entering into R&D agreements, and directly purchasing or licensing technology.

#### **PRODUCT TECHNOLOGY**

Every year we make significant investments in R&D and we have intensified our focus on six engineering pillars to advance our product capabilities. Our objective is to improve user experiences and value through advances in performance, power, cost, connectivity, security, form factor, and other features with each new generation of products. We are also focused on reducing our design complexity to improve our efficiency, including a significant reduction of design rules for future process nodes.

Process. Development of next-generation manufacturing processes remains a critical and fundamental pillar. We announced that we are planning multiple waves of 10nm process, progressively increasing transistor performance. We also announced advances in our next-generation 2.5D (EMIB) and 3D (Foveros) packaging technology which will enable us to mix and match chips made on different processes into a single SiP, enabling new design flexibility and new device form factors. The Intel 10nm product era is underway, as we began shipping our new 10th generation Intel<sup>®</sup> Core<sup>™</sup> processors, previously referred to as Ice Lake.

a022sixpillars.jpg

Six Pillars of Product Leadership

Architecture. We are designing products for four major computing architectures—CPU, GPU, AI accelerator, and FPGA products—as we move toward a model of providing multiple "xPU" compute platforms for a more diverse era of computing. We shipped the 10th generation Intel<sup>®</sup> Core<sup>TM</sup> processors with our next-generation CPU microarchitecture, which has architectural extensions designed for special-purpose computing tasks such as AI and cryptography, among other features. These processors also include the next generation of graphics microarchitecture, with performance and feature upgrades. We also continue to make progress on the development of our first discrete GPU.

Memory. With our Intel® 3D NAND technology and Intel® Optane™ technology, we are developing products to disrupt the memory and storage hierarchy. The 4th generation of Intel®-based SSDs are scheduled to launch in 2020 with 144-layer QLC memory technology. These SSDs are also Intel's first NAND memory technology created independently by Intel since the conclusion of our partnership with Micron Technology, Inc. (Micron). The 2nd generation Intel® Optane™ SSDs for data centers are scheduled to start shipping samples in 2020, and are designed to deliver three times the throughput while reducing application latency by four times. In addition, the second-generation Intel® Optane™ DC persistent memory is expected to achieve PRQ in 2020, and is designed for use with our future Intel® Xeon® CPUs.

Interconnect. We have a broad portfolio of interconnect solutions, ranging from silicon to the data center to wireless. Our silicon photonics technology integrates lasers into silicon to create high-speed optical connections that can help remove networking bottlenecks in the data center. We announced two initiatives to help influence the industry—USB4 and CXL. USB4 advances the speed and capability for interconnect in client platforms. CXL, an open interconnect technology, creates a high-speed, low latency interconnect between the CPU and accelerators, such as GPUs, FPGAs, and networking.

Security. We continue to make significant investments in security technologies. We created the Intel Security Architecture and Technologies Group to serve as a center for security architecture across our products to design world-class product security architecture for the years ahead.

Software. The performance potential of our hardware products is unlocked with software. Our vision is to unify our software abstractions across all our xPU platforms. We are developing a project called oneAPI to simplify

programming for developers across our CPU, GPU, FPGA, AI accelerator, and other accelerator products, providing a unified portfolio of developer tools for mapping software to the hardware that can best accelerate the code.

#### **IP RIGHTS**

We own and develop significant IP and related IP rights around the world that support our products, services, R&D, and other activities and assets. Our IP portfolio includes patents, copyrights, trade secrets, trademarks, mask work, and other rights. We actively seek to protect our global IP rights and to deter unauthorized use of our IP and other assets. For a detailed discussion of our IP rights, see "Intellectual Property Rights and Licensing" within Other Key Information.

a001intellogo\_coverfooter.jpg FUNDAMENTALS OF OUR BUSINESS

Our Capital

### a018manufacturedicona14.jpg MANUFACTURING CAPITAL

We are an IDM. Unlike many other semiconductor companies, we primarily design and manufacture our products in our own manufacturing facilities, and we see our in-house manufacturing as an important advantage. We continue to develop new generations of manufacturing process technology as we seek to realize the benefits from Moore's Law. Realizing Moore's Law results in economic benefits as we are able to either reduce a chip's cost as we shrink its size, or increase functionality and performance of a chip while maintaining the same cost with higher density. This makes possible the innovation of new products with higher performance while balancing power efficiency, cost, and size to meet customers' needs. Our ability to optimize and apply our manufacturing expertise to deliver more advanced, differentiated products is foundational to our current and future success.

We improved our 10nm factory production, yield, and volume during 2019, and launched 10th-generation Intel® Core™ processors, our first 10nm volume product, and Intel® Agilex™, our first 10nm FPGA. We expect to deliver initial production shipments of our first 10nm-based Intel® Xeon® Scalable product, Ice Lake, in the latter part of 2020.

"Our technology and innovation pipeline is as full and as strong as it's ever been. By embracing our ecosystems and delivering new capability on a predictable cadence, we will continue to drive Moore's Law forward and a023mikemayberrycircles.jpg create compelling products for our customers."

—Mike Mayberry, Senior Vice President, Chief Technology Officer and General Manager of Technology Development

We are on track to deliver our first 7nm-based product, a data center-focused discrete GPU, at the end of 2021. We are approaching next-generation process nodes with a focus on striking an optimal balance between schedule, performance, power, and cost and will continue to drive intra-node advancement.

#### **NETWORK AND SUPPLY CHAIN**

We previously announced multiple manufacturing site expansions with multi-year construction activities that began in 2019. In addition to expanding our own manufacturing capability, we are increasing our use of foundries to enable our differentiated manufacturing to produce more CPU products. We use third-party foundries to manufacture wafers for certain components and leverage subcontractors to augment capacity to perform assembly and test in addition to our in-house manufacturing, primarily for chipsets and adjacent products. As we considered the estimated \$300 billion TAM¹ opportunity ahead of us, it was imperative that we prepare our global manufacturing network to be responsive to changes in demand. However, despite increasing 14nm wafer capacity, we did not see a commensurate increase in client CPU unit volume as wafer capacity was largely consumed by increases in modem and chipset volumes, and unit die sizes. Our focus on capacity expansion and meeting customer expectations is critical as we move into 2020.

We have nine manufacturing sites—six are wafer fabrication and three are assembly/test facilities. The map marks our manufacturing sites and the countries where we have a significant R&D or sales and marketing presence.

The majority of our logic wafer manufacturing is conducted in the U.S. We incur factory start-up costs as we ramp facilities for new process technologies. We ramped the 10nm process node in Oregon and Israel in 2019, and began production in Arizona in our 2020 fiscal year. We also expanded our memory facilities in Dalian, China.

a024worldmap\_2019test.jpg

Our manufacturing facilities are primarily used for silicon wafer manufacturing of our platform and memory products. These facilities are built following a "copy exactly" methodology, whereby new process technologies are transferred identically from a central development fab to each manufacturing facility. This enables fast ramp of the operation as well as better quality control. These wafer fabs operate in a network of manufacturing facilities integrated as one factory to provide the most flexible supply capacity, allowing us to better analyze our production costs and adapt to changes in capacity needs.

In 2019, we ramped 96-layer 3D NAND technology and prepared to begin manufacturing our 144-layer 3D NAND technology in 2020 in our facility in Dalian, China. The next generation of Intel<sup>®</sup> Optane<sup>™</sup> technology and SSDs are being developed in New Mexico following the sale of our non-controlling interest in IMFT to Micron on October 31, 2019. We will continue to purchase product manufactured by Micron at the IMFT facility under established supply agreements.

<sup>1</sup> Source: Intel calculated 2024 TAM derived from industry analyst reports.

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Our Capital

a019humanicona13.jpg

#### **HUMAN CAPITAL**

Evolving our culture is critical to delivering on our growth strategy and for continuing to attract and retain top talent needed to support our transformation to a data-centric company. We have an amazing legacy of innovation and a powerful culture, yet our ambitions have grown. Together, we are evolving our culture to build an even brighter future. Our global workforce of 110,800 is highly educated, with approximately 90% of our people working in technical roles. We invest in creating a diverse, inclusive, and safe work environment where our employees can deliver their workplace best every day.

All employees are responsible for upholding the Intel Values, Intel Code of Conduct, and Intel Global Human Rights Principles, which form the foundation of our policies and practices. For over a decade, we have tracked and publicly reported on key human capital metrics, including workforce demographics, diversity and inclusion data, turnover, and training data.

"Tapping into the richness of our diverse workforce is key to driving future growth. Intel will continue to be transparent about our progress and our challenges, so we can partner with our customers and ecosystem to find better solutions together."

**—Sandra Rivera**, Executive Vice President and Chief People Officer

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#### **DIVERSITY AND INCLUSION**

To shape the future of technology, we must be representative of that future. A diverse and inclusive workforce is a business imperative and key to our long-term success. We committed \$300 million to advance diversity and inclusion in our workforce and in the technology industry. We achieved our goal of full representation in our U.S. workforce two years ahead of schedule, meaning our workforce now reflects the percentage of women and underrepresented minorities available in the skilled labor market in the U.S. This achievement was the result of a comprehensive strategy that considered hiring, retention, and progression. Though we are proud of what we have accomplished to advance diversity in our workforce, we still have work to do, including beyond the walls of Intel. We took action by joining 11 other companies to fund an initiative to double the number of women of color graduating with computing degrees in the U.S. by 2025. We also continue to look for and implement partnerships and programs to increase retention and advancement of women and underrepresented populations within our workplace. The breakout of employees by gender provides our current global gender diversity.

a026employeesbygenderfinal.jpg

#### **COMPENSATION AND BENEFITS**

We strive to provide pay, benefits, and services that help meet the varying needs of our employees. Our generous total rewards package includes market-competitive pay, broad-based stock grants and bonuses, an Employee Stock Purchase Plan, healthcare and retirement benefits, paid time off and family leave, parent reintegration, fertility assistance, flexible work schedules, sabbaticals, and onsite services. In 2019, we announced that we achieved gender pay equity globally by closing the gap in average pay between employees of different genders in the same or similar roles after accounting for legitimate business factors that can explain differences, such as performance, time at grade level, and tenure. We also continued to advance transparency in our pay and representation data by publicly releasing our 2017 and 2018 EEO-1 survey pay data mandated by the U.S. Equal Employment Opportunity Commission. The results reflected representation gaps and point to work that lies ahead. However, due to our diversity and inclusion efforts, there is promising growth of our junior female and underrepresented talent from which our future leadership will be drawn. Our challenge now is to create an environment that better helps our female and

a027manufacturingwoman.jpg

underrepresented employees develop and progress in their careers, while also ensuring we are expanding our hiring and retention of diverse talent at more senior, higher-paying positions.

<sup>1</sup> Executives refers to salary grades 12+ and equivalent grades. While we present male and female, we acknowledge this is not fully encompassing of all gender identities.

a001intellogo\_coverfooter.jpg FUNDAMENTALS Our Capital OF OUR BUSINESS

#### **GROWTH AND DEVELOPMENT**

We invest significant resources to develop the talent needed to remain at the forefront of innovation and make Intel an employer of choice. We deliver training annually and provide rotational assignment opportunities. We launched a new performance management system to support our culture evolution and increase focus on continuous learning and development. Over the past five years, our undesired voluntary turnover rate has been at or below 5%.

#### COMMUNICATION AND ENGAGEMENT

Our success depends on employees understanding how their work contributes to the company's overall strategy. We use a variety of channels to facilitate open and direct communication, including open forums with executives; employee experience surveys; and engagement through more than 30 different employee resource groups, including the Women at Intel Network, the Network of Intel African American Employees, the Intel Latino Network, and others.

a064employeesbyregion.jpg

#### **HEALTH, SAFETY, AND WELLNESS**

We are committed to the safety of our employees, customers, and communities, from operations to product development to supplier partnerships. Our ultimate goal is to achieve zero serious injuries through continued investment in and focus on our core safety programs and injury-reduction initiatives. We provide access to a variety of innovative, flexible, and convenient health and wellness programs, including on-site health centers.

#### a020socialicona12.jpg SOCIAL AND RELATIONSHIP CAPITAL

We are committed to developing trusted relationships, giving back to our communities, and engaging in corporate responsibility and sustainability initiatives. Collaboration with stakeholders and investments in social impact initiatives, like the United Nations Sustainable Development Goals, led to our reputation as a leading corporate citizen and creates value in the form of consistent stakeholder support.

#### **ECONOMIC, SOCIAL, AND HUMAN RIGHTS IMPACT**

The health of our company and local economies depends on continued investments in innovation. We provide high-skill, high-paying jobs around the world. Many of these are manufacturing and R&D jobs located in our own domestic and international factories. We also impact economies through our R&D ecosystem spending, sourcing activities, consumer spending by our employees, and tax revenue. We make sizable capital investments and provide leadership in public-private partnerships to spur economic growth and innovation.

We are at the forefront of new technologies that are increasingly being used to empower individuals, companies, and governments around the world to solve major societal challenges. Simultaneously, we are empowering people through education and advancing social impact initiatives to create new career pathways into the technology industry, helping us build trust with key external stakeholders and support the interests of our employees. Our employees actively share their expertise and skills through volunteer initiatives, and contributed 1 million hours of service in the communities where we operate in 2019.

We are committed to maintaining and improving processes to avoid human rights violations related to our operations, supply chain, and products. While we do not always know nor can we control what products our customers create or the applications end-users may develop, we do not support or tolerate our products being used to violate human rights. Where we become aware of a concern that Intel products are being used by a business partner in connection with abuses of human rights, we will restrict or cease business with the third party until and unless we have high confidence that Intel's products are not being used to violate human rights.

#### **SUPPLY CHAIN RESPONSIBILITY**

We have robust programs to educate and engage suppliers that support our global manufacturing operations to drive responsible and sustainable practices throughout the supply chain. Actively managing our supply chain creates business value for Intel and our customers by helping to reduce risk, improve product quality, achieve environmental and social goals, and raise the overall performance of our suppliers. Over the past five years, we completed more than 600 supplier audits using the Responsible Business Alliance Code of Conduct standard. We actively collaborate with other companies and lead industry initiatives on key issues such as advancing responsible minerals sourcing, improving transparency around climate and water impacts in the global electronics supply chain, and addressing risks

of forced and bonded labor. Our commitment to building a diverse and inclusive workforce extends to the expectations we set for our suppliers—a diverse supply chain supports greater innovation and value for our business. We continue working toward our 2020 goal of reaching \$1.0 billion in annual spending with diverse-owned suppliers. We also announced the "Intel Rule" to help improve diversity in the legal profession: Beginning in 2021, we will not retain or use outside law firms in the U.S. that are average or below average on diversity for their equity partners. We are applying a similar rule to firms used by our tax department, including non-legal firms.

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Our Capital

## a021naturaliconblueglobea01.jpg NATURAL CAPITAL

Driving to the lowest environmental footprint possible helps us achieve efficiency, lower costs, and respond to the needs of our stakeholders. We invest in conservation projects and set company-wide environmental targets, seeking to drive reductions in greenhouse gas emissions, energy use, water use, and waste generation. We focus on building energy efficiency into our products to help our customers lower their own emissions and energy costs. We also collaborate with policymakers and other stakeholders to identify opportunities to apply technology to environmental challenges such as climate change and water conservation.

"At Intel, we have long believed that to truly be a leader in manufacturing, we must also advance environmental sustainability and corporate responsibility. For more than two decades, our sustainability practices have enabled us to create significant value for our customers, investors, employees, and community stakeholders."

—Ann Kelleher, Senior Vice President and General Manager of Manufacturing and a028anncircle.jpg Operations

#### **CLIMATE AND ENERGY**

We focus on reducing our own direct climate "footprint" and over the past two decades have reduced our direct emissions and electricity-generated emissions. Since 2012, we have invested more than \$200 million in energy conservation projects in our global operations, resulting in cumulative savings of more than 4.5 billion kWh and cost savings of more than \$500 million. In addition to conserving energy, we invest in green power and on-site alternative energy projects that provide power directly to our buildings and design all new buildings to LEED\* standards. In 2019, we opened a LEED Platinum building in Israel with sensors that monitor lighting, temperature, ventilation, parking, and other building services and systems that enable and foster smart innovation. It also employs stormwater runoff collection and injection wells to avoid groundwater runoff. We also focus on increasing our "handprint"—the ways in which Intel technologies can help others reduce their footprints, including Internet of Things solutions that enable intelligence in machines, buildings, supply chains, and factories, and make electrical grids smarter, safer, and more efficient.

We are leveraging a leading framework developed by TCFD to communicate our approach to climate governance, strategy, risk management, and metrics and targets. In terms of governance and strategy, we follow an integrated approach to addressing climate change, with multiple teams responsible for managing climate-related activities, initiatives, and policies, including manufacturing and operations, government and public affairs, supply chain, and product teams. Strategies and progress toward goals are reviewed with senior executives and the Board's Corporate Governance and Nominating Committee. We describe our overall risk management processes in our Proxy Statement, and we describe our climate-related risks and opportunities in our annual Corporate Responsibility Report, the Intel Climate Change Policy, and "Risk Factors" within this Form 10-K. Regarding metrics and goals, for two decades we have set aggressive GHG reduction goals, including our 2020 goal to reduce our direct GHG emissions by 10% on a per-unit basis from 2010 levels, which we are on track to achieve. Additional detail on our proactive efforts to address climate change is included in our Corporate Responsibility Report, as well as our CDP Climate Change Survey, both available on our website<sup>1</sup>.

#### WATER STEWARDSHIP

Water is essential to the semiconductor manufacturing process. We use ultrapure water to remove impurities from our silicon wafers, and we use industrial and reclaimed water to run our manufacturing facility systems. Over the last two decades, our sustainable water management efforts and partnerships have enabled us to conserve billions of gallons of water, and over the last decade we have returned approximately 80% of our water back to our communities. We continue to work toward our goal to restore 100% of our global water use by 2025, with more than 20 projects funded in collaboration with environmental and community partners through the end of 2019. We expect to restore approximately 1.5 billion gallons of water each year to local watersheds once these projects are complete.

#### CIRCULAR ECONOMY AND WASTE MANAGEMENT

We have long been committed to waste management, recycling, and circular economy strategies that enable the recovery and productive re-use of waste streams. We achieved our 2020 goal of recycling 90% of our non-hazardous waste ahead of schedule. We continue to work toward our 2020 goal of sending zero hazardous waste to landfills. Our aim is to continue to invest in reducing the amount of waste we generate while increasing the amount recycled and identifying re-use solutions that reduce costs and environmental impact.

a001intellogo\_coverfooter.jpg FUNDAMENTALS Our Capital

<sup>&</sup>lt;sup>1</sup> The contents of our website and our Corporate Responsibility Report, Climate Change Policy, and CDP Climate Change Survey are referenced for general information only and are not incorporated by reference in this Form 10-K.

## **VALUE WE CREATE**

Each of our six forms of capital plays a critical role in our long-term value creation. We consider numerous indicators in determining the success of our capital deployment in creating value. Highlights of value created up to and in 2019 are as follows:

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<sup>1</sup> See "Non-GAAP Financial Measures" within MD&A.

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Our Capital

# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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#### % INTEL REVENUE

#### **KEY PRODUCTS AND MARKETS**

#### **HIGHLIGHTS**

DCG

a031dcgdonut.jpg a032iotgdonuta06.jpg Includes workload-optimized platforms and related products designed for cloud, enterprise, and communication infrastructure market segments.

Includes high-performance compute solutions for targeted verticals and embedded applications in more targeted verticals and embedded applications in an embedded applications in targeted verticals and embedded applications in a more target as a company of the co

Revenue for our data-centric businesses was up 3% Growth in DCG, IOTG, Mobileye, and NSG was offs PSG. We introduced new data-centric products, suc Intel® Agilex™ FPGA, 2nd generation Intel® Xeon® S and Intel® Optane™ DC persistent memory. In addit continued to secure new design wins at major U.S. a automakers and announced plans to commercialize

IOTG

targeted verticals and embedded applications in market segments such as retail, industrial, smart infrastructure, and vision.

#### **OPPORTUNITIES**

**MOBILEYE** 

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Includes development of computer vision and machine learning-based sensing, data analysis, localization, mapping, and driving policy technology for ADAS and autonomous driving.

We have expanded our data-centric TAM to approxibillion¹ with acquisitions and product innovations. Or portfolio enables new opportunities for us and create synergistic value for our customers. For example, or for Al workloads reach from the cloud to the edge, a developing CPU, GPU, FPGA, and Al accelerator prinference and training Al workloads, while also pursus software optimizations for Al.

NSG

Includes memory and storage products like Intel® Optane™ technology and Intel® 3D NAND technology, primarily used in SSDs.

**CHALLENGES** 

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Includes programmable semiconductors, primarily FPGAs and structured ASICs, and related products for communications, cloud and enterprise, and embedded market segments.

DCG growth slowed as major cloud service provider OEMs worked through inventory after a historic platt 2018. As we enter 2020, we expect to face an increamarket. In addition, challenging market conditions recompression on memory products.

**PSG** 

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#### % INTEL REVENUE

#### **KEY PRODUCTS AND MARKETS**

CCG

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Includes platforms designed for end-user form factors, focusing on higher growth segments of 2-in-1, thin-commercial and gaming, and growing adjacencies such as connectivity, graphics, and memory.

#### HIGHLIGHTS

Our PC-centric business revenue remained flat year over year. We began shipping our 10nm-based 10th generation Intel® Core™ processors, previously referred to as Ice Lake. These processors feature a new core architecture and are expected to deliver increased graphics performance, AI, and new levels of integrated connectivity for thin-and-light laptops and 2-in-1s. We divested the majority of our 5G smartphone modem business to increase the focus of 5G efforts on the broader opportunity to modernize network and edge infrastructure while retaining critical IP and modem technology.

#### **OPPORTUNITIES**

We are targeting an approximately \$70 billion PC-centric revenue TAM¹. This expanded portfolio includes markets such as connectivity, graphics, and memory, which enables new opportunities as we innovate through the platform. We launched Project Athena, a multi-year innovation program designed to deliver advanced laptops that meet ambitious key experience indicators in performance, responsiveness, battery life, form factor, and Al.

## CHALLENGES

Our PC-centric business is ope increasingly competitive enviror focused on executing an annual leadership products. Strong der product lines, combined with inconsumed by offsetting factors, tight supply, particularly at the warket. We are making addition our manufacturing facilities and customers to align demand with

<sup>&</sup>lt;sup>1</sup> Source: Intel calculated 2024 TAM derived from industry analyst reports.

## **OUR PRODUCTS**

#### **OUR PRODUCTS PROVIDE END-TO-END SOLUTIONS**

We are at the forefront of developing new technologies and new products as building blocks for an increasingly smart and connected world. These technologies and products are used as integrated solutions for a broad spectrum of markets. As we transform beyond a PC-centric company to address the needs of the new data-centric world, we have expanded our product offerings to provide end-to-end solutions, scaling from edge computing to the network, the cloud, and the emerging fields of AI and autonomous driving.

a038endtoendsolutions.jpg

#### WE HAVE A BROAD PRODUCT PORTFOLIO

From processing to transferring, storing, and analyzing data, our broad product portfolio offers innovative solutions to a wide array of customers. These products, such as our gaming CPUs, may be sold directly to end consumers, or they may be further integrated by our customers into end products such as notebooks and storage servers. Combining some of these products—for example, integrating FPGAs and memory with Intel® Xeon® processors in a data-center solution—enables incremental synergistic value and performance. We introduced new products in 2019 such as 10nm-based 10th generation Intel® Core™ processors, Intel® Agilex™ FPGAs, 2nd generation Intel® Xeon® Scalable processors, and Intel® Optane™ DC persistent memory.

a039ourproductportfolioa02.jpg

Platform products: Our platform products can be a CPU and chipset, an SoC, or a multichip package, based on Intel® architecture that processes data and controls other devices in a system. These products are primarily used in solutions sold through CCG, DCG, and IOTG.

Adjacent products: Our non-platform, or adjacent products, can be combined with platform products to form comprehensive platform solutions to meet customer needs. These products are used in solutions sold through each of our businesses and include the following:

- Accelerators Silicon products that can operate alone or accompany our processors in a system, such as FPGAs, VPUs, and Mobileye EyeQ\* SoC
- Boards and systems Server boards and small form factor systems such as Intel® NUCs
- Connectivity products Cellular modems, Ethernet controllers, silicon photonics, Wi-Fi, and Bluetooth<sup>®</sup>
- · Memory and storage products SSD, persistent memory, and memory components

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#### **OVERVIEW**

DCG develops workload-optimized platforms for compute, storage, and network functions. Market segments include cloud service providers, enterprise and government, and communications service providers. In the first half of 2019, DCG customers, specifically the cloud service providers and enterprise and government market segments absorbed capacity and worked through inventory after a historic customer-driven platform refresh in 2018. As consumption picked back up in the second half of 2019, DCG returned to growth. Continued demand for cloud computing and solutions built for the network and edge fueled growth.

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#### **HIGHLIGHTS AND SEGMENT IMPERATIVES**

We delivered sweeping innovation across our data-centric product portfolio, including introduction
of the 2nd generation Intel® Xeon® Scalable processor family for the data center, first market
introduction of Intel® Optane™ DC persistent memory, new Intel® Xeon® D processors, and
Intel® 800 series Ethernet adapters.

"Our workload-op broad portfolio sti uniquely enables customers to mov process the world

- Adjacent products saw double-digit revenue growth primarily due to Intel<sup>®</sup> Silicon Photonics and Intel<sup>®</sup> Optane<sup>™</sup> DC persistent memory.
- DCG has significant opportunities in cloud, networking, AI, and data analytics. As we broadened
  our product offerings and continued to innovate, the data center market TAM<sup>1</sup> is expected to grow
  to approximately \$90 billion by 2024.

—Navin Shenoy, L Group<sup>2</sup> General Ma

#### **5-YEAR TRENDS**

chart9 dcg5yrrevenue.jpg chart10 dcg5yropincome.jpg

■ Revenue \$B — Year over Year Growth

Op Income \$B

Year over Year Growth

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<sup>&</sup>lt;sup>1</sup> Source: Intel calculated 2024 TAM derived from industry analyst reports.

<sup>&</sup>lt;sup>2</sup> Our Data Platforms Group includes our DCG segment. See "Information About Our Executive Officers" within Other Key Information for more details.

#### **MARKET AND BUSINESS OVERVIEW**

#### Market trends and strategy

Data is a significant force in society, and is being generated at an unprecedented pace. Data center customers want to work with partners who can deliver platforms to address their most important technology challenges. Additionally, as more data is generated, organizations are seeking to analyze data closer to point of origin, giving rise to a data-centric edge environment across industries and providers. We expect the massive growth of data worldwide will increase demand to move, store, and process data and extract value from data. We are one of the few companies that touches every part of the data-centric compute landscape, and we have invested both organically and through acquisitions to capitalize on these demands. We expect these trends to continue to fuel demand in DCG and other data-centric businesses in the long term.

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DCG focuses on three market segments: cloud service providers, enterprise and government, and communications service providers. In 2019, cloud revenue grew as service providers continued to invest in infrastructure to meet the explosive demand for digital services, AI, and data analytics. Cloud service provider revenue was down in the first half as customers absorbed capacity and worked through inventory after a historic 2018 platform refresh; this trend stabilized in the second half of 2019. In our enterprise and government market segment, legacy architecture continues to decline on-premise, but enterprises are rapidly embracing cloud as an architecture, and we expect to continue to see growth in hybrid and multi-cloud deployments. In the communications service provider market segment, we gained market segment share as customers chose to virtualize and transform their networks and prepare for the 5G transition using Intel® architecture.

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#### **Products and competitiveness**

We offer customers an unmatched, broad portfolio of platforms and technologies designed to provide workload-optimized performance across compute, storage, and network. These offerings span the full spectrum from the data center core to the network edge. In addition, DCG focuses on lowering the total cost of ownership and on other specific workload optimizations for the enterprise, cloud service provider, and communications service provider market segments, with hardware-enhanced performance optimizations for Al workloads. DCG's platform value can be extended through Intel adjacent products such as FPGAs and SSDs. As a leading provider of data center platforms, we face competition from competitors such as Advanced Micro Devices, Inc. (AMD), providers of GPU products such as NVIDIA Corporation (NVIDIA), companies using ARM\* architecture, new entrants developing products customized for specific data center workloads, and from internally developed solutions by cloud service providers and others. We expect an increasingly competitive environment in 2020.

With over 23 million units shipped to date, the Intel® Xeon® Scalable platform provides the foundation for the data-centric era. In 2019, we launched our 2nd generation Intel® Xeon® Scalable processors, formerly Cascade Lake, which include Intel® Deep Learning Boost. As the industry's only CPUs with built-in AI acceleration, Intel® Xeon® processors can help customers solve challenging problems and gain insight for future opportunities. We also shipped new generations of our Intel® Xeon® D processor product family, designed to deliver improved performance in space- and power-constrained environments. Beyond processing everything, we are enhancing users' digital experiences through continued expansion of adjacent product offerings to store and move data more effectively, such as Intel® Optane™ DC persistent memory and Intel® 800 series Ethernet adapters.

#### FINANCIAL PERFORMANCE

#### **DCG REVENUE \$B**

#### **DCG OPERATING INCOME \$B**

chart11\_dcg3yrrevenue.jpgchart12\_dcg3yropincome.jpg

Platform

Adjacent

#### **REVENUE SUMMARY**

- Higher platform ASPs from stronger core mix was partially offset by platform volume decline primarily from TAM
  contraction in the enterprise and government market segment.
- Adjacent growth driven by the continued expansion of Intel® Silicon Photonics in 2019.
- Comparing 2019 to 2018, revenue from cloud service providers was up 13%, enterprise and government was down 14%, and communications service providers was up 6% (up 40%, up 2%, and up 25%, respectively, comparing 2018 to 2017).

	2019 – 2018		2018 – 2017			
(Dollars in Millions)	% Growth	\$ Impact		% Growth	\$ Impact	
Platform volume	down (3)%	\$	(654)	up 13%	\$	2,334
Platform ASP	up 5%		940	up 7%		1,382
Adjacent products	up 11%		204	up 13%		211
Total change in revenue		\$	490		\$	3,927

#### **OPERATING INCOME SUMMARY**

Operating income decreased 11% year over year, and operating margin was 44% in 2019.

#### (In Millions)

•	,	
\$	10,227	2019 Operating Income
	(805)	Higher period charges, primarily associated with the initial ramp of 10nm
	(510)	Higher operating expenses primarily related to R&D
	(140)	Lower gross margin from adjacent businesses
	(80)	Higher platform unit cost
	370	Higher gross margin from platform revenue
	(84)	Other
\$	11,476	2018 Operating Income
	3,445	Higher gross margin from platform revenue
	(350)	Higher platform unit cost
	(14)	Other
\$	8,395	2017 Operating Income

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As more intelligence is moving to the edge, more industries are harnessing the power of data to create business value, to innovate, and to grow. We are using our architecture, accelerators, and software assets, combined with scale and partners, to develop a growing Internet of Things portfolio. Our Internet of Things portfolio is comprised of our IOTG and Mobileye businesses. IOTG develops high-performance compute for targeted verticals and embedded markets. Mobileye is the global leader in the development of computer vision and machine learning-based sensing, data analysis, localization, mapping, and driving policy technology for ADAS and autonomous driving.

# INTERNET OF THINGS GROUP

#### **OVERVIEW**

IOTG develops high-performance compute for targeted verticals and embedded markets. Our customers include retailers, manufacturers, healthcare providers, energy companies, automakers, and governments. We facilitate our customers creating, storing, and processing data generated by connected devices to accelerate business transformations.

#### HIGHLIGHTS AND SEGMENT IMPERATIVES

- IOTG achieved record revenue and operating income in 2019 on broad business strength and growing demand for edge computing and computer vision-based applications.
- Since 2015, IOTG has had average revenue growth of 14% and operating income growth of 22% per year.
- We see significant opportunity for growth driven by an architectural shift toward edge computing, which extends compute from centralized points to be closer to the source inputs.
- We continue to provide updated solutions to accelerate market adoption of computer vision and AI applications. This includes advances in existing offerings such as the OpenVINO™ toolkit, development of the Edge AI Nanodegree\* with Udacity to enrich and train the next generation of developers, and the release of Intel® AI DevCloud for the Edge, which allows customers to identify Edge AI solutions that deliver the best mix of performance, power, and price.
- To deliver on the transformative promise of the Internet of Things, we are working with our ecosystem partners to continue to grow the portfolio of Intel® IoT Market Ready Solutions (Intel® IMRS)—scalable, end-to-end solutions that provide solid business results today and lay the foundation for the future. Currently, IOTG has over 170 Intel® IMRS supporting approximately 5,000 new end-to-end deployments in more than 100 countries.

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"Intel's pioneering work is and proven data-centric strategy enabled us to predict the massive opportunity of edge computing—years ahead the industry. Edge is not a theoretical market opportunity. Together with our ecosystem partners a developers, we're deliver on this vision today and driving tangible financial results."

—**Tom Lantzsch,** IOTG General Manager

#### **5-YEAR TRENDS**

chart13\_iotg5yrrevenue.jpg chart14\_iotg5yropincome.jpg

■ Revenue \$B — Year over Year Growth

■ Op Income \$B — Year over Year Growth

#### MARKET AND BUSINESS OVERVIEW

#### Market trends and strategy

The Internet of Things market sits at the center of a global digital transformation. Through a robust network of devices, software, and sensors, the Internet of Things is transforming the way businesses create products, deliver services, and conduct operations—from schools and hospitals, to retailers and smart factories. Internet of Things-based solutions represent one of the fastest growing segments within the semiconductor industry. However, the Internet of Things is a highly fragmented market with a diverse collection of competitors, products, and vertical segments.

Many retailers are sitting on mountains of data that can be used to proactively address evolving customer demands. IOTG provides solutions that enable retailers to extract the right insights from their data, in the right place, at the right time, allowing them to use intelligence to transform their businesses to achieve their full potential. The result is greater efficiency, reduced complexity, increased sales, and a more personalized customer experience.

As a result of consumer preference for more customization and higher-quality manufactured goods, a new kind of factory is emerging—one that is cloud connected and data driven. It is an "intelligent factory" marked by hyper-agility, autonomous production, and the use of data as a transformative force for the business.

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We help cities and infrastructure providers turn data into actionable insights to enable smarter, safer, and more efficient solutions. Infrastructure providers and cities are seeking the best ways to use Internet of Things technology to enhance the quality of services, improve public safety, reduce congestion, and achieve new levels of efficiency.

By 2022, we expect approximately 82% of data traffic will be video¹. Processing high-quality video requires the ability to rapidly analyze vast streams of data near the source and to respond to that data in real time, moving only relevant insights to the cloud. Rather than a one-size-fits-all solution, Intel offers a powerful portfolio of scalable hardware and software solutions, including the OpenVINO™ toolkit and the new Intel® Vision Accelerator Design products, to move into an intelligent, data-powered future and to meet the various performance, power, and price requirements of any business, in any industry.

#### **Products and competitiveness**

We have a long-standing position as a supplier of components and software for embedded products. This marketplace continues to expand significantly, with increasing types and numbers of smart and connected devices for retail, industrial, and consumer uses, including smart video. As this market segment evolves, we face numerous large and small incumbent processor competitors, as well as new entrants that use the ARM\* architecture and other operating systems and software. In addition, the Internet of Things requires a broad range of connectivity solutions and we face competition from semiconductor companies providing traditional wireless solutions such as cellular, Wi-Fi, and Bluetooth®, as well as several new entrants who are taking advantage of new focused communications protocols.

IOTG utilizes platform and adjacent products across Intel while making the investments needed to adapt products to the specific requirements for our vertical segments. We offer end-to-end solutions with our wide spectrum of products, including Intel® Atom®, Intel® Core®, and Intel® Xeon® processor-based computing, wireless connectivity, FPGAs, Movidius VPUs, and developer tools such as the OpenVINO™ software toolkit. IOTG product development focuses on addressing the key challenges businesses face when implementing Internet of Things solutions, including interoperability, connectivity, safety, security, industrial use conditions, and long-life support.

<sup>&</sup>lt;sup>1</sup> Source: Cisco Visual Networking Index: Forecast and Trends, 2017-2022, updated February 27, 2019.

## **MOBILEYE**

#### **OVERVIEW**

Mobileye is the global leader in driving assistance and automation solutions. Our product portfolio employs a broad set of technologies, covering computer vision and machine learning-based sensing, data analysis, localization, mapping, and driving policy technology for ADAS and autonomous driving. Mobileye's ADAS products form the building blocks for higher levels of autonomy. Our customers and strategic partners include major global OEMs and Tier 1 automotive system integrators.

#### **HIGHLIGHTS AND SEGMENT IMPERATIVES**

- We achieved record revenue and operating income in 2019 primarily due to the increased adoption of ADAS. Our EyeQ\* SoC volume grew approximately 43% and we expect to see additional growth in the adoption of enhanced ADAS technologies.
- We had more than 30 new design wins, 47 active production programs<sup>1</sup> across 25 OEMs, and 16 program launches, including an industry-first 100-degree front-facing camera.
- Production vehicles equipped with our EyeQ\*4 SoC and REM™ technology are deployed across the globe and by the end of 2019 were collecting up to approximately 6 million kilometers of data each day. This data is automatically aggregated with high update frequency into "Roadbook™, a high-definition map, which is an essential component for Robotaxi (autonomous taxis), consumer AV, and the fast-growing L2+ segment. The insights gained from this data enhance existing driver-assistance propositions and provide customers with superior driving experiences, performance, and additional safety.

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"Mobileye is fueling Intellentry into the Mobility-as-Service business and is f committed to building on leadership and know-how the ADAS market in order bring truly safe and scala autonomous mobility to t market."

—**Prof. Amnon Shashua,** President and Chief Execut Officer, Mobileye

#### MARKET AND BUSINESS OVERVIEW

#### Market trends and strategy

The adoption of ADAS is expanding as consumers increasingly consider ADAS a differentiating factor in their automotive purchasing decisions. The continued growth of ADAS is dependent on various factors, including regulation, market demand, and consumers' recognition of its value. Mobileye's ADAS solutions also serve as a qualification space for our autonomous technology, using vast experience and proliferation to validate and constantly improve AV technology. AV technologies, in turn, make their way into premium ADAS solutions, broadening monetization opportunities and value proposition. The AV-ADAS interplay allows Mobileye to sustain its technology leadership.

Car manufacturers are looking to enhance current L2+ solutions by improving system fidelity, availability, and performance. High-definition maps with constant updates, global coverage, and various semantic features are a prerequisite for L2+ applications and the future deployment of Robotaxi and passenger car autonomy (Consumer AV). Canonical mapping methods rely on extensive manual labor and dedicated mapping vehicles. Mobileye's disruptive REM crowdsource mapping technology provides automatic map creation and updates. REM mapping capabilities are also being leveraged to extend the value of static and dynamic data to businesses in new market segments such as smart cities and infrastructure surveys.

We believe the future of autonomous driving will unfold in two phases: commercial Robotaxi and series-production passenger car Consumer AV. We expect Consumer AV to materialize only after the Robotaxi industry deploys and matures. The main inhibitors of a mass market product offering of Consumer AV are the cost of AV technology, ability to scale at a low cost, regulation structure, and public acceptance. Thus, we see the Robotaxi phase as a necessary corridor to Consumer AV. Mobileye is well positioned to play a significant role in the broader MaaS market with the commercialization of Robotaxi and the future Consumer AV market. Our full-stack self-driving system—geared with our camera-centric backbone and vast experience in productizing cutting-edge technology in the automotive industry—is the foundation for developing an economically competitive AV solution. Proliferation of datacollection vehicles alongside REM technology will allow for lowcost geographic expansion and coverage. Thus, Mobileye is

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entering the MaaS market segment as an end-to-end provider at scale.	service

<sup>1</sup> Intel's definition is included in "Key Terms" within the Financial Statements and Supplemental Details.

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#### **Products and competitiveness**

At its core, Mobileye's offering for ADAS and AV is propelled by our computer vision and AI expertise and software assets, deployed on our EyeQ\* SoC family. The tight co-design of hardware and software gives the EyeQ\* SoC the ability to support complex and computationally intense tasks and sets it apart from competition because it is purpose-fit for high-compute, low-power, automotive-compliant mission profiles. Mobileye's 5th generation EyeQ\*5 SoC is designed to act as the central computer for fully autonomous driving vehicles. Mobileye has been able to achieve power, performance, and cost targets by employing proprietary computational cores that are optimized for a wide variety of computer vision, signal processing, and machine learning tasks, including deep neural networks. Starting with EyeQ\*5, Mobileye is supporting an automotive-grade standard operating system and providing a complete software development kit to allow customers to differentiate their solutions by deploying their algorithms on EyeQ\*5. The EyeQ\*5 SoC will be in final sampling stages in 2020 and is expected to be in commercial vehicles starting in 2021. The EyeQ\*5 SoC is already operational in Mobileye's autonomous test vehicles.

EyeQ\*5 serves as the computational foundation for Mobileye's scalable camera-only surround sensing system. The system consists of multiple independent computer vision engines and deep networks for algorithmic redundancy. The result is a robust and comprehensive model of the environment that allows end-to-end autonomous driving. The surround computer vision system is the backbone of Mobileye's autonomous vehicle architecture and the flagship offering for next-generation ADAS.

The next significant building block in Mobileye's complete offering is REM mapping technology, which compiles crowdsourced mapping data from EyeQ\* SoC-equipped vehicles. Our REM Roadbook™ offering can enhance current ADAS applications through a variety of advanced features, including predictive adaptive cruise control, lane-level localization in all weather and road conditions, hands-free driving application, and real-time alerts, such as for construction activity and road hazards.

The third building block in Mobileye's full stack offering is our unique formal model for AV safety (RSS). At its core, RSS is a pragmatic method to design and then to efficiently validate the safety of an AV, serving as the governing safety layer for the decision-making system. RSS formalizes human decision making for safe driving under two main principles: First, it acknowledges the need to balance safety with useful driving by making plausible worst-case scenario assumptions for other road users; and second, it provides a technology-neutral model and a transparent framework for the regulatory endeavor of building an industry standard for safety.

## **FINANCIAL PERFORMANCE**

## **INTERNET OF THINGS REVENUE \$B**

#### **INTERNET OF THINGS OP INCOME \$B**

chart15 iot3yrrevenue.jpgchart16 iot3yropincome.jpg

■ IOTG ■ Mobileye¹

#### **REVENUE SUMMARY**

#### 2019 - 2018

IOTG net revenue increased \$366 million, or 11%, driven by \$283 million higher ASPs from stronger core mix and \$92 million higher IOTG platform unit sales, partially offset by lower revenue from our divestiture of Wind River in Q2 2018, which negatively impacted the revenue comparison by approximately \$153 million in the first half of 2019. After adjusting for Wind River, IOTG revenue grew \$519 million, or 16%, year over year.

Mobileye net revenue was \$879 million, up \$181 million due to increasing adoption of ADAS.

#### 2018 - 2017

IOTG net revenue increased \$286 million, or 9%, driven by \$632 million higher IOTG platform unit sales, offset by \$212 million mix of platform products sold and \$134 million lower adjacent revenue due to the divestiture of Wind River in Q2 2018. After adjusting for Wind River, IOTG revenue grew \$447 million, or 16%, year over year. Revenue grew due to strength across the retail, industrial, video, and other market segments.

#### **OPERATING INCOME SUMMARY**

#### 2019 - 2018

IOTG operating income increased \$117 million primarily due to higher platform revenue from stronger core mix offset by higher period charges related to reserves taken on legacy products.

Mobileye operating income was \$245 million, up \$102 million driven by growth in revenue partially offset by higher spending.

#### 2018 - 2017

IOTG operating income increased \$330 million due to higher revenue and lower spending as we reprioritized investments within the automotive business and Wind River.

<sup>&</sup>lt;sup>1</sup> Mobileye was acquired in Q3 2017; 2017 figures do not represent full-year results.

#### **OVERVIEW**

NSG is a technology leader in next-generation memory and storage products based on breakthrough Intel® Optane™ technology and Intel® 3D NAND technology. NSG is disrupting the memory and storage hierarchy with new tiers that balance capacity, performance, and cost. We offer 64-layer TLC and QLC NAND high-capacity SSDs, and unparalleled low latency and high performance with Intel® Optane™ technology—both available in innovative new form factors and densities to address the memory and storage challenges our customers face in a rapidly evolving technological landscape. Our customers include enterprise and cloud-based data centers, and users of business and consumer desktops and laptops.

## **HIGHLIGHTS AND SEGMENT IMPERATIVES**

- We achieved record revenue in 2019 driven by storage and memory bit TAM¹ growth, despite significant NAND market pricing pressure. We are taking steps to improve NAND profitability.
- We launched Intel® Optane™ memory H10 with Solid State Storage, the first to deliver responsiveness and capacity for the PC with the combination of Intel® Optane™ memory and Intel® QLC 3D NAND technology for thin-and-light notebooks and space-constrained platforms.
- We launched the Intel® Optane™ SSD DC D4800X, the first dual-port SSD with Intel® Optane
  technology with redundant data paths for data availability, and industry-leading combination of
  high throughput and low latency for mission-critical enterprise storage solutions.
- Our product roadmap includes our next generation of Intel® Optane™ DC persistent memory and our 2nd generation Intel® Optane™ SSD, which are being developed in the new center of Intel® Optane technology advancement at Intel's Fab 11x in New Mexico.

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"The world is general an accelerating rand businesses are incomposed becoming overwhoto efficiently procedures will be critical the winners from I require cutting-ed in the memory-and hierarchy, which is driving at Intel."

—Rob Crooke, NS Manager

## **5-YEAR TRENDS**

chart17\_nsg5yrrev.jpg chart18\_nsg5yropincome.jpg

■ Revenue \$B — Year over Year Growth

Op Income \$B

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<sup>&</sup>lt;sup>1</sup> Source: Intel calculated TAM growth derived from industry analyst reports.

## **MARKET AND BUSINESS OVERVIEW**

#### Market trends and strategy

As a result of the combination of ever-exploding growth in data and the desire to analyze data for actionable insights, our customers are faced with balancing performance and real-time access and cost. Our technology innovations enable various tiers of memory and storage to ensure that critical, or "hot," data is close to the CPU for rapid access to larger data sets with Intel<sup>®</sup> Optane™-based products and efficient cost-effective capacity storage with Intel<sup>®</sup> 3D NAND TLC and QLC technology.

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Non-volatile memory bit TAM¹ grew 40% in 2019 as significant increases in storage and memory technologies were required to meet customer needs. Conversely, revenue TAM contracted 23% year over year due to an over-inventoried market through the first half of 2019. Our focus continues to be within the high-performance compute, financial services, cloud service provider, and Internet usage market segments.

#### **Products and competitiveness**

We compete against other providers of NAND flash memory products. We focus our efforts primarily on incorporating NAND flash memory into solution products and on our innovative Intel<sup>®</sup> Optane<sup>™</sup> technology, which offers a unique combination of performance, density, power, non-volatility, and cost advantages that redefines the memory storage hierarchy between conventional DRAM memory and NAND. We believe that our memory offerings, including our Intel<sup>®</sup> Optane<sup>™</sup> technology, complement our product offerings in our other segments.

The acceleration in data growth across our customer base requires significant innovation in storage and memory technology. Our storage and memory roadmap led the way in re-imagining usages and architecting innovative solutions that have disrupted the industry with 64-layer 3D NAND TLC and QLC solutions. We launched five new products to keep up with the evolving business needs of our customers. These new products have driven our 64-layer products to be more than 90% of 2019 NSG volume and we have seen a meaningful ramp in the Intel<sup>®</sup> Optane™ technology business.

In 2019 we launched our line of Intel® Optane™ DC persistent memory products, available for 2nd generation Intel® Xeon® processor platforms for data center usages. This technology redefines the memory storage hierarchy and offers the performance of memory with the large capacities and persistence characteristics of storage. We are also leading the way in delivering responsiveness and capacity to the latest generation PCs with the industry's first drive to combine Intel® Optane™ memory and Intel® QLC 3D NAND technology. This new technology will enable innovative new form factors and higher capacity drives.

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<sup>&</sup>lt;sup>1</sup> Source: Intel calculated TAM growth derived from industry analyst reports.

## FINANCIAL PERFORMANCE

#### **NSG REVENUE \$B**

#### **NSG OPERATING INCOME \$B**

chart19\_nsg3yrrevenue.jpgchart20\_nsg3yropincome.jpg

## **REVENUE SUMMARY**

#### 2019 - 2018

Net revenue increased \$55 million, driven by a \$3.9 billion increase in unit sales due to an increase in demand for NAND products, offset by a \$3.8 billion impact from lower ASP due to lower NAND market pricing.

#### 2018 - 2017

Net revenue increased \$787 million, driven by a \$2.6 billion increase in unit sales due to strong demand in data center and client SSD and the ramp of Intel<sup>®</sup> Optane™ technology products, partially offset by \$1.8 billion lower ASP due to NAND market pricing weakness and mix of products sold.

#### **OPERATING INCOME SUMMARY**

#### 2019 - 2018

NSG had an operating loss of \$1.2 billion, down from an operating loss of \$5 million in 2018. The operating loss was driven by \$3.8 billion lower ASPs, partially offset by \$1.6 billion of improved unit cost and \$1.1 billion higher unit sales. While we continued to see the ramp at Fab 68 drive cost improvements, the decline in ASP and the absence of \$160 million in government grants recognized in Q3 2018 more than offset improved unit cost, resulting in lower gross margin.

#### 2018 - 2017

Operating income improved \$255 million as our sales mix shifted to our latest 64-layer NAND and we continued to see the cost ramp at Fab 68. The improved unit costs and higher unit sales more than offset the decline in ASP. In addition, we had a total of \$160 million earned government grants benefiting 2018.

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#### **OVERVIEW**

PSG offers programmable semiconductors, primarily FPGAs, structured ASICs, and related products, for a broad range of market segments, including communications, data center, industrial, and military. The PSG product portfolio delivers FPGA acceleration in tandem with Intel microprocessors and enables Intel to combine the benefits of its broad portfolio of technologies to allow more flexibility for systems to operate with increased efficiency and higher performance.

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#### **HIGHLIGHTS AND SEGMENT IMPERATIVES**

- PSG revenue was down 6% year over year driven by a decline in our cloud and enterprise market "Intel FPGAs and segment, partially offset by strength in wireless and advanced products.

  ASICs accelerate
- We announced the new 10nm Intel® Agilex™ FPGA family that will offer customers applicationspecific optimization and customization to bring new levels of flexibility and agility to dataintensive infrastructure. We began shipping engineering samples to customers.
- We extended our Intel® Stratix® 10 FPGA and Intel® Programmable Acceleration Card (Intel® PAC) families, which deliver new technology innovations and enable further synergy with Intel's complete portfolio, including support for Intel® Ultra Path Interconnect (Intel® UPI) and a controller for Intel® Optane™ technology to enable coherent memory and memory expansion with Intel® Xeon® Scalable processors and other Intel products.
- PSG's FPGA technology and structured ASIC technology play an important role in Intel's portfolio
   and platform strategy, enabling acceleration and programmability for customers in all data focused markets.

"Intel FPGAs and ASICs accelerate workloads on Inte platforms and proflexibility and agilenable our custon innovate and adapchanging requirer highly customized and software solu

**—David Moore,** PS Manager

#### **4-YEAR TRENDS**

chart21 psg4yrrevenue.jpg chart22 psg4yropincome.jpg

■ Revenue \$B — Year over Year Growth

Op Income \$B

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## **MARKET AND BUSINESS OVERVIEW**

#### Market trends and strategy

With the rise of pervasive connectivity and autonomous transactions, vast networks of devices and systems are linked from the edge through infrastructure to the cloud. The Intel® FPGA portfolio enables this transformation with discrete FPGAs and software-defined, hardware-based, multi-function acceleration cards that allow faster development times, high performance, and power efficiency with lower overall total cost of ownership.

PSG enables a broad range of solutions targeting the data center, wireless, networking, military, medical, and industrial market segments. The configurability and efficiency of FPGAs provide advantages to enable transformative applications such as 5G wireless, network function virtualization acceleration, and edge acceleration for video analytics and Industry 4.0. At the edge, where systems ingest large amounts of data, Intel® FPGAs are ideal for preprocessing data to accelerate Intel processors. In the network, where data traffic is increasing and network functions are being virtualized to improve transport efficiency, Intel® FPGAs are built to deliver high-bandwidth aggregation and processing. In the cloud, where workloads shift dynamically and algorithms change, Intel® FPGAs are the ideal solution for adapting to new demands through reconfigurability.

#### **Products and competitiveness**

PSG delivers solutions in the PLD market, primarily FPGAs and structured ASICs, to accelerate applications that help secure, power, and connect billions of devices and the infrastructure of the smart, connected, data-centric world. We face competition from other programmable logic companies, as well as companies that make other types of semiconductor products, such as ASICs, application-specific standard products, GPUs, digital signal processors, and CPUs. Targeted growth areas for our programmable solutions include communications, data center, industrial, and military applications. The FPGA life cycle is long relative to other Intel products. It generally takes three or more years from the time that a design win is secured before a customer starts volume production and we receive the associated revenue.

PSG expanded its FPGA silicon portfolio by offering additional capability with the Intel® Stratix® 10 FPGA family and by introducing the brand-new Intel® Agilex™ FPGA family. The Intel® Agilex™ FPGA family combines FPGA fabric built on Intel's 10nm process with innovative heterogeneous 3D SiP technology, which provides the capability to integrate analog, memory, custom computing, custom I/O, and Intel® eASIC™ device tiles into a single package with the FPGA fabric. Intel® Agilex™ FPGAs began shipping to early access program customers.

PSG also expanded its Intel® PAC portfolio with the introduction of the Intel® PAC N3000 and Intel® PAC D5005. The Intel® PAC portfolio, complete with an acceleration software stack, enables customers to plug cards directly into an Intel® Xeon® processor-based server for application accelerations in markets such as 5G, finance, genomics, video transcoding, and database acceleration.

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PSG continues to invest in the Intel® eASIC™ silicon portfolio of structured ASICs. These products serve as an intermediary technology between FPGAs and standard-cell ASICs that provides lower unit cost and lower power compared to FPGAs, and faster time-to-market and lower non-recurring engineering cost compared to standard-cell ASICs. Intel® eASIC™ products have growth opportunities through adoption in 5G applications and scale across a wide range of markets.

## FINANCIAL PERFORMANCE

## **PSG REVENUE \$B**

#### **PSG OPERATING INCOME \$B**

chart23\_psg3yrrevenue.jpgchart24\_psg3yropincome.jpg

#### **REVENUE SUMMARY**

## 2019 - 2018

Revenue decreased \$136 million, driven by a decline in our cloud and enterprise market segment, offset by strength in wireless and advanced products.

#### 2018 - 2017

Revenue increased \$221 million, driven by growth in the data center market segment and our advanced products (28nm, 20nm, and 14nm process technologies), which grew approximately 60% from 2017.

#### **OPERATING INCOME SUMMARY**

#### 2019 - 2018

Operating income decreased \$148 million, driven by lower revenue in our cloud and enterprise market segment, offset by strength in wireless and advanced products.

#### 2018 - 2017

Operating income was flat year over year, at \$466 million. Revenue increased from the growth in the data center and advanced products, but was offset by higher costs from an unfavorable product mix and increased investments.

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## **OVERVIEW**

As we evolve to deliver leading end-to-end products across architectures and workloads for the data explosion, CCG's contribution is the human touchpoint of this new data-centric era—the PC. As the largest business unit at Intel, CCG deploys platforms that connect people to data, allowing each person to focus, create, and engage in ways that unlock their individual potential. The PC market remains a critical facet of our business, providing an important source of IP, scale, and cash flow. Our mission is to continue to deliver leadership products in our PC business as well as our adjacent businesses.

#### **HIGHLIGHTS AND SEGMENT IMPERATIVES**

We delivered our fourth consecutive year of revenue growth and record operating profit as we managed through supply constraints. We maintained focus on high-growth segments and disciplined portfolio management. Since 2015, we have increased profitability by 86%.

 Delivering an annual cadence of leadership products is foundational to our business. This year, we introduced our 10th Gen Intel<sup>®</sup> Core<sup>™</sup> processor-based systems built on 10nm process technology and launched our new 9th Gen Intel<sup>®</sup> Core<sup>™</sup> vPro<sup>®</sup> processors.

- We are accelerating the pace of innovation to deliver new experiences and form factors. We launched Project Athena, a multi-year innovation program, designed to deliver advanced laptops.
- We exited the 5G smartphone modem business, while continuing to meet current customer commitments for our existing 4G modem product lines. We are also assisting OEM partners in the development, certification, and support of 5G modem solutions for PCs.

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"I believe we can a the PC into a platt powers every pers greatest contribut enabling them to a create, and engag meaningful ways.

—**Gregory Bryant**, General Manager

#### **5-YEAR TRENDS**

chart25 ccg5yrrev.jpgchart26 ccg5yropincome.jpg

■ Revenue \$B — Year over Year Growth

Op Income \$B

— Year over Year Growth

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## **MARKET AND BUSINESS OVERVIEW**

## Market trends and strategy

Overall market conditions continue to improve, but we are operating in an increasingly competitive market. With continued investment in product and process technology, and in partnership with our customers, we are delivering platform innovation across several key vectors. We were supply constrained particularly at the value-end of the market as higher than expected PC demand outpaced our supply. We made capacity investments to improve our supply throughout the year, increasing our second-half PC CPU supply by double digits compared with the first half of this year. Supply remains tight in our PC business, where we are operating with limited inventory buffers.

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#### **Products and competitiveness**

We are accelerating the pace of innovation and delivering an annual cadence of leadership products, including for modern notebooks and high-end enthusiast PCs. We deliver value to our customers by leveraging our engineering capabilities and working with our partners to deliver technology across every major vector of the computing experience, including performance, battery life, connectivity, memory, graphics, and form factors to create the most advanced PC platforms.

We introduced our 10th Gen Intel® Core™ processor, previously referred to as Ice Lake, a highly integrated new CPU core architecture with new Gen11 graphics, first integrated Wi-Fi6 (11AX) and Thunderbolt™ 3 connectivity, and Intel® Deep Learning Boost. Built on Intel's advanced 10nm process technology, these processors deliver increased graphics performance, AI, and new levels of integrated connectivity for thin-and-light laptops and 2-in-1s. Further, they give our OEM partners the freedom to innovate on design and aesthetic by reducing the silicon footprint while still delivering the latest standards and world-class performance.

We also expanded our 9th Gen family with 14 new Intel® Core™ vPro® processors for high-performance mobile and desktop PCs, bringing the Intel® Core™ i9 processor to the best-for-business platform for the first time. We launched Intel® Xeon® E workstation processors with up to eight cores, 16 threads, 5-GHz turbo frequency, Wi-Fi 6 (Gig+), Intel® Optane™ memory; and delivered a special edition i9-9900KS desktop SKU, with 5-GHz all-core turbo and Intel® Performance Maximizer.

In May 2019, we launched our multi-year innovation program, Project Athena, with more than 20 verified devices on shelves in time for the holiday season. These devices meet the criteria of our Project Athena 1.0 specification, and are tested and verified in Intel labs to ensure they deliver new experience targets or key experience indicators defined by real-world usage models and innovation across six areas: instant action, performance and responsiveness, intelligence, battery life, connectivity, and form factor.

Our platform products continue to be enhanced by new adjacent technologies. We launched the Wi-Fi6 11X connectivity solution, the first Wi-Fi6 solution in the PC market, featuring faster speeds, increased throughput, and better experiences. We are driving new industry standards for USB-C connector-based products with Thunderbolt™ 3. In addition, we are delivering a new level of performance and high-capacity storage with Intel® Optane™ memory H10 with Solid State Storage to enable enhanced SSD experiences.

Our advanced pace of innovation is more important than ever as we are operating in an increasingly competitive market. We face strong competition from AMD, as well as vendors who use applications processors based on ARM\* architecture, such as Qualcomm Inc. (Qualcomm), and customers who internally develop their own semiconductors. We are expecting an increasingly competitive environment in 2020.

## FINANCIAL PERFORMANCE

## **CCG REVENUE \$B**

## **CCG OPERATING INCOME \$B**

chart27\_ccg3yrrev.jpgchart28\_ccg3yropincome.jpg

■ Platform ■ Adjacent

## **REVENUE SUMMARY**

- Decreased unit sales due to supply constraints particularly at the value-end of the market, and lower market share.
- Increased demand for performance products drove strong product mix and higher ASP as the commercial market segment remained strong.
- Strength in modem drove higher adjacent revenue.

	2019	2018 – 2017					
(Dollars in Millions)	%	\$ Impact		%	\$	Impact	
Desktop platform volume	down (6)%	\$	(705)	down (6)%	\$	(608)	
Desktop platform ASP	up 3%		307	up 11%		1,181	
Notebook platform volume	down (5)%		(1,080)	up 4%		839	
Notebook platform ASP	up 5%		929	up 3%		677	
Adjacent products and other			691			912	
Total change in revenue		\$	142		\$	3,001	

## **OPERATING INCOME SUMMARY**

Operating income increased 7% year over year, and operating margin was 41% in 2019.

(In	Mil	lions)
		,

\$ 15,202	2019 Operating Income
1,425	Lower period charges primarily due to lower factory start-up costs and sell-through of previously reserved non-qualified platform product associated with our 10nm process technology
725	Lower operating expenses primarily driven by lower investment in modem
(1,170)	Higher platform unit cost
(145)	Lower gross margin from platform revenue
145	Other
\$ 14,222	2018 Operating Income
2,080	Higher gross margin from platform revenue
235	Lower operating expenses
(690)	Higher platform unit cost due to increased mix to performance products
(225)	Higher period charges, primarily due to reserved non-qualified platform product as we ramp 10nm
(97)	Other
\$ 12,919	2017 Operating Income

## **CONSOLIDATED RESULTS OF OPERATIONS**

Our transformation to a data-centric company continued in 2019 as we experienced strong demand and reached critical product milestones. Most of our segments experienced continued growth with record total revenue for the fourth year in a row.

Years Ended		Decembe	r 28, 2019	December	r 29, 2018	December 30, 2017				
(In Millions, Except Per Share Amounts)		Amount	% of Net Revenue	Amount	% of Net Revenue		Amount	% of Net Revenue		
Net revenue	\$	71,965	100.0 %	70,848	100.0	%\$	62,761	100.0 %		
Cost of sales		29,825	41.4 %	27,111	38.3	%	23,663	37.7 %		
Gross margin		42,140	58.6 %	43,737	61.7	%	39,098	62.3 %		
Research and development		13,362	18.6 %	13,543	19.1	%	13,035	20.8 %		
Marketing, general and administrative		6,150	8.5 %	6,750	9.5	%	7,452	11.9 %		
Restructuring and other charges		393	0.5 %	(72)	(0.1	) %	384	0.6 %		
Amortization of acquisition-related intangibles		200	0.3 %	200	0.3	%	177	0.3 %		
Operating income		22,035	30.6 %	23,316	32.9	%	18,050	28.8 %		
Gains (losses) on equity investments, net		1,539	2.1%	(125)	(0.2	) %	2,651	4.2 %		
Interest and other, net		484	0.7 %	126	0.2	%	(349)	(0.6 %		
Income before taxes		24,058	33.4 %	23,317	32.9	%	20,352	32.4 %		
Provision for taxes		3,010	4.2 %	2,264	3.2	%	10,751	17.1 %		
Net income	\$	21,048	29.2 %	21,053	29.7	%\$	9,601	15.3 %		
Earnings per share - Diluted	\$	4.71		4.48		\$	1.99			

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## **REVENUE**

Compared to a year ago, data-centric revenue was up 3%, driven by a strong mix of high-performance product sales in the second half of 2019, partially offset by TAM contraction in the DCG enterprise and government market segment and continued pressure on NAND pricing. Our PC-centric business was flat, driven by a strong mix of higher performance products as the commercial segment of the PC market remained strong, and modem continued to grow, offset by lower year over year platform volume.

Our total revenue grew from \$55.4 billion in 2015 to \$72.0 billion in 2019, representing 7% CAGR. Data-centric businesses collectively grew faster than Intel as a whole at 11% CAGR over the last five years, and are approaching 50% of our revenue.

## PC TO DATA-CENTRIC TRANSFORMATION OVER THE LAST 5 YEARS

chart29 consolrev.jpg

■ PC-centric \$B
■ Data-centric \$B
— Data-centric as a % of total Intel revenue

#### **SEGMENT REVENUE WALK \$B**

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#### 2019 - 2018

In 2019, revenue was \$72.0 billion, up \$1.1 billion, or 2%, from 2018. Our data-centric businesses collectively grew 3% year over year and made up nearly half of our total revenue in 2019. Platform ASPs increased due to stronger core mix offset by a decline in NSG ASPs due to lower NAND market pricing and a decrease in DCG platform unit sales as the enterprise and government market segment contracted. Our PC-centric business was flat year over year as ASP strength from richer commercial segment mix and modem growth were offset by declines in platform volume.

#### 2018 - 2017

In 2018, revenue was \$70.8 billion, up \$8.1 billion, or 13%, from 2017. The increase in revenue was primarily driven by strong performance across our data-centric businesses, which collectively grew 18% year over year and made up nearly half of our total revenue in 2018. Our Mobileye business had revenue of \$698 million. Our PC-centric business grew 9%, above our expectations, due to PC TAM<sup>7</sup> growth and demand for our leadership products. The increase in 2018 revenue was partially offset by the loss of revenue from businesses that were divested, specifically \$534 million from the divestiture of the ISecG and approximately \$165 million from the divestiture of Wind River.

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<sup>&</sup>lt;sup>1</sup> Source: Intel calculated PC TAM derived from industry analyst reports.

## **GROSS MARGIN**

We derived most of our overall gross margin dollars from the sale of platform products in the DCG and CCG operating segments. Our overall gross margin dollars in 2019 decreased by \$1.6 billion, or 4%, compared to 2018, and in 2018 increased by \$4.6 billion, or 12%, compared to 2017. In 2019, our adjacent products revenue continued to grow primarily due to memory and modem products, which have a lower gross margin percentage than our overall average. Lower platform unit sales and margin compression on memory products resulted in lower gross margins, which were partially offset by platform ASP strength.

## **GROSS MARGIN \$B**

(Percentages in chart indicate gross margin as a percentage of total revenue) chart31\_consolgm.jpg

(In	Millions)	
\$	42,140	2019 Gross Margin
	(1,360)	Lower gross margin from adjacent businesses primarily due to NAND, DCG adjacencies, and PSG offset by higher gross margin on Mobileye
	(1,300)	Higher platform unit cost primarily from increased mix of performance products
	580	Higher gross margin from platform revenue
	490	Lower period charges primarily due to lower factory start-up costs and sell-through of previously reserved non-qualified platform product, offset by higher initial production costs associated with our 10nm process technology
	(7)	Other
\$	43,737	2018 Gross Margin
	5,810	Higher gross margin from platform revenue
	(1,085)	Higher platform unit cost, primarily from increased mix of performance products
	(86)	Other, primarily due to impact from divestitures, offset by higher gross margin from adjacent businesses
\$	39,098	2017 Gross Margin

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## **OPERATING EXPENSES**

Total R&D and MG&A expenses for 2019 were \$19.5 billion, down 4% from 2018. These expenses represented 27.1% of revenue for 2019 and 28.6% of revenue for 2018.

We continue to invest in R&D to accelerate our growth and profitability while driving operational efficiencies to reduce our MG&A spending. Over the next three years, we plan to continue to reduce our spending as a percentage of revenue down to 25%.

#### **RESEARCH AND DEVELOPMENT \$B**

#### **MARKETING, GENERAL AND ADMINISTRATIVE \$E**

(Percentages indicate expenses as a percentage of total revenue)

chart32\_opexrnd.jpgchart33\_opexmga.jpg

#### **RESEARCH AND DEVELOPMENT**

#### 2019 - 2018

R&D spending decreased by \$181 million, or 1%, driven by the following:

- Ramp down of 5G smartphone modem business and other projects
- Profit-dependent compensation
- Corporate spending efficiencies
- + Investments in our data-centric businesses
- + Investments in process technology

#### 2018 - 2017

R&D spending increased by \$508 million, or 4%, driven by the following:

- + Investments in our data-centric businesses
- + Investments in 10nm process technology
- + Profit-dependent compensation due to an increase in net income
- Lower expenses due to the divestiture of ISecG in Q2 2017 and Wind River in Q2 2018

## MARKETING, GENERAL AND ADMINISTRATIVE

#### 2019 - 2018

MG&A spending decreased by \$600 million, or 9%, driven by the following:

- Corporate spending efficiencies
- Reduction in marketing programs
- Profit-dependent compensation
- Lower expenses due to the Wind River divestiture in Q2 2018

#### 2018 - 2017

MG&A spending decreased by \$702 million, or 9%, driven by the following:

- Reduction in marketing programs
- Lower acquisition costs due to our 2017 acquisition of Mobileye
- Lower expenses due to the divestiture of ISecG in Q2 2017 and Wind River in Q2 2018
- Change to the Intel Inside® Program in 2017
- + Olympics\* sponsorship in 2018
- + Profit-dependent compensation due to an increase in net income

# GAINS (LOSSES) ON EQUITY INVESTMENTS AND INTEREST AND OTHER, NET

Years Ended (In Millions)	D	ec 28, 2019	ec 29, 2018	Dec 30, 2017		
Ongoing mark-to-market adjustments on marketable equity securities	\$	277	\$ (129)	\$	_	
Observable price adjustments on non-marketable equity securities		293	202		_	
Impairment charges		(122)	(424)		(833)	
Sale of equity investments and other		1,091	226		3,484	
Gains (losses) on equity investments, net	\$	1,539	\$ (125)	\$	2,651	
Interest and other, net	\$	484	\$ 126	\$	(349)	

## GAINS (LOSSES) ON EQUITY INVESTMENTS, NET

Ongoing mark-to-market net gains and losses reported in 2019 and 2018 were primarily driven by ASML Holding N.V. (ASML) and Cloudera Inc. (Cloudera). During 2019 we sold our equity investment in ASML.

In 2019, we recognized \$293 million in observable price adjustments primarily from one investment.

During 2018, we recognized an impairment charge of \$290 million in our equity method investment in IMFT. During 2017, we recognized impairment charges in our investments of Cloudera for \$278 million and Unisoc for \$308 million.

Major drivers of sales of equity investments and other in 2019 were dividends of \$632 million from McAfee and a gain of \$107 million from our sale of our non-controlling interest in IMFT. In 2017, we recognized \$3.4 billion in realized gains on sales of a portion of our interest in ASML.

## INTEREST AND OTHER, NET

We recognized a higher net gain in interest and other in 2019 compared to 2018, primarily due to lower loss on debt conversions and larger divestiture gains in 2019 compared to 2018.

We recognized a net gain in interest and other in 2018 compared to a net loss in 2017, primarily due to lower losses on debt conversions, higher assets under construction resulting in more capitalized interest, and larger divestiture gains in 2018 compared to 2017.

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## LIQUIDITY AND CAPITAL RESOURCES

We consider the following when assessing our liquidity and capital resources:

(Dollars in Millions)	Dec 28, 2019		Dec 29, 2018
Cash and cash equivalents, short-term investments, and trading assets	\$ 13,123	\$	11,650
Other long-term investments	\$ 3,276	\$	3,388
Loans receivable and other	\$ 1,239	\$	1,550
Reverse repurchase agreements with original maturities greater than three months	\$ 350	\$	250
Total debt	\$ 29,001	\$	26,359
Temporary equity	\$ 155	\$	419
Debt as a percentage of permanent stockholders' equity	37.4 %	)	35.4 %

Cash generated by operations is our primary source of liquidity. When assessing our sources of liquidity, we include investments as shown in the preceding table. We maintain a diverse investment portfolio that we continually analyze based on issuer, industry, and country. Substantially all of our investments in debt instruments and financing receivables are in investment-grade securities.

Other potential sources of liquidity include our commercial paper program and our automatic shelf registration statement on file with the SEC, pursuant to which we may offer an unspecified amount of debt, equity, and other securities. Under our commercial paper program, we have an ongoing authorization from our Board of Directors to borrow up to \$10.0 billion. As of December 28, 2019, no commercial paper remained outstanding. During 2019, we issued a total of \$2.8 billion aggregate principal amount of senior notes and received proceeds of \$648 million aggregate principal amount of bonds issued by the Industrial Development Authority of the City of Chandler, Arizona and the State of Oregon Business Development Commission. We also redeemed our \$915 million, 4.70% senior notes due December 2045. Additionally, we repaid \$170 million of our 3.25% senior notes that matured in December 2019 and paid \$1.5 billion in cash to satisfy conversion requests for a portion of our \$2.0 billion 2009 Debentures. In November 2019, we issued a notice of redemption for the remaining \$372 million of 2009 Debentures with a redemption date of January 9, 2020.

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

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"Our finance team plays a fundamental role in partnering with the business to ensure we have the capital and financial resources available to fund our global operations and future growth initiatives."

-Sharon Heck, Corporate Vice President, Treasurer, and Chief Tax Officer

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## **SOURCES AND USES OF CASH**

(In Millions)

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

Years Ended (In Millions)		Dec 28, 2019		Dec 29, 2018		Dec 30, 2017
Net cash provided by operating activities	\$	33,145	\$	29,432	\$	22,110
Net cash used for investing activities		(14,405)		(11,239)		(15,762)
Net cash provided by (used for) financing activities		(17,565)		(18,607)		(8,475)
Net increase (decrease) in cash and cash equivalents	\$	\$ 1,175		\$ (414)		(2,127)

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## **OPERATING ACTIVITIES**

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

For 2019 compared to 2018, the \$3.7 billion increase in cash provided by operating activities was primarily due to changes in working capital. Changes in working capital were driven by taxes, other assets and liabilities, and accounts receivable, offset by customer utilization of prepaid supply agreement payments and inventory build.

For 2018 compared to 2017, the \$7.3 billion increase in cash provided by operating activities was primarily due to higher net income, offset by changes in working capital. Changes in working capital were driven by taxes and accounts receivables, offset by relatively flat inventory levels. Income taxes paid, net of refunds, in 2018 compared to 2017 were flat as the benefit of a lower U.S. corporate tax rate was offset by the payment related to the 2017 U.S. Tax Reform transition tax. We received \$1.4 billion of customer deposits and prepaid supply agreements in 2018, net of customer utilization, compared to \$1.1 billion in 2017.

#### **INVESTING ACTIVITIES**

Investing cash flows consist primarily of capital expenditures; investment purchases, sales, maturities, and disposals; and proceeds from divestitures and cash used for acquisitions. Our capital expenditures were \$16.2 billion in 2019 (\$15.2 billion in 2018 and \$11.8 billion in 2017).

The increase in cash used for investing activities in 2019 compared to 2018 was primarily due to net trading asset activity, acquisitions, and capital expenditures. The increase was partially offset by net available-for-sale debt investment activity.

The decrease in cash used for investing activities in 2018 compared to 2017 was primarily due to lower cash paid on acquisitions and increased cash from net trading asset activity. This was partially offset by increased capital expenditures, net available-for-sale debt investments activity, decreased proceeds from divestitures, and decreased sales of equity investments (substantially all from ASML sales).

## **FINANCING ACTIVITIES**

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

The decrease in cash used for financing activities in 2019 compared to 2018 was primarily due to increased long-term debt issuance, offset by increased repurchases of common stock. During 2019, we repurchased \$13.6 billion of common stock under our authorized common stock repurchase program, compared to \$10.7 billion in 2018. In October 2019, the Board of Directors approved a \$20.0 billion increase in our authorized stock repurchase program authorization, and we announced that we expect to repurchase \$20.0 billion in stock over the next 15 to 18 months. As of December 28, 2019, \$23.8 billion remained available for repurchasing common stock under the repurchase authorization limit. In general, we base our level of common stock repurchases on internal cash management decisions, and this level may fluctuate in the future. Our total dividend payments were \$5.6 billion in 2019 compared to \$5.5 billion in 2018. We have paid a cash dividend in each of the past 109 quarters. In Q1 2020, the Board of Directors declared a quarterly cash dividend of \$0.33 per share of common stock, payable on March 1, 2020 to stockholders of record on February 7, 2020.

The increase in cash used for financing activities in 2018 compared to 2017 was primarily due to decreased long-term debt issuance and increased repurchases of common stock.

## **CONTRACTUAL OBLIGATIONS**

Significant contractual obligations as of December 28, 2019 were as follows:

	Payments Due by Period												
(In Millions)		Total		ess Than 1 Year	1-	-3 Years	3–5 Years		More Tha				
Operating lease obligations <sup>1</sup>	\$	595	\$	178	\$	232	\$	128	\$	57			
Capital purchase obligations <sup>2</sup>		10,918		9,300		1,595		14		9			
Other purchase obligations and commitments <sup>3</sup>		2,757		1,636		947		147		27			
Tax obligations <sup>4</sup>		4,442		10		746		1,853		1,833			
Long-term debt obligations <sup>5</sup>		41,328		4,706		8,510		3,508		24,604			
Other long-term liabilities <sup>6</sup>		1,692		898		640		40		114			
Total <sup>7</sup>	\$	61,732	\$	16,728	\$	12,670	\$	5,690	\$	26,644			

- Operating lease obligations represent the undiscounted lease payments under non-cancelable leases, but exclude non-lease components.
- <sup>2</sup> Capital purchase obligations represent commitments for the construction or purchase of property, plant and equipment. They were not recorded as liabilities on our Consolidated Balance Sheets as of December 28, 2019, as we had not yet received the related goods nor taken title to the property.
- Other purchase obligations and commitments include payments due under various types of licenses and agreements to purchase goods or services.
- Tax obligations represent the future cash payments related to Tax Reform enacted in 2017 for the one-time transition tax on our previously untaxed foreign earnings. For further information, see "Note 9: Income Taxes" within the Consolidated Financial Statements.
- Amounts represent principal payments for all debt obligations and interest payments for fixed-rate debt obligations. Interest payments on floating-rate debt obligations, as well as the impact of fixed-rate to floating-rate debt swaps, are excluded. Debt obligations are classified based on their stated maturity date, regardless of their classification on the Consolidated Balance Sheets.
- <sup>6</sup> Amounts represent future cash payments to satisfy other long-term liabilities recorded on our Consolidated Balance Sheets, including the short-term portion of these long-term liabilities. Derivative instruments are excluded from the preceding table, because they do not represent the amounts that may ultimately be paid.
- 7 Total excludes contractual obligations already recorded on our Consolidated Balance Sheets as current liabilities, except for the short-term portions of long-term debt obligations and other long-term liabilities.

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

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

For the purchase of raw materials, we have entered into certain agreements that specify minimum prices and quantities based on a percentage of the total available market or based on a percentage of our future purchasing requirements. Due to the uncertainty of the future market and our future purchasing requirements, as well as the non-binding nature of these agreements, obligations under these agreements have been excluded from the preceding table. Our purchase orders for other products are based on our current manufacturing needs and are fulfilled by our vendors within short time horizons. In addition, some of our purchase orders represent authorizations to purchase rather than binding agreements.

Contractual obligations that are contingent upon the achievement of certain milestones have been excluded from the preceding table. Approximately half of our milestone-based contracts are tooling related for the purchase of capital equipment. These arrangements are not considered contractual obligations until the milestone is met by the

counterparty. As of December 28, 2019, assuming that all future milestones are met, the additional required payments would be approximately \$498 million.

For the majority of RSUs granted, the number of shares of common stock issued on the date the RSUs vest is net of the minimum statutory withholding requirements that we pay in cash to the appropriate taxing authorities on behalf of our employees. The obligation to pay the relevant taxing authority is excluded from the preceding table, as the amount is contingent upon continued employment. In addition, the amount of the obligation is unknown, as it is based in part on the market price of our common stock when the awards vest.

# QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are affected by changes in currency exchange and interest rates, as well as equity and commodity prices. Our risk management programs are designed to reduce, but may not entirely eliminate, the impacts of these risks. All of the following potential changes are based on sensitivity analyses performed on our financial positions as of December 28, 2019 and December 29, 2018. Actual results may differ materially.

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## **CURRENCY EXCHANGE RATES**

We are exposed to currency exchange risks of non-U.S.-dollar-denominated investments in debt instruments and loans receivable, and may economically hedge this risk with foreign currency contracts, such as currency forward contracts or currency interest rate swaps. Gains or losses on these non-U.S.-currency investments are generally offset by corresponding losses or gains on the related hedging instruments. We are exposed to currency exchange risks from our non-U.S.-dollar-denominated debt indebtedness and may use foreign currency contracts designated as cash flow hedges to manage this risk.

Substantially all of our revenue is transacted in U.S. dollars. However, a significant portion of our operating expenditures and capital purchases are incurred in other currencies, primarily the euro, the Japanese yen, the Israeli shekel, and the Chinese yuan. We have established currency risk management programs to protect against currency exchange rate risks associated with non-U.S. dollar forecasted future cash flows and existing non-U.S. dollar monetary assets and liabilities. We may also hedge currency risk arising from funding of foreign currency-denominated future investments. We may utilize foreign currency contracts, such as currency forwards or option contracts in these hedging programs. We considered the historical trends in currency exchange rates and determined that it was reasonably possible that a weighted average adverse change of 10% in currency exchange rates could be experienced in the near term. Such an adverse change, after taking into account balance sheet hedges only and offsetting recorded monetary asset and liability positions outstanding as of December 28, 2019 and December 29, 2018, would result in an adverse impact on income before taxes of less than \$38 million and less than \$46 million, respectively.

#### INTEREST RATES

We are exposed to interest rate risk related to our fixed-rate investment portfolio and outstanding debt. The primary objective of our investment policy is to preserve principal and the financial flexibility to fund our business while maximizing yields, which generally track the U.S. dollar three-month LIBOR. We generally enter into interest rate contracts to convert the returns on our fixed-rate debt investment with remaining maturities longer than six months into U.S. dollar three-month LIBOR-based returns. We also enter into swaps to convert fixed-rate coupon payments into floating-rate coupon payments for our existing indebtedness. Gains or losses on these instruments are generally offset by corresponding losses or gains on the related hedging instruments.

A hypothetical increase in benchmark interest rates of up to 1.0%, after taking into account investment hedges, would have resulted in a decrease in the fair value of our investment portfolio of approximately \$88 million as of December 28, 2019 (a hypothetical decrease of 1.0% would have resulted in an increase of approximately \$110 million as of December 29, 2018).

Taking into account floating-rate debt and fixed-rate debt that is swapped to floating-rate debt, a hypothetical increase in interest rates of up to 1.0% would result in an increase in annual interest expense on our indebtedness of approximately \$139 million from debt outstanding as of December 28, 2019 (an increase of approximately \$215 million from debt outstanding as of December 29, 2018).

#### **EQUITY PRICES**

Our investments include marketable equity securities and equity derivative instruments. We typically do not attempt to reduce or eliminate our equity market exposure through hedging activities at the inception of our investments. In the event we do decide to enter into hedge arrangements, before doing so we evaluate legal, market, and economic factors, as well as the expected timing of disposal, to determine whether hedging is appropriate. Our equity market risk management program may include equity derivatives with or without hedge accounting designation that utilize warrants, equity options, or other equity derivatives.

We also utilize total return swaps to offset changes in liabilities related to the equity market risks of certain deferred compensation arrangements. Gains or losses from changes in fair value of these total return swaps are generally offset by the losses or gains on the related liabilities.

As of December 28, 2019, the fair value of our marketable equity investments and our equity derivative instruments, including hedging positions, was \$450 million (\$1.4 billion as of December 29, 2018). A substantial majority of our marketable equity investments portfolio as of December 29, 2018 was concentrated in our investment in ASML of \$1.1 billion. During 2019, we fully sold our investment in ASML. To determine reasonably possible decreases in the market value of our marketable equity investments, we have analyzed the historical market price sensitivity of our marketable equity investment portfolio. Assuming a decline of 40% in market prices, and after reflecting the impact of hedges and offsetting positions, the aggregate value of our marketable equity investments could decrease by approximately \$180 million, based on the value as of December 28, 2019 (a decrease in value of approximately \$576 million, based on the value as of December 29, 2018 using an assumed decline of 40%). Beginning in 2018, as explained in "Note 2: Accounting Policies" within the Consolidated Financial Statements, changes in the fair value of our marketable equity

securities will be measured and recorded at fair value with changes in fair value recorded through the income statement.

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Many of the same factors that could result in an adverse movement of equity market prices affect our non-marketable equity investments, although we cannot always quantify the impacts directly. Financial markets are volatile, which could negatively affect the prospects of the companies we invest in, their ability to raise additional capital, and the likelihood of our ability to realize value in our investments through liquidity events such as initial public offerings, mergers, and private sales. These types of investments involve a great deal of risk, and there can be no assurance that any specific company will grow or become successful; consequently, we could lose all or part of our investment. Our non-marketable equity securities had a carrying amount of \$3.5 billion as of December 28, 2019 (\$3.0 billion as of December 29, 2018) and included our investment in Unisoc of \$658 million (\$658 million for Unisoc as of December 29, 2018). The carrying amount of our equity method investments was \$37 million as of December 28, 2019 (\$1.6 billion as of December 29, 2018). Substantially all of our equity method investments balance as of December 29, 2018 was concentrated in our investment in IMFT. During 2019, we sold our non-controlling interest in IMFT to Micron.

#### COMMODITY PRICE RISK

Although we operate facilities that consume commodities, we are not directly affected by commodity price risk to a material degree. We have established forecasted transaction risk management programs to protect against fluctuations in commodity prices. We may use commodity derivatives contracts, such as commodity swaps, in these hedging programs. In addition, we have sourcing plans in place that are designed to mitigate the risk of a potential supplier concentration for our key commodities.

## **NON-GAAP FINANCIAL MEASURES**

In addition to disclosing financial results in accordance with U.S. GAAP, this document contains references to the non-GAAP financial measures below. We believe these non-GAAP financial measures provide investors with useful supplemental information about the financial performance of our business, enable comparison of financial results between periods where certain items may vary independent of business performance, and allow for greater transparency with respect to key metrics used by management in operating our business and measuring our performance.

Our non-GAAP financial measures reflect adjustments based on one or more of the following items, as well as the related income tax effects where applicable. Income tax effects have been calculated using an appropriate tax rate for each adjustment. These non-GAAP financial measures should not be considered a substitute for, or superior to, financial measures calculated in accordance with U.S. GAAP, and the financial results calculated in accordance with U.S. GAAP and reconciliations from these results should be carefully evaluated.

## **ACQUISITION-RELATED ADJUSTMENTS**

Acquisition-related adjustments exclude charges related to amortization of acquisition-related intangible assets, inventory valuation adjustments, and other acquisition-related charges.

Amortization of acquisition-related intangible assets consists of amortization of intangible assets such as developed technology, brands, and customer relationships acquired in connection with business combinations. Cost of sales and operating expenses in our U.S. GAAP financial statements include amortization charges for intangible assets acquired primarily for the acquisitions of Mobileye in 2017 and Altera in 2016. These charges are inconsistent in size and are significantly impacted by the timing and valuation of our acquisitions.

Business combination accounting principles require us to measure acquired inventory at fair value. The fair value of inventory reflects the acquired company's cost of manufacturing plus a portion of the expected profit margin. The acquisition-related inventory valuation adjustments exclude the expected profit margin component from cost of sales that was recorded under business combination accounting principles associated with our acquisition of Mobileye.

Other acquisition-related charges primarily include bankers' fees, compensation-related costs, and valuation charges for stock-based compensation incurred in connection with the acquisition of Mobileye.

Our non-GAAP adjustments exclude these charges to facilitate a better evaluation of our current operating performance and comparison to our past operating performance, and provide investors with additional means to reflect costs of sales, gross margin and spending trends.

## RESTRUCTURING AND OTHER CHARGES

Restructuring charges are costs associated with a formal restructuring plan and are primarily related to employee severance and benefit arrangements. Other charges include asset impairments, pension charges, and costs associated with the exit of the 5G smartphone modem business and the ISecG divestiture. We exclude restructuring and other charges, including any adjustments to charges recorded in prior periods, for purposes of calculating certain

non-GAAP measures. These costs do not reflect our current operating performance. Consequently, our non-GAAP adjustments exclude these charges to facilitate an evaluation of our current operating performance and comparisons to our past operating performance.

## **GAINS OR LOSSES FROM DIVESTITURE**

We divested our 5G smartphone modem business in 2019, Wind River in 2018, and ISecG in 2017. We exclude gains or losses and related tax impacts resulting from divestitures when calculating certain non-GAAP measures. These adjustments facilitate a better evaluation of our current operating performance and comparisons to our past operating performance.

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## **ONGOING MARK-TO-MARKET ON MARKETABLE EQUITY SECURITIES**

When calculating certain non-GAAP measures, we exclude gains and losses resulting from ongoing mark-to-market adjustments of our marketable equity securities after the initial mark-to-market adjustment is recorded upon a security becoming marketable, as we do not believe this volatility correlates to our core operational performance. Consequently, our non-GAAP earnings per share figures exclude these impacts to facilitate an evaluation of our current performance and comparisons to our past operating performance.

## TAX REFORM ADJUSTMENT

We recognized a higher income tax expense in Q4 2017 as a result of Tax Reform and made adjustments to the original estimate during 2018. We exclude the provisional tax estimate and adjustments when calculating certain non-GAAP measures. These adjustments facilitate a better evaluation of our current operating performance and comparisons to past operating results.

#### **FREE CASH FLOW**

We reference a non-GAAP financial measure of free cash flow, which is used by management when assessing our sources of liquidity, capital resources, and quality of earnings. This non-GAAP financial measure is helpful to investors in understanding our capital requirements and provides an additional means to reflect the cash flow trends of our business.

Following are the reconciliations of our most comparable U. S. GAAP measures to our non-GAAP measures presented:

Years Ended (In Millions, Except Per Share Amounts)	Dec 28, 2019	Dec 29, 2018	Dec 30, 2017		
Operating income	\$ 22,035	\$ 23,316	\$	18,050	
Acquisition-related adjustments	1,324	1,305		1,257	
Restructuring and other charges	 393	(72)		384	
Non-GAAP operating income	\$ 23,752	\$ 24,549	\$	19,691	
Operating margin	30.6 %	32.9 %		28.8 %	
Acquisition-related adjustments	1.8 %	1.8 %		2.0 %	
Restructuring and other charges	0.5 %	(0.1 %		0.6 %	
Non-GAAP operating margin	33.0 %	 34.7 %		31.4 %	
Net income	\$ 21,048	\$ 21,053	\$	9,601	
Acquisition-related adjustments	1,324	1,305		1,257	
Restructuring and other charges	393	(72)		384	
(Gains) losses from divestiture	(690)	(494)		(387)	
Ongoing mark-to-market on marketable equity securities	(277)	129		_	
Tax Reform	_	(294)		5,444	
Income tax effect	 (14)	(102)		454	
Non-GAAP net income	\$ 21,784	\$ 21,525	\$	16,753	
Earnings per share—Diluted	\$ 4.71	\$ 4.48	\$	1.99	
Acquisition-related adjustments	0.29	0.28		0.25	
Restructuring and other charges	0.09	(0.02)		0.08	
(Gains) losses from divestiture	(0.16)	(0.11)		(80.0)	
Ongoing mark-to-market on marketable equity securities	(0.06)	0.03		_	
Tax Reform	_	(0.06)		1.13	
Income tax effect		(0.02)		0.09	
Non-GAAP earnings per share—Diluted	\$ 4.87	\$ 4.58	\$	3.46	

Years Ended (In Millions)		Dec 28, 2019	Dec 29, 2018	Dec 30, 2017		Dec 31, 2016		Dec 26, 2015	
Net cash provided by operating activities	\$	33,145	\$ 29,432	\$	22,110	\$	21,808	\$	19,018
Additions to property, plant and equipment		(16,213)	(15,181)		(11,778)		(9,625)		(7,326)
Free cash flow	\$	16,932	\$ 14,251	\$	10,332	\$	12,183	\$	11,692
Net cash used for investing activities	\$	(14,405)	\$ (11,239)	\$	(15,762)	\$	(25,817)	\$	(8,183)
Net cash provided by (used for) financing activities	\$	(17,565)	\$ (18,607)	\$	(8,475)	\$	(5,739)	\$	1,912
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## OTHER KEY INFORMATION

## **SELECTED FINANCIAL DATA**

Years Ended (Dollars in Millions, Except Per Share Amounts)	Dec 28, 2019		Dec 29, 2018	Dec 30, 2017		Dec 31, 2016		Dec 26, 2015	
Net revenue	\$ 71,965	\$	70,848	\$	62,761	\$	59,387	\$ 55,355	
Gross margin <sup>1</sup>	\$ 42,140	\$	43,737	\$	39,098	\$	36,233	\$ 34,679	
Gross margin percentage <sup>1</sup>	58.6 %		61.7 %		62.3 %		61.0 %	62.6 %	
Research and development <sup>1</sup>	\$ 13,362	\$	13,543	\$	13,035	\$	12,685	\$ 12,128	
Marketing, general and administrative <sup>1</sup>	\$ 6,150	\$	6,750	\$	7,452	\$	8,377	\$ 7,930	
R&D and MG&A as a percentage of revenue <sup>1</sup>	27.1 %		28.6 %		32.6 %		35.5 %	36.2 %	
Operating income <sup>1</sup>	\$ 22,035	\$	23,316	\$	18,050	\$	13,133	\$ 14,002	
Net income <sup>2</sup>	\$ 21,048	\$	21,053	\$	9,601	\$	10,316	\$ 11,420	
Effective tax rate <sup>2</sup>	12.5 %		9.7 %		52.8 %		20.3 %	19.6 %	
Earnings per share <sup>2</sup>									
Basic	\$ 4.77	\$	4.57	\$	2.04	\$	2.18	\$ 2.41	
Diluted	\$ 4.71	\$	4.48	\$	1.99	\$	2.12	\$ 2.33	
Weighted average diluted shares of common stock outstanding	4,473		4,701		4,835		4,875	4,894	
Dividends per share of common stock, declared and paid	\$ 1.26	\$	1.20	\$	1.0775	\$	1.04	\$ 0.96	
Net cash provided by operating activities	\$ 33,145	\$	29,432	\$	22,110	\$	21,808	\$ 19,018	
Additions to property, plant and equipment	\$ 16,213	\$	15,181	\$	11,778	\$	9,625	\$ 7,326	
Repurchase of common stock	\$ 13,576	\$	10,730	\$	3,615	\$	2,587	\$ 3,001	
Payment of dividends to stockholders	\$ 5,576	\$	5,541	\$	5,072	\$	4,925	\$ 4,556	
	Dec 28,			Dec 30,		Dec 31,	Dec 26,		
(Dollars in Millions)	 2019		2018		2017		2016	 2015	
Property, plant and equipment, net	\$ 55,386	\$	48,976	\$	41,109	\$	36,171	\$ 31,858	
Total assets	\$ 136,524	\$	127,963	\$	123,249	\$	113,327	\$ 101,459	
Debt	\$ 29,001	\$	26,359	\$	26,813	\$	25,283	\$ 22,670	
Stockholders' equity	\$ 77,504	\$	74,563	\$	69,019	\$	66,226	\$ 61,085	
Employees (in thousands)	110.8		107.4		102.7		106.0	107.3	

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

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

## SALES AND MARKETING

## **CUSTOMERS**

We sell our products primarily to OEMs, ODMs, and cloud service providers. ODMs provide design and manufacturing services to branded and unbranded private-label resellers. In addition, our customers include other manufacturers and service providers, such as industrial and communication equipment manufacturers and cloud service providers, who buy our products through distributor, reseller, retail, and OEM channels throughout the world. For more information about our customers, including customers who accounted for greater than 10% of our net consolidated revenue, see "Note 4: Operating Segments" within the Consolidated Financial Statements.

Our worldwide reseller sales channel consists of thousands of indirect customers—systems builders that purchase Intel® processors and other products from our distributors. We have incentive programs that allow distributors to sell our microprocessors and other products in small quantities to systems integrators. Our microprocessors and other products are also available in direct retail outlets.

#### SALES ARRANGEMENTS

Our products are sold through distribution channels throughout the world. Sales of our products are frequently made via purchase order acknowledgments that contain standard terms and conditions covering matters such as pricing, payment terms, and warranties, as well as indemnities for issues specific to our products, such as patent and copyright indemnities. From time to time, we may enter into additional agreements with customers covering, for example, changes from our standard terms and conditions, new product development and marketing, and private-label branding. Our sales are routinely made using electronic and web-based processes that allow the customer to review inventory availability and track the progress of specific goods ordered. Pricing on particular products may vary based on volumes ordered and other factors. We also offer discounts, rebates, and other incentives to customers to increase acceptance of our products and technology.

In accordance with contract terms, revenue for product sales is recognized at the time of product shipment from our facilities or delivery to the customer location, as determined by the agreed-upon shipping terms. Our standard terms and conditions of sale typically provide that payment is due at a later date, 30 days after shipment or delivery. We assess credit risk through quantitative and qualitative analysis. From this analysis, we establish shipping and credit limits, and determine whether we will seek to use one or more credit support protection devices, such as obtaining a parent guarantee, standby letter of credit, or credit insurance. Credit losses may still be incurred due to bankruptcy, fraud, or other failure of the customer to pay.

Our sales to distributors are typically made under agreements allowing for price protection on unsold merchandise and a right of return on stipulated quantities of unsold merchandise. Under the price protection program, we give distributors credits for the difference between the original price paid and the current price that we offer. Our products typically have no contractual limit on the amount of price protection, nor is there a limit on the time horizon under which price protection is granted. The right of return granted generally consists of a stock rotation program in which distributors are able to exchange certain products based on the number of qualified purchases made by the distributor.

## **DISTRIBUTION**

Distributors typically handle a wide variety of products, including those that compete with our products, and fill orders for many customers. Customers may place orders directly with us or through distributors. We have several distribution warehouses that are located in proximity to key customers.

## **SEASONAL TRENDS**

Historically, our net revenue has typically been higher in the second half of the year than in the first half of the year, accelerating in the third quarter and peaking in the fourth quarter.

#### **MARKETING**

Our global marketing objectives are to build a strong, well-known, differentiated, and meaningful Intel corporate brand that drives preference with businesses and consumers, and to offer a limited number of meaningful and valuable brands in our portfolio to aid businesses and consumers in making informed choices about technology purchases. The Intel® Core™ processor family and the Intel® Quark™, Intel Atom®, Celeron®, Pentium®, Intel® Xeon®, and Itanium® trademarks make up our CPU brands.

We promote brand awareness and preference, and generate demand through our own direct marketing, as well as through co-marketing programs. Our direct marketing activities primarily include advertising through digital and social

media and television, as well as consumer and trade events, industry and consumer communications, and press relations. We market to consumer and business audiences, and focus on building awareness and generating demand for our products. Our key messaging focuses on increased performance, improved energy efficiency, and other capabilities such as connectivity and communications.

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Certain customers participate in cooperative advertising and marketing programs. These cooperative advertising and marketing programs broaden the reach of our brands beyond the scope of our own direct marketing. Certain customers are licensed to place Intel® logos on computing devices containing our microprocessors and processor technologies, and to use our brands in their marketing activities. The program partially reimburses customers for marketing activities for products featuring Intel® brands, subject to customers meeting defined criteria. These marketing activities primarily include advertising through digital and social media and television, as well as press relations. We have also entered into joint marketing arrangements with certain customers.

## COMPETITION

We discuss competitive conditions in our businesses, the market segments in which we compete, our competitors, and the principal methods of competition in the "Segment Trends and Results" section of MD&A, particularly under the heading "Market and Business Overview" for each business, as well as in "Risk Factors," particularly in the risk factors "We face significant competition" and "Our investments in new businesses, products, and technologies are inherently risky and do not always succeed."

Our key competitive advantages include those discussed in "Our Strategy" and "Our Capital" within Fundamentals of our Business, and the "Our Products" section of MD&A, particularly the discussions of our broad product portfolio and in-house manufacturing capabilities. Our competitive challenges include those discussed in Risk Factors, particularly in the risk factors "We face significant competition"; "Our investments in new businesses, products, and technologies are inherently risky and do not always succeed"; and "We are subject to risks associated with the development and implementation of new manufacturing process technology."

## INTELLECTUAL PROPERTY RIGHTS AND LICENSING

Intel owns and develops significant IP and related IP rights around the world that relate to our products, services, R&D, and other activities and assets. Our IP portfolio includes patents, copyrights, trade secrets, trademarks, trade dress rights, and mask work rights. We actively seek to protect our global IP rights and to deter unauthorized use of our IP and other assets. Such efforts can be difficult, however, particularly in countries that provide less protection to IP rights and in the absence of harmonized international IP standards. For a discussion of the risks related to IP and our IP rights, please see "We are subject to IP risks and risks associated with litigation and regulatory proceedings" in "Risk Factors" within Other Key Information. While our IP rights are important to our success, our business as a whole is not significantly dependent on any single patent, copyright, or other IP right.

We have obtained patents in the U.S. and other countries. Because of the fast pace of innovation and product development, and the comparative pace of governments' patenting processes, our products are often obsolete before the patents related to them expire; in some cases, our products may be obsolete before the patents related to them are granted. As we expand our product offerings into new industries, we also seek to extend our patent development efforts to patent such products. In addition to developing patents based on our own R&D efforts, we may purchase or license patents from third parties. Established competitors in existing and new industries, as well as companies that purchase and enforce patents and other IP, may already have patents covering similar products. There is no assurance that we will be able to obtain patents covering our own products, or that we will be able to obtain licenses from other companies on favorable terms or at all.

The software that we distribute, including software embedded in our component-level and platform products, is entitled to copyright and other IP protection. To distinguish our products from our competitors' products, we have obtained trademarks and trade names for our products, and we maintain cooperative advertising programs with customers to promote our brands and to identify products containing genuine Intel components. We also protect details about our processes, products, and strategies as trade secrets, keeping confidential the information that we believe provides us with a competitive advantage.

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"Intel carefully protects its innovations, and we have a long history of vigilantly enforcing our IP rights against infringement. Strong IP protections make it possible for Intel to continue to invest the enormous resources required to innovate and advance our strategic goals to make the world's best semiconductors, lead technology inflections, and be the leading end-to-end platform provider for the new data world."

-Steve Rodgers, Executive Vice President and General Counsel

## CRITICAL ACCOUNTING ESTIMATES

The methods, assumptions, and estimates that we use in applying our accounting policies may require us to apply judgments regarding matters that are inherently uncertain. We consider an accounting policy to be a critical estimate if: (1) we must make assumptions that were uncertain when the judgment was made, and (2) changes in the estimate assumptions, or selection of a different estimate methodology, could have a significant impact on our financial position and the results that we report in our Consolidated Financial Statements. While we believe that our estimates, assumptions, and judgments are reasonable, they are based on information available when the estimate was made.

Refer to "Note 2: Accounting Policies" within the Consolidated Financial Statements for further information on our critical accounting estimates and policies, which are as follows:

- Inventories—the transition of manufacturing costs to inventory, excluding factory excess capacity costs.
   Inventory reflected at the lower of cost or net realizable value considering future demand and market conditions;
- Long-lived assets—the valuation methods and assumptions used in assessing the impairment of property, plant
  and equipment, identified intangibles, and goodwill, including the determination of asset groupings and the
  identification and allocation of goodwill to reporting units;
- Non-marketable equity investments—the valuation estimates and assessment of impairment and observable price adjustments; and
- Loss contingencies—the estimation of when a loss is probable and reasonably estimable.

## **RISK FACTORS**

The following risks could materially and adversely affect our business, financial condition, cash flows, and results of operations, and the trading price of our common stock could decline. These risk factors do not identify all risks that we face; our operations could also be affected by factors that are not presently known to us or that we currently consider to be immaterial to our operations. Due to risks and uncertainties, known and unknown, our past financial results may not be a reliable indicator of future performance, and historical trends should not be used to anticipate results or trends in future periods. Refer also to the other information set forth in this Annual Report on Form 10-K, including in MD&A and our Consolidated Financial Statements and the related notes.

# CHANGES IN PRODUCT DEMAND CAN ADVERSELY AFFECT OUR FINANCIAL RESULTS.

Demand for our products is variable and hard to predict. Our products are used in different market segments, and demand for our products varies within or among the market segments served by our PC-centric and data-centric businesses. It is difficult to forecast these changes and their impact. For example, in the first half of 2019, customers of our DCG business worked through inventory and absorbed computing capacity purchased in 2018, leading to a year over year decline in DCG platform revenue in the first half, followed by growth in DCG platform demand and revenue in the second half of 2019. Changes in the demand for our products, particularly our CCG and DCG platform products, can reduce our revenue, lower our gross margin, or require us to write down the value of our assets.

Important factors that lead to variation in the demand for our products include:

- business conditions, including downturns in the market segments in which we operate, or in the global or regional economies;
- consumer confidence or income levels, and the levels of customer capital spending, which may be impacted by changes in market conditions, including changes in government borrowing, taxation, or spending policies; the credit market; or expected inflation, employment, and energy or other commodity prices;
- our ability to timely introduce competitive products;
- competitive and pricing pressures, including new product introductions and other actions taken by competitors;
- the level of our customers' inventories and computing capacity;
- customer order patterns, including order cancellations, which can be affected by maturing product cycles for our products, customers' products, and related products such as operating system upgrade cycles; disruptions affecting customers; and other factors;

- market acceptance and industry support of our new and maturing products, including the introduction and availability of products used together with our products; and
- customer product needs and emerging technology trends, including changes in the levels and nature of customer and end-user computing workloads.

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Due to the complexity of our manufacturing operations, we are not always able to timely respond to fluctuations in demand and we may incur significant charges and costs. Because we own and operate high-tech fabrication facilities, our operations have high costs that are fixed or difficult to reduce in the short term, including our costs related to utilization of existing facilities, facility construction and equipment, R&D, and the employment and training of a highly skilled workforce. To the extent product demand decreases or we fail to forecast demand accurately, we could be required to write off inventory or record excess capacity charges, which would lower our gross margin. To the extent the demand decrease is prolonged, our manufacturing or assembly and test capacity could be underutilized, and we may be required to write down our long-lived assets, which would increase our expenses. We may also be required to shorten the useful lives of under-used facilities and equipment and accelerate depreciation. Conversely, to the extent product demand increases or we fail to forecast accurately and produce the mix of products demanded, we may be unable to add capacity or increase production fast enough to meet market demand, which can result in a loss of revenue opportunities or market share, legal claims, and/or damage to customer relationships. For example, we have been experiencing supply constraints and have been prioritizing production of our server and high-performance PC products, which during 2019 contributed to loss of share in the value end of the PC market, where we were short of supply while demand remained healthy.

We face significant competition. The industry in which we operate is highly competitive and subject to rapid technological and market developments; changes in industry standards; changes in customer and end-user needs, expectations, and preferences; and frequent product introductions and improvements. If we do not anticipate and respond to these developments, our competitive position can weaken, and our products or technologies can become uncompetitive or obsolete. Our competitive environment has intensified, and we expect it to continue to do so in the future.

Our products primarily compete based on performance, energy efficiency, integration, ease-of-use, innovative design, features, price, quality, reliability, security, software ecosystem and developer support, time-to-market, reliable product roadmap execution, brand recognition, customer support and customization, and availability. The importance of these factors varies by product—for example, performance is a key competitive factor for data center platform products, and failure to introduce new products with performance advantages can harm our competitive position and market segment share in our DCG business. For our memory products, price, density, and non-volatility are among the most important competitive factors. We will not realize our strategic goal to become the leading end-to-end provider for the new data world if our products do not meet our customers' requirements across these factors in an increasingly competitive landscape.

We face intense competition across our product portfolio from companies offering platform products, such as AMD and Qualcomm; accelerator products such as GPUs, including those offered by NVIDIA; other accelerator products such as ASICs, application-specific standard products, and FPGAs; memory and storage products; connectivity and networking products; and other semiconductor products. Some of these competitors have developed or utilize competing computing architectures and platforms for specific market segments or applications, such as the ARM\* architecture, and these architectures and platforms can produce beneficial network effects for competitors when an ecosystem of customers and application developers for such architectures and platforms grows at scale. We also compete with internally developed semiconductors from OEMs, cloud service providers, and others, including customers. Some of these customers vertically integrate their own semiconductor designs with their software assets or customize their designs for specific computing workloads. Most of our competitors rely on third-party foundries, such as Taiwan Semiconductor Manufacturing Company, Ltd. or Samsung Electronics Co., Ltd., and subcontractors for manufacture and assembly and test of their semiconductor components and products. As an IDM, we have higher capital expenditures and R&D spending than many of our "fabless" competitors. We also face new sources of competition as a result of changes in industry participants through, for example, acquisitions or business collaborations, as well as new entrants, including in China, which could have a significant impact on our competitive position.

Introduction of competitive new products and technologies, aggressive pricing, and other actions taken by competitors can harm demand for our products, exert downward pricing pressure on our products, and adversely affect our business. Additionally, a number of business combinations and strategic partnerships in the semiconductor industry have occurred over the last several years, and more could occur in the future. Consolidation could lead to fewer customers, partners, or suppliers, any of which could negatively affect our financial results.

To compete successfully, we must maintain a successful R&D effort, develop new products and production processes, and improve our existing products and processes, all ahead of competitors. We are focusing our R&D efforts across six engineering pillars: process technology, architecture, memory, interconnect, security, and software. These include ambitious initiatives, such as our unified oneAPI portfolio of developer tools, and we cannot guarantee that all of these efforts will deliver the benefits we anticipate. For example, to the extent we do not timely introduce new manufacturing process technologies that improve transistor density with sufficient manufacturing yields and operational efficiency, relative to competing foundry processes, we can face cost and product performance disadvantages. Similarly, to the extent our R&D efforts do not timely produce semiconductor designs for our platform products with improvements in

areas like performance, performance per watt, die utilization, and core counts, and with new features such as optimizations for AI and other workloads, our competitive position can be harmed.

We do not expect all of our R&D investments to be successful. Some of our efforts to develop and market new products fail, and the products and technologies we invest in and develop are not always well received by customers, who may adopt competing technologies. We make significant investments in R&D, and our investments at times do not contribute to our future operating results for several years, if at all, and such contributions at times do not meet our expectations or even cover the costs of such investments.

If we are not able to compete effectively, our financial results will be adversely affected, including reduced revenue and gross margin, and we may be required to accelerate the write-down of the value of certain assets.

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Our investments in new businesses, products, and technologies are inherently risky and do not always succeed. In recent years, in connection with our strategic transformation to a data-centric company, we have entered new areas and introduced adjacent products in programmable solutions, AI, and autonomous driving. We also expanded our adjacent product offerings in client computing, the data center, the Internet of Things, and memory, with offerings such as modems, silicon photonics solutions, and Intel<sup>®</sup> Optane<sup>™</sup> technology products, and we have made investments in discrete graphics and networking infrastructure products. These efforts are not always successful. In April 2019, we announced that we would be exiting the 5G smartphone modem business based on our determination that there was no clear path to profitability for the business, and in November 2019, we completed the sale of the majority of our smartphone modem business.

These new and developing areas and products represent a significant portion of our expanded TAM, and they also introduce new sources of competition, including, in certain of these market segments, incumbent competitors with established technologies and customer bases, lower prices or costs, and greater brand recognition. These developing products and market segments require significant investment, do not always grow as significantly as projected, or at all, or sometimes utilize technologies that are different from the ones that we develop and manufacture, and we may not realize an adequate return on our investments. For example, Al and machine learning are increasingly driving innovations in technology, but if they fail to deliver the benefits anticipated, or if our customers use competing technologies for these workloads, we may not realize a return on our investments in these areas. Similarly, while we see significant opportunity in networking infrastructure and the distribution of computing to the network edge, we expect intense competition for this opportunity and may not succeed in our efforts. To be successful, we need to cultivate new industry relationships with customers and partners in these market segments. In addition, we must continually improve the cost, performance, integration, time-to-market, and energy efficiency of our products, as well as expand our software capabilities to provide customers with comprehensive computing solutions. Some of these new businesses face challenging market conditions. For example, market pricing for NAND memory products has been, and may continue to be, highly volatile, and NAND pricing pressure led to an operating loss for our NSG business in 2019. Despite our ongoing efforts, there is no guarantee that we will achieve or maintain market demand or acceptance for our products and services in these various market segments or realize an adequate return on our investments, which could lead to impairment of assets and restructuring charges.

Changes in the mix of products sold can impact our financial results. Our pricing and margins vary across our products and market segments due in part to marketability of our products and differences in their features or manufacturing costs. For example, our platform product offerings range from lower-priced and entry-level platforms, such as those based on Intel Atom® processors, to higher-end platforms based on Intel® Xeon® processors. Our adjacent products also typically have significantly lower margins than our higher-priced platform products. To the extent demand shifts from our higher-priced to lower-priced platform products in any of our market segments, or our adjacent products represent an increasingly greater share of our mix of products sold, our gross margin percentage may decrease.

### WE OPERATE GLOBALLY AND ARE SUBJECT TO SIGNIFICANT RISKS IN MANY JURISDICTIONS.

Global or regional conditions can harm our financial results. We have manufacturing, assembly and test, R&D, sales, and other operations in many countries, and some of our business activities are concentrated in one or more geographic areas. Moreover, sales outside the U.S. accounted for approximately 78% of our revenue for the fiscal year ended December 28, 2019, with revenue from billings to China, including Hong Kong, contributing approximately 28% of our total revenue. As a result, our operations and our financial results, including our ability to manufacture, assemble and test, design, develop, or sell products, and the demand for our products, are at times adversely affected by a number of global and regional factors outside of our control.

Adverse changes in global or regional economic conditions, including recession or slowing growth, changes or uncertainty in fiscal, monetary, or trade policy, higher interest rates, tighter credit, inflation, lower capital expenditures by businesses including on IT infrastructure, increases in unemployment, and lower consumer confidence and spending, periodically occur and can significantly harm demand for our products and make it more challenging to forecast our operating results and make business decisions, including regarding prioritization of investments in our business. An economic downturn or increased uncertainty may also lead to increased credit and collectability risks, higher borrowing costs or limits on our access to capital markets, reduced liquidity, adverse impacts on our suppliers, failures of counterparties and other financial institutions, and declines in the value of our financial instruments.

International trade disputes at times result in increased tariffs, trade barriers, and other protectionist measures that can increase our manufacturing costs, make our products less competitive, reduce demand for our products, limit our ability to sell to certain customers, limit our ability to procure components or raw materials, or impede or slow the movement of our goods across borders. Increasing protectionism and economic nationalism may lead to further changes in trade policy, domestic sourcing initiatives, or other formal and informal measures that could make it more difficult to sell our products in, or restrict our access to, some markets.

Escalating trade tensions between the U.S. and China have led to increased tariffs and trade restrictions, including tariffs applicable to some of our products, and have affected customer ordering patterns. The U.S. has imposed restrictions on the export of U.S.-regulated products and technology to certain Chinese technology companies, including certain of our customers. These restrictions have reduced our sales, and continuing or future restrictions could adversely affect our financial results, result in reputational harm to us due to our relationship with such companies, or lead such companies to develop or adopt technologies that compete with our products. It is difficult to predict what further trade-related actions governments may take, which may include additional or increased tariffs and trade restrictions, and we may be unable to quickly and effectively react to such actions. For example, U.S. legislation has expanded the power of the U.S. Department of Commerce to restrict the export of "emerging and foundational technologies" yet to be identified, which could impact our current or future products.

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Trade disputes and protectionist measures, or continued uncertainty about such matters, could result in declining consumer confidence and slowing economic growth or recession, and could cause our customers to reduce, cancel, or alter the timing of their purchases with us. Sustained trade tensions could lead to long-term changes in global trade and technology supply chains, which could adversely affect our business and growth prospects.

We can be adversely affected by other global and regional factors that periodically occur, including:

- geopolitical and security issues, such as armed conflict and civil or military unrest, political instability, human rights concerns, and terrorist activity, including, for example, geopolitical tensions and conflict affecting Israel, where our Mobileye business headquarters and certain of our fabrication facilities are located;
- natural disasters, public health issues, and other catastrophic events;
- inefficient infrastructure and other disruptions, such as supply chain interruptions and large-scale outages or unreliable provision of services from utilities, transportation, data hosting, or telecommunications providers;
- formal or informal imposition of new or revised export, import, or doing-business regulations, including trade sanctions, tariffs, and changes in the ability to obtain export licenses, which could be changed without notice;
- government restrictions on, or nationalization of, our operations in any country, or restrictions on our ability to repatriate earnings from a particular country;
- adverse changes relating to government grants, tax credits, or other government incentives;
- differing employment practices and labor issues;
- ineffective legal protection of our IP rights in certain countries;
- local business and cultural factors that differ from our current standards and practices;
- continuing uncertainty regarding social, political, immigration, and tax and trade policies in the U.S. and abroad, including as a result of the United Kingdom's vote to withdraw from the European Union;
- fluctuations in the market values of our domestic and international investments, which can be negatively
  affected by liquidity, credit deterioration or losses, interest rate changes, financial results, political risk,
  sovereign risk, or other factors; and
- uncertainty regarding LIBOR—certain of our interest rate derivatives and investments are based on LIBOR, and
  a portion of our indebtedness bears interest at variable interest rates, primarily based on LIBOR: LIBOR is the
  subject of recent national, international and other regulatory guidance and proposals for reform, which may
  cause LIBOR to disappear entirely after 2021 or to perform differently than in the past, and while we expect that
  reasonable alternatives to LIBOR will be implemented prior to the 2021 target date, we cannot predict the
  consequences and timing of these developments, and they could include an increase in our interest expense
  and/or a reduction in our interest income.

We are subject to laws and regulations worldwide that differ among jurisdictions, affecting our operations in areas including, but not limited to: IP ownership and infringement; tax; import and export requirements; anti-corruption; foreign exchange controls and cash repatriation restrictions; data privacy requirements; competition; advertising; employment; product regulations; environment, health, and safety requirements; and consumer laws. Compliance with such requirements can be onerous and expensive, and may otherwise impact our business operations negatively. For example, unfavorable developments with evolving laws and regulations worldwide related to 5G or autonomous driving technology may limit global adoption, impede our strategy, and negatively impact our long-term expectations for our investments in these areas. Expanding privacy legislation and compliance costs of privacy-related and data protection measures could adversely affect our customers and their products and services, particularly in cloud, Internet of Things, and AI applications, which could in turn reduce demand for our products used for those workloads.

Although we have policies, controls, and procedures designed to help ensure compliance with applicable laws, there can be no assurance that our employees, contractors, suppliers, or agents will not violate such laws or our policies. Violations of these laws and regulations can result in fines; criminal sanctions against us, our officers, or our employees; prohibitions on the conduct of our business; and damage to our reputation. The technology industry is subject to intense media, political, and regulatory scrutiny, which can increase our exposure to government investigations, legal actions, and penalties.

We are affected by fluctuations in currency exchange rates. We are exposed to adverse as well as beneficial movements in currency exchange rates. Although most of our sales occur in U.S. dollars, expenses may be paid in

local currencies. An increase in the value of the dollar can increase the real cost to our customers of our products in those markets outside the U.S. where we sell in dollars, and a weakened dollar can increase the cost of expenses such as payroll, utilities, tax, and marketing expenses, as well as overseas capital expenditures. We also conduct certain investing and financing activities in local currencies. Our hedging programs may not be effective to offset any, or more than a portion, of the adverse impact of currency exchange rate movements; therefore, changes in exchange rates can harm our results of operations and financial condition.

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Catastrophic events can have a material adverse effect on our operations and financial results. Our operations and business, and those of our customers and suppliers, can be disrupted by natural disasters; industrial accidents; public health issues; cybersecurity incidents; interruptions of service from utilities, transportation, telecommunications, or IT systems providers; manufacturing equipment failures; or other catastrophic events. For example, we have at times experienced disruptions in our manufacturing processes as a result of power outages, improperly functioning equipment, and disruptions in supply of raw materials or components, including due to cybersecurity incidents affecting our suppliers. Our headquarters and many of our operations and facilities are in locations that are prone to earthquakes and other natural disasters. Global climate change can result in certain natural disasters occurring more frequently or with greater intensity, such as drought, wildfires, storms, sea-level rise, and flooding, and could disrupt the availability of water necessary for the operation of our fabrication facilities located in semi-arid regions. Catastrophic events could make it difficult or impossible to manufacture or deliver products to our customers, receive production materials from our suppliers, or perform critical functions, which could adversely affect our revenue and require significant recovery time and expenditures to resume operations. While we maintain business recovery plans that are intended to enable us to recover from natural disasters or other events that can be disruptive to our business, some of our systems are not fully redundant and we cannot be sure that our plans will fully protect us from all such disruptions. Furthermore, even if our operations are unaffected or recover quickly, if our customers cannot timely resume their own operations due to a catastrophic event, they may reduce or cancel their orders, which may adversely affect our results of operations.

We maintain a program of insurance coverage for a variety of property, casualty, and other risks. The types and amounts of insurance we obtain vary depending on availability, cost, and decisions with respect to risk retention. Some of our policies have large deductibles and broad exclusions. In addition, one or more of our insurance providers may be unable or unwilling to pay a claim. Losses not covered by insurance may be large, which could harm our results of operations and financial condition.

Damage to our reputation can damage our business. Our reputation is a critical factor in our relationships with customers, employees, governments, suppliers, and other stakeholders. Our failure to address, or the appearance of our failure to address, issues that give rise to reputational risk, including those described throughout this Risk Factors section, could significantly harm our reputation and our brands. Our reputation is also impacted by how we respond to corporate crises. Corporate crises can arise from catastrophic events as well as from incidents involving unethical behavior or misconduct; product quality, security, or safety issues; allegations of legal noncompliance; internal control failures; corporate governance issues; data breaches; workplace safety incidents; environmental incidents; the use of our products for illegal or objectionable applications; marketing practices; media statements; the conduct of our suppliers or representatives; and other issues or incidents that, whether actual or perceived, result in adverse publicity. To the extent we fail to respond quickly and effectively to address such crises, the ensuing negative public reaction could significantly harm our reputation and our brands and could lead to increases in litigation claims and asserted damages or subject us to regulatory actions or restrictions.

Damage to our reputation could reduce demand for our products and adversely affect our business and operating environment. It could reduce investor confidence in us, adversely affecting our stock price. It may also limit our ability to be seen as an employer of choice when competing for highly skilled employees. Moreover, repairing our reputation and brands may be difficult, time-consuming, and expensive.

#### WE ARE VULNERABLE TO PRODUCT AND MANUFACTURING-RELATED RISKS.

We are subject to risks associated with the development and implementation of new manufacturing process technology. Production of integrated circuits is a complex process. Realizing the economics of Moore's Law is a strategic priority, and we are continually engaged in the development of next-generation process technologies at increasingly advanced nodes. We are not always successful or efficient in developing or implementing new process nodes and production processes. For example, we experienced significant delays in implementing our 10nm process technology. Although we began shipping products based on our 10nm process technology in volume in 2019, our delays in transitioning to this node occurred while third-party foundries developed new, competitive process technologies. Competitors using third-party foundries are able to benefit from the improvements such process technologies made in performance, energy efficiency, and other features, which can help increase the competitiveness of their products.

Our efforts to innovate involve significant expense and carry inherent risks, including difficulties in designing and developing next-generation process technologies, and investments in manufacturing assets and facilities that are made years in advance of the process node introduction. We cannot guarantee that we will realize the expected benefits of next-generation process technologies, including the expected cost and density advantages, or that we will achieve an adequate return on our capital investments, particularly as development of new nodes has grown increasingly expensive.

Risks inherent in the development of next-generation process technologies include production timing delays, lower-than-anticipated manufacturing yields, longer manufacturing throughput times, and product defects and

errata. Production timing delays have at times caused us to miss customer product design windows, which can result in lost revenue opportunities and damage to our customer relationships. Furthermore, when the introduction of next-generation process nodes is delayed, including additional competitive features in our products can result in larger die size products, manufacturing supply constraints, and increased product costs. Lower manufacturing yields and longer manufacturing throughput times, compared to previous process nodes, can increase our product costs and adversely affect our gross margins, and can contribute to manufacturing supply constraints. In addition, as the die size of our products has increased and our manufacturing process nodes have shrunk, our products and manufacturing processes have grown increasingly complex and more susceptible to product defects and errata, which can also contribute to production timing delays and lower yields.

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From time to time, disruptions in the production process result from errors, defects in materials, delays in obtaining or revising operating permits and licenses, interruptions in our supply of materials or resources, and disruptions at our fabrication and assembly and test facilities due to accidents, maintenance issues, or unsafe working conditions—all of which could affect the timing of production ramps and yields.

Production issues periodically lead to increased costs and affect our ability to meet product demand, which can adversely impact our business and the results of operations. In addition, to the extent we face delays in the timing of our product introductions, we could become less competitive and lose revenue opportunities, and our gross margin could be adversely affected because we incur significant costs up front in the product development stage and earn revenue to offset these costs over time.

We face supply chain risks. Thousands of suppliers provide materials and equipment that we use in production and other aspects of our business. Where possible, we seek to have several sources of supply. However, for certain materials and equipment, including certain photolithography tools, we rely on a single or a limited number of suppliers, or upon suppliers in a single location. In addition, supplier consolidation or business failures can impact the nature, quality, availability, and pricing of the products and services available to us. The inability of suppliers to deliver necessary production materials or equipment can disrupt our production processes and make it more difficult for us to implement our business strategy. Production can be disrupted by the unavailability of resources, such as water, silicon, electricity, gases, and other materials. The unavailability or reduced availability of materials or resources can require us to reduce production or incur additional costs, which could harm our business and results of operations. Our manufacturing operations and ability to meet product demand may also be impacted by IP or other litigation between our suppliers, where an injunction against Intel or a supplier could interrupt the availability of goods or services supplied to Intel by others.

We also rely on third-party providers to manufacture, assemble and test, and supply certain components or products. These have included components and products related to networking, communications, programmable semiconductor solutions, and memory, and may include these and other components and products in the future. To the extent any of these third parties are unable to perform these services on a timely or cost-effective basis, in sufficient volumes, or at all, we can encounter supply delays or disruptions or incur additional costs that could adversely affect our business and financial results. For example, while we have supply agreements providing for the supply of Intel<sup>®</sup> 3D XPoint™ memory from IMFT for a period following the close of Micron's purchase of our interest in IMFT, we will need to fund and develop internal manufacturing options to continue 3D XPoint memory supply in the longer term.

In addition, increased regulation or stakeholder expectations regarding responsible sourcing practices could cause our compliance costs to increase or result in publicity that negatively affects our reputation. Moreover, given that we use many materials in the manufacturing of our products and rely on many suppliers to provide these materials, but do not directly control the procurement or employment practices of such suppliers, we could be subject to similar financial or reputational risks as a result of our suppliers' conduct.

We are subject to the risks of product defects, errata, or other product issues. From time to time, we identify product defects, errata (deviations from published specifications), and other product issues, which can result from problems in our product design or our manufacturing and assembly and test processes. Components and products we purchase or license from third-party suppliers, or attain through acquisitions, can also contain defects. Product issues also sometimes result from the interaction between our products and third-party products and software. We also face risks if products that we design, manufacture, or sell, or that include our technology, cause personal injury or property damage, even where the cause is unrelated to product defects or errata. These risks may increase as our products are introduced into new devices, market segments, technologies, or applications, including transportation and autonomous driving, healthcare, communications, and financial services, and other industrial, critical infrastructure, and consumer uses. Costs from defects, errata, or other product issues could include:

- writing off some or all of the value of inventory;
- recalling products that have been shipped;
- providing product replacements or modifications;
- reimbursing customers for certain costs they incur;
- · defending against litigation and/or paying resulting damages; and
- paying fines imposed by regulatory agencies.

These costs could be large and may increase expenses and lower gross margin, and result in delay or loss of revenue. Mitigation techniques designed to address product issues, including software and firmware updates, are not always available on a timely basis or at all, do not always operate as intended or effectively resolve such issues for all

applications, and can result in adverse performance effects. Any product defects, errata, or other issues could damage our reputation, negatively affect product demand, delay product releases, or result in legal liability. Product defects or errata could cause customers to purchase products from competitors. Any of these occurrences could harm our business and financial results. In addition, although we maintain liability insurance, our coverage has certain exclusions or may not adequately cover liabilities incurred. Our insurance providers may be unable or unwilling to pay a claim, and losses not covered by insurance could be large, which could harm our financial condition.

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We are subject to risks associated with environmental, health, and safety regulations. The manufacturing and assembly and test of our products require the use of hazardous materials that are subject to a broad array of environmental, health, and safety laws and regulations. Our failure to comply with these laws or regulations can result in:

- regulatory penalties, fines, and legal liabilities;
- suspension of production;
- alteration of our manufacturing and assembly and test processes;
- damage to our reputation; and
- restrictions on our operations or sales.

Our failure to manage the use, transportation, emissions, discharge, storage, recycling, or disposal of hazardous materials can lead to increased costs or future liabilities. Our ability to expand or modify our manufacturing capability in the future may be impeded by environmental regulations, such as air quality and wastewater requirements. Environmental laws and regulations sometimes require us to acquire additional pollution abatement or remediation equipment, modify product designs, or incur other expenses. Regulations in response to climate change could result in increased manufacturing costs associated with air pollution requirements, and increased compliance and energy costs. Many new materials that we are evaluating for use in our operations are subject to regulation under environmental laws and regulations. These restrictions could harm our business and results of operations by increasing our expenses or requiring us to alter manufacturing and assembly and test processes.

### WE ARE SUBJECT TO CYBERSECURITY AND PRIVACY RISKS.

We face risks related to cybersecurity threats and incidents. We regularly face attempts by others to gain unauthorized access through the Internet, or to introduce malicious software, to our IT systems. Additionally, individuals or organizations, including malicious hackers, state-sponsored organizations, insider threats including employees and third-party service providers, or intruders into our physical facilities, at times attempt to gain unauthorized access and corrupt the processes used to design and manufacture our hardware products and our associated software and services. Due to the widespread use of our products, we are a frequent target of computer hackers and organizations that intend to sabotage, take control of, or otherwise corrupt our manufacturing or other processes, products, and services. We are also a target of malicious attackers who attempt to gain access to our network or data centers or those of our customers or end users; steal proprietary information related to our business, products, employees, and customers; interrupt our systems and services or those of our customers or others; or demand ransom to return control of such systems and services. Such attempts are increasing in number and in technical sophistication, and if successful, expose us and the affected parties to risk of loss or misuse of proprietary or confidential information or disruptions of our business operations, including our manufacturing operations. Our IT infrastructure also includes products and services provided by third parties, and these providers can experience breaches of their systems and products that impact the security of our systems and our proprietary or confidential information.

From time to time, we encounter intrusions or unauthorized access to our network, products, services, or infrastructure. To date, none have resulted in any material adverse impact to our business or operations. Such incidents, whether or not successful, could result in our incurring significant costs related to, for example, rebuilding internal systems, writing down inventory value, implementing additional threat protection measures, providing modifications to our products and services, defending against litigation, responding to regulatory inquiries or actions, paying damages, providing customers with incentives to maintain the business relationship, or taking other remedial steps with respect to third parties, as well as reputational harm. In addition, these threats are constantly evolving, thereby increasing the difficulty of successfully defending against them or implementing adequate preventative measures. While we seek to detect and investigate all unauthorized attempts and attacks against our network, products, and services, and to prevent their recurrence where practicable through changes to our internal processes and tools and changes or updates to our products and services, we remain potentially vulnerable to additional known or unknown threats. In some instances, we, our customers, and the users of our products and services can be unaware of an incident or its magnitude and effects.

We face risks related to security vulnerabilities in our products. We or third parties regularly identify security vulnerabilities with respect to our processors and other products, as well as the operating systems and workloads that run on them. Components and IP we purchase or license from third parties for use in our products, as well as industry-standard specifications we implement in our products, are also regularly subject to security vulnerabilities. As we have become a more data-centric company, our processors and other products are being used in additional and new critical application areas that create new or increased cybersecurity and privacy risks, including applications that gather and process large amounts of data, such as the cloud or Internet of Things, and critical infrastructure and automotive applications. The security vulnerabilities identified in our processors include a category known as side-channel

exploits, such as the variants referred to as "Spectre" and "Meltdown." Additional categories and variants have been identified, such as the "MDS" and "TAA" side channel variants, and are expected to continue to be identified. Publicity about these and other security vulnerabilities has resulted in, and is expected to continue to result in, increased attempts by third parties to identify additional vulnerabilities. Vulnerabilities are not always mitigated before they become known. We, our customers, and the users of our products do not always promptly learn of or have the ability to fully assess the magnitude or effects of a vulnerability, including the extent, if any, to which a vulnerability has been exploited. Subsequent events or new information can develop that changes our assessment of the impact of a security vulnerability, including additional information learned as we develop and deploy mitigations or updates, become aware of additional variants, evaluate the competitiveness of existing and new products, and address future warranty or other claims or customer satisfaction considerations, as well as developments in the course of any litigation or regulatory inquiries or actions over these matters.

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Mitigation techniques designed to address security vulnerabilities, including software and firmware updates or other preventative measures, are not always available on a timely basis—or at all—and at times do not operate as intended or effectively resolve vulnerabilities for all applications. In addition, we are often required to rely on third parties, including hardware, software, and services vendors, as well as our customers and end users, to develop and/or deploy mitigation techniques, and the availability, effectiveness, and performance impact of mitigation techniques can depend solely or in part on the actions of these third parties in determining whether and how to develop and deploy mitigations. We and such third parties may make prioritization decisions about which vulnerabilities to address, which can delay or limit development or deployment of a mitigation and harm our reputation. Security vulnerabilities and/or mitigation techniques can result in adverse performance effects, reboots, system instability or unavailability, loss of functionality, data loss or corruption, unpredictable system behavior, decisions by customers and end users to limit or change the applications in which they use our products or product features, and/or the misappropriation of data by third parties.

Security vulnerabilities and any limitations of, or adverse effects resulting from, mitigation techniques can adversely affect our results of operations, financial condition, customer relationships, prospects, and reputation in a number of ways, any of which may be material. For example, whether or not they involve attempted or successful exploits, they may result in our incurring significant costs related to developing and deploying updates and mitigations, writing down inventory value, defending against product claims and litigation, responding to regulatory inquiries or actions, paying damages, addressing customer satisfaction considerations, providing product replacements or modifications, or taking other remedial steps with respect to third parties. Adverse publicity about security vulnerabilities or mitigations could damage our reputation with customers or users and reduce demand for our products and services. These effects may be greater to the extent that competing products are not susceptible to the same vulnerabilities or if vulnerabilities can be more effectively mitigated in competing products. Moreover, third parties can release information regarding potential vulnerabilities of our products before mitigations are available, which, in turn, could lead to attempted or successful exploits, adversely affect our ability to introduce mitigations, or otherwise harm our business and reputation. For example, information on the "Spectre" and "Meltdown" side-channel variants was prematurely reported publicly before mitigation techniques to address all vulnerabilities were made widely available, and certain of the mitigation techniques did not operate as intended.

Theft, loss, or misuse of personal data about our employees, customers, or other third parties could increase our expenses, damage our reputation, or result in legal or regulatory proceedings. The theft, loss, or misuse of personal data collected, used, stored, or transferred by us to run our business could result in significantly increased business and security costs or costs related to defending legal claims. Global privacy legislation, enforcement, and policy activity in this area are rapidly expanding and creating a complex regulatory compliance environment. Costs to comply with and implement these privacy-related and data protection measures could be significant, and noncompliance could expose us to significant monetary penalties, damage to our reputation, suspension of online services or sites in certain countries, and even criminal sanctions. Even our inadvertent failure to comply with federal, state, or international privacy-related or data-protection laws and regulations could result in audits, regulatory inquiries, or proceedings against us by governmental entities or other third parties.

### WE ARE SUBJECT TO IP RISKS AND RISKS ASSOCIATED WITH LITIGATION AND REGULATORY PROCEEDINGS.

We cannot always enforce or protect our IP rights. We regard our patents, copyrights, trade secrets, and other IP rights as important to the success of our business. We rely on IP law—as well as confidentiality and licensing agreements with our customers, employees, technology development partners, and others—to protect our IP rights. Our ability to enforce these rights is subject to general litigation risks, as well as uncertainty as to the enforceability of our IP rights in various countries. We are not always able to enforce or protect our IP rights. Enforcement is costly and time-consuming and can divert management attention. When we seek to enforce our rights, we may be subject to claims that our IP rights are invalid, not enforceable, or licensed to an opposing party. Our assertion of IP rights may result in another party seeking to assert claims against us, which could harm our business. From time to time, governments adopt regulations—and governments or courts render decisions—requiring compulsory licensing of IP rights, or governments require products to meet standards that favor local companies. Our inability to enforce our IP rights under any of these circumstances can harm our competitive position and business. In addition, the theft or unauthorized use or publication of our trade secrets and other confidential business information could harm our competitive position and reduce acceptance of our products; as a result, the value of our investment in R&D, product development, and marketing could be reduced. This risk is heightened as competitors for technical talent increasingly seek to hire our employees.

Our licenses with other companies and participation in industry initiatives at times allow competitors to use some of our patent rights. Technology companies often bilaterally license patents between each other to settle disputes or as part of business agreements. Some of our competitors have in the past had, and may in the future have, licenses to some of our patents, and under current case law, some of the licenses can exhaust our patent rights as to licensed product sales under some circumstances. Our participation in industry standards organizations or with other industry

initiatives at times requires us to offer to license our patents to companies that adopt industry-standard specifications. Depending on the rules of the organization, government regulations, or court decisions, we sometimes have to grant licenses to some of our patents for little or no cost, and as a result, we may be unable to enforce certain patents against others, and the value of our IP rights may be impaired.

a001intellogo\_coverfooter.jpg OTHER KEY INFORMATION

Third parties assert claims based on IP rights against us and our products, which could harm our business. We face claims based on IP rights from individuals and companies, including claims from those who have aggregated patents acquired from multiple sources to form a new, larger portfolio to assert claims against us and other companies. Some of these claimants are funded by investment firms and have substantial resources, which can increase our defense costs. Additionally, large patent portfolio owners sometimes divest portions of their portfolios to more than one individual or company, increasing the number of parties who own IP rights previously all held by a single party. We are typically engaged in a number of disputes involving IP rights. Claims that our products or processes infringe the IP rights of others, regardless of their merits, cause us to incur large costs to respond to, defend, and resolve the claims, and they divert the efforts and attention of our management and technical personnel from our business and operations. In addition, we may face claims based on the alleged theft or unauthorized use or disclosure of third-party trade secrets or confidential information or end-user data that we obtain in conducting our business. Any such incidents and claims could severely disrupt our business, and we could suffer losses, including the cost of product recalls and returns, and reputational harm. Furthermore, we have agreed to indemnify customers for certain IP rights claims against them. IP rights claims against our customers could also limit demand for our products or disrupt our customers' businesses, which could in turn adversely affect our results of operations.

As a result of IP rights claims, we could:

- pay monetary damages, including payments to satisfy indemnification obligations, or royalties;
- stop manufacturing, using, selling, offering to sell, or importing products or technology subject to claims;
- need to develop other products or technology not subject to claims, which could be time-consuming or costly;
   and/or
- enter into settlement or license agreements, which agreements may not be available on commercially reasonable terms.

These IP rights claims could harm our competitive position, result in expenses, or require us to impair our assets. If we alter or stop production of affected items, our revenue could be harmed.

We rely on access to third-party IP, which may not be available to us on commercially reasonable terms or at all. Many of our products include third-party technology or implement industry standards, and may require licenses from third parties. Based on past experience and industry practice, we believe such licenses generally can be obtained on commercially reasonable terms. However, there is no assurance that the necessary licenses can be obtained on acceptable terms or at all. Failure to obtain the right to use third-party technology, or to license IP on commercially reasonable terms, could preclude us from selling certain products or otherwise have a material adverse impact on our financial condition and operating results. To the extent our products include software that contains or is derived from open-source software, we may be required to make the software's source code publicly available and/or license the software under open-source licensing terms.

We are subject to risks associated with litigation and regulatory proceedings. From time to time, we face legal claims or regulatory matters involving stockholder, consumer, competition, commercial, IP, and other issues on a global basis. As described in "Note 20: Commitments and Contingencies" within the Consolidated Financial Statements, we are engaged in a number of litigation and regulatory matters. Litigation and regulatory proceedings are inherently uncertain, and adverse rulings could occur, including monetary damages, or an injunction stopping us from manufacturing or selling certain products, engaging in certain business practices, or requiring other remedies, such as compulsory licensing of patents. An unfavorable outcome can result in a material adverse impact on our business, financial condition, and results of operations. In addition, regardless of the outcome, litigation and regulatory proceedings can be costly, time-consuming, disruptive to our operations, and distracting to management.

#### WE MUST ATTRACT, RETAIN, AND MOTIVATE KEY EMPLOYEES.

Hiring and retaining qualified executives, scientists, engineers, technical staff, and sales representatives are critical to our business, and competition for highly skilled employees in our industry is intense. In addition, changes in immigration policies may impair our ability to recruit and hire technical and professional talent. Changes in the interpretation and application of employment-related laws to our workforce practices may also result in increased operating costs and less flexibility in how we meet our changing workforce needs. To help attract, retain, and motivate qualified employees, we use share-based awards, such as RSUs, and performance-based cash incentive awards. Our employee hiring and retention also depend on our ability to build and maintain a diverse and inclusive workplace culture and be viewed as an employer of choice. If our share-based or other compensation programs and workplace culture cease to be viewed as competitive, our ability to attract, retain, and motivate employees would be weakened, which could harm our results of operations. Furthermore, changes in our management team can disrupt our business, and the failure to successfully transition and assimilate key employees could adversely affect our results of operations.

### WE ARE SUBJECT TO RISKS ASSOCIATED WITH OUR STRATEGIC TRANSACTIONS.

Our acquisitions, divestitures, and other strategic transactions could fail to achieve our financial or strategic objectives, disrupt our ongoing business, and adversely impact our results of operations. Strategic transactions are an important component of our financial capital allocation strategy. We routinely evaluate opportunities and enter into agreements for possible acquisitions, divestitures, and other strategic transactions. These transactions involve numerous risks, including:

- our inability to identify opportunities in a timely manner or on terms acceptable to us;
- failure of the transaction to advance our business strategy and of its anticipated benefits to materialize;
- disruption of our ongoing operations and diversion of our management's attention;
- failure to complete a transaction in a timely manner, if at all, due to our inability to obtain required government or
  other approvals at all or without materially burdensome conditions, IP disputes or other litigation, difficulty in
  obtaining financing on terms acceptable to us, or other unforeseen factors;
- our failure to realize a satisfactory return on our investment, potentially resulting in an impairment of goodwill
  and other assets, and restructuring charges;
- our inability to effectively enter new market segments through our strategic transactions or retain customers and partners of acquired businesses;
- our inability to retain key personnel of acquired businesses or our difficulty in integrating employees, business systems, and technology;
- controls, processes, and procedures of acquired businesses that do not adequately ensure compliance with laws and regulations, and our failure to identify compliance issues or liabilities;
- our failure to identify, or our underestimation of, commitments, liabilities, and other risks associated with acquired businesses or assets; and
- the potential for our acquisitions to result in dilutive issuances of our equity securities or significant additional debt.

Moreover, our resources are limited and our decision to pursue a transaction has opportunity costs; accordingly, if we pursue a particular transaction, we at times need to forgo the prospect of entering into other transactions that could help us achieve our financial or strategic objectives. Where an existing investment does not meet our criteria for success, we routinely evaluate opportunities for possible divestitures and other options. We may not realize the anticipated benefits of divestitures due to risks that include unfavorable prices and terms; changes in market conditions; limitations due to regulatory or governmental approvals, contractual terms, or other conditions; and continued financial obligations or unanticipated liabilities associated with such transactions. In some cases, we are not able to divest investments on acceptable terms or at all.

Any of these risks could have a material adverse effect on our business, results of operations, financial condition, or cash flows, particularly in the case of a large acquisition or several concurrent acquisitions.

We invest in public and private companies and do not always realize a return on our investments. We make investments in public and private companies around the world to further our strategic and financial objectives and to support certain key business initiatives. Companies in which we invest range from early-stage companies still defining their strategic direction to mature companies with established revenue streams and business models. Many of the instruments in which we invest are non-marketable and illiquid at the time of our initial investment, and we are not always able to achieve a return in a timely fashion, if at all. Our ability to realize a return on our investment in a private company, if any, is typically dependent on the company participating in a liquidity event, such as a public offering or acquisition. To the extent our investments are in marketable equity securities, as is typically the case for our public company investments, fluctuations in the fair value of those securities are recognized as gains or losses in our income statement, and consequently, declines in the fair value of these investments can reduce our net income. To the extent any of the companies in which we invest are not successful, which can include failures to achieve business objectives as well as bankruptcy, we could recognize an impairment and/or lose all or part of our investment.

### WE ARE SUBJECT TO SALES-RELATED RISKS.

We face risks related to sales through distributors and other third parties. We sell a significant portion of our products through third parties such as distributors, value-added resellers, and channel partners (collectively referred to as distributors), as well as OEMs and ODMs. We depend on many distributors to help us create end-customer demand, provide technical support and other value-added services to customers, fill customer orders, and stock our products. At times, we rely on one or more key distributors for a product, and a material change in our relationship with one or more of these distributors or their failure to perform as expected could reduce our revenue. Our ability to add or replace distributors for some of our products is limited. In addition, our distributors' expertise in the determination and stocking of acceptable inventory levels for some of our products is not always easily transferable to a new distributor; as a result, end customers may be hesitant to accept the addition or replacement of a distributor. Using third parties for distribution exposes us to many risks, including competitive pressure and concentration, credit, and compliance risks. Distributors and other third parties sell products that compete with our products, and we sometimes need to provide financial and other incentives to focus them on the sale of our products. From time to time, they face financial difficulties, including bankruptcy, which could harm our collection of accounts receivable and financial results. Violations of the Foreign Corrupt Practices Act or similar laws by distributors or other third-party intermediaries could have a material impact on our business. Failure to manage risks related to our use of distributors and other third parties may reduce sales, increase expenses, and weaken our competitive position.

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From time to time, our products are resold by third parties in an unauthorized "gray market." Gray market products can distort demand and pricing dynamics in our distribution channel and certain geographies, which could adversely affect our revenue opportunities. Gray market activity is difficult to monitor and can make forecasting demand more challenging. Gray market products also sometimes include parts that have been altered or damaged, and our reputation may be harmed when these products fail or are found to be substandard.

We receive a significant portion of our revenue from a limited number of customers. Collectively, our three largest customers accounted for approximately 41% of our net revenue in 2019 and 39% of our net revenue in 2018. We expect a small number of customers will continue to account for a significant portion of our revenue in the foreseeable future. Industry trends, such as the increasing shift of data center workloads to the public cloud, have increased the significance of certain customers, particularly cloud service providers, to some of our data-centric businesses. The cloud and cloud applications represent a new and increasingly demanding computing environment. The further consolidation of computing workloads in the cloud, and consolidation among cloud service providers, can heighten the competitive importance of factors such as collaboration and customization with cloud service provider customers to optimize products for their environments; product performance; energy efficiency; feature differentiation; product quality, reliability, and factors affecting server uptime; and product security and security features. To the extent we do not execute effectively across these factors, our competitive position and market segment share may be adversely affected. Some cloud service provider customers have also internally developed, and may continue to develop, their own semiconductors, including designs customized for their specific computing workloads. The shift of data center workloads to the cloud has also adversely affected, and may continue to affect, sales to enterprise and government market segment customers when end users have elected to migrate workloads. To the extent we differentiate our products through customization to meet customer specifications, order changes, delays, or cancellations may result in non-recoverable costs.

If one of our key customers stops purchasing from us, materially reduces its demand for our products, or delays its orders for our products, we may experience a reduction in revenue, which could harm our results of operations and financial condition. For more information about our customers, including customers who accounted for greater than 10% of our net consolidated revenue, see "Note 4: Operating Segments" within the Consolidated Financial Statements

We face risks related to transactions with government entities. We receive proceeds from U.S. federal, state, local and foreign government entities associated with grants, incentives, and sales of our products and services. Government demand and payment are often affected by public sector budgetary cycles and funding authorizations, including, with respect to U.S. government contracts, congressional approval of appropriations. Government contracts are subject to procurement laws and regulations relating to the award, administration and performance of those contracts, as well as oversight and penalties for violations. For example, U.S. government contracts are subject to special rules on accounting, IP rights, expenses, reviews, information handling, and security, and failure to comply with these rules could result in civil and criminal penalties and sanctions, including termination of contracts, fines, and suspension or debarment from future business with the U.S. government.

#### CHANGES IN OUR EFFECTIVE TAX RATE MAY REDUCE OUR NET INCOME.

A number of factors can increase our effective tax rates, which could reduce our net income, including:

- changes in the volume and mix of profits earned across jurisdictions with varying tax rates;
- the resolution of issues arising from tax audits, including payment of interest and penalties;
- changes in the valuation of our deferred tax assets and liabilities, and in deferred tax valuation allowances;
- adjustments to income taxes upon finalization of tax returns;
- increases in expenses not deductible for tax purposes, including impairments of goodwill;
- changes in available tax credits;
- changes in our ability to secure new, or renew existing, tax holidays and incentives;
- changes in U.S. federal, state, or foreign tax laws or their interpretation, including changes in the U.S. to the
  taxation of manufacturing enterprises and of non-U.S. income and expenses and changes resulting from the
  adoption by countries of OECD recommendations or other legislative actions;
- changes in accounting standards; and

our decision to repatriate non-U.S. earnings for which we have not previously provided for local country withholding taxes incurred upon repatriation.

### WE HAVE FLUCTUATIONS IN THE AMOUNT AND FREQUENCY OF OUR STOCK REPURCHASES.

We are not obligated to make repurchases under our stock repurchase program, and the amount, timing, and execution of our repurchases fluctuate based on our priorities for the use of cash for other purposes—such as investing in our business, including operational spending, capital spending, and acquisitions, and returning cash to our stockholders as dividend payments. Changes in cash flows, tax laws and other laws, and the market price of our common stock can also limit or alter the amount and frequency of our stock repurchases.

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### **PROPERTIES**

As of December 28, 2019, our major facilities consisted of:

(Square Feet in Millions)	United States	Other Countries	Total
Owned facilities	31.3	22.3	53.6
Leased facilities	0.8	5.4	6.2
Total facilities	32.1	27.7	59.8

Our principal executive offices are located in the U.S. For more information on our wafer fabrication and our assembly and test facilities, see "Manufacturing Capital" within Fundamentals of Our Business.

The facilities described above are suitable for our present purposes, and the productive capacity in our facilities is being utilized or being prepared for utilization as we continue to make investments to expand our manufacturing capacity. See "Manufacturing Capital" within Fundamentals of Our Business for a discussion of our investments in capacity expansion to meet customer expectations.

We do not identify or allocate assets by operating segment, as they are interchangeable in nature and used by multiple operating segments. For information on net property, plant and equipment by country, see "Note 7: Other Financial Statement Details" within the Consolidated Financial Statements.

### MARKET FOR OUR COMMON STOCK

The principal U.S. market on which Intel's common stock (symbol INTC) is traded is the Nasdaq Global Select Market. For dividend information, see "Financial Information by Quarter (Unaudited)" within Financial Statements and Supplemental Details.

As of January 17, 2020, there were approximately 110,978 registered holders of record of Intel's common stock. A substantially greater number of holders of Intel common stock are "street name" or beneficial holders, whose shares of record are held by banks, brokers, and other financial institutions.

### STOCK PERFORMANCE GRAPH

The graph and table that follow compare the cumulative TSR of Intel's common stock with the cumulative total return of the S&P 100 Index\*, the S&P 500 Index\*, the S&P 500 IT Index\*, and the SOX Index\*¹ for the five years ended December 28, 2019. The cumulative returns shown on the graph are based on Intel's fiscal year.

Comparison of Five-Year Cumulative Return for Intel, S&P 100 Index, S&P 500 Index, S&P 500 IT Index, and SOX Index chart34 stockperformance.jpg

Years Ended	ec 27, 2014	ec 26, 2015	ec 31, 2016	ec 30, 2017	ec 29, 2018	ec 28, 2019
Intel Corporation	\$ 100	\$ 96	\$ 103	\$ 135	\$ 140	\$ 184
S&P 100 Index	\$ 100	\$ 102	\$ 113	\$ 137	\$ 131	\$ 175
S&P 500 Index	\$ 100	\$ 101	\$ 112	\$ 136	\$ 129	\$ 172
S&P 500 IT Index	\$ 100	\$ 104	\$ 118	\$ 163	\$ 161	\$ 246
SOX Index	\$ 100	\$ 99	\$ 135	\$ 190	\$ 177	\$ 293

The graph and table assume that \$100 was invested on the last day of trading for the fiscal year ended December 27, 2014 in Intel's common stock, the S&P 100 Index, S&P 500 Index, S&P 500 IT Index, and PHLX Semiconductor Sector Index (SOX), and that all dividends were reinvested.

#### **ISSUER PURCHASES OF EQUITY SECURITIES**

We have an ongoing authorization, originally approved by our Board of Directors in 2005, and subsequently amended, to repurchase shares of our common stock in open market or negotiated transactions. As of December 28, 2019, we were authorized to repurchase up to \$110.0 billion, of which \$23.8 billion remained available. This amount includes an increase of \$20.0 billion in the authorization limit approved by our Board of Directors in October 2019.

Common stock repurchase activity under our publicly announced stock repurchase program during each quarter of 2019 was as follows:

Period	Total Number of Shares Purchased (In Millions)	rage Price Per Share	Dollar Value of Shares That May Yet Be Purchased Under the Program (In Millions)		
December 30, 2018 - March 30, 2019	49.5	\$ 49.49	\$	14,883	
March 31, 2019 - June 29, 2019	67.2	\$ 46.78	\$	11,739	
June 30, 2019 - September 28, 2019	92.0	\$ 48.78	\$	7,249	
September 29, 2019 - December 28, 2019	63.0	\$ 55.32	\$	23,768	
Total	271.7				

Common stock repurchase activity under our stock repurchase program during Q4 2019 was as follows:

Period	Total Number of Shares Purchased (In Millions)		rage Price Per Share	Dollar Value of Shares That May Yet Be Purchased Under the Program (In Millions)		
September 29, 2019 - October 26, 2019	24.0	\$	51.37	\$	26,021	
October 27, 2019 - November 23, 2019	16.2	\$	57.67	\$	25,088	
November 24, 2019 - December 28, 2019	22.8	\$	57.79	\$	23,768	
Total	63.0	·				

We issue RSUs as part of our equity incentive plans. In our Consolidated Financial Statements, we treat shares of common stock withheld for tax purposes on behalf of our employees in connection with the vesting of RSUs as common stock repurchases because they reduce the number of shares that would have been issued upon vesting. These withheld shares of common stock are not considered common stock repurchases under our authorized common stock repurchase plan, and accordingly are not included in the common stock repurchase totals in the preceding table.

### INFORMATION ABOUT OUR EXECUTIVE OFFICERS

<b>EXECUTIVE OFFICERS</b> (as of January 23, 2020)	AGE	OFFICE(S)
Gregory M. Bryant	51	Executive Vice President; General Manager, Client Computing Group
George S. Davis	62	Chief Financial Officer
Dr. Venkata S.M. Renduchintala	54	Executive Vice President; Group President, Technology, Systems Architecture and Client Group; Chief Engineering Officer
Steven R. Rodgers	54	Executive Vice President; General Counsel
Navin Shenoy	46	Executive Vice President; General Manager, Data Platforms Group
Robert H. Swan	59	Chief Executive Officer

**Gregory M. Bryant** is our Executive Vice President and General Manager of the Client Computing Group, leading strategy and product development for client computing end-user solutions, including notebooks, desktops, and client adjacencies. Mr. Bryant served as Senior Vice President and General Manager of CCG from June 2017 to September 2019. From January 2015 to June 2017, he served as Corporate Vice President and General Manager of the Connected Home and Commercial Client Group within CCG. Prior to that, he was Vice President and General Manager for the Asia Pacific and Japan region from 2012 to 2015. From 2010 to 2012, he was a Vice President in the Sales and Marketing Group, and from 2007 to 2010, he was a Vice President in the Digital Enterprise Group. Mr. Bryant joined Intel in 1992 and has also held engineering, operations, and director roles in Intel's information technology organization.

**George S. Davis** joined Intel in April 2019 as our Executive Vice President and Chief Financial Officer. He oversees Intel's global finance and information technology organizations. Prior to joining Intel, Mr. Davis was Executive Vice President and Chief Financial Officer of Qualcomm, a global provider of wireless technologies, from March 2013 to April 2019, where he led the finance, information technology, and investor relations organizations. Before that, Mr. Davis was Chief Financial Officer of Applied Materials, Inc. from November 2006 to March 2013. He held several other leadership positions at Applied Materials from November 1999 to November 2006. Prior to joining Applied Materials, Mr. Davis served for 19 years with Atlantic Richfield Company in a number of finance and other corporate positions.

Dr. Venkata S.M. ("Murthy") Renduchintala serves as our Executive Vice President; Group President of our Technology, Systems Architecture and Client Group and Chief Engineering Officer. In this role, Dr. Renduchintala oversees Intel's major technology, engineering, and manufacturing functions, including semiconductor process technology, manufacturing and operations, systems and product architecture, IP development, design and SoC engineering, software and security, and Intel Labs. Dr. Renduchintala joined Intel in November 2015 as Executive Vice President and President, Client and Internet of Things Businesses and System Architecture Group, which evolved into the Technology, Systems Architecture and Client Group in 2018, and he was named Executive Vice President; Group President and Chief Engineering Officer in April 2017. From 2004 to 2015, Dr. Renduchintala held various senior positions at Qualcomm, most recently as Co-President of Qualcomm CDMA Technologies from June 2012 to November 2015 and Executive Vice President of Qualcomm Technologies Inc. from October 2012 to November 2015. Before joining Qualcomm, Dr. Renduchintala served as Vice President and General Manager of the Cellular Systems Division of Skyworks Solutions Inc./Conexant Systems Inc. and he spent a decade with Philips Electronics, where he held various positions, including Vice President of Engineering for its consumer communications business. Dr. Renduchintala also serves on the board of directors of Accenture plc.

**Steven R. Rodgers** has been our Executive Vice President and General Counsel since January 2017 and oversees our legal, government, and China groups. He previously led our legal and government groups as Senior Vice President and General Counsel from January 2015 to January 2017 and as Corporate Vice President and General Counsel from June 2014 to January 2015. Mr. Rodgers joined Intel in 2000 and has held a number of roles in our legal department, including as Corporate Vice President and Deputy General Counsel from January 2014 until his appointment as Intel's fifth General Counsel in June 2014. Prior to joining Intel, Mr. Rodgers was a litigation partner at the firm of Brown & Bain, P.A.

Navin Shenoy is our Executive Vice President and General Manager of our Data Platforms Group. In this role, he oversees our DCG, IOTG, and PSG segments and leads strategy and product development for most of our datacentric offerings, including server, network, storage, AI, Internet of Things, and FPGA products, across a range of use cases that include cloud computing, virtualization of network infrastructure, and AI adoption. Mr. Shenoy has served in this role since May 2017, and his organization was renamed to the Data Platforms Group, from the Data Center Group, in November 2019. From May 2016 to May 2017, Mr. Shenoy was Senior Vice President and General Manager of CCG. From April 2012 to April 2016, he served as General Manager of the Mobility Client Platform Division, as Vice President from April 2012 until December 2014 and Corporate Vice President from January 2015 to May 2016. From October 2007 to April 2012, Mr. Shenoy served as Vice President and General Manager of our Asia-Pacific business. Mr. Shenoy joined Intel in 1995.

Robert ("Bob") H. Swan was appointed our seventh Chief Executive Officer and a member of our Board of Directors on January 30, 2019. Mr. Swan served as our Executive Vice President, Chief Financial Officer since joining Intel in October 2016 until January 2019, and he served as our interim Chief Executive Officer from June 2018 until January 2019. Prior to joining Intel, Mr. Swan served as an Operating Partner at General Atlantic LLC, a private equity firm, from September 2015 to September 2016. He served as Senior Vice President, Finance and Chief Financial Officer of eBay Inc. from March 2006 to July 2015. Previously, Mr. Swan served as Executive Vice President, Chief Financial Officer of Electronic Data Systems Corporation, Executive Vice President, Chief Financial Officer of TRW Inc., as well as Chief Financial Officer, Chief Operating Officer, and Chief Executive Officer of Webvan Group, Inc. Mr. Swan began his career in 1985 at General Electric, serving for 15 years in numerous senior finance roles. Mr. Swan also serves on the board of directors of eBay.

### **AVAILABILITY OF COMPANY INFORMATION**

Intel was incorporated in California in 1968 and reincorporated in Delaware in 1989. Our Internet address is <a href="https://www.intel.com">www.intel.com</a>. We publish voluntary reports on our website that outline our performance with respect to corporate responsibility, including environmental, health, and safety compliance.

We use our Investor Relations website, <a href="www.intc.com">www.intc.com</a>, as a routine channel for distribution of important information, including news releases, analyst presentations, financial information, corporate governance practices, and corporate responsibility information. We post our filings at <a href="www.intc.com/sec">www.intc.com/sec</a> the same day they are electronically filed with, or furnished to, the SEC, including our annual and quarterly reports on Forms 10-K and 10-Q and current reports on Form 8-K; our proxy statements; and any amendments to those reports or statements. We post our quarterly and annual earnings results at <a href="www.intc.com/results.cfm">www.intc.com/results.cfm</a>, and do not distribute our financial results via a news wire service. All such postings and filings are available on our Investor Relations website free of charge. In addition, our Investor Relations website allows interested persons to sign up to automatically receive e-mail alerts when we post financial information.

The content on any website referred to in this Form 10-K is not incorporated by reference in this Form 10-K unless expressly noted.

# FINANCIAL STATEMENTS AND SUPPLEMENTAL DETAILS

We have defined certain terms and abbreviations used throughout our Form 10-K in "Key Terms" within the Financial Statements and Supplemental Details.

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

### TO THE STOCKHOLDERS AND THE BOARD OF DIRECTORS OF INTEL CORPORATION

#### **Opinion on the Financial Statements**

We have audited the accompanying Consolidated Balance Sheets of Intel Corporation (the Company) as of December 28, 2019 and December 29, 2018, the related Consolidated Statements of Income, Comprehensive Income, Cash Flows and Stockholders' Equity for each of the three years in the period ended December 28, 2019, and the related notes (collectively referred to as the "Consolidated Financial Statements"). In our opinion, the Consolidated Financial Statements present fairly, in all material respects, the financial position of the Company at December 28, 2019 and December 29, 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 28, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 28, 2019, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated January 23, 2020 expressed an unqualified opinion thereon.

#### **Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

#### **Critical Audit Matter**

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the Consolidated Financial Statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

### **Inventory Valuation**

#### Description of the Matter

The Company's net inventory totaled \$8.7 billion as of December 28, 2019, representing 6.4% of total assets. As explained in "Note 2: Accounting Policies" within the Consolidated Financial Statements, the Company computes inventory cost on a first-in, first-out basis, and applies judgment in determining saleability of products and the valuation of inventories. The Company assesses inventory at each reporting date in order to assert that it is recorded at net realizable value, giving consideration to, among other factors: whether the products have achieved the substantive engineering milestones to qualify for sale to customers; the determination of normal capacity levels in its manufacturing process to determine which manufacturing overhead costs can be included in the valuation of inventory; whether the product is valued at the lower of cost or net realizable value; and the estimation of excess and obsolete inventory or that which is not of saleable quality.

Auditing management's assessment of net realizable value for inventory was challenging because the determination of lower of cost or net realizable value and excess and obsolete inventory reserves is highly judgmental and considers a number of factors that are affected by market and economic conditions, such as customer forecasts, dynamic pricing environments, and industry supply and demand. Additionally, for certain new product launches there is limited historical data with which to evaluate forecasts.

How We Addressed the Matter in Our Audit We evaluated and tested the design and operating effectiveness of the Company's internal controls over the costing of inventory, the determination of whether inventory is of salable quality, the calculation of lower of cost or net realizable value reserves including related estimated costs and selling prices, and the determination of demand forecasts and related application against on hand inventory.

Our audit procedures included, among others, testing the significant assumptions (e.g., estimated product costs and selling prices, and product demand forecasts) and the underlying data used in management's inventory valuation assessment. We compared the significant assumptions used by management to current industry and economic trends. We assessed whether there were any potential sources of contrary information, including historical forecast accuracy or history of significant revisions to previously recorded inventory valuation adjustments, and performed sensitivity analyses over significant assumptions to evaluate the changes in inventory valuation that would result from changes in the assumptions.

s/ Ernst & Young LLP

We have served as the Company's auditor since 1968.

San Jose, California January 23, 2020

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

### TO THE STOCKHOLDERS AND THE BOARD OF DIRECTORS OF INTEL CORPORATION

### **Opinion on Internal Control Over Financial Reporting**

We have audited Intel Corporation's internal control over financial reporting as of December 28, 2019, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), (the COSO criteria). In our opinion, Intel Corporation (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 28, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2019 Consolidated Financial Statements of the Company and our report dated January 23, 2020 expressed an unqualified opinion thereon.

### **Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

#### **Definition and Limitations of Internal Control Over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

s/ Ernst & Young LLP

San Jose, California January 23, 2020 /

### CONSOLIDATED STATEMENTS OF INCOME

Years Ended (In Millions, Except Per Share Amounts)	I	Dec 28, 2019	[	Dec 29, 2018	[	Dec 30, 2017
Net revenue	\$	71,965	\$	70,848	\$	62,761
Cost of sales		29,825		27,111		23,663
Gross margin		42,140		43,737		39,098
Research and development		13,362		13,543		13,035
Marketing, general and administrative		6,150		6,750		7,452
Restructuring and other charges		393		(72)		384
Amortization of acquisition-related intangibles		200		200		177
Operating expenses		20,105		20,421		21,048
Operating income		22,035		23,316		18,050
Gains (losses) on equity investments, net		1,539		(125)		2,651
Interest and other, net		484		126		(349)
Income before taxes		24,058		23,317		20,352
Provision for taxes		3,010		2,264		10,751
Net income	\$	21,048	\$	21,053	\$	9,601
Earnings per share—Basic	\$	4.77	\$	4.57	\$	2.04
Earnings per share—Diluted	\$	4.71	\$	4.48	\$	1.99
Weighted average shares of common stock outstanding:				<u> </u>		
Basic		4,417		4,611		4,701
Diluted		4,473		4,701		4,835

See accompanying notes.

a001intellogo\_coverfooter.jpg FINANCIAL STATEMENTS

Consolidated Statements of Income

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years Ended (In Millions)	I	Dec 28, Dec 29, 2019 2018		,		Dec 30, 2017
Net income	\$	21,048	\$	21,053	\$	9,601
Changes in other comprehensive income, net of tax:						
Net unrealized holding gains (losses) on available-for-sale equity investments		_		_		(434)
Net unrealized holding gains (losses) on derivatives		177		(253)		365
Actuarial valuation and other pension benefits (expenses), net		(564)		210		317
Translation adjustments and other		81		(3)		508
Other comprehensive income (loss)		(306)		(46)		756
Total comprehensive income	\$	20,742	\$	21,007	\$	10,357
See accompanying notes.						
a001intellogo_coverfooter.jpg FINANCIAL Consolidated Statements of Comp STATEMENTS Income	rehens	sive				70

### **CONSOLIDATED BALANCE SHEETS**

Assets Current assets: Cash and cash equivalents Short-term investments Trading assets Accounts receivable, net of allowance for doubtful accounts Inventories Other current assets Total current assets  Property, plant and equipment, net Equity investments Other long-term investments Goodwill Identified intangible assets, net Other long-term assets  Total assets  \$ Liabilities, temporary equity, and stockholders' equity Current liabilities:	4,194 1,082 7,847 7,659 8,744 1,713	\$ 3,019
Cash and cash equivalents  Short-term investments  Trading assets  Accounts receivable, net of allowance for doubtful accounts Inventories  Other current assets  Total current assets  Property, plant and equipment, net  Equity investments  Other long-term investments  Goodwill Identified intangible assets, net  Other long-term assets  Total assets  \$ Liabilities, temporary equity, and stockholders' equity	1,082 7,847 7,659 8,744	\$ 3.019
Short-term investments Trading assets Accounts receivable, net of allowance for doubtful accounts Inventories Other current assets Total current assets  Property, plant and equipment, net Equity investments Other long-term investments Goodwill Identified intangible assets, net Other long-term assets  Total assets  \$ Liabilities, temporary equity, and stockholders' equity	1,082 7,847 7,659 8,744	\$ 3.019
Trading assets Accounts receivable, net of allowance for doubtful accounts Inventories Other current assets Total current assets  Property, plant and equipment, net Equity investments Other long-term investments Goodwill Identified intangible assets, net Other long-term assets  Total assets  \$ Liabilities, temporary equity, and stockholders' equity	7,847 7,659 8,744	- /
Accounts receivable, net of allowance for doubtful accounts Inventories Other current assets  Total current assets  Property, plant and equipment, net Equity investments Other long-term investments Goodwill Identified intangible assets, net Other long-term assets  Total assets  \$ Liabilities, temporary equity, and stockholders' equity	7,659 8,744	2,788
Inventories Other current assets  Total current assets  Property, plant and equipment, net Equity investments Other long-term investments Goodwill Identified intangible assets, net Other long-term assets  Total assets  \$ Liabilities, temporary equity, and stockholders' equity	8,744	5,843
Other current assets  Total current assets  Property, plant and equipment, net  Equity investments Other long-term investments Goodwill Identified intangible assets, net Other long-term assets  Total assets  \$ Liabilities, temporary equity, and stockholders' equity	•	6,722
Total current assets  Property, plant and equipment, net  Equity investments  Other long-term investments  Goodwill  Identified intangible assets, net  Other long-term assets  Total assets  \$  Liabilities, temporary equity, and stockholders' equity	1 713	7,253
Property, plant and equipment, net Equity investments Other long-term investments Goodwill Identified intangible assets, net Other long-term assets Total assets  \$ Liabilities, temporary equity, and stockholders' equity		 3,162
Equity investments Other long-term investments Goodwill Identified intangible assets, net Other long-term assets  Total assets  \$ Liabilities, temporary equity, and stockholders' equity	31,239	28,787
Other long-term investments  Goodwill Identified intangible assets, net  Other long-term assets  Total assets  \$ Liabilities, temporary equity, and stockholders' equity	55,386	48,976
Goodwill Identified intangible assets, net Other long-term assets  Total assets  \$ Liabilities, temporary equity, and stockholders' equity	3,967	6,042
Identified intangible assets, net  Other long-term assets  Total assets  Liabilities, temporary equity, and stockholders' equity	3,276	3,388
Other long-term assets  Total assets  Liabilities, temporary equity, and stockholders' equity	26,276	24,513
Total assets  Liabilities, temporary equity, and stockholders' equity	10,827	11,836
Liabilities, temporary equity, and stockholders' equity	5,553	4,421
	136,524	\$ 127,963
Current liabilities:		
Short-term debt \$	3,693	\$ 1,261
Accounts payable	4,128	3,824
Accrued compensation and benefits	3,853	3,622
Other accrued liabilities	10,636	7,919
Total current liabilities	22,310	16,626
Debt	25,308	25,098
Contract liabilities	1,368	2,049
Income taxes payable, non-current	4,919	4,897
Deferred income taxes	2,044	1,665
Other long-term liabilities	2,916	2,646
Commitments and Contingencies (Note 20)		
Temporary equity	155	419
Stockholders' equity:		
Preferred stock, \$0.001 par value, 50 shares authorized; none issued	_	_
Common stock, \$0.001 par value, 10,000 shares authorized; 4,290 shares issued and outstanding (4,516 issued and outstanding in 2018) and capital in excess of par value	25,261	25,365
Accumulated other comprehensive income (loss)		(974)
Retained earnings	(1.780.)	50,172
Total stockholders' equity	(1,280) 53.523	
Total liabilities, temporary equity, and stockholders' equity	53,523	 
See accompanying notes.		\$ 74,563 127,963

### CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended (In Millions)	Dec 28, 2019	Dec 29, 2018	Dec 30, 2017
Cash and cash equivalents, beginning of period	\$ 3,019	\$ 3,433	\$ 5,560
Cash flows provided by (used for) operating activities:			
Net income	21,048	21,053	9,601
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	9,204	7,520	6,752
Share-based compensation	1,705	1,546	1,358
Amortization of intangibles	1,622	1,565	1,377
(Gains) losses on equity investments, net	(892)	155	(2,583)
(Gains) losses on divestitures	(690)	(497)	(387)
Changes in assets and liabilities:			
Accounts receivable	(935)	(1,714)	(781)
Inventories	(1,481)	(214)	(1,300)
Accounts payable	696	211	191
Accrued compensation and benefits	91	(260)	311
Customer deposits and prepaid supply agreements	(782)	1,367	1,105
Income taxes	885	(1,601)	6,778
Other assets and liabilities	2,674	301	(312)
Total adjustments	12,097	8,379	12,509
Net cash provided by operating activities	33,145	29,432	22,110
Cash flows provided by (used for) investing activities:			
Additions to property, plant and equipment	(16,213)	(15,181)	(11,778)
Acquisitions, net of cash acquired	(1,958)	(190)	(14,499)
Purchases of available-for-sale debt investments	(2,268)	(3,843)	(2,746)
Sales of available-for-sale debt investments	238	195	1,833
Maturities of available-for-sale debt investments	3,988	2,968	3,687
Purchases of trading assets	(9,162)	(9,503)	(13,700)
Maturities and sales of trading assets	7,178	12,111	13,970
Purchases of equity investments	(522)	(874)	(1,619)
Sales of equity investments	2,688	2,802	5,236
Proceeds from divestitures	911	548	3,124
Other investing	715	(272)	730
Net cash used for investing activities	(14,405)	(11,239)	(15,762)
Cash flows provided by (used for) financing activities:			
Issuance of long-term debt, net of issuance costs	3,392	423	7,716
Repayment of debt and debt conversion	(2,627)	(3,026)	(8,080)
Proceeds from sales of common stock through employee equity	(=,==: )	(0,020)	(0,000)
incentive plans	750	555	770
Repurchase of common stock	(13,576)	(10,730)	(3,615)
Payment of dividends to stockholders	(5,576)	(5,541)	(5,072)
Other financing	72	(288)	(194)
Net cash provided by (used for) financing activities	(17,565)	(18,607)	(8,475)
Net increase (decrease) in cash and cash equivalents	1,175	(414)	(2,127)
Cash and cash equivalents, end of period	\$ 4,194	\$ 3,019	\$ 3,433

Supplemental disclosures:	 *	 ·	-	
Acquisition of property, plant and equipment included in accounts payable and accrued liabilities	\$ 1,761	\$ 2,340	\$	1,417
Cash paid during the year for:				
Interest, net of capitalized interest	\$ 469	\$ 448	\$	624
Income taxes, net of refunds	\$ 2,110	\$ 3,813	\$	3,824
See accompanying notes.				
a001intellogo coverfooter.jpg FINANCIAL Consolidated Statements of Cash				
STATEMENTS Flows				72

# CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common St	ock of Pa	and Capi ar Value	<sup>tal</sup> Accumulated Other		
(In Millions, Except Per Share Amounts)	Number of Shares	Α	mount	Comprehensive Income (Loss)	Retained Earnings	Total
Balance as of December 31, 2016	4,730	\$	25,373	\$ 106	\$ 40,747	\$ 66,226
Components of comprehensive income, net of tax:						
Net income			_	_	9,601	9,601
Other comprehensive income (loss)	_		_	756	_	756
Total comprehensive income						10,357
Employee equity incentive plans and other <sup>1</sup>	70		1,172	_	(1)	1,171
Share-based compensation			1,296	_	_	1,296
Convertible debt	_		(894)	_	_	(894)
Repurchase of common stock	(101)		(552)	_	(3,057)	(3,609)
Restricted stock unit withholdings	(12)		(321)	_	(135)	(456)
Cash dividends declared (\$1.0775 per share of common stock)					(5,072)	(5,072)
Balance as of December 30, 2017	4,687		26,074	862	42,083	69,019
Adjustment to opening balance for change in accounting principle				(1,790)	2,424	634
Opening balance as of December 31, 2017	4,687		26,074	(928)	44,507	69,653
Components of comprehensive income, net of tax:						
Net income			_	_	21,053	21,053
Other comprehensive income (loss)			_	(46)	_	(46)
Total comprehensive income						 21,007
Employee equity incentive plans and other <sup>1</sup>	56		424	_	_	424
Share-based compensation			1,548	_	_	1,548
Temporary equity reduction	_		447			447
Convertible debt	_		(1,591)	_		(1,591)
Repurchase of common stock	(217)		(1,208)	_	(9,650)	(10,858)
Restricted stock unit withholdings	(10)		(329)	_	(197)	(526)
Cash dividends declared (\$1.20 per share of common stock)					(5,541)	 (5,541)
Balance as of December 29, 2018	4,516		25,365	(974)	50,172	74,563
Components of comprehensive income, net of tax:						
Net income	_		_	_	21,048	21,048
Other comprehensive income (loss)	_		_	(306)	_	(306)
Total comprehensive income						20,742
Employee equity incentive plans and other	55		892	_	_	892
Share-based compensation	_		1,705	_	_	1,705
Temporary equity reduction	_		265	_	_	265
Convertible debt	_		(1,032)	_		(1,032)

Repurchase of common stock	(272)	(1,592)	_	(11,973)	(13,565)
Restricted stock unit withholdings	(9)	(342)	_	(146)	(488)
Cash dividends declared (\$1.26 per share of common stock)		_		(5,578)	(5,578)
Balance as of December 28, 2019	4,290	25,261	\$ (1,280)	\$ 53,523	\$ 77,504

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

See accompanying notes.

a001intellogo\_coverfooter.jpg FINANCIAL Consolidated Statements of STATEMENTS Stockholders' Equity

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 1

## **BASIS OF PRESENTATION**

We have a 52- or 53-week fiscal year that ends on the last Saturday in December. Fiscal years 2019, 2018, and 2017 were 52-week fiscal years. Our Consolidated Financial Statements include the accounts of Intel and our subsidiaries. We have eliminated intercompany accounts and transactions. We have reclassified certain prior period amounts to conform to current period presentation.

## **USE OF ESTIMATES**

The preparation of Consolidated Financial Statements in conformity with U.S. GAAP requires us to make estimates and judgments that affect the amounts reported in our Consolidated Financial Statements and the accompanying notes. The actual results that we experience may differ materially from our estimates.

NOTE 2

## **ACCOUNTING POLICIES**

## **REVENUE RECOGNITION**

We recognize net product revenue when we satisfy performance obligations as evidenced by the transfer of control of our products or services to customers. Substantially all of our revenue is derived from product sales. In accordance with contract terms, revenue for product sales is recognized at the time of product shipment from our facilities or delivery to the customer location, as determined by the agreed upon shipping terms. Prior to 2018, we deferred product revenue and related costs of sales on sales made to distributors that allowed for price protections or right of return until the distributor sold through the merchandise. We include shipping charges billed to customers in net revenue, and include the related shipping costs in cost of sales.

We measure revenue based on the amount of consideration we expect to be entitled to in exchange for products or services. Variable consideration is estimated and reflected as an adjustment to the transaction price. We determine variable consideration, which consists primarily of various sales price concessions, by estimating the most likely amount of consideration we expect to receive from the customer based on historical analysis of customer purchase volumes. Sales rebates earned by customers are offset against their receivable balances. Rebates earned by customers when they do not have outstanding receivable balances are recorded within other accrued liabilities. The impacts of distributor sales price reductions resulting from price protection agreements are also estimated based on historical analysis of such activity and are reflected as a reduction in net revenue.

We make payments to our customers through cooperative advertising programs for marketing activities for certain of our products. We generally record the payment as a reduction in revenue in the period that the revenue is earned, unless the payment is for a distinct service, which we record as expense when the marketing activities occur. During the second half of 2017, we transitioned customers from previous offerings under the Intel Inside® program to cooperative advertising offerings more tailored to customers and their marketing audiences. These cooperative advertising costs are recorded as a reduction of revenue beginning in the second half of 2017, as we no longer meet the criteria for recording these as expense.

## **INVENTORIES**

We compute inventory cost on a first-in, first-out basis. Our process and product development life cycle corresponds with substantive engineering milestones. These engineering milestones are regularly and consistently applied in assessing the point at which our activities and associated costs change in nature from R&D to cost of sales, and when cost of sales can be capitalized as inventory.

For a product to be manufactured in high volumes and sold to our customers under our standard warranty, it must meet our rigorous technical quality specifications. This milestone is known as PRQ. We have identified PRQ as the point at which the costs incurred to manufacture our products are included in the valuation of inventory. Prior to PRQ,

costs that do not meet the criteria for R&D are included in cost of sales in the period incurred. A single PRQ has previously ranged up to \$870 million for our high-volume products.

The valuation of inventory includes determining which fixed production overhead costs can be included in inventory based on the normal capacity of our manufacturing and assembly and test facilities. We apply our historical loadings compared to our total available capacity in a statistical model to determine our normal capacity level. If the factory loadings are below the established normal capacity level, a portion of our fixed production overhead costs would not be included in the cost of inventory; instead, it would be recognized as cost of sales in that period. We refer to these costs as excess capacity charges. Excess capacity charges are insignificant in the years presented. Charges in years prior to those presented have ranged up to \$1.1 billion taken in connection with the 2009 economic recession.

a001intellogo\_coverfooter.jpg FINANCIAL STATEMENTS

Notes to Financial Statements

Inventory is valued at the lower of cost or net realizable value, based upon assumptions about future demand and market conditions. Product-specific facts and circumstances reviewed in the inventory valuation process include a review of our customer base, the stage of the product life cycle, variations in market pricing, and an assessment of selling price in relation to product cost. Lower of cost or net realizable value inventory reserves fluctuate as we ramp new process technologies with costs improving over time due to scale and improved yields. Additionally, inventory valuation is impacted by cyclical changes in market conditions and the associated pricing environment.

The valuation of inventory also requires us to estimate obsolete and excess inventory, as well as inventory that is not of salable quality. We use the demand forecast to develop our short-term manufacturing plans to enable consistency between inventory valuations and build decisions. For certain new products, we have limited historical data when developing these demand forecasts. We compare the estimate of future demand to work in process and finished goods inventory levels to determine the amount, if any, of obsolete or excess inventory. When our demand forecast for specific products is greater than actual demand and we fail to reduce manufacturing output accordingly, we are required to write off inventory.

## PROPERTY, PLANT AND EQUIPMENT

We compute depreciation using the straight-line method over the estimated useful life of assets. We also capitalize interest on borrowings related to eligible capital expenditures. Capitalized interest is added to the cost of qualified assets and depreciated together with that asset cost. We record capital-related government grants earned as a reduction to property, plant and equipment.

We evaluate the period over which we expect to recover the economic value of our property, plant and equipment, considering factors such as the process technology cadence between node transitions, changes in machinery and equipment technology, and re-use of machinery and tools across each generation of process technology. As we make manufacturing process conversions and other factory planning decisions, we use assumptions involving the use of management judgments regarding the remaining useful lives of assets, primarily process-specific semiconductor manufacturing tools and building improvements. When we determine that the useful lives of assets are shorter or longer than we had originally estimated, we adjust the rate of depreciation to reflect the assets' revised useful lives.

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

## **FAIR VALUE**

When determining fair value, we consider the principal or most advantageous market in which we would transact, as well as assumptions that market participants would use when pricing the asset or liability. Our financial assets are measured and recorded at fair value on a recurring basis, except for equity securities measured using the measurement alternative, equity method investments, cost method loans receivable, grants receivable, and reverse repurchase agreements with original maturities greater than three months. We assess fair value hierarchy levels for our issued debt and fixed-income investment portfolio based on the underlying instrument type.

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

- Level 1. Quoted prices in active markets for identical assets or liabilities. We evaluate security-specific market data when determining whether a market is active.
- Level 2. Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in less active markets, or model-derived valuations. All significant inputs used in our valuations, such as discounted cash flows, are observable or can be derived principally from or corroborated with observable market data for substantially the full term of the assets or liabilities. We use LIBOR-based yield curves, overnight indexed swap curve, currency spot and forward rates, and credit ratings as significant inputs in our valuations. Level 2 inputs also include non-binding market consensus prices, as well as quoted prices that were adjusted for security-specific restrictions. When we use non-binding market consensus prices, we corroborate them with quoted market prices for similar instruments or compare them to output from internally developed pricing models such as discounted cash flow models.

• Level 3. Unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of assets or liabilities. We monitor and review the inputs and results of these valuation models to help ensure the fair value measurements are reasonable and consistent with market experience in similar asset classes. Level 3 inputs also include non-binding market consensus prices or non-binding broker quotes that we were unable to corroborate with observable market data.

a001intellogo\_coverfooter.jpg FINANCIAL STATEMENTS

Notes to Financial Statements

## **DEBT INVESTMENTS**

We consider all highly liquid debt investments with original maturities from the date of purchase of three months or less as cash equivalents. Cash equivalents can include investments such as corporate debt, financial institution instruments, government debt, and reverse repurchase agreements.

Marketable debt investments are generally designated as trading assets when a market risk is economically hedged at inception with a related derivative instrument, or when the marketable debt investment itself is used to economically hedge currency exchange rate risk from remeasurement. Investments designated as trading assets are reported at fair value. Gains or losses on these investments arising from changes in fair value due to interest rate and currency market fluctuations and credit market volatility, largely offset by losses or gains on the related derivative instruments and balance sheet remeasurement, are recorded in interest and other, net.

Marketable debt investments are considered available-for-sale investments when the interest rate and foreign currency risks are not hedged at the inception of the investment or when our criteria for designation as trading assets are not met. Available-for-sale debt investments with original maturities of approximately three months or less from the date of purchase are classified within cash and cash equivalents. Available-for-sale debt investments with original maturities at the date of purchase greater than approximately three months and remaining maturities of less than one year are classified as short-term investments. Available-for-sale debt investments with remaining maturities beyond one year are classified as other long-term investments. Available-for-sale debt investments are reported at fair value, with unrealized gains or losses, net of tax, recorded in accumulated other comprehensive income (loss). We determine the cost of the investment sold based on an average cost basis at the individual security level, and record the interest income and realized gains or losses on the sale of these investments in interest and other, net.

Our available-for-sale debt investments are subject to periodic impairment reviews. For these investments, we consider whether it is more likely than not that we will be required to sell the investment before recovery of its amortized cost basis, or whether recovery of the entire amortized cost basis of the investment is unlikely because a credit loss exists. When we do not expect to recover the entire amortized cost basis of the investment, we separate other-than-temporary impairments into amounts representing credit losses, which are recognized in interest and other, net, and amounts not related to credit losses, which are recognized in other comprehensive income (loss).

## **EQUITY INVESTMENTS**

We regularly invest in equity securities of public and private companies to promote business and strategic objectives. Equity investments are measured and recorded as follows:

- Marketable equity securities are equity securities with RDFV that are measured and recorded at fair value on a
  recurring basis with changes in fair value, whether realized or unrealized, recorded through the income
  statement. Prior to 2018, these securities were classified as available-for-sale securities and measured and
  recorded at fair value with unrealized changes in fair value recorded through other comprehensive income.
- Non-marketable equity securities are equity securities without RDFV that are measured and recorded using a
  measurement alternative that measures the securities at cost minus impairment, if any, plus or minus changes
  resulting from qualifying observable price changes. Prior to fiscal 2018, these securities were accounted for
  using the cost method of accounting, measured at cost less other-than-temporary impairment.
- Equity method investments are equity securities in investees we do not control but over which we have the
  ability to exercise significant influence. Equity method investments are measured at cost minus impairment, if
  any, plus or minus our share of equity method investee income or loss. Our proportionate share of the income
  or loss from equity method investments is recognized on a one-quarter lag.

Realized and unrealized gains and losses resulting from changes in fair value or the sale of our equity investments are recorded in gains (losses) on equity investments, net. Prior to 2018, we recorded unrealized gains and losses through other comprehensive income (loss) and realized gains and losses on the sale, exchange, or impairment of these equity investments through gains (losses) on equity investments, net. The carrying value of our non-marketable equity securities is adjusted for qualifying observable price changes resulting from the issuance of similar or identical securities by the same issuer. Determining whether an observed transaction is similar to a security within our portfolio requires judgment based on the rights and preferences of the securities. Recording upward and downward adjustments to the carrying value of our equity securities as a result of observable price changes requires quantitative assessments of the fair value of our securities using various valuation methodologies and involves the use of estimates.

Non-marketable equity securities and equity method investments (collectively referred to as non-marketable equity investments) are also subject to periodic impairment reviews. Our quarterly impairment analysis considers both qualitative and quantitative factors that may have a significant impact on the investee's fair value. Qualitative factors

considered include the investee's financial condition and business outlook, industry and sector performance, market for technology, operational and financing cash flow activities, and other relevant events and factors affecting the investee. When indicators of impairment exist, we prepare quantitative assessments of the fair value of our non-marketable equity investments using both the market and income approaches, which require judgment and the use of estimates, including discount rates, investee revenue and costs, and comparable market data of private and public companies, among others.

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- Non-marketable equity securities are tested for impairment using a qualitative model similar to the model used
  for goodwill and long-lived assets. Upon determining that an impairment may exist, the security's fair value is
  calculated and compared to its carrying value and an impairment is recognized immediately if the carrying value
  exceeds the fair value. Prior to 2018, non-marketable equity securities were tested for impairment using the
  other-than-temporary impairment model.
- Equity method investments are subject to periodic impairment reviews using the other-than-temporary impairment model, which considers the severity and duration of a decline in fair value below cost and our ability and intent to hold the investment for a sufficient period of time to allow for recovery.

Impairments of equity investments are recorded in gains (losses) on equity investments, net.

## **DERIVATIVE FINANCIAL INSTRUMENTS**

Our primary objective for holding derivative financial instruments is to manage currency exchange rate risk and interest rate risk, and, to a lesser extent, equity market risk, commodity price risk, and credit risk. We enter into master netting arrangements to mitigate credit risk in derivative transactions by permitting net settlement of transactions with the same counterparty. A master netting arrangement allows counterparties to net settle amounts owed to each other as a result of multiple, separate derivative transactions. We also enter into collateral security arrangements with certain of our counterparties to exchange cash collateral when the net fair value of certain derivative instruments fluctuates from contractually established thresholds. We record the collateral within other current assets and other long-term assets with a corresponding liability. For presentation on our Consolidated Balance Sheets, we do not offset fair value amounts recognized for derivative instruments under master netting arrangements. Our derivative financial instruments are presented at fair value on a gross basis and are included in other current assets, other long-term assets, other long-term liabilities.

Cash flow hedges use foreign currency contracts, such as currency forwards and currency interest rate swaps, to hedge exposures for the following items:

- variability in the U.S.-dollar equivalent of non-U.S.-dollar-denominated cash flows associated with our forecasted operating and capital purchases spending; and
- coupon and principal payments for our non-U.S.-dollar-denominated indebtedness.

The after-tax gains or losses from the effective portion of a cash flow hedge is reported as a component of accumulated other comprehensive income (loss) and reclassified into earnings in the same period or periods in which the hedged transaction affects earnings, and in the same line item on the Consolidated Statements of Income as the impact of the hedge transaction. For foreign currency contracts hedging our capital purchases, forward points are excluded from the hedge effectiveness assessment, and are recognized in earnings in interest and other, net. If the cash flow hedge transactions become improbable, the corresponding amounts deferred in accumulated other comprehensive income (loss) would be immediately reclassified to interest and other, net. These derivatives are classified in the Consolidated Statements of Cash Flows in the same section as the underlying item.

Fair value hedges use interest rate contracts, such as interest rate swaps, to hedge against changes in the fair value on certain of our fixed-rate indebtedness attributable to changes in the benchmark interest rate. The gains or losses on these hedges, as well as the offsetting losses or gains related to the changes in the fair value of the underlying hedged item attributable to the hedged risk, are recognized in earnings in the current period, primarily in interest and other, net. These derivatives are classified in the Consolidated Statements of Cash Flows in the same section as the underlying item, primarily within cash flows from financing activities.

Non-designated hedges use foreign currency contracts to economically hedge the functional currency equivalent cash flows of recognized monetary assets and liabilities, non-U.S.-dollar-denominated debt instruments classified as trading assets, and non-U.S.-dollar-denominated loans receivables recognized at fair value. We also use interest rate contracts to hedge interest rate risk related to our U.S.-dollar-denominated fixed-rate debt instruments classified as trading assets.

The change in fair value of these derivatives is recorded through earnings in the line item on the Consolidated Statements of Income to which the derivatives most closely relate, primarily in interest and other, net. Changes in the fair value of the underlying assets and liabilities associated with the hedged risk are generally offset by the changes in the fair value of the related derivatives.

## LOANS RECEIVABLE

We elect the fair value option when the interest rate or foreign currency exchange rate risk is economically hedged at the inception of the loan with a related derivative instrument. When the fair value option is not elected, the loans are carried at amortized cost. We measure interest income for all loans receivable using the interest method, which is based on the effective yield of the loans rather than the stated coupon rate. We classify our loans within other current and long-term assets.

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## **CREDIT RISK**

Financial instruments that potentially subject us to concentrations of credit risk consist principally of investments in debt instruments, derivative financial instruments, loans receivable, reverse repurchase agreements, and trade receivables. We enter into master netting arrangements to mitigate credit risk in derivative transactions by permitting net settlement of transactions with the same counterparty.

We generally place investments with high-credit-quality counterparties and, by policy, we limit the amount of credit exposure to any one counterparty based on our analysis of that counterparty's relative credit standing. As required per our investment policy, substantially all of our investments in debt instruments and financing receivables are in investment-grade instruments. Credit-rating criteria for derivative instruments are similar to those for other investments. Due to master netting arrangements, the amounts subject to credit risk related to derivative instruments are generally limited to the amounts, if any, by which the counterparty's obligations exceed our obligations with that counterparty. As of December 28, 2019, our total credit exposure to any single counterparty, excluding money market funds invested in U.S. treasury and U.S. agency securities and reverse repurchase agreements collateralized by treasury and agency securities, did not exceed \$800 million. To further reduce credit risk, we obtain and secure available collateral from counterparties against obligations, including securities lending transactions, when we deem it appropriate.

A substantial majority of our trade receivables are derived from sales to OEMs and ODMs. We also have accounts receivable derived from sales to industrial and communications equipment manufacturers in the computing and communications industries. We believe the net accounts receivable balances from our three largest customers (39% as of December 28, 2019) do not represent a significant credit risk, based on cash flow forecasts, balance sheet analysis, and past collection experience. For more information about the customers that represent our accounts receivable balance, see "Note 4: Operating Segments."

We have adopted credit policies and standards intended to accommodate industry growth and inherent risk. We believe credit risks are moderated by the financial stability of our major customers. We assess credit risk through quantitative and qualitative analysis. From this analysis, we establish shipping and credit limits, and determine whether we will seek to use one or more credit support protection devices, such as obtaining a parent guarantee, standby letter of credit, or credit insurance.

## **BUSINESS COMBINATIONS**

We allocate the purchase price paid for assets acquired and liabilities assumed in connection with our acquisitions based on their estimated fair values at the time of acquisition. This allocation involves a number of assumptions, estimates, and judgments in determining the fair value of the following:

- intangible assets, including the valuation methodology, estimations of future cash flows, discount rates, market segment growth rates, and our assumed market segment share, as well as the estimated useful life of intangible assets;
- deferred tax assets and liabilities, uncertain tax positions, and tax-related valuation allowances, which are initially estimated as of the acquisition date;
- inventory; property, plant and equipment; pre-existing liabilities or legal claims; deferred revenue; and contingent consideration, each as may be applicable; and
- goodwill as measured as the excess of consideration transferred over the net of the acquisition date fair values
  of the assets acquired and the liabilities assumed.

Our assumptions and estimates are based upon comparable market data and information obtained from our management and the management of the acquired companies. We allocate goodwill to the reporting units of the business that are expected to benefit from the business combination.

## **GOODWILL**

We perform an annual impairment assessment of goodwill at the reporting unit level in the fourth quarter of each year, or more frequently if indicators of potential impairment exist. The analysis may include both qualitative and quantitative factors to assess the likelihood of an impairment. The reporting unit's carrying value used in an impairment test represents the assignment of various assets and liabilities, excluding certain corporate assets and liabilities, such as cash, investments, and debt.

Qualitative factors include industry and market considerations, overall financial performance, and other relevant events and factors affecting the reporting unit. Additionally, as part of this assessment, we may perform a quantitative

analysis to support the qualitative factors above by applying sensitivities to assumptions and inputs used in measuring a reporting unit's fair value.

Our quantitative impairment test considers both the income approach and the market approach to estimate a reporting unit's fair value. Significant estimates include market segment growth rates, our assumed market segment share, estimated costs, and discount rates based on a reporting unit's weighted average cost of capital.

We test the reasonableness of the inputs and outcomes of our discounted cash flow analysis against available market data. In the current year, the fair value for all of our reporting units substantially exceeds their carrying value, and our annual qualitative assessment did not indicate that a more detailed quantitative analysis was necessary.

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## **IDENTIFIED INTANGIBLE ASSETS**

We amortize acquisition-related intangible assets that are subject to amortization over their estimated useful life. Acquisition-related in-process R&D assets represent the fair value of incomplete R&D projects that had not reached technological feasibility as of the date of acquisition; initially, these are classified as in-process R&D and are not subject to amortization. Once these R&D projects are completed, the asset balances are transferred from in-process R&D to acquisition-related developed technology and are subject to amortization from this point forward. The asset balances relating to projects that are abandoned after acquisition are impaired and expensed to R&D.

We perform a quarterly review of significant finite-lived identified intangible assets to determine whether facts and circumstances indicate that the carrying amount may not be recoverable. These reviews can be affected by various factors, including external factors such as industry and economic trends, and internal factors such as changes in our business strategy and our forecasts for specific product lines.

## **EMPLOYEE EQUITY INCENTIVE PLANS**

We use the straight-line amortization method to recognize share-based compensation expense over the service period of the award, net of estimated forfeitures. Upon exercise, cancellation, forfeiture, or expiration of stock options, or upon vesting or forfeiture of RSUs, we eliminate deferred tax assets for options and RSUs with multiple vesting dates for each vesting period on a first-in, first-out basis as if each vesting period were a separate award.

## **INCOME TAXES**

We compute the provision for income taxes using the asset and liability method, under which deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and for operating losses and tax credit carryforwards. We measure deferred tax assets and liabilities using the currently enacted tax rates that apply to taxable income in effect for the years in which those tax assets are expected to be realized or settled.

We assess the likelihood that we will be able to recover our deferred tax assets. If recovery is not likely, we must increase our provision for taxes by recording a valuation allowance against the deferred tax assets that we estimate will not ultimately be recoverable. We believe that we will ultimately recover the deferred tax assets recorded on our Consolidated Balance Sheets. Recovery of a portion of our deferred tax assets is affected by management's plans with respect to holding or disposing of certain investments; therefore, such changes could also affect our future provision for taxes.

We recognize tax benefits from uncertain tax positions only if (based on the technical merits of the position) it is more likely than not that the tax positions will be sustained on examination by the tax authority. The tax benefits recognized in the financial statements from such positions are measured based on the largest amount that is more than 50% likely to be realized upon ultimate settlement. We recognize interest and penalties related to unrecognized tax benefits within the provision for taxes on the Consolidated Statements of Income.

We recognize the tax impact of including certain foreign earnings in U.S. taxable income as a period cost. We have recognized deferred income taxes for local country income and withholding taxes that could be incurred on distributions of certain non-U.S. earnings or for outside basis differences in our subsidiaries, because we do not plan to indefinitely reinvest such earnings and basis differences. Remittances of non-U.S. earnings are based on estimates and judgments of projected cash flow needs, as well as the working capital and investment requirements of our non-U.S. and U.S. operations. Material changes in our estimates of cash, working capital, and investment needs in various jurisdictions could require repatriation of indefinitely reinvested non-U.S. earnings, which could be subject to applicable non-U.S. income and withholding taxes.

## LOSS CONTINGENCIES

We are subject to loss contingencies, including various legal and regulatory proceedings, asserted and potential claims, liabilities related to repair or replacement of parts in connection with product defects, as well as product warranties and potential asset impairments that arise in the ordinary course of business. An estimated loss from such contingencies is recognized as a charge to income if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated.

## **ACCOUNTING STANDARDS ADOPTED**

## Leases

Standard/Description: This new lease accounting standard requires that we recognize leased assets and corresponding liabilities on the balance sheet and provide enhanced disclosure of lease activity.

Effective Date and Adoption Considerations: Effective in the first quarter of 2019. The standard was adopted applying the modified retrospective approach at the beginning of the period of adoption. Our leased assets and corresponding liabilities exclude non-lease components.

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Effect on Financial Statements or Other Significant Matters: Within the opening balances for the fiscal year beginning December 30, 2018, we recognized leased assets and corresponding liabilities in other long-term assets of \$706 million, which includes \$81 million of previously recognized prepaid land use rights, as well as corresponding accrued liabilities of \$180 million and other long-term liabilities of \$445 million.

Accounting Policy Updates and Disclosures: We determine if an arrangement is a lease at inception and classify it as finance or operating. Leased assets and corresponding liabilities are recognized based on the present value of the lease payments over the lease term. Our lease terms may include options to extend when it is reasonably certain that we will exercise that option. We have lease agreements with lease and non-lease components, and the non-lease components are accounted for separately and not included in our leased assets and corresponding liabilities. Leases primarily consist of real property, and, to a lesser extent, certain machinery and equipment.

We recognized leased assets in other long-term assets of \$628 million and corresponding accrued liabilities of \$175 million, and other long-term liabilities of \$375 million as of December 28, 2019. Our leases have remaining terms of 1 to 9 years, some of which may include options to extend the leases for up to 39 years. The weighted average remaining lease term was 4.7 years, and the weighted average discount rate was 3.4% as of December 28, 2019.

For the twelve months ended December 28, 2019, lease expense was \$185 million. In accordance with the new leases standard, discounted and undiscounted lease payments under non-cancelable leases as of December 28, 2019, excluding non-lease components, were as follows:

(In Millions)	2	2020	2	2021	2	022	2	023	2	024	a	nd ereafte	r	Total
Lease payments	\$	178	\$	135	\$	97	\$	74	\$	54	\$	57	\$	595
Present value of lease payments													\$	549

Lease expense was \$231 million in 2018 (\$264 million in 2017). Prior to our adoption of the new leases standard, future minimum lease payments as of December 29, 2018, which were undiscounted and included lease and non-lease components, were as follows:

(In Millions)	2	2019	2020	2021	:	2022 2023			2024 and Thereafter			Total
Minimum rental commitments under all non-cancelable leases	\$	229	\$ 181	\$ 133	\$	101	\$	70	\$	121	\$	835

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## NOTE 4 : OPERATING SEGMENTS

We manage our business through the following operating segments:

- DCG
- IOTG
- Mobileye
- NSG
- PSG
- CCG
- All other

We offer platform products that incorporate various components and technologies, including a microprocessor and chipset, a stand-alone SoC, or a multichip package. A platform product may be enhanced by additional hardware, software, and services offered by Intel. Platform products are used in various form factors across our DCG, IOTG, and CCG operating segments. We derive a substantial majority of our revenue from platform products, which are our principal products and considered as one class of product.

DCG and CCG are our reportable operating segments. IOTG, Mobileye, NSG, and PSG do not meet the quantitative thresholds to qualify as reportable operating segments; however, we have elected to disclose the results of these non-reportable operating segments. Our Internet of Things portfolio, presented as Internet of Things, is comprised of the IOTG and Mobileye operating segments.

We have sales and marketing, manufacturing, engineering, finance, and administration groups. Expenses for these groups are generally allocated to the operating segments.

The "all other" category includes revenue and expenses such as:

- results of operations from non-reportable segments not otherwise presented;
- historical results of operations from divested businesses;
- · results of operations of start-up businesses that support our initiatives, including our foundry business;
- amounts included within restructuring and other charges;
- a portion of employee benefits, compensation, and other expenses not allocated to the operating segments;
- acquisition-related costs, including amortization and any impairment of acquisition-related intangibles and goodwill.

The CODM, who is our CEO, allocates resources to and assesses the performance of each operating segment using information about the operating segment's revenue and operating income (loss). The CODM does not evaluate operating segments using discrete asset information and we do not identify or allocate assets by operating segments. Based on the interchangeable nature of our manufacturing and assembly and test assets, most of the related depreciation expense is not directly identifiable within our operating segments, as it is included in overhead cost pools and subsequently absorbed into inventory as each product passes through our manufacturing process. Because our products are then sold across multiple operating segments, it is impracticable to determine the total depreciation expense included as a component of each operating segment's operating income (loss) results. Operating segments do not record inter-segment revenue. We do not allocate gains and losses from equity investments, interest and other income, or taxes to operating segments. Although the CODM uses operating income to evaluate the segments, operating costs included in one segment may benefit other segments. Except for these differences, the accounting policies for segment reporting are the same as for Intel as a whole.

Net revenue and operating income (loss) for each period were as follows:

Years Ended (In Millions)	Dec 28, 2019			Dec 29, 2018	Dec 30, 2017		
Net revenue:							
Data Center Group							
Platform	\$	21,441	\$	21,155	\$	17,439	
Adjacent		2,040		1,836		1,625	
		23,481		22,991		19,064	
Internet of Things							
IOTG		3,821		3,455		3,169	
Mobileye		879		698		210	
		4,700		4,153		3,379	
Non-Volatile Memory Solutions Group		4,362		4,307		3,520	
Programmable Solutions Group		1,987		2,123		1,902	
Client Computing Group							
Platform		32,681		33,234		31,226	
Adjacent		4,465		3,770		2,777	
		37,146		37,004		34,003	
All other		289		270		893	
Total net revenue	\$	71,965	\$	70,848	\$	62,761	
Operating income (loss):							
Data Center Group	\$	10,227	\$	11,476	\$	8,395	
Internet of Things							
IOTG		1,097		980		650	
Mobileye		245		143		(28)	
		1,342		1,123		622	
Non-Volatile Memory Solutions Group		(1,176)		(5)		(260)	
Programmable Solutions Group		318		466		458	
Client Computing Group		15,202		14,222		12,919	
All other		(3,878)		(3,966)		(4,084)	
Total operating income	\$	22,035	\$	23,316	\$	18,050	

Disaggregated net revenue for each period was as follows:

Years Ended (In Millions)	Dec 28, 2019		Dec 29, 2018	Dec 30, 2017	
Platform revenue					
DCG platform	\$ 21,441	\$	21,155	\$	17,439
IOTG platform	3,440		3,065		2,645
CCG desktop platform	11,822		12,220		11,647
CCG notebook platform	20,779		20,930		19,414
Other platform <sup>1</sup>	 80		84		165
	57,562		57,454		51,310
Adjacent revenue <sup>2</sup>	14,403		13,394		10,917

## ISecG divested business

**Total revenue** 

_	_	534
\$ 71,965	\$ 70,848	\$ 62,761

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<sup>&</sup>lt;sup>1</sup> Includes our tablet and service provider revenue.

Includes all of our non-platform products for DCG, IOTG, and CCG, such as modem, Ethernet, and silicon photonics, as well as Mobileye, NSG, and PSG products.

In 2019, our three largest customers accounted for 41% of our net revenue (39% in 2018, 40% in 2017), with Dell Inc. accounting for 17% (16% in 2018, 16% in 2017), Lenovo Group Limited accounting for 13% (12% in 2018, 13% in 2017), and HP Inc. accounting for 11% (11% in 2018, 11% in 2017). These three customers accounted for 39% of our accounts receivable as of December 28, 2019 (45% as of December 29, 2018). Substantially all of the revenue from these customers was from the sale of platforms and other components by the CCG and DCG operating segments.

Net revenue by country as presented below is based on the billing location of the customer. Revenue from unaffiliated customers for each period was as follows:

Years Ended (In Millions)	Dec 28, 2019		 Dec 29, 2018	Dec 30, 2017	
China (including Hong Kong)	\$	20,026	\$ 18,824	\$	14,796
Singapore		15,650	15,409		14,285
United States		15,617	14,303		12,543
Taiwan		10,058	10,646		10,518
Other countries		10,614	11,666		10,619
Total net revenue	\$	71,965	\$ 70,848	\$	62,761

## NOTE 5 : EARNINGS PER SHARE

We computed basic earnings per share of common stock based on the weighted average number of shares of common stock outstanding during the period. We computed diluted earnings per share of common stock based on the weighted average number of shares of common stock outstanding plus potentially dilutive shares of common stock outstanding during the period.

Years Ended (In Millions, Except Per Share Amounts)	[	Dec 28, 2019	- [	Dec 29, 2018	D	ec 30, 2017
Net income available to common stockholders	\$	21,048	\$	21,053	\$	9,601
Weighted average shares of common stock outstanding—Basic		4,417		4,611		4,701
Dilutive effect of employee incentive plans		41		50		47
Dilutive effect of convertible debt		15		40		87
Weighted average shares of common stock outstanding— Diluted		4,473		4,701		4,835
Earnings per share—Basic	\$	4.77	\$	4.57	\$	2.04
Earnings per share—Diluted	\$	4.71	\$	4.48	\$	1.99

Potentially dilutive shares of common stock from employee incentive plans are determined by applying the treasury stock method to the assumed exercise of outstanding stock options, the assumed vesting of outstanding RSUs, and the assumed issuance of common stock under the 2006 ESPP. In December 2017, we paid cash to satisfy the conversion of our convertible debentures due 2035, which we excluded from our diluted earnings per share computation starting in the fourth quarter of 2017 and are no longer dilutive. In November 2019, we issued a notice of redemption for the remaining \$372 million of 2009 Debentures with a redemption date of January 9, 2020. Our 2009 Debentures required settlement of the principal amount of the debt in cash upon conversion. Since the conversion premium was paid in cash or stock at our option, we determined the potentially dilutive shares of common stock by applying the treasury stock method. We included our 2009 Debentures in the calculation of diluted earnings per share of common stock in all periods presented because the average market price was above the conversion price.

Securities that would have been anti-dilutive are insignificant and are excluded from the computation of diluted earnings per share in all periods presented.

## NOTE 6 : CONTRACT LIABILITIES

(In Millions)	ec 28, 2019	ec 29, 2018
Prepaid supply agreements	\$ 1,805	\$ 2,587
Other	 236	122
Total contract liabilities	\$ 2,041	\$ 2,709

Contract liabilities are primarily related to prepayments received from customers on long-term prepaid supply agreements toward future NSG product delivery. The short-term portion of contract liabilities is reported on the Consolidated Balance Sheets within other accrued liabilities.

The following table shows the changes in contract liability balances relating to long-term prepaid supply agreements during 2019:

## (In Millions)

Prepaid supply agreements balance as of December 29, 2018	\$ 2,587
Prepaids utilized	(782)
Prepaid supply agreements balance as of December 28, 2019	\$ 1,805

As new long-term prepaid supply agreements are entered into and performance obligations are negotiated, this component of the contract liability balance will increase, and as customers purchase product and utilize their prepaid balances, the balance will decrease.

We expect our remaining contract liability balance of \$1.8 billion to be recognized into revenue over the next 4 years. The timing and amount of future anticipated revenue may vary from our expectations due to changes in supply, demand, and market pricing.

## NOTE 7:

## OTHER FINANCIAL STATEMENT DETAILS

## **INVENTORIES**

(In Millions)	Dec : 201	,	ec 29, 2018
Raw materials	\$	840	\$ 813
Work in process	6	5,225	4,511
Finished goods	1	,679	 1,929
Total inventories	\$ 8	3,744	\$ 7,253

## PROPERTY, PLANT AND EQUIPMENT

(In Millions)	Dec 28, 2019		Dec 29, 2018		
Land and buildings	\$	37,743	\$	30,954	
Machinery and equipment		74,901		66,721	
Construction in progress		16,063		16,643	

Total property, plant and equipment, gross	 128,707	 114,318
Less: accumulated depreciation	 (73,321)	 (65,342)
Total property, plant and equipment, net	\$ 55,386	\$ 48,976

Substantially all of our depreciable property, plant and equipment assets are depreciated over the following estimated useful lives: machinery and equipment, 2 to 5 years, and buildings, 10 to 30 years.

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Net property, plant and equipment by country at the end of each period was as follows:

(In Millions)	Dec 28, 2019			Dec 29, 2018		
United States	\$	35,262	\$	27,512		
Israel		8,463		8,861		
China		5,315		6,417		
Ireland		3,854		3,947		
Other countries		2,492		2,239		
Total property, plant and equipment, net	\$	55,386	\$	48,976		

## **OTHER LONG-TERM ASSETS**

(In Millions)	Dec 28, 2019		Dec 29, 2018		
Non-current deferred tax assets	\$	1,209	\$	1,122	
Pre-payments for property, plant and equipment		1,641		1,507	
Loans receivable		554		479	
Other		2,149		1,313	
Total other long-term assets	\$	5,553	\$	4,421	

## **OTHER ACCRUED LIABILITIES**

Other accrued liabilities include deferred compensation of \$2.1 billion as of December 28, 2019 (\$1.7 billion as of December 29, 2018).

## **ADVERTISING**

Advertising costs, including direct marketing, recorded within MG&A expenses were \$832 million in 2019 (\$1.2 billion in 2018 and \$1.4 billion in 2017).

## INTEREST AND OTHER, NET

The components of interest and other, net for each period were as follows:

Years Ended (In Millions)	ec 28, 2019	ec 29, 2018	ec 30, 2017
Interest income	\$ 483	\$ 438	\$ 441
Interest expense	(489)	(468)	(646)
Other, net	 490	 156	(144)
Total interest and other, net	\$ 484	\$ 126	\$ (349)

Interest expense in the preceding table is net of \$472 million of interest capitalized in 2019 (\$496 million in 2018 and \$313 million in 2017).

## NOTE 8

## **RESTRUCTURING AND OTHER CHARGES**

Years Ended (In Millions)	ec 28, 2019	ec 29, 2018	ec 30, 2017
2019 Restructuring Program	\$ 393	\$ _	\$ _
2016 Restructuring Program	_	(72)	135
ISecG separation costs and other charges	 		249
Total restructuring and other charges	\$ 393	\$ (72)	\$ 384

## 2019 RESTRUCTURING PROGRAM

A restructuring program was approved in the second quarter of 2019 to align our workforce with the planned exit of the smartphone modem business. We expect these actions to be substantially complete in the second quarter of 2020.

Restructuring and other charges (benefits) by type for the 2019 Restructuring Program were as follows:

Years Ended (In Millions)	Dec 28, 2019		
Employee severance and benefit arrangements	\$ 280		
Asset impairment and other charges	113		
Total restructuring and other charges	\$ 393		



## **INCOME TAX PROVISION**

Income before taxes and the provision for taxes consisted of the following:

Years Ended (In Millions)	Dec 28, 2019	Dec 29, 2018	Dec 30, 2017
Income before taxes:			
U.S.	\$ 13,729	\$ 14,753	\$ 11,141
Non-U.S.	 10,329	8,564	 9,211
Total income before taxes	 24,058	23,317	20,352
Provision for taxes:			· · ·
Current:			
Federal	1,391	2,786	8,307
State	37	(11)	27
Non-U.S.	1,060	1,097	899
Total current provision for taxes	2,488	3,872	9,233
Deferred:			
Federal	597	(1,389)	1,680
Other	(75)	(219)	(162)
Total deferred provision for taxes	522	(1,608)	1,518
Total provision for taxes	\$ 3,010	\$ 2,264	\$ 10,751
Effective tax rate	12.5 %	9.7 %	52.8 %

The difference between the tax provision at the statutory federal income tax rate and the tax provision as a percentage of income before income taxes (effective tax rate) for each period was as follows:

Years Ended	Dec 28, 2019	Dec 29, 2018	Dec 30, 2017
Statutory federal income tax rate	21.0 %	21.0 %	35.0 %
Increase (reduction) in rate resulting from:			
Non-U.S. income taxed at different rates	(3.7)	(3.6)	(7.6)
Research and development tax credits	(2.3)	(2.7)	(2.3)
Domestic manufacturing deduction benefit	_	_	(1.3)
Foreign derived intangible income benefit	(3.2)	(3.7)	_
Tax Reform	_	(1.3)	26.8
ISecG divestiture	_	_	3.3
Other	0.7	(0.1)	(1.1)
Effective tax rate	12.5 %	9.7 %	52.8 %

The majority of the increase in our effective tax rate in 2019 compared to 2018 was driven by one-time benefits that occurred in 2018.

The majority of the decrease in our effective tax rate in 2018 compared to 2017 resulted from initial tax expense from Tax Reform and the tax impacts from the ISecG divestiture that we had in 2017, but not in 2018. The reduction of the U.S. statutory rate, combined with the net impact of the enactment or repeal of specific tax law provisions through Tax Reform, drove the remaining decrease in our effective tax rate in 2018.

We derive the effective tax rate benefit attributed to non-U.S. income taxed at different rates primarily from our operations in China, Hong Kong, Ireland, and Israel. The statutory tax rates in these jurisdictions range from 12.5% to 25.0%. In addition, we are subject to reduced tax rates in China and Israel as long as we conduct certain eligible activities and make certain capital investments. These conditional reduced tax rates expire at various dates through 2026 and we expect to apply for renewals upon expiration.

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## **DEFERRED AND CURRENT INCOME TAXES**

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for income tax purposes. Significant components of our deferred tax assets and liabilities at the end of each period were as follows:

(In Millions)	Dec 28, 2019		D	ec 29, 2018
Deferred tax assets:				
Accrued compensation and other benefits	\$	740	\$	570
Share-based compensation		294		273
Inventory		760		517
State credits and net operating losses		1,511		1,297
Other, net		515		512
Gross deferred tax assets		3,820		3,169
Valuation allowance		(1,534)		(1,302)
Total deferred tax assets		2,286		1,867
Deferred tax liabilities:				
Property, plant and equipment		(1,807)		(878)
Licenses and intangibles		(720)		(744)
Convertible debt		(88)		(204)
Unrealized gains on investments and derivatives		(292)		(266)
Other, net		(214)		(318)
Total deferred tax liabilities		(3,121)		(2,410)
Net deferred tax assets (liabilities)	\$	(835)	\$	(543)
Reported as:				
Deferred tax assets		1,209		1,122
Deferred tax liabilities		(2,044)		(1,665)
Net deferred tax assets (liabilities)	\$	(835)	\$	(543)

Change in valuation allowance for deferred tax assets were as follows:

Years Ended (In Millions)	lance at inning of Year	Additions Charged to Expenses/ Other Accounts		Net (Deductions) Recoveries		Balance at End of Year	
Valuation allowance for deferred tax assets							
December 28, 2019	\$ 1,302	\$	239	\$	(7)	\$	1,534
December 29, 2018	\$ 1,171	\$	185	\$	(54)	\$	1,302
December 30, 2017	\$ 953	\$	237	\$	(19)	\$	1,171

Deferred tax assets are included within other long-term assets on the Consolidated Balance Sheets.

The valuation allowance as of December 28, 2019 included allowances primarily related to unrealized state credit carryforwards of \$1.5 billion.

As of December 28, 2019, our federal, and non-U.S. net operating loss carryforwards for income tax purposes were \$427 million and \$357 million, respectively. Most of the non-U.S. net operating loss carryforwards have no expiration date. The remaining non-U.S. and some U.S. federal and state net operating loss carryforwards expire at various dates through 2040. A significant amount of the net operating loss carryforwards in the U.S. relates to acquisitions and, as a result, is limited in the amount that can be recognized in any one year.

At December 28, 2019, we have undistributed earnings of certain foreign subsidiaries of approximately \$22.0 billion that we have indefinitely invested, and on which we have not recognized deferred taxes. Estimating the amount of potential tax is not practicable because of the complexity and variety of assumptions necessary to compute the tax.

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Current income taxes receivable of \$76 million as of December 28, 2019 (\$162 million as of December 29, 2018) are included in other current assets. Current income taxes payable of \$575 million as of December 28, 2019 (\$366.0 million as of December 29, 2018) are included in other accrued liabilities.

Long-term income taxes payable of \$4.9 billion as of December 28, 2019 (\$4.9 billion as of December 29, 2018) includes uncertain tax positions, reduced by the associated federal deduction for state taxes and non-U.S. tax credits. Long-term income taxes payable may also include other long-term tax liabilities that are not uncertain but have not yet been paid, including the substantial majority of the transition tax from Tax Reform, which is payable over eight years beginning in 2018.

## **UNCERTAIN TAX POSITIONS**

Unrecognized tax benefits were \$548 million as of December 28, 2019 (\$283 million as of December 29, 2018 and \$211 million as of December 30, 2017). If the remaining balance of unrecognized tax benefits were recognized in a future period, it would result in a tax benefit of \$454 million as of December 28, 2019 (\$178 million as of December 29, 2018) and a reduction in the effective tax rate. The tax benefit for settlements, effective settlements, and remeasurements was insignificant in all periods presented. Interest, penalties, and accrued interest related to unrecognized tax benefits were insignificant in the periods presented.

We comply with the laws, regulations, and filing requirements of all jurisdictions in which we conduct business. We regularly engage in discussions and negotiations with tax authorities regarding tax matters in various jurisdictions. Although the timing of the resolutions and/or closures of audits is highly uncertain, it is reasonably possible that certain U.S. federal and non-U.S. tax audits may be concluded within the next 12 months, which could increase or decrease the balance of our gross unrecognized tax benefits. We estimate that the unrecognized tax benefits as of December 28, 2019 could decrease by as much as \$300 million in the next 12 months.

We file federal, state, and non-U.S. tax returns. Excluding pre-acquisition Altera tax years, we are no longer subject to U.S. federal and non-U.S. tax examinations for years prior to 2012. For U.S. state tax returns, we are no longer subject to tax examination for years prior to 2012. We are subject to U.S. federal examination for pre-acquisition Altera tax years back to 2004. We have filed petitions before the U.S. Tax Court relating to the treatment of stock-based compensation expense in an inter-company cost-sharing transaction for certain pre-acquisition Altera tax years. The U.S. Tax Court ruled in favor of Altera and the U.S. Internal Revenue Service appealed the ruling to the U.S. Court of Appeals for the Ninth Circuit. During 2019, the Ninth Circuit Court of Appeals issued its opinion on the Altera litigation in favor of the government. We filed a petition for rehearing to the Ninth Circuit Court of Appeals, which was declined in the fourth quarter of 2019. We are currently assessing next steps.



## **DEBT INVESTMENTS**

## **Trading Assets**

Net gains related to trading assets still held at the reporting date were \$26 million in 2019 (net losses of \$188 million in 2018 and net gains of \$414 million in 2017). Net gains on the related derivatives were \$22 million in 2019 (net gains of \$163 million in 2018 and net losses of \$422 million in 2017).

#### **Available-for-Sale Debt Investments**

			D	ecembe	r 28,	2019			December 29, 2018					18				
(In Millions)	A	djusted Cost	Unr	ross ealized ains	Unr	ross ealized sses	Fair Value	A	djusted Cost		Gross nrealized Gains	Un	Pross realized osses	,	Fair Value			
Corporate debt	\$	2,914	\$	44	\$	_	\$ 2,958	\$	3,068	\$	2	\$	(28)	\$	3,042			
Financial institution instruments		3.007		15		(1)	3.021		3.076		3		(11)		3,068			
mstruments		3,007		13		(1)	3,021		3,070		J		(11)		3,000			
Government debt		560		4			564		1,069		1		(9)		1,061			

Total available-								
for-sale debt								
investments	\$ 6,481	\$ 63	\$ (1)	\$ (	6,543	\$ 7,213	\$ 6	\$ (48) \$ 7,171

Government debt includes instruments such as non-U.S. government bonds and U.S. agency securities. Financial institution instruments include instruments issued or managed by financial institutions in various forms, such as commercial paper, fixed- and floating-rate bonds, money market fund deposits, and time deposits. Substantially all time deposits were issued by institutions outside the U.S. as of December 28, 2019 and December 29, 2018.

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The fair values of available-for-sale debt investments by contractual maturity as of December 28, 2019 were as follows:

(In Millions)	Fair	Value
Due in 1 year or less	\$	2,203
Due in 1–2 years		1,065
Due in 2–5 years		2,171
Due after 5 years		40
Instruments not due at a single maturity date		1,064
Total	\$	6,543

## **EQUITY INVESTMENTS**

(In Millions)	Dec 28, 2019			ec 29, 2018
Marketable equity securities	\$	450	\$	1,440
Non-marketable equity securities		3,480		2,978
Equity method investments		37		1,624
Total	\$	3,967	\$	6,042

The components of gains (losses) on equity investments, net for each period were as follows:

Years Ended (In Millions)	D	ec 28, 2019	ec 29, 2018	Dec 30, 2017		
Ongoing mark-to-market adjustments on marketable equity securities <sup>1</sup>	\$	277	\$ (129)		_	
Observable price adjustments on non-marketable equity securities <sup>1</sup>		293	202		_	
Impairment charges		(122)	(424)		(833)	
Sale of equity investments and other <sup>2</sup>		1,091	226		3,484	
Total gains (losses) on equity investments, net	\$	1,539	\$ (125)	\$	2,651	

Ongoing mark-to-market adjustments and observable price adjustments relate to the new financial instruments standard adopted in the first quarter of 2018, and are not applicable in prior periods.

In 2019, we recognized \$293 million in observable price adjustments (\$202 million in observable price adjustments in 2018).

In 2019, we also recognized impairments of \$122 million on non-marketable equity securities (\$132 million in 2018 and \$555 million in 2017). During the second quarter of 2017, we determined we had an other-than-temporary decline in the fair value of our investment in Cloudera Inc. and recognized an impairment charge of \$278 million.

In 2019, we recognized no equity method investee losses (\$153 million in 2018 and \$223 million in 2017).

Gains and losses for our marketable and non-marketable equity securities during each period were as follows:

(In Millions)	c 28, 019	c 29, 2018
Net gains (losses) recognized during the period on equity securities	\$ 734	\$ 298

Sale of equity investments and other includes realized gains (losses) on sales of non-marketable equity investments, our share of equity method investee gains (losses), and initial fair value adjustments recorded upon a security becoming marketable. In 2017, sales of equity investments and other also included realized gains (losses) on sales of available-for-sale equity securities, which are reflected in ongoing mark-to-market adjustments on marketable equity securities subsequent to 2017.

Less: Net (gains) losses recognized during the period on equity securities sold during the period

	 (424)	(445)
period on equity securities still		
	\$ 310	\$ (147)

Unrealized gains (losses) recognized during the period on equity securities still held at the reporting date

## **ASML**

As of December 29, 2018, Intel owned \$1.1 billion of shares in ASML, all of which we sold in 2019. During 2017, we recognized \$3.4 billion in realized gains on sales of a portion of our interest in ASML.

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#### **IMFT**

IMFT was formed in 2006 by Micron and Intel to jointly develop NAND flash memory and 3D XPoint™ technology products. IMFT was an unconsolidated variable interest entity and all costs of IMFT were passed on to Micron and Intel through sale of products or services in proportional share of ownership. IMFT depended on Micron and Intel for any additional cash needs to be provided in the form of cash calls or MDF. During the third quarter of 2018, we recognized an impairment charge of \$290 million related to IMFT. As of December 29, 2018, we had a carrying value of \$1.6 billion in IMFT and owned a

49% interest in the entity. Our proportional share of IMFT costs was approximately \$550 million in 2019 (approximately \$494 million in 2018 and \$415 million in 2017).

In January 2019, Micron exercised its right to call our interest in IMFT and on October 31, 2019, Intel sold its non-controlling interest in IMFT to Micron. With the sale of our interest in IMFT and MDF repayment throughout the year, we received \$1.7 billion in cash proceeds during 2019. With the sale of our interest, we reported a gain of \$107 million in the fourth quarter of 2019. We will continue to purchase products manufactured by Micron at the IMFT facility under established supply agreements.

#### **McAfee**

During the second quarter of 2017, we closed our divestiture of the ISecG business and retained a 49% interest in McAfee as partial consideration. Our investment is accounted for under the equity method of accounting. During 2019, we received \$632 million in dividend distributions from McAfee. During 2017, we received \$735 million in dividend distributions from McAfee. As of December 28, 2019, we had no accounting carrying value in McAfee. For further information related to the divestiture of the ISecG business, see "Note 11: Acquisitions and Divestitures."

## Beijing Unisoc Technology Ltd. (Unisoc)

During 2015, we invested \$966 million for a minority stake of Beijing UniSpreadtrum Technology Ltd., a holding company under Tsinghua Unigroup Ltd. During 2017, we reduced our expectation of the company's future operating performance due to competitive pressures, which resulted in an impairment charge of \$308 million. Beijing UniSpreadtrum Technology Ltd. and RDA Microelectronics subsequently merged and rebranded themselves as Unisoc. We account for our interest in Unisoc as a non-marketable equity security. The second phase of the investment required additional funding of approximately \$500 million. However, as of October 2019, this obligation has been terminated by mutual agreement.



## **ACQUISITIONS AND DIVESTITURES**

## **ACQUISITIONS**

We completed five acquisitions in both 2019 and 2018, all of which qualified as business combinations. Except for the acquisition of Habana Labs, these acquisitions are not significant to our results of operations, individually or in the aggregate. The consideration for the acquisitions in 2019 and 2018 primarily consisted of cash and was allocated to goodwill and identified intangible assets. For information on the assignment of goodwill to our operating segments, see "Note 12: Goodwill," and for information on the classification of intangible assets, see "Note 13: Identified Intangible Assets."

#### **Habana Labs**

On December 12, 2019, we acquired Habana Labs, an Israel-based developer of programmable deep learning accelerators targeting AI workloads in the data center. Habana Labs strengthens our AI portfolio and accelerates our efforts to capitalize on the nascent, fast-growing AI silicon market opportunity. Total consideration to acquire Habana Labs was \$1.7 billion. The fair values of the assets acquired relate to goodwill of \$1.5 billion and acquisition-related intangible assets of \$250 million, which was primarily in-process research and development. The goodwill and operating results of Habana Labs are included in our DCG operating segment.

Goodwill of \$1.5 billion arising from the acquisition is attributed to the expected synergies and other benefits that will be generated from the combination of Intel and Habana Labs. Substantially all of the goodwill recognized is not expected to be deductible for tax purposes.

## **DIVESTITURES**

## **Smartphone Modem Business**

On December 2, 2019, we completed the divestiture of the majority of our smartphone modem business, including certain employees, IP, equipment, and leases. Net assets sold were \$267 million. We recognized a pre-tax gain of \$690 million on the divestiture.

#### Wind River

During the second quarter of 2018, we completed the divestiture of Wind River and recognized a pre-tax gain of \$494 million.

## **Intel Security Group**

During the second quarter of 2017, we closed the transaction with TPG VII Manta Holdings, L.P., now known as Manta Holdings, L.P., transferring certain assets and liabilities relating to ISecG to a newly formed, jointly owned, separate cybersecurity company called McAfee. As of the transaction close date, we recognized a pre-tax gain of \$387 million within Interest and other, net, which is net of \$507 million of currency translation adjustment losses reclassified from accumulated other comprehensive income (loss) associated with currency charges on the carrying values of ISecG goodwill and identified intangible assets. In addition, we recognized a tax expense of \$822 million.



Goodwill activity for each period was as follows:

(In Millions)	[	Dec 29, 2018		quisitions	Tra	Transfers Other			 Dec 28, 2019
Data Center Group	\$	5,424	\$	1,758	\$	_	\$	_	\$ 7,155
Internet of Things Group		1,579		_		_		_	1,579
Mobileye		10,290		_				_	10,290
Programmable Solutions Group		2,579		67		_		8	2,681
Client Computing Group		4,403		_		_		(70)	4,333
All other		238							238
Total	\$	24,513	\$	1,825	\$		\$	(62)	\$ 26,276

(In Millions)	[	Dec 30, 2017	Acqu	uisitions	Tra	ansfers	Other	[	Dec 29, 2018
Data Center Group	\$	5,421	\$	3	\$	_	\$ _	\$	5,424
Internet of Things Group		1,126		16		480	(43)		1,579
Mobileye		10,278		7		_	5		10,290
Programmable Solutions Group		2,490		89		_	_		2,579
Client Computing Group		4,356		47		_	_		4,403
All other		718	. <u></u>			(480)	 		238
Total	\$	24,389	\$	162	\$		\$ (38)	\$	24,513

During the third quarter of 2018, we made an organizational change to combine our Al investments in edge computing with IOTG; accordingly, approximately \$480 million of goodwill was reallocated from "all other" to the IOTG operating segment.

During the fourth quarters of 2019 and 2018, we completed our annual impairment assessments and we concluded that goodwill was not impaired in either of these years. The accumulated impairment loss as of December 28, 2019 was \$719 million: \$365 million associated with CCG, \$275 million associated with DCG, and \$79 million associated with IOTG.

# NOTE 13:

## IDENTIFIED INTANGIBLE ASSETS

		Dec	em	ber 28, 2019			Dec	em	ber 29, 2018	3	
(In Millions)	Gross Assets			cumulated nortization	Net	Gross Assets		Accumulated Amortization			Net
Developed technology	\$	9,407	\$	(3,801) \$	5,606	\$	9,611	\$	(3,021)	3	6,590
Customer relationships and brands		2,160		(708)	1,452		2,179		(527)		1,652
Licensed technology and patents		2,975		(1,455)	1,520		2,932		(1,406)		1,526
In-process R&D		1,664		_	1,664		1,497		_		1,497
Other non-amortizing intangibles		585			585		571				571
Total identified intangible assets	\$	16,791	\$	(5,964) \$	10,827	\$	16,790	\$	(4,954)	3	11,836

Amortization expenses recorded for identified intangible assets in the Consolidated Statements of Income for each period and the weighted average useful life were as follows:

1,124	\$	4.405			
	Ψ	1,105	\$	912	9 years
200		200		177	11 years
298		260		288	12 years
1,622	\$	1,565	\$	1,377	
	200	200	200 200 298 260	200 200 298 260	200     200     177       298     260     288

<sup>&</sup>lt;sup>1</sup> Represents weighted average useful life in years of intangible assets during 2019.

We expect future amortization expense for the next five years and thereafter to be as follows:

	2020	2021	2022	2023	2	2024	TI	nereafte	r	Total
Future amortization expenses	\$ 1,652	\$ 1,567	\$ 1,443	\$ 1,344	\$	996	\$	1,576	\$	8,578



## **BORROWINGS**

#### **SHORT-TERM DEBT**

As of December 28, 2019, short-term debt was \$3.7 billion, primarily comprised of our current portion of long-term debt. As of December 29, 2018, short-term debt was \$1.3 billion, comprised of \$761 million current portion of long-term debt and \$500 million commercial paper and drafts payable.

Our current portion of long-term debt includes our 2009 Debentures, as well as debt classified as short-term based on contractual maturity.

We have an ongoing authorization from our Board of Directors to borrow up to \$10.0 billion under our commercial paper program.

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## **LONG-TERM DEBT**

		ec 28, 2019	Dec 29, 2018
(In Millions)	Effective Interest Rate	Amount	Amount
Floating-rate senior notes:			
Three-month LIBOR plus 0.08%, due May 2020	2.56%	\$ 700	\$ 700
Three-month LIBOR plus 0.35%, due May 2022	2.82%	800	800
Fixed-rate senior notes:			
3.25%, due December 2019 <sup>1</sup>	—%	_	177
1.85%, due May 2020	1.89%	1,000	1,000
2.45%, due July 2020	2.49%	1,750	1,750
1.70%, due May 2021	1.79%	500	500
3.30%, due October 2021	3.71%	2,000	2,000
2.35%, due May 2022	2.74%	750	750
3.10%, due July 2022	3.50%	1,000	1,000
4.00%, due December 2022 <sup>1</sup>	2.97%	382	389
2.70%, due December 2022	3.09%	1,500	1,500
4.10%, due November 2023	3.22%	400	400
2.88%, due May 2024	3.07%	1,250	1,250
2.70%, due June 2024	2.84%	600	600
3.70%, due July 2025	4.44%	2,250	2,250
2.60%, due May 2026	2.91%	1,000	1,000
3.15%, due May 2027	3.48%	1,000	1,000
2.45%, due November 2029	2.48%	1,250	_
4.00%, due December 2032	3.56%	750	750
4.80%, due October 2041	4.31%	802	802
4.25%, due December 2042	3.74%	567	567
4.90%, due July 2045	4.41%	772	772
4.70%, due December 2045	<b>—</b> %	_	915
4.10%, due May 2046	3.68%	1,250	1,250
4.10%, due May 2047	3.64%	1,000	1,000
4.10%, due August 2047	3.20%	640	640
3.73%, due December 2047	4.07%	1,967	1,967
3.25%, due November 2049	3.26%	1,500	_
Oregon and Arizona bonds:	0.2070	1,000	
2.40% - 2.70%, due December 2035 - 2040	2.48%	423	423
5.00%, due March 2049	2.88%	138	_
5.00%, due June 2049	2.48%	438	_
Junior subordinated convertible debentures:	2.1070	.00	
3.25%, due August 2039 <sup>2</sup>	3.37%	372	988
Total senior notes and other borrowings	3.3. 70	28,751	27,140
Unamortized premium/discount and issuance costs		(529)	(891)
Hedge accounting fair value adjustments		781	(390)
Long-term debt		29,003	25,859
Current portion of long-term debt		(3,695)	(761)
Total long-term debt		\$ 25,308	\$ 25,098

- To manage foreign currency risk associated with the Australian-dollar-denominated notes issued in 2015, we entered into currency interest rate swaps with an aggregate notional amount of \$577 million, which effectively converted these notes to U.S.-dollar-denominated notes. For further discussion on our currency interest rate swaps, see "Note 17: Derivative Financial Instruments." Principal and unamortized discount/issuance costs for the Australian-dollar-denominated notes in the table above were calculated using foreign currency exchange rates as of December 28, 2019 and December 29, 2018.
- <sup>2</sup> Effective interest rate for the year ended December 29, 2018 was 3.42%.

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The fair value of our convertible debentures is determined using discounted cash flow models with observable market inputs, and takes into consideration variables such as interest rate changes, comparable instruments, subordination discount, and credit-rating changes. As of December 28, 2019 and December 29, 2018, the fair value of short- and long-term debt (excluding commercial paper and drafts payable) was \$30.6 billion and \$27.1 billion, respectively. These liabilities are classified as Level 2 within the fair value hierarchy, based on the nature of the fair value inputs.

#### **Senior Notes**

During 2019, we issued a total of \$2.8 billion aggregate principal amount of senior notes. Net proceeds from the offering are being used for general corporate purposes, which may include refinancing outstanding debt and repurchasing shares of our common stock.

In 2019, we redeemed our \$915 million, 4.70% senior notes due December 2045.

Our floating-rate senior notes pay interest quarterly and our fixed-rate senior notes pay interest semiannually. We may redeem the fixed-rate notes prior to their maturity at our option at specified redemption prices and subject to certain restrictions. The obligations under the notes rank equally in right of payment with all of our other existing and future senior unsecured indebtedness and will effectively rank junior to all liabilities of our subsidiaries.

#### **Oregon and Arizona Bonds**

In 2019, we received proceeds of \$648 million in aggregate from the sale of the 2019 Arizona Bonds and the 2019 Oregon Bonds. The bonds are our unsecured general obligations in accordance with loan agreements we entered into with the Industrial Development Authority of the City of Chandler, Arizona and the State of Oregon Business Development Commission. The bonds mature in 2049 and carry an interest rate of 5.00%. The 2019 Arizona Bonds and the 2019 Oregon Bonds are subject to mandatory tender in June 2024 and March 2022, respectively, at which time we can re-market the bonds as either fixed-rate bonds for a specified period or as variable-rate bonds until another fixed-rate period is selected or until their final maturity date.

In 2018, we remarketed \$423 million principal of the 2018 Arizona Bonds and the 2018 Oregon Bonds. The bonds are our unsecured general obligations in accordance with loan agreements we entered into with the Industrial Development Authority of the City of Chandler, Arizona and the State of Oregon Business Development Commission. The bonds mature between 2035 and 2040 and carry interest rates of 2.40% - 2.70%. Each series of the 2018 Arizona Bonds and the 2018 Oregon Bonds is subject to mandatory tender in August 2023, at which time we can remarket the bonds as either fixed-rate bonds for a specified period, or as variable-rate bonds until another fixed-rate period is selected or their final maturity date.

#### **Convertible Debentures**

In 2009, we issued the 2009 Debentures, which pay a fixed rate of interest semiannually. In 2019, we paid \$1.5 billion in cash to satisfy conversion obligations for \$615 million in principal, resulting in a cumulative loss of \$156 million in interest and other, net, and \$1.0 billion as a reduction to stockholders' equity related to the conversion feature.

The 2009 Debentures are convertible, subject to certain conditions. Holders can surrender the 2009 Debentures for conversion if the closing price of Intel common stock has been at least 130% of the conversion price then in effect for at least 20 trading days during the 30 consecutive trading-day period ending on the last trading day of the preceding fiscal quarter. We settle conversion of the 2009 Debentures in cash up to the face value, and any amount in excess of face value is settled in cash or stock at our option. As of August 5, 2019, we can redeem, for cash, all or part of the 2009 Debentures for the principal amount, plus any accrued and unpaid interest, if the closing price of Intel common stock has been at least 150% of the conversion price then in effect for at least 20 trading days during any 30 consecutive trading-day period. In November 2019, we issued a notice of redemption for the remaining \$372 million of 2009 Debentures with a redemption date of January 9, 2020. During the fourth quarter of 2019, the closing stock price conversion right condition of the 2009 Debentures continued to be met and therefore the debentures are convertible at the option of the holders until January 6, 2020, prior to our redemption. Our 2009 Debentures required settlement of the principal amount of the debt in cash upon conversion.

As a result, the \$217 million carrying amount of the 2009 Debentures was classified as short-term debt on our Consolidated Balance Sheet as of December 28, 2019 (\$569 million as of December 29, 2018). The excess of the amount required to be settled in cash if converted over the carrying amount of the 2009 Debentures of \$155 million has been classified as temporary equity on our Consolidated Balance Sheet as of December 28, 2019 (\$419 million as of December 29, 2018).

The 2009 Debentures are subordinated in right of payment to any existing and future senior debt and to the other liabilities of our subsidiaries. We have concluded that the 2009 Debentures are not conventional convertible debt instruments and that the embedded stock conversion options qualify as derivatives. In addition, we have concluded

that the embedded conversion options would be classified in stockholders' equity if they were freestanding derivative instruments and are not accounted for separately as derivative liabilities.

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		2009 De	bentures		
(In Millions, Except Per Share Amounts)		ec 28, 2019	D	ec 29, 2018	
Outstanding principal	\$	372	\$	988	
Unamortized discount <sup>1</sup>	\$	155	\$	419	
Net debt carrying amount	\$	217	\$	569	
Conversion rate (shares of common stock per \$1,000 principal amount of debentures)		49.69		49.01	
Effective conversion price (per share of common stock)	\$	20.13	\$	20.40	

<sup>&</sup>lt;sup>1</sup> The unamortized discounts for the 2009 Debentures are amortized over the remaining life of the debt.

#### **Debt Maturities**

Our aggregate debt maturities, excluding commercial paper and drafts payable, based on outstanding principal as of December 28, 2019, by year payable, are as follows:

	2020	2021	2022	2023	2024		025 and	Total
(In Millions)						ti	nereafter	
	\$3,450	\$2.500	\$4,432	\$ 400	\$1.850	\$	16.119	\$ 28.751

In the preceding table, the 2009 Debentures are classified based on their stated maturity date, regardless of their classification on the Consolidated Balance Sheet.

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Notes to Financial Statements

# ASSETS AND LIABILITIES MEASURED AND RECORDED AT FAIR VALUE ON A RECURRING BASIS

			De	cember	28,	2019					De	ecembe	r <b>29</b> ,	2018		
			d at	Measure Report							d a	Measur t Report Jsing				
(In Millions)	Level 1		L	Level 2		vel 3	-	Total	Le	vel 1	Level 2		Le	vel 3	_ 1	<b>Total</b>
Assets																
Cash equivalents:																
Corporate debt	\$	_	\$	713	\$	_	\$	713	\$	_	\$	262	\$	_	\$	262
Financial institution instruments <sup>1</sup>		1,064		408		_		1,472		550		183		_		733
Reverse repurchase agreements		_		1,500		_		1,500		_		1,850		_		1,850
Short-term investments:																
Corporate debt Financial institution		_		347		_		347		_		937		_		937
instruments <sup>1</sup>		_		724		_		724		_		1,423		_		1,423
Government debt <sup>2</sup>		_		11		_		11		_		428		_		428
Trading assets:																
Corporate debt		_		2,848		_		2,848		_		2,635		_		2,635
Financial institution instruments <sup>1</sup>		87		1,578		_		1,665		67		1,273		_		1,340
Government debt <sup>2</sup>		_		3,334		_		3,334		_		1,868		_		1,868
Other current assets:																
Derivative assets		50		230		_		280		_		180		_		180
Loans receivable <sup>3</sup>		_		_		_		_		_		354		_		354
Marketable equity securities		450		_				450	1	1,440		_		_		1,440
Other long-term investments:																
Corporate debt		_		1,898		_		1,898		_		1,843		_		1,843
Financial institution instruments <sup>1</sup>		_		825		_		825		_		912		_		912
Government debt <sup>2</sup>		_		553		_		553		_		633		_		633
Other long-term assets:																
Derivative assets		_		690		16		706		_		100		_		100
Loans receivable <sup>3</sup>				554				554				229				229
Total assets measured and recorded at fair value	\$	1,651	\$	16,213	\$	16	\$ 1	7,880	\$ 2	2,057	\$	15,110	\$	_	\$1	7,167
Liabilities				· · · · · · · · · · · · · · · · · · ·												
Other accrued liabilities:																
Derivative liabilities Other long-term liabilities:	\$	3	\$	287	\$	_	\$	290	\$	_	\$	412	\$	_	\$	412
Derivative liabilities				13				13				415		68_		483

Total liabilities					
measured and					
recorded at fair value	\$ 3	\$ 300	\$ _	\$ 303	

- Level 1 investments in financial institution instruments consist of money market funds. Level 2 investments consist primarily of commercial paper, certificates of deposit, time deposits, and notes and bonds issued by financial institutions.
- <sup>2</sup> Level 2 investments in government debt consist primarily of U.S. agency notes and non-U.S. government debt.
- The fair value of our loans receivable for which we elected the fair value option did not significantly differ from the contractual principal balance based on the contractual currency.

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97

895

827

68 \$

# ASSETS MEASURED AND RECORDED AT FAIR VALUE ON A NON-RECURRING BASIS

Our non-marketable equity securities, equity method investments, and certain non-financial assets, such as intangible assets and property, plant and equipment, are recorded at fair value only if an impairment or observable price adjustment is recognized in the current period. If an impairment or observable price adjustment is recognized on our non-marketable equity securities during the period, we classify these assets as Level 3 within the fair value hierarchy based on the nature of the fair value inputs.

We classified non-marketable equity securities and non-marketable equity method investments as Level 3. Impairments recognized on these investments held as of December 28, 2019 were \$113 million (\$416 million held as of December 29, 2018 and \$537 million held as of December 30, 2017).

# FINANCIAL INSTRUMENTS NOT RECORDED AT FAIR VALUE ON A RECURRING BASIS

Financial instruments not recorded at fair value on a recurring basis include non-marketable equity securities and equity method investments that have not been remeasured or impaired in the current period, grants receivable, loans receivable, reverse repurchase agreements, and our short-term and long-term debt.

As of December 28, 2019, the aggregate carrying value of grants receivable, loans receivable, and reverse repurchase agreements was \$543 million (the aggregate carrying amount as of December 29, 2018 was \$833 million). The estimated fair value of these financial instruments approximates their carrying value and is categorized as Level 2 within the fair value hierarchy based on the nature of the fair value inputs.

# NOTE

## OTHER COMPREHENSIVE INCOME (LOSS)

The changes in accumulated other comprehensive income (loss) by component and related tax effects for each period were as follows:

(In Millions)	Unrealized Holding Gains (Losses) on Available- for-Sale Equity Investments	Unrealized Holding Gains (Losses) on Derivatives	Actuarial Valuation and Other Pension Expenses	Translation Adjustments and Other	Total
December 31, 2016	\$ 2,179	\$ (259)	\$ (1,280)	\$ (534) \$	106
Other comprehensive income (loss) before reclassifications	2,765	605	275	(2)	3,643
Amounts reclassified out of accumulated other comprehensive income (loss)	(3,433)	(69)	103	509	(2,890)
Tax effects	234	(171)	(61)	1	3
Other comprehensive income (loss)	(434)	365	317	508	756
December 30, 2017	1,745	106	(963)	(26)	862
Impact of change in accounting standards	(1,745)	24	(65)	(4)	(1,790)
Opening Balance as of December 31, 2017	_	130	(1,028)	(30)	(928)
Other comprehensive income (loss) before reclassifications	_	(310)	157	(16)	(169)
Amounts reclassified out of accumulated other comprehensive income (loss)	_	9	109	8	126
Tax effects	_	48	(56)	5	(3)
Other comprehensive income (loss)	_	(253)	210	(3)	(46)
December 29, 2018	_	(123)	(818)	(33)	(974)
Other comprehensive income (loss) before reclassifications	_	(11)	(753)	109	(655)

Amounts reclassified out of accumulated other comprehensive income (loss)
Tax effects
Other comprehensive income (loss)
December 28, 2019

_	195	67	(6)	256
_	(7)	122	(22)	93
_	177	(564)	81	(306)
\$ 	\$ 54	\$ (1,382)	\$ 48	\$ (1,280)

The amortization of pension and postretirement benefit components is included in the computation of net periodic benefit cost. For more information, see "Note 18: Retirement Benefit Plans."

During the second quarter of 2017, we reclassified \$507 million (before taxes) of currency translation adjustment losses included in accumulated other comprehensive income (loss) into earnings as a result of our divestiture of ISecG. For more information, see "Note 11: Acquisitions and Divestitures."

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#### **DERIVATIVE FINANCIAL INSTRUMENTS**

#### **VOLUME OF DERIVATIVE ACTIVITY**

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

(In Millions)	 Dec 28, 2019	Dec 29, 2018	 Dec 30, 2017
Foreign currency contracts	\$ 23,981	\$ 19,223	\$ 19,958
Interest rate contracts	14,302	22,447	16,823
Other	 1,753	1,356	1,636
Total	\$ 40,036	\$ 43,026	\$ 38,417

During 2019, we did not enter into any new pay variable or receive fixed interest rate swaps to hedge against changes in the fair value attributable to benchmark interest rates related to our outstanding senior notes. However, we entered into \$7.1 billion of such swaps in 2018 and \$4.8 billion in 2017. These hedges were designated as fair value hedges. The total notional amount of these swaps was \$12.0 billion as of December 28, 2019 and \$20.0 billion as of December 29, 2018. During the third quarter of 2019, we unwound \$7.1 billion of swaps, resulting in a \$111 million gain to be amortized over the remaining life of the debt.

# FAIR VALUE OF DERIVATIVE INSTRUMENTS IN THE CONSOLIDATED BALANCE SHEETS

	December 28, 2019					December 29, 2018				
(In Millions)	As	ssets¹	Liabilities <sup>2</sup>		Assets <sup>1</sup>		Lial	oilities <sup>2</sup>		
Derivatives designated as hedging instruments										
Foreign currency contracts <sup>3</sup>	\$	56	\$	159	\$	44	\$	244		
Interest rate contracts		690		9		84		474		
Total derivatives designated as hedging instruments		746		168		128		718		
Derivatives not designated as hedging instruments										
Foreign currency contracts <sup>3</sup>		179		78		132		155		
Interest rate contracts		11		54		20		22		
Equity contracts		50		3		_		_		
Total derivatives not designated as hedging instruments		240		135		152		177		
Total derivatives	\$	986	\$	303	\$	280	\$	895		

<sup>&</sup>lt;sup>1</sup> Derivative assets are recorded as other assets, current and non-current.

<sup>&</sup>lt;sup>2</sup> Derivative liabilities are recorded as other liabilities, current and non-current.

The majority of these instruments mature within 12 months.

#### **AMOUNTS OFFSET IN THE CONSOLIDATED BALANCE SHEETS**

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

					[	Decembe	er 28, i	2019				
								ross Am ffset in th Sh	ne B			
(In Millions)	Am	Gross Amounts Recognized		Gross Amounts Offset in the Balance Sheet		Net Amounts Presented in the Balance Sheet		ancial ruments	No Co Re	ash and on-Cash ollateral eceived Pledged		Net nount
Assets:												
Derivative assets subject to master netting arrangements	\$	974	\$	_	\$	974	\$	(144)	\$	(808)	\$	22
Reverse repurchase agreements		1,850				1,850				(1,850)		
Total assets		2,824		_		2,824		(144)		(2,658)		22
Liabilities:												
Derivative liabilities subject to master netting arrangements		262		_		262		(144)		(72)		46
Total liabilities	\$	262	\$		\$	262	\$	(144)	\$	(72)	\$	46
						Decembe	G	ross Am		ts Not		
							0.			alance		
(In Milliana)	Am	ross ounts	Am Offs t Bal	ross ounts set in he ance	Pre i Ba	Net nounts esented in the	Fin	Sh	Ca No Co Re	ash and on-Cash ollateral eceived		Net
(In Millions)	Am		Am Offs t Bal	ounts set in he	Pre i Ba	nounts esented n the	Fin	Sh	Ca No Co Re	ash and on-Cash ollateral eceived		Net nount
Assets:  Derivative assets subject to master netting arrangements	Am	ounts	Am Offs t Bal	ounts set in he ance	Pre i Ba	nounts esented n the alance	Fin	Sh	Ca No Co Re or	ash and on-Cash ollateral eceived		
Assets:  Derivative assets subject to master netting	Am	ounts ognized	Am Offs t Bal SI	ounts set in he ance	Pre i Ba	nounts esented in the alance Sheet	Fin Inst	Sh nancial ruments	Ca No Co Re or	ash and on-Cash ollateral eceived Pledged	Ar	
Assets:  Derivative assets subject to master netting arrangements  Reverse repurchase	Am	ounts ognized	Am Offs t Bal SI	ounts set in he ance	Pre i Ba	nounts esented in the alance Sheet	Fin Inst	Sh nancial ruments	Ca No Co Re or	ash and on-Cash ollateral eceived Pledged	Ar	nount —
Assets:  Derivative assets subject to master netting arrangements  Reverse repurchase agreements	Am	292 2,099	Am Offs t Bal SI	ounts set in he ance	Pre i Ba	292 2,099	Fin Inst	Sheancial ruments	Ca No Co Re or	ash and on-Cash ollateral eceived Pledged (72)	Ar	
Assets:  Derivative assets subject to master netting arrangements  Reverse repurchase agreements  Total assets  Liabilities:  Derivative liabilities subject to master netting	Am	292 2,099 <b>2,391</b>	Am Offs t Bal SI	ounts set in he ance	Pre i Ba	292 2,099 2,391	Fin Inst	(220) (220)	Ca No Co Re or	ash and on-Cash ollateral eceived Pledged (72) (1,999) (2,071)	Ar	100 100
Assets:  Derivative assets subject to master netting arrangements  Reverse repurchase agreements  Total assets  Liabilities:  Derivative liabilities subject to	Am	292 2,099	Am Offs t Bal SI	ounts set in he ance	Pre i Ba	292 2,099	Fin Inst	Sheancial ruments	Ca No Co Re or	ash and on-Cash ollateral eceived Pledged (72)	Ar	

We obtain and secure available collateral from counterparties against obligations, including securities lending transactions and reverse repurchase agreements, when we deem it appropriate.

#### **DERIVATIVES IN CASH FLOW HEDGING RELATIONSHIPS**

The before-tax net gains or losses attributed to the effective portion of cash flow hedges recognized in other comprehensive income (loss) were \$11 million net losses in 2019 (\$310 million net losses in 2018 and \$605 million net gains in 2017). Substantially all of our cash flow hedges are foreign currency contracts for all periods presented.

Amounts excluded from effectiveness testing were insignificant during all periods presented.

For information on the unrealized holding gains (losses) on derivatives reclassified out of accumulated other comprehensive income into the Consolidated Statements of Income, see "Note 16: Other Comprehensive Income (Loss)."

#### **DERIVATIVES IN FAIR VALUE HEDGING RELATIONSHIPS**

The effects of derivative instruments designated as fair value hedges, recognized in interest and other, net for each period were as follows:

Years Ended (In Millions)	R	ecognized	in St	s (Losses) atement o ivatives		ome on
		Dec 28, 2019		Dec 29, 2018		ec 30, 2017
Interest rate contracts	\$	1,071	\$	(138)	\$	(68)
Hedged items		(1,071)		138		68
Total	\$		\$		\$	

The amounts recorded on the Consolidated Balance Sheet related to cumulative basis adjustments for fair value hedges for each period were as follows:

Line Item in the Consolidated Balance Sheet in Which the Hedged Item Is Included	Carrying Ar Hedged It (Liabi	em	Asset/	Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount Assets/(Liabilities)				
Years Ended (In Millions)	Dec 28, 2019	Dec 29, 2018		ec 28, 2019	D	ec 29, 2018		
Long-term debt	\$ (12,678)	\$	(19,622)	\$	(681)	\$	390	

### **DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS**

The effects of derivative instruments not designated as hedging instruments on the Consolidated Statements of Income for each period were as follows:

Years Ended (In Millions)	Location of Gains (Losses) Recognized in Income on Derivatives	ec 28, 2019	ec 29, 2018	Dec 30, 2017		
Foreign currency contracts	Interest and other, net	\$ 204	\$ 372	\$	(547)	
Interest rate contracts	Interest and other, net	(32)	9		9	
Other	Various	297	(147)		203	
Total		\$ 469	\$ 234	\$	(335)	

## RETIREMENT BENEFIT PLANS

#### **DEFINED CONTRIBUTION PLANS**

We provide tax-qualified defined contribution plans for the benefit of eligible employees, former employees, and retirees in the U.S. and certain other countries. The plans are designed to provide employees with an accumulation of funds for retirement on a tax-deferred basis. For the benefit of eligible U.S. employees, we also provide an unfunded non-tax-qualified supplemental deferred compensation plan for certain highly compensated employees.

We expensed \$379 million for discretionary contributions to the U.S. qualified defined contribution and non-qualified deferred compensation plans in 2019 (\$372 million in 2018 and \$346 million in 2017).

#### **U.S. RETIREE MEDICAL PLAN**

Upon retirement, we provide benefits to eligible U.S. employees who were hired prior to 2014 under the U.S. Retiree Medical Plan. The benefits can be used to pay all or a portion of the cost to purchase eligible coverage in a medical plan.

As of December 28, 2019 and December 29, 2018, the projected benefit obligation was \$633 million and \$547 million, respectively, which used the discount rate of 3.3% and 4.4%, respectively. The December 28, 2019 and December 29, 2018 corresponding fair value of plan assets was \$553 million and \$476 million, respectively.

The investment strategy for U.S. Retiree Medical Plan assets is to invest primarily in liquid assets, due to the level of expected future benefit payments. The assets are invested solely in a tax-aware global equity portfolio, which is actively managed by an external investment manager. The tax-aware global equity portfolio is composed of a diversified mix of equities in developed countries. As of December 28, 2019, substantially all of the U.S. Retiree Medical Plan assets were invested in exchange-traded equity securities and were measured at fair value using Level 1 inputs.

The estimated benefit payments for this plan over the next 10 years are as follows:

(In Millions)	2020	2021	2022	2023		2024		202	25-2029
Postretirement Medical Benefits	\$ 28	\$ 30	\$ 31	\$	32	\$	34	\$	183

#### **PENSION BENEFIT PLANS**

We provide defined-benefit pension plans in certain countries, most significantly the U.S., Ireland, Germany, and Israel. The substantial majority of the plans' benefits have been frozen and beginning on January 1, 2020, future benefit accruals for the U.S. Pension Plan will be frozen to remaining eligible employees, which reduced our projected benefit obligation by \$150 million at December 29, 2018.

#### BENEFIT OBLIGATION AND PLAN ASSETS FOR PENSION BENEFIT PLANS

The vested benefit obligation for a defined-benefit pension plan is the actuarial present value of the vested benefits to which the employee is currently entitled based on the employee's expected date of separation or retirement.

(In Millions)	D	ec 28, 2019	Dec 29, 2018
Changes in projected benefit obligation:			
Beginning projected benefit obligation	\$	3,433	\$ 3,842
Service cost		54	65
Interest cost		113	113
Actuarial (gain) loss		829	(204)
Currency exchange rate changes		(2)	(121)
Plan curtailments		_	(150)
Plan settlements		(57)	(74)
Other		(86)	(38)
Ending projected benefit obligation <sup>1</sup>		4,284	3,433
Changes in fair value of plan assets:			
Beginning fair value of plan assets		2,551	2,287
Actual return on plan assets		193	(38)
Employer contributions		30	480
Currency exchange rate changes		3	(62)
Plan settlements		(57)	(74)
Other		(66)	 (42)
Ending fair value of plan assets <sup>2</sup>		2,654	 2,551
Net funded status	\$	1,630	\$ 882
Amounts recognized in the Consolidated Balance Sheets			
Other long-term assets	\$	_	\$ 244
Other long-term liabilities	\$	1,630	\$ 1,126
Accumulated other comprehensive loss (income), before tax <sup>3</sup>	\$	1,730	\$ 1,038

The projected benefit obligation was approximately 35% in the U.S. and 65% outside of the U.S. as of December 28, 2019 and December 29, 2018.

Changes in actuarial gains and losses in the projected benefit obligation are generally driven by discount rate movement. We use the corridor approach to amortize actuarial gains and losses. Under this approach, net actuarial gains or losses in excess of 10% of the larger of the projected benefit obligation or the fair value of plan assets are amortized on a straight-line basis.

As of December 28, 2019, all plans had accumulated benefit obligations and projected benefit obligations in excess of plan assets. As of December 29, 2018, the accumulated benefit obligations were \$1.2 billion and \$2.0 billion for the U.S. Pension Plan and non-U.S. plans, respectively. In 2018, the U.S. Pension Plan was in the net asset position and all non-U.S. plans had accumulated benefit obligations and projected benefit obligations in excess of plan assets.

The fair value of plan assets was approximately 55% in the U.S. and 45% outside of the U.S. as of December 28, 2019 and December 29, 2018.

The accumulated other comprehensive loss (income), before tax, was approximately 35% in the U.S. and 65% outside of the U.S. as of December 28, 2019 and December 29, 2018.

(In Millions)	D	ec 28, 2019	ec 29, 2018
Plans with accumulated benefit obligation in excess of plan assets			
Accumulated benefit obligation	\$	3,862	\$ 1,965
Plan assets	\$	2,654	\$ 1,106
Plans with projected benefit obligation in excess of plan assets			
Projected benefit obligation	\$	4,284	\$ 2,232
Plan assets	\$	2,654	\$ 1,106

#### ASSUMPTIONS FOR PENSION BENEFIT PLANS

	Dec 28, 2019	Dec 29, 2018
Weighted average actuarial assumptions used to determine benefit obligations		
Discount rate	2.3 %	3.3 %
Rate of compensation increase	3.5 %	3.5 %

	2019	2018	2017
Weighted average actuarial assumptions used to determine costs			
Discount rate	3.4 %	3.0 %	3.2 %
Expected long-term rate of return on plan assets	4.7 %	4.7 %	4.6 %
Rate of compensation increase	3.5 %	3.3 %	3.6 %

We establish the discount rate for each pension plan by analyzing current market long-term bond rates and matching the bond maturity with the average duration of the pension liabilities.

We establish the long-term expected rate of return by developing a forward-looking, long-term return assumption for each pension fund asset class, taking into account factors such as the expected real return for the specific asset class and inflation. A single, long-term rate of return is then calculated as the weighted average of the target asset allocation percentages and the long-term return assumption for each asset class.

#### **FUNDING**

Policy. Our practice is to fund the various pension plans in amounts sufficient to meet the minimum requirements of applicable local laws and regulations. Additional funding may be provided as deemed appropriate. Funding for the U.S. Retiree Medical Plan is discretionary under applicable laws and regulations; additional funding may be provided as deemed appropriate.

Funding Status. On a worldwide basis, our pension and retiree medical plans were 65% funded as of December 28, 2019. The U.S. Pension Plan, which accounts for 32% of the worldwide pension and retiree medical benefit obligations, was 96% funded. Funded status is not indicative of our ability to pay ongoing pension benefits or of our obligation to fund retirement trusts. Required pension funding for U.S. retirement plans is determined in accordance with ERISA, which sets required minimum contributions. Cumulative company funding to the U.S. Pension Plan currently exceeds the minimum ERISA funding requirements.

#### **NET PERIODIC BENEFIT COST**

The net periodic benefit cost for pension and U.S. retiree medical benefits was \$135 million in 2019 (\$197 million in 2018 and \$243 million in 2017).

#### **PENSION PLAN ASSETS**

	December 28, 2019									ec 29, 2018
	Fair	r Value I	/leasu L							
(In Millions)	Le	vel 1	L	Level 2		Level 3		Total		Total
Equity securities	\$	_	\$	278	\$		\$	278	\$	261
Fixed income				99		20		119		111
Assets measured by fair value hierarchy	\$	_	\$	377	\$	20	\$	397	\$	372
Assets measured at net asset value								2,236		2,138
Cash and cash equivalents								21		41
Total pension plan assets at fair value							\$	2,654	\$	2,551

#### **U.S. Plan Assets**

The investment strategy for U.S. Pension Plan assets is to manage the funded status volatility, taking into consideration the investment horizon and expected volatility to help ensure that sufficient assets are available to pay pension benefits as they come due. The allocation to each asset class will fluctuate with market conditions, such as volatility and liquidity concerns, and will typically be rebalanced when outside the target ranges, which are approximately 90% fixed income and 10% equity investments. During 2019, the U.S. Pension Plan assets were invested in collective investment trust funds, which are measured at net asset value.

#### Non-U.S. Plan Assets

The investments of the non-U.S. plans are managed by insurance companies, pension funds, or third-party trustees, consistent with regulations or market practice of the country where the assets are invested. The investment manager makes investment decisions within the guidelines set by Intel or local regulations. Investments managed by qualified insurance companies or pension funds under standard contracts follow local regulations, and we are not actively involved in their investment strategies. For the assets that we have discretion to set investment guidelines, the assets are invested in developed country equity investments and fixed-income investments, either through index funds or direct investment. In general, the investment strategy is designed to accumulate a diversified portfolio among markets, asset classes, or individual securities to reduce market risk and to help ensure that the pension assets are available to pay benefits as they come due. The target allocation of the non-U.S. plan assets that we have control over was approximately 45% fixed income, 35% equity, and 20% hedge fund investments in 2019.

The equity investments in the non-U.S. plan assets are invested in a diversified mix of equities of developed countries, including the U.S., and emerging markets throughout the world.

We have control over the investment strategy related to the majority of the assets measured at net asset value, which are invested in hedge funds, bond index funds, and equity index funds.

#### **ESTIMATED FUTURE BENEFIT PAYMENTS FOR PENSION BENEFIT PLANS**

Estimated benefit payments over the next 10 years are as follows:

(In Millions)	2	2020	2	2021	2022	2023	2024	202	5-2029
Pension benefits	\$	151	\$	145	\$ 139	\$ 135	\$ 132	\$	694



Our equity incentive plans are broad-based, long-term programs intended to attract and retain talented employees and align stockholder and employee interests. Our plans include our 2006 Plan and our 2006 ESPP.

Under the 2006 Plan, 866 million shares of common stock have been authorized for issuance as equity awards to
employees and non-employee directors through June 2023. As of December 28, 2019, 228 million shares of common
stock remained available for future grants.

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Under the 2006 Plan, we grant RSUs and stock options. We grant RSUs with a service condition as well as RSUs with a market condition, performance condition, and a service condition, which we call PSUs. Prior to granting PSUs, we granted OSUs, which were RSUs with only market and service conditions. PSUs are granted to a group of senior officers and employees. For PSUs granted in 2019, the number of shares of our common stock to be received at vesting will range from 0% to 200% of the target grant amount, equally based on two metrics: our three-year cumulative non-GAAP EPS growth relative to a target rate and TSR of our common stock measured against the benchmark TSR of the S&P 500 IT Sector Index over a three-year period. TSR is a measure of stock price appreciation plus any dividends paid in this performance period. As of December 28, 2019, 13 million PSUs and OSUs were outstanding. The PSUs granted in 2019 vest three years from the grant date, and OSUs, which were granted prior to 2019, generally vest three years and one month from the grant date. Other RSU awards and option awards generally vest over four years from the grant date. Stock options generally expire ten years from the date of grant.

#### SHARE-BASED COMPENSATION

Share-based compensation recognized in 2019 was \$1.7 billion (\$1.5 billion in 2018 and \$1.4 billion in 2017). During 2019, the tax benefit that we realized for the tax deduction from share-based awards totaled \$359 million (\$399 million in 2018 and \$520 million in 2017).

We estimate the fair value of RSUs with a service condition or performance condition using the value of our common stock on the date of grant, reduced by the present value of dividends expected to be paid on our shares of common stock prior to vesting. We estimate the fair value of RSUs with a market condition using a Monte Carlo simulation model on the date of grant using historical volatility.

#### RESTRICTED STOCK UNITS

Weighted average assumptions used in estimating grant values were as follows:

	Г	ec 28, 2019	ı	Dec 29, 2018	Dec 30, 2017	
Estimated values	\$	48.06	\$	48.95	\$	35.30
Risk-free interest rate		2.3 %		2.4 %	1.4 %	
Dividend yield		2.5 %		2.4 %		2.9 %
Volatility		25 %		22 %		23 %

Summary of activities:

	Number of Stock Units (In Millions)		
December 29, 2018	89.9	\$	39.07
Granted	37.6	\$	48.06
Vested	(35.2)	\$	36.51
Forfeited	(8.2)	\$	42.20
December 28, 2019	84.1	\$	43.86
Expected to vest	79.8	\$	43.72

The aggregate fair value of awards that vested in 2019 was \$1.9 billion (\$2.0 billion in 2018 and \$1.6 billion in 2017), which represents the market value of our common stock on the date that the RSUs vested. The grant-date fair value of awards that vested in 2019 was \$1.3 billion (\$1.2 billion in 2018 and \$1.1 billion in 2017). The number of RSUs vested includes shares of common stock that we withheld on behalf of employees to satisfy the minimum statutory tax withholding requirements. RSUs that are expected to vest are net of estimated future forfeitures.

As of December 28, 2019, unrecognized compensation costs related to RSUs granted under our equity incentive plans were \$2.1 billion. We expect to recognize those costs over a weighted average period of 1.3 years.

#### STOCK PURCHASE PLAN

The 2006 ESPP allows eligible employees to purchase shares of our common stock at 85% of the value of our common stock on specific dates. Under the 2006 ESPP, 373 million shares of common stock are authorized for issuance through August 2021. As of December 28, 2019, 119 million shares of common stock remained available for issuance.

Employees purchased 17.1 million shares of common stock in 2019 for \$688 million under the 2006 ESPP (13.7 million shares of common stock for \$468 million in 2018 and 14.5 million shares of common stock for \$432 million in 2017). As of December 28, 2019, unrecognized share-based compensation costs related to rights to acquire shares of common stock under the 2006 ESPP totaled \$42 million. We expect to recognize those costs over a period of approximately two months.

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Notes to Financial Statements

#### COMMITMENTS AND CONTINGENCIES

#### COMMITMENTS

Commitments for construction or purchase of property, plant and equipment totaled \$10.9 billion as of December 28, 2019 (\$9.0 billion as of December 29, 2018), a substantial majority of which will be due within the next 12 months. Other purchase obligations and commitments totaled approximately \$2.8 billion as of December 28, 2019 (approximately \$3.2 billion as of December 29, 2018). Other purchase obligations and commitments include payments due under various types of licenses and agreements to purchase goods or services. For further information on our lease commitments, see "Note 3: Recent Accounting Standards."

#### **LEGAL PROCEEDINGS**

We are a party to various legal proceedings, including those noted in this section. Although management at present believes that the ultimate outcome of these proceedings, individually and in the aggregate, will not materially harm our financial position, results of operations, cash flows, or overall trends, legal proceedings and related government investigations are subject to inherent uncertainties, and unfavorable rulings or other events could occur. Unfavorable resolutions could include substantial monetary damages. In addition, in matters for which injunctive relief or other conduct remedies are sought, unfavorable resolutions could include an injunction or other order prohibiting us from selling one or more products at all or in particular ways, precluding particular business practices, or requiring other remedies. An unfavorable outcome may result in a material adverse impact on our business, results of operations, financial position, and overall trends. We might also conclude that settling one or more such matters is in the best interests of our stockholders, employees, and customers, and any such settlement could include substantial payments. Except as specifically described below, we have not concluded that settlement of any of the legal proceedings noted in this section is appropriate at this time.

#### **European Commission Competition Matter**

In 2001, the EC commenced an investigation regarding claims by Advanced Micro Devices, Inc. (AMD) that we used unfair business practices to persuade customers to buy our microprocessors. We received numerous requests for information and documents from the EC and we responded to each of those requests. The EC issued a Statement of Objections in July 2007 and held a hearing on that Statement in March 2008. The EC issued a Supplemental Statement of Objections in July 2008. In May 2009, the EC issued a decision finding that we had violated Article 82 of the EC Treaty and Article 54 of the European Economic Area Agreement. In general, the EC found that we violated Article 82 (later renumbered as Article 102 by a new treaty) by offering alleged "conditional rebates and payments" that required our customers to purchase all or most of their x86 microprocessors from us. The EC also found that we violated Article 82 by making alleged "payments to prevent sales of specific rival products." The EC imposed a fine in the amount of €1.1 billion (\$1.4 billion as of May 2009), which we subsequently paid during the third quarter of 2009, and ordered us to "immediately bring to an end the infringement referred to in" the EC decision.

The EC decision contained no specific direction on whether or how we should modify our business practices. Instead, the decision stated that we should "cease and desist" from further conduct that, in the EC's opinion, would violate applicable law. We took steps, which are subject to the EC's ongoing review, to comply with that decision pending appeal. We had discussions with the EC to better understand the decision and to explain changes to our business practices.

We appealed the EC decision to the Court of First Instance (which has been renamed the General Court) in July 2009. The hearing of our appeal took place in July 2012. In June 2014, the General Court rejected our appeal in its entirety. In August 2014, we filed an appeal with the European Court of Justice. In November 2014, Intervener Association for Competitive Technologies filed comments in support of Intel's grounds of appeal. The EC and interveners filed briefs in November 2014, we filed a reply in February 2015, and the EC filed a rejoinder in April 2015. The Court of Justice held oral argument in June 2016. In October 2016, Advocate General Wahl, an advisor to the Court of Justice, issued a non-binding advisory opinion that favored Intel on a number of grounds. The Court of Justice issued its decision in September 2017, setting aside the judgment of the General Court and sending the case back to the General Court to examine whether the rebates at issue were capable of restricting competition. The General Court has appointed a panel of five judges to consider our appeal of the EC's 2009 decision in light of the Court of Justice's clarifications of the law. In November 2017, the parties filed initial "Observations" about the Court of Justice's decision and the appeal, and were invited by the General Court to offer supplemental comments to each other's "Observations," which the parties submitted in March 2018. Responses to other questions posed by the General Court were filed in May and

June 2018. The General Court has scheduled oral argument for March 2020. Pending the final decision in this matter, the fine paid by Intel has been placed by the EC in commercial bank accounts where it accrues interest.

#### Litigation Related to Security Vulnerabilities

In June 2017, a Google research team notified us and other companies that it had identified security vulnerabilities (now commonly referred to as "Spectre" and "Meltdown") that affect many types of microprocessors, including our products. As is standard when findings like these are presented, we worked together with other companies in the industry to verify the research, and develop and validate software and firmware updates for impacted technologies. On January 3, 2018, information on the security vulnerabilities was publicly reported, before software and firmware updates to address the vulnerabilities were made widely available. Numerous lawsuits relating to the Spectre and Meltdown security vulnerabilities, as well as another variant of these vulnerabilities ("Foreshadow") that has since been identified, have been filed against Intel and, in certain cases, our current and former executives and directors, in U.S. federal and state courts and in certain courts in other countries.

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Notes to Financial Statements

As of January 22, 2020, consumer class action lawsuits relating to certain security vulnerabilities publicly disclosed in 2018 were pending in the U.S., Canada, and Israel. The plaintiffs, who purport to represent various classes of purchasers of our products, generally claim to have been harmed by Intel's actions and/or omissions in connection with the security vulnerabilities and assert a variety of common law and statutory claims seeking monetary damages and equitable relief. In the U.S., numerous individual class action suits filed in various jurisdictions were consolidated in April 2018 for all pretrial proceedings in the U.S. District Court for the District of Oregon. Intel filed a motion to dismiss that consolidated action in October 2018, and a hearing on that motion was held in February 2019. In Canada, in one case pending in the Superior Court of Justice of Ontario, an initial status conference has not yet been scheduled. In a second case pending in the Superior Court of Justice of Quebec, the court has stayed the case until April 2020. In Israel, both consumer class action lawsuits were filed in the District Court of Haifa. In the first case, the District Court denied the parties' joint motion to stay filed in January 2019, but to date has deferred Intel's deadline to respond to the complaint in view of Intel's pending motion to dismiss in the consolidated proceeding in the U.S. Intel filed a motion to stay the second case pending resolution of the consolidated proceeding in the U.S., and a hearing on that motion has been scheduled for May 2020. Additional lawsuits and claims may be asserted seeking monetary damages or other related relief. We dispute the pending claims described above and intend to defend those lawsuits vigorously. Given the procedural posture and the nature of those cases, including that the pending proceedings are in the early stages, that alleged damages have not been specified, that uncertainty exists as to the likelihood of a class or classes being certified or the ultimate size of any class or classes if certified, and that there are significant factual and legal issues to be resolved, we are unable to make a reasonable estimate of the potential loss or range of losses, if any, that might arise from those matters.

In addition to these lawsuits, Intel stockholders have filed multiple shareholder derivative lawsuits since January 2018 against certain current and former members of our Board of Directors and certain current and former officers, alleging that the defendants breached their duties to Intel in connection with the disclosure of the security vulnerabilities and the failure to take action in relation to alleged insider trading. The complaints seek to recover damages from the defendants on behalf of Intel. Some of the derivative actions were filed in the U.S. District Court for the Northern District of California and were consolidated, and the others were filed in the Superior Court of the State of California in San Mateo County and were consolidated. The federal court granted defendants' motion to dismiss the consolidated complaint in the federal action in August 2018 on the ground that plaintiffs failed to plead facts sufficient to show they were excused from making a pre-lawsuit demand on the Board. The federal court granted plaintiffs leave to amend their complaint, but subsequently dismissed the cases without prejudice in January 2019 at plaintiffs' request. In August 2018, the California Superior Court granted defendants' motion to dismiss the consolidated complaint in the state court action on the ground that plaintiffs failed to plead facts sufficient to show they were excused from making a pre-lawsuit demand on the Board, but granted plaintiffs leave to amend. In July 2019, the California Superior Court dismissed plaintiffs' amended complaint on the same grounds as the previous complaint, but again granted plaintiffs leave to amend. In November 2019, the California Superior Court dismissed plaintiffs' second amended complaint on the same grounds as the two previous complaints, but again granted plaintiffs leave to amend. Defendants' motion to dismiss plaintiffs' third amended complaint is scheduled for hearing in March 2020.

## **KEY TERMS**

We use terms throughout our document that are specific to Intel or that are abbreviations that may not be commonly known or used. Below is a list of these terms used in our document.

**TERM DEFINITION** 

**2006 Plan** 2006 Equity Incentive Plan

**2006 ESPP** 2006 Employee Stock Purchase Plan

2009 Debentures 3.25% junior subordinated convertible debentures due 2039

Bonds remarketed in 2018, which were issued by the Industrial Development 2018 Arizona Bonds

Authority of the City of Chandler, Arizona and which are our unsecured obligations

Bonds remarketed in 2018, which were issued by the State of Oregon Business 2018 Oregon Bonds Development Commission and which are our unsecured obligations

Bonds issued in 2019 by the Industrial Development Authority of the City of Chandler, 2019 Arizona Bonds

Arizona that are our unsecured obligations

2019 Oregon Bonds Bonds issued in 2019 by the State of Oregon Business Development Commission

that are our unsecured obligations

5G The next-generation mobile network, which is expected to bring dramatic

improvements in network speeds and latency, and which we view as a transformative

technology and opportunity for many industries

**ADAS** Advanced driver-assistance systems **ASIC** Application-specific integrated circuit

**AV** Autonomous vehicle

**CAGR** Compound annual growth rate

**CDP** A nonprofit organization that runs a global disclosure system for investors,

companies, cities, states, and regions to manage their environmental impacts

CODM Chief operating decision maker

Cloudification Refers to the application of cloud technologies and business practices to

infrastructure outside the centralized cloud data center—bringing the same programmability, flexibility, and economies of scale to the network and edge.

**CPU** Processor or central processing unit

Includes our Data Center Group (DCG), Internet of Things Group (IOTG), Mobileye, **Data-centric businesses** 

Non-Volatile Memory Solutions Group (NSG), Programmable Solutions Group (PSG),

and all other businesses

EC **European Commission** 

Edge (or intelligent Allocated resources that move, store, and process data closer to the source or point

of service delivery

Employee Retirement Income Security Act

Form 10-K Annual Report on Form 10-K **FPGA** Field-programmable gate array

**GHG** Greenhouse gas

**GPU** Graphics processing unit **IDM** Integrated device manufacturer **IMFT** IM Flash Technologies, LLC

Internet of Things Refers to the Internet of Things market in which we sell our IOTG and Mobileye

products

I/O Input/output

ΙP Intellectual property

**ISecG** Intel Security Group (divested in Q2 2017)

LEED\* Leadership in Energy and Environmental Design, which is the most widely used

green building rating system in the world

Levels of autonomous

driving:

edge)

#### (L1) Level 1

Most functions are controlled by a human driver; certain functions (parking assist, acceleration, and limited steering) can be done automatically by the vehicle

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(L2) Level 2 The system controls both steering and acceleration using information about the

driving environment (e.g., lane centering and cruise control), but with the expectation that a human will perform all remaining aspects of driving; the driver can have his or her hands off the steering wheel, but must monitor the "dynamic driving task" at all

times

(L2+) Level 2+ The system controls both steering and acceleration using multi camera sensor suite

and/ or high definition maps to enhance and solidify L2 capabilities.

(L3) Level 3 The system performs all aspects of the driving task with the expectation that a human

will respond appropriately if intervention is necessary. The vehicle transfers control to the driver when necessary; the driver must be ready to retake control at all times, but

does not need to continuously monitor conditions

(L4) Level 4 The system performs all aspects of the driving task even if the driver does not

respond appropriately to a request for intervention, including all safety-critical driving functions and monitoring roadway conditions for an entire trip. For a defined use case

(e.g., urban driving), no driver intervention is required at all

(L5) Level 5 The system performs all aspects of the driving task under all roadway and

environmental conditions. System performance is equal to a human driver in every

scenario, including extreme environments

MaaS Mobility-as-a-Service

McAfee Business, post divestiture of ISecG in Q2 2017, which we retained an interest in as

part of our investment strategy

MD&A Management's Discussion & Analysis

MDF Member debt financing

MG&A Marketing, general and administrative

NAND NAND flash memory

nm Nanometer

ODM Original design manufacturer
OEM Original equipment manufacturer

PC-centric business Our Client Computing Group (CCG) business, including both platform and adjacent

products

PLD Programmable logic device

Program (specific to

business)

Mobileye A process that takes two to three years of intense activity with the carmaker and Tier

1 after a design win until Mobileye technology is launched into production

PRQ Product Release Qualification, which is the milestone when costs to manufacture a

product are included in inventory valuation

QLC Quad-level cell

R&D Research and development

RDFV Readily determinable fair value

REM Road Experience Management

RSU Restricted stock unit

SEC U.S. Securities and Exchange Commission

SiP System-in-package, a number of integrated circuits enclosed in a single chip carrier

package

SoC System-on-Chip SSD Solid-state drive

TAM Total addressable market

Tax Reform U.S. Tax Cuts and Jobs Act

TCFD Task Force on Climate-Related Financial Disclosures

TLC Triple-level cell

TSR Total stockholder return

U.S. GAAP

U.S. Generally Accepted Accounting Principles

U.S. Pension Plan
U.S. Intel Minimum Pension Plan

U.S. Retiree Medical U.S. Postretirement Medical Benefits Plan

Plan

VPU Vision processing unit

**Wind River** Wind River Systems, Inc. (divested in Q2 2018)

A term for processors that are designed for one of four major computing architectures: CPU, GPU, Al accelerator, and FPGA xPU

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# FINANCIAL INFORMATION BY QUARTER (UNAUDITED)

2019 for Quarter Ended (In Millions, Except Per Share Amounts)	December 28		September 28		June 29		March 30	
Net revenue	\$	20,209	\$	19,190	\$	16,505	\$	16,061
Gross margin	\$	11,878	\$	11,295	\$	9,878	\$	9,089
Net income	\$	6,905	\$	5,990	\$	4,179	\$	3,974
Earnings per share—Basic	\$	1.60	\$	1.36	\$	0.94	\$	0.88
Earnings per share—Diluted	\$	1.58	\$	1.35	\$	0.92	\$	0.87
Dividends per share of common stock:								
Declared	\$		\$	0.63	\$	_	\$	0.63
Paid	\$	0.315	\$	0.315	\$	0.315	\$	0.315
2018 for Quarter Ended (In Millions, Except Per Share Amounts)	De	ecember 29	Se	eptember 29		June 30	IV	larch 31
	De \$		\$	•	\$	June 30 16,962	<b>N</b>	larch 31 16,066
(In Millions, Except Per Share Amounts)		29		29				
(In Millions, Except Per Share Amounts)  Net revenue	\$	<b>29</b> 18,657	\$	<b>29</b> 19,163	\$	16,962	\$	16,066
(In Millions, Except Per Share Amounts)  Net revenue  Gross margin	\$ \$	18,657 11,227	\$ \$	29 19,163 12,360	\$ \$	16,962 10,419	\$ \$	16,066 9,731
(In Millions, Except Per Share Amounts)  Net revenue  Gross margin  Net income (loss)	\$ \$ \$	18,657 11,227 5,195	\$ \$ \$	19,163 12,360 6,398	\$ \$ \$	16,962 10,419 5,006	\$ \$ \$	16,066 9,731 4,454
(In Millions, Except Per Share Amounts)  Net revenue  Gross margin  Net income (loss)  Earnings per share—Basic	\$ \$ \$ \$	29 18,657 11,227 5,195 1.14	\$ \$ \$	29 19,163 12,360 6,398 1.40	\$ \$ \$	16,962 10,419 5,006 1.08	\$ \$ \$	16,066 9,731 4,454 0.95
(In Millions, Except Per Share Amounts)  Net revenue  Gross margin  Net income (loss)  Earnings per share—Basic  Earnings per share—Diluted	\$ \$ \$ \$	29 18,657 11,227 5,195 1.14	\$ \$ \$	29 19,163 12,360 6,398 1.40	\$ \$ \$	16,962 10,419 5,006 1.08	\$ \$ \$	16,066 9,731 4,454 0.95

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# **CONTROLS AND PROCEDURES**

#### **EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES**

Based on management's evaluation (with the participation of our principal executive officer and principal financial officer), as of the end of the period covered by this report, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)), are effective to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

#### CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes to our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended December 28, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

# MANAGEMENT REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of Consolidated Financial Statements for external purposes in accordance with U.S. GAAP.

Management assessed our internal control over financial reporting as of December 28, 2019. Management based its assessment on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Management's assessment included evaluation of elements such as the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies, and our overall control environment.

Based on this assessment, management has concluded that our internal control over financial reporting was effective as of the end of the fiscal year to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Consolidated Financial Statements for external reporting purposes in accordance with U.S. GAAP. We reviewed the results of management's assessment with the Audit Committee of our Board of Directors.

Our independent registered public accounting firm, Ernst & Young LLP, independently assessed the effectiveness of the company's internal control over financial reporting, as stated in the firm's attestation report, which is included within Financial Statements and Supplemental Details.

#### INHERENT LIMITATIONS ON EFFECTIVENESS OF CONTROLS

Our management, including the principal executive officer and principal financial officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well-designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected.

# **EXHIBITS**

- Financial Statements: See "Index to Consolidated Financial Statements" within the Consolidated Financial Statements.
- 2. Financial Statement Schedules; not applicable or the required information is otherwise included in the Consolidated Financial Statements and accompanying notes.
- 3. Exhibits: The exhibits listed in the accompanying index to exhibits are filed, furnished, or incorporated by reference as part of this Form 10-K.

Certain of the agreements filed as exhibits to this Form 10-K contain representations and warranties by the parties to the agreements that have been made solely for the benefit of the parties to the agreement. These representations and warranties:

- may have been qualified by disclosures that were made to the other parties in connection with the negotiation of the agreements, which disclosures are not necessarily reflected in the agreements;
- may apply standards of materiality that differ from those of a reasonable investor; and
- were made only as of specified dates contained in the agreements and are subject to subsequent developments and changed circumstances.

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date that these representations and warranties were made or at any other time. Investors should not rely on them as statements of fact.

# **Exhibit Index**

		Incorporated by Reference				Filed or
Exhibit Number	Exhibit Description	Form	File Number	Exhibit	Filing Date	Furnished Herewith
2.1	Purchase Agreement, dated as of March 12, 2017, by and among Intel Corporation, Cyclops Holdings, Inc. and Mobileye N.V.	8-K	000-06217	2.1	3/13/2017	
3.1	Intel Corporation Third Restated Certificate of Incorporation of Intel Corporation dated May 17, 2006	8-K	000-06217	3.1	5/22/2006	
3.2	Intel Corporation Bylaws, as amended and restated on January 16, 2019	8-K	000-06217	3.2	1/17/2019	
4.1	Indenture dated as of March 29, 2006 between Intel Corporation and Wells Fargo Bank, National Association (as successor to Citibank N.A.) (the "Open- Ended Indenture")	S-3ASR	333-132865	4.4	3/30/2006	
4.2	First Supplemental Indenture to Open- Ended Indenture, dated as of December 3, 2007	10-K	000-06217	4.2.4	2/20/2008	
4.3	Indenture for the Registrant's 3.25% Junior Subordinated Convertible Debentures due 2039 between Intel Corporation and Wells Fargo Bank, National Association, dated as of July 27, 2009	10-Q	000-06217	4.1	11/2/2009	
4.4	Second Supplemental Indenture to Open- Ended Indenture for the Registrant's 1.95% Senior Notes due 2016, 3.30% Senior Notes due 2021, and 4.80% Senior Notes due 2041, dated as of September 19, 2011	8-K	000-06217	4.01	9/19/2011	
4.5	Third Supplemental Indenture to Open- Ended Indenture for the Registrant's 1.35% Senior Notes due 2017, 2.70% Senior Notes due 2022, 4.00% Senior Notes due 2032, and 4.25% Senior Notes due 2042, dated as of December 11, 2012	8-K	000-06217	4.01	12/11/2012	
4.6	Fourth Supplemental Indenture to Open- Ended Indenture for the Registrant's 4.25% Senior Notes due 2042, dated as of December 14, 2012	8-K	000-06217	4.01	12/14/2012	
4.7	Fifth Supplemental Indenture to Open- Ended Indenture, dated as of July 29, 2015, between Intel Corporation and Wells Fargo Bank, National Association, as successor trustee	8-K	000-06217	4.1	7/29/2015	
4.8	Eighth Supplemental Indenture to Open- Ended Indenture, dated as of May 19, 2016, between Intel Corporation and Wells Fargo Bank, National Association, as successor trustee	8-K	000-06217	4.1	5/19/2016	
4.9	Ninth Supplemental Indenture to Open- Ended Indenture, dated as of May 11, 2017, between Intel Corporation and Wells Fargo Bank, National Association, as successor trustee	8-K	000-06217	4.1	5/11/2017	
4.10	Tenth Supplemental Indenture to Open- Ended Indenture, dated as of June 16, 2017, between Intel Corporation and	8-K	000-06217	4.1	6/16/2017	

Wells Fargo Bank,	National Association,
as successor truste	ее

4.11	Eleventh Supplemental Indenture to Open-Ended Indenture, dated as of August 14, 2017, among Intel Corporation, Wells Fargo Bank, National Association, as successor trustee, and Elavon Financial Services DAC, UK Branch, as paying agent	8-K	000-06217	4.1	8/14/2017
4.12	Twelfth Supplemental Indenture to Open- Ended Indenture, dated as of December 8, 2017, between Intel Corporation and Wells Fargo Bank, National Association, as successor trustee	10-K	000-06217	4.2.13	2/16/2018
4.13	Thirteenth Supplemental Indenture, dated as of November 21, 2019, between Intel Corporation and Wells Fargo Bank, National Association, as successor trustee	8-K	000-06217	4.1	11/21/2019

		Incorporated by Reference				Filed or
Exhibit Number	Exhibit Description	Form	File Number	Exhibit	Filing Date	Furnished Herewith
4.14	Supplemental Indenture No. 1, dated as of August 27, 2019, to the Indenture for the Registrant's 3.25% Junior Subordinated Convertible Debentures due 2039 between Intel Corporation and Wells Fargo Bank, National Association, dated as of July 27, 2009	10-Q	000-06217	4.1	10/24/2019	
4.15	Guarantee dated December 28, 2015 by Intel Corporation in favor of U.S. Bank, National Association, as Trustee for the holders of Altera's 1.750% Senior Notes due 2017, 2.500% Senior Notes due 2018 and 4.100% Senior Notes due 2023	8-K	000-06217	99.2	12/28/2015	
	Certain instruments defining the rights of holders of long-term debt of Intel Corporation are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. Intel Corporation hereby agrees to furnish to the Securities and Exchange Commission, upon request, copies of such instruments.					
4.16	Description of Intel Securities Registered under Section 12 of the Exchange Act					X
10.1 <sup>†</sup>	Intel Corporation 2006 Equity Incentive Plan, as amended and restated, effective May 16, 2019	10-Q	000-06217	10.1	7/26/2019	
10.1.2 <sup>†</sup>	Form of Notice of Grant - Restricted Stock Units	10-Q	000-06217	10.3	8/3/2009	
10.1.3 <sup>†</sup>	Intel Corporation Form of Notice of Grant - Restricted Stock Units	10-Q	000-06217	10.1	10/25/2018	
10.1.4†	Intel Corporation Restricted Stock Unit Agreement under the 2006 Equity Incentive Plan (for RSUs granted on or after January 23, 2015 under the Executive RSU program)	10-Q	000-06217	10.3	4/27/2015	
10.1.5 <sup>†</sup>	Intel Corporation Form of Restricted Stock Unit Grant Agreement under the 2006 Equity Incentive Plan (for RSUs with retirement vesting terms granted to executives on or after January 30, 2019)	10-Q	000-06217	10.3	4/26/2019	
10.1.6 <sup>†</sup>	Intel Corporation Form of Restricted Stock Unit Grant Agreement under the 2006 Equity Incentive Plan (for RSUs without retirement vesting terms granted to executives on or after January 30, 2019)	10-Q	000-06217	10.4	4/26/2019	
10.1.7†	Intel Corporation Restricted Stock Unit Agreement under the 2006 Equity Incentive Plan (for RSUs granted to executives with quarterly vesting over 2 years)	10-K	000-06217	10.1.6	2/16/2018	
10.1.8 <sup>†</sup>	Intel Corporation Restricted Stock Unit Agreement under the 2006 Equity Incentive Plan (for time-based RSUs granted to Robert Swan as interim CEO on August 15, 2018)	10-Q	000-06217	10.2	10/25/2018	
10.1.9 <sup>†</sup>	Intel Corporation Restricted Stock Unit Grant Agreement under the 2006 Equity Incentive Plan (for RSUs granted to Robert Swan for interim CEO service on January 30, 2019)	10-Q	000-06217	10.8	4/26/2019	
10.1.10 <sup>†</sup>		10-Q	000-06217	10.1	4/27/2017	

	Intel Corporation Restricted Stock Unit Agreement under the 2006 Equity Incentive Plan (for RSUs granted on or after February 1, 2017 under the Executive OSU program)				
10.1.11 <sup>†</sup>	Intel Corporation Restricted Stock Unit Agreement under the 2006 Equity Incentive Plan (for performance-based RSUs granted to Robert Swan as interim CEO on August 15, 2018)	10-Q	000-06217	10.3	10/25/2018
10.1.12†	Intel Corporation Form of Restricted Stock Unit Grant Agreement under the 2006 Equity Incentive Plan (for performance-based RSUs granted to grandfathered executives on or after January 30, 2019)	10-Q	000-06217	10.5	4/26/2019
10.1.13 <sup>†</sup>	Intel Corporation Form of Restricted Stock Unit Grant Agreement under the 2006 Equity Incentive Plan (for strategic growth performance-based RSUs granted to executives on or after February 1, 2019)	10-Q	000-06217	10.6	4/26/2019

		Incorporated by Reference				Filed or
Exhibit Number	Exhibit Description	Form	File Number	Exhibit	Filing Date	Furnished Herewith
10.1.14 <sup>†</sup>	Intel Corporation Restricted Stock Unit	10-Q	000-06217	10.9	4/26/2019	
10.1.15 <sup>†</sup>	Grant Agreement under the 2006 Equity Incentive Plan (for performance-based RSUs granted to Robert Swan for interim CEO service on January 30, 2019) Intel Corporation Form of Restricted Stock	10-Q	000-06217	10.10	4/26/2019	
10.1.10	Unit Grant Agreement under the 2006 Equity Incentive Plan (for Annual Performance Bonus Plan-related performance-based RSUs granted to Robert Swan on February 1, 2019)	10-0	000-00217	10.10	4/20/2019	
10.1.16 <sup>†</sup>	Intel Corporation Form of Stock Option Grant Agreement under the 2006 Equity Incentive Plan (for strategic growth performance-based stock options granted to executives on or after February 1, 2019)	10-Q	000-06217	10.7	4/26/2019	
10.1.17†	Intel Corporation Non-Employee Director Restricted Stock Unit Agreement under the 2006 Equity Incentive Plan (for RSUs granted on or after January 23, 2015 under the Director RSU program)	10-Q	000-06217	10.1	4/27/2015	
10.1.18 <sup>†</sup>	Intel Corporation Form of Non-Employee Director Restricted Stock Unit Grant Agreement under the 2006 Equity Incentive Plan (for RSUs granted to non- employee directors on or after January 30, 2019)	10-Q	000-06217	10.11	4/26/2019	
10.1.19†	Intel Corporation Non-Employee Director Restricted Stock Unit Agreement under the 2006 Equity Incentive Plan (for RSUs granted on or after February 1, 2017 under the Director OSU program)	10-Q	000-06217	10.2	4/27/2017	
10.2 <sup>†</sup>	Intel Corporation 2006 Employee Stock Purchase Plan, as amended and restated, effective January 1, 2019	10-K	000-06217	10.2	2/1/2019	
10.3 <sup>†</sup>	Intel Corporation 2014 Annual Performance Bonus Plan (amended and restated, effective January 1, 2014)	10-K	000-06217	10.9.2	2/14/2014	
10.4 <sup>†</sup>	Form of Indemnification Agreement with Directors and Executive Officers	10-K	000-06217	10.15	2/22/2005	
10.5 <sup>†</sup>	Form of Indemnification Agreement with Directors and Executive Officers (for Directors and Executive Officers who joined Intel after July 1, 2016)	10-Q	000-06217	10.2	10/31/2016	
10.6†	Intel Corporation Sheltered Employee Retirement Plan Plus, as amended and restated, effective January 1, 2009	S-8	333-172024	99.1	2/2/2011	
10.7 <sup>†</sup>	Intel Corporation 2006 Deferral Plan for Outside Directors, effective November 15, 2006	10-K	000-06217	10.41	2/26/2007	
10.8	Settlement Agreement Between Advanced Micro Devices, Inc. and Intel Corporation, dated November 11, 2009	8-K	000-06217	10.1	11/12/2009	
10.9 <sup>††</sup>	Patent Cross License Agreement between NVIDIA Corporation and Intel Corporation, dated January 10, 2011	8-K	000-06217	10.1	1/10/2011	
10.10†	Offer Letter by and between Intel Corporation and Dr. Venkata S.M. "Murthy" Renduchintala dated November 17, 2015	10-K	000-06217	10.14	2/12/2016	

10.11 <sup>†</sup>	Offer Letter between Intel Corporation and Robert H. Swan, dated January 30, 2019	8-K	000-06217	10.1	1/31/2019	
10.12 <sup>†</sup>	Offer Letter between Intel Corporation and George S. Davis, dated April 2, 2019	8-K	000-06217	10.1	4/3/2019	
10.13 <sup>†</sup>	Retention Letter between Intel Corporation and Navin Shenoy dated December 12, 2017	10-K	000-06217	10.13	2/16/2018	
10.14 <sup>†</sup>	<u>Lease Agreement between Intel</u> <u>Corporation and Steven R. Rodgers</u> ††	10-Q	000-06217	10.12	4/26/2019	
21.1	Intel Corporation Subsidiaries					X
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm					Х

		Incorporated by Reference			е	Filed or	
Exhibit Number	Exhibit Description	Form	File Number	Exhibit	Filing Date	Furnished Herewith	
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) of the Exchange Act					X	
31.2	Officer pursuant to Rule 13a-14(a) of the Exchange Act					Х	
32.1	Certification of the Chief Executive Officer and interim Chief Financial Officer pursuant to Rule13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350					X	
99.1	Supplement to Present Required Information in Searchable Format					Χ	
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document					Х	
101.SCH	XBRL Taxonomy Extension Schema Document					X	
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					Χ	
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					Χ	
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					Χ	
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					Χ	
104	Cover Page Interactive Data File - formatted in Inline XBRL and included as Exhibit 101					Х	

<sup>&</sup>lt;sup>†</sup> Management contracts or compensation plans or arrangements in which directors or executive officers are eligible to participate.

 $<sup>^{\</sup>dagger\dagger}$  Portions of this exhibit have been omitted pursuant to an order granting confidential treatment.

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Item Number	Item	
Part I		<del>,</del>
Item 1.	Business:	
	General development of business	Pages <u>3</u> - <u>7</u> , <u>16</u> , <u>64</u>
	Narrative description of business	Pages <u>3-17, 18-34, 48-49, 63,</u> 81-83
	Available information	Page <u>64</u>
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Item 1B.	Unresolved Staff Comments	Not applicable
Item 2.	Properties	Pages <u>11</u> , <u>61</u>
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Item 4.	Mine Safety Disclosures	Not applicable
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	Market for Registrant's Common Equity, Related Stockholder	
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Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations:	
	Results of operations	Pages <u>4-5, 18-39, 45-46</u>
	Liquidity	Pages <u>4-5, 40-42, 45-46</u>
	Capital resources	Pages <u>40</u> - <u>42</u>
	Off balance sheet arrangements	(a)
	Contractual obligations	Page <u>43</u>
	Critical accounting estimates and policies	Pages <u>50,</u> <u>74</u> - <u>79</u>
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Item 8.	Financial Statements and Supplementary Data	Pages <u>65</u> - <u>111</u>
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	Not applicable
Item 9A.	Controls and Procedures	Page <u>112</u>
Item 9B.	Other Information	Not applicable
Part III		
Item 10.	Directors, Executive Officers and Corporate Governance	Page <u>63</u> - <u>64</u> , (b)
Item 11.	Executive Compensation	(c)
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	(d)
Item 13.	Certain Relationships and Related Transactions, and Director Independence	(e)
Item 14.	Principal Accounting Fees and Services	(f)
Part IV		
Item 15.	Exhibits and Financial Statement Schedules	Pages <u>113</u> - <u>117</u>
Item 16.	Form 10-K Summary	Not applicable
Signatures		Page <u>119</u>

- As of December 28, 2019, we did not have any significant off-balance-sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.
- (b) Incorporated by reference to "Proposal 1: Election of Directors," "Corporate Governance," "Code of Conduct," and "Other Matters-Delinquent Section 16(a) Reports" in the 2020 Proxy Statement. The information under the heading "Information about Our Executive Officers" within Other Key Information is also incorporated by reference in this section.
- (c) Incorporated by reference to "Director Compensation," "Compensation Discussion and Analysis," "Report of the Compensation Committee," and "Executive Compensation" in the 2020 Proxy Statement.
- (d) Incorporated by reference to "Security Ownership of Certain Beneficial Owners and Management" and "Equity Compensation Plan Information" in the 2020 Proxy Statement.
- (e) Incorporated by reference to "Corporate Governance" and "Certain Relationships and Related Transactions" in the 2020 Proxy Statement.
- (f) Incorporated by reference to "Report of the Audit Committee" and "Proposal 2: Ratification of Selection of Independent Registered Public Accounting Firm" in the 2020 Proxy Statement.

# **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.

INTEL CORPORATION Registrant

By: /s/ ROBERT H. SWAN

Robert H. Swan

Chief Executive Officer, Director, and Principal

Executive Officer January 23, 2020

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.

/s/ ROBERT H. SWAN	/s/ GEORGE S. DAVIS
Robert H. Swan	George S. Davis
Chief Executive Officer, Director, and Principal Executive Officer	Executive Vice President,
January 23, 2020	Chief Financial Officer and Principal Financial Officer January 23, 2020
/s/ KEVIN T. MCBRIDE	
Kevin T. McBride	
Vice President of Finance, Corporate Controller and Principal Accounting Officer	
January 23, 2020	
/s/ ANDY D. BRYANT	/s/ DR. RISA LAVIZZO-MOUREY

/s/ ANDY D. BRYANT	/s/ DR. RISA LAVIZZO-MOUREY
Andy D. Bryant	Dr. Risa Lavizzo-Mourey
Director	Director
January 23, 2020	January 23, 2020
/s/ JAMES J. GOETZ	/s/ DR. TSU-JAE KING LIU
James J. Goetz	Dr. Tsu-Jae King Liu
Director	Director
January 23, 2020	January 23, 2020
/s/ ALYSSA HENRY	/s/ GREGORY D. SMITH
Alyssa Henry	Gregory D. Smith
Director	Director
January 23, 2020	January 23, 2020
/s/ REED E. HUNDT	/s/ ANDREW WILSON
Reed E. Hundt	Andrew Wilson
Director	Director
January 23, 2020	January 23, 2020
/s/ DR. OMAR ISHRAK	/s/ FRANK D. YEARY
Dr. Omar Ishrak	

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the registrant was required to submit such files). Yes  $\square$  No  $\square$ 

# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549 **FORM 10-K** (Mark One)  $\overline{\mathsf{V}}$ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended December 29, 2018. or TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the transition period from Commission File Number 000-06217 a001intellogocolor.jpg (Exact name of registrant as specified in its charter) **Delaware** 94-1672743 State or other jurisdiction of (I.R.S. Employer incorporation or organization Identification No.) 2200 Mission College Boulevard, Santa Clara, 95054-1549 California (Address of principal executive offices) (Zip Code) Registrant's telephone number, including area code (408) 765-8080 Securities registered pursuant to Section 12(b) of the Act: Title of each class Name of each exchange on which registered Common stock, \$0.001 par value The Nasdag Global Select Market\* Securities registered pursuant to Section 12(g) of the Act: None Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes 🗹 No 🗆 Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes □ No ☑ Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No □ Indicate by check mark whether the registrant has submitted electronically every interactive data file required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.				
-	emerging growth comp	any. See the definitions	r, an accelerated filer, a non-acce s of "large accelerated filer," "acc ne Exchange Act.	
Large accelerated filer ☑	Accelerated filer □	Non- accelerated filer □	Smaller reporting company $\Box$	Emerging growth company
If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.				
Indicate by check mark w	hether the registrant is	a shell company (as de	fined in Rule 12b-2 of the Act).	Yes □ No ☑
Aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant as of June 29, 2018, based upon the closing price of the common stock as reported by the Nasdaq Global Select Market on such date, was \$229.2 billion. 4,497 million shares of common stock were outstanding as of January 26, 2019.				
DOCUMENTS INCORPORATED BY REFERENCE				
Portions of the registrant's proxy statement related to its 2019 Annual Stockholders' Meeting to be filed subsequently are ncorporated by reference into Part III of this Annual Report on Form 10-K. Except as expressly incorporated by reference, the registrant's proxy statement shall not be deemed to be part of this report.				

# **TABLE OF CONTENTS**

# ORGANIZATION OF OUR ANNUAL REPORT ON FORM 10-K

The order and presentation of content in our Annual Report on Form 10-K (Form 10-K) differs from the traditional U.S. Securities and Exchange Commission (SEC) Form 10-K format. We believe that our format improves readability and better presents how we organize and manage our business. See "Form 10-K Cross-Reference Index" within the Financial Statements and Supplemental Details for a cross-reference index to the traditional SEC Form 10-K format.

The preparation of consolidated financial statements is in conformity with U.S. generally accepted accounting principles (GAAP). We have included key metrics that we use to measure our business, some of which are non-GAAP measures. See these "Non-GAAP Financial Measures" within Other Key Information.

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# FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements that involve a number of risks and uncertainties. Words such as "anticipates," "expects," "intends," "goals," "plans," "believes," "seeks," "estimates," "continues," "may," "will," "would," "should," "could," and variations of such words and similar expressions are intended to identify such forward-looking statements. In addition, any statements that refer to projections of our future financial performance, our anticipated growth and trends in our businesses, projected growth and trends in markets relevant to our businesses, future products and the expected availability and benefits of such products, uncertain events or assumptions, including statements relating to total addressable market (TAM) or market opportunity, and other characterizations of future events or circumstances are forward-looking statements. Such statements are based on management's expectations as of the date of this filing and involve many risks and uncertainties that could cause our actual results to differ materially from those expressed or implied in our forward-looking statements. Such risks and uncertainties include those described throughout this report and particularly in "Risk Factors" within Other Key Information. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forwardlooking statements. Readers are urged to carefully review and consider the various disclosures made in this Form 10-K and in other documents we file from time to time with the SEC that disclose risks and uncertainties that may affect our business. The forward-looking statements in this Form 10-K do not reflect the potential impact of any divestitures, mergers, acquisitions, or other business combinations that had not been completed as of the date of this filing. In addition, the forward-looking statements in this Form 10-K are made as of the date of this filing, including expectations based on third-party information and projections that management believes to be reputable, and Intel does not undertake, and expressly disclaims any duty, to update such statements, whether as a result of new information, new developments, or otherwise, except to the extent that disclosure may be required by law.

# NOTE REGARDING THIRD-PARTY INFORMATION

This Annual Report on Form 10-K includes market data and certain other statistical information and estimates that are based on reports and other publications from industry analysts, market research firms, and other independent sources, as well as management's own good faith estimates and analyses. Intel believes these third-party reports to be reputable, but has not independently verified the underlying data sources, methodologies, or assumptions. The reports and other publications referenced are generally available to the public and were not commissioned by Intel. Information that is based on estimates, forecasts, projections, market research, or similar methodologies is inherently subject to uncertainties, and actual events or circumstances may differ materially from events and circumstances reflected in this information.

# **INTEL UNIQUE TERMS**

We use specific terms throughout this document to describe our business and results. Below are key terms and how we define them:

PLATFORM PRODUCTS	A microprocessor (processor or central processing unit (CPU)) and chipset, a stand-alone System-on-Chip (SoC), or a multichip package, based on Intel® architecture. Platform products are primarily used in solutions sold through the Client Computing Group (CCG), Data Center Group (DCG), and Internet of Things Group (IOTG) segments.					
ADJACENT PRODUCTS	All of our non-platform products for CCG, DCG, and IOTG, such as modem, Ethernet and silicon photonics, as well as Non-Volatile Memory Solutions Group (NSG), Programmable Solutions Group (PSG), and Mobileye products. Combined with our platform products, adjacent products form comprehensive platform solutions to meet customer needs.					
PC-CENTRIC BUSINESS	Our CCG business, including both platform and adjacent products.					
DATA-CENTRIC BUSINESSES	Our DCG, IOTG, NSG, PSG, and all other businesses, including Mobileye.					

<sup>\*</sup> Other names and brands may be claimed as the property of others.

The Bluetooth® word mark and logos are registered trademarks owned by Bluetooth SIG, Inc. and any use of such marks by Intel Corporation is under license.

Intel, the Intel Iogo, 3D XPoint, Arria, Celeron, Intel Atom, Intel Core, Intel Inside, the Intel Inside Iogo, Intel Nervana, Intel Optane, Intel Xeon Phi, Itanium, Movidius, Myriad, OpenVINO, Pentium, Quark, Stratix, Thunderbolt, Xeon, and XMM are trademarks of Intel Corporation or its subsidiaries in the U.S. and/or other countries.

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# INTRODUCTION TO OUR BUSINESS

We are a world leader in the design and manufacturing of essential technologies that power the cloud and an increasingly smart, connected world. We offer computing, networking, data storage, and communication solutions to a broad set of customers spanning multiple industries. In 19 Intel was incorporated in California (reincorporated in Delaware in 1989 in what became known as Silicon Valley, and our technology has been the heart of computing breakthroughs ever since.

We're now in the midst of a corporate transformation as we grow beyor our traditional PC and server businesses into data-rich markets addres the explosive demands to process, analyze, store, and transfer data. T transformation is well underway, with our data-centric businesses representing an increasing share of our overall revenue.

Our vision is to build a smart and connected world that runs on Intel® solutions. This vision is supported by our commitment to corporate responsibility, our relentless pursuit of Moore's Law, and the talent of or amazing employees.

"Don't be encumbered by history. Go off and something wonder.

Bob Noyce, Intel Co-Foul

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# A YEAR IN REVIEW

Five years ago, we set out a strategy to transform from a PC-centric to a data-centric company. Our 2018 results serve as a strong proof point that our strategy is working and our transformation is well underway. We achieved record revenue and earnings per share (EPS), driven by strong business performance, continued operating leverage, and a lower tax rate. Revenue from our data-centric businesses collectively increased by double digits. Our PC-centric business grew above our expectations and continued to be a source of profit, cash flow, scale, and intellectual property (IP). While we have had delays in implementing our 10 nanometer (nm) manufacturing process technology, we have continued to innovate in our 14nm products, introducing leadership products that deliver more value to our customers. We've expanded beyond PC and server businesses with significant growth in adjacent products, and gained share in an expanded \$300 billion TAM1. Our employees are executing to our strategy by developing compelling technology and delivering innovative products to our customers, enabling strong financial growth.

"The investments in technolo and talent we have made in or transformation to a data-cent company position Intel to ser broader set of customers in a expanded market for silicon."

-Bob Swan, Intel Chief Execu Officer

### **REVENUE**

### **OPERATING INCOME**

### **DILUTED EPS**

■ PC-CENTRIC \$B ■ DATA-CENTRIC \$B

■ GAAP \$B ■ NON-GAAP \$B

■ GAAP ■ NON-GAAP

c001yirrevenue.jpgc002yiropincome.jpgc003yirdilutedeps.jpg

\$70.8B

# \$23.3B

Operating income up

\$5.3B or 29% from

\$24.5B \$4.48 \$4.58

## **GAAP**

business.

Revenue up \$8.1B or 13% from 2017; data-centric up 18% and PC-centric up 9%

### **GAAP**

2017

Strong growth with record revenue across the

non-GAAP<sup>2</sup> Operating income up \$4.9B or 25% from

Diluted EPS up \$2.49 or 126% from 2017

**GAAP** 

non-GAAP<sup>2</sup> Diluted EPS up 32% from 2017

Top-line growth and continued operating margin leverage while investing in key opportunities such as artificial intelligence (AI) and autonomous drivina

Demand for high-performance products, ad growth, disciplined spending focus, and low rate from Tax Reform3.

### **GOAL**

Achieve at least low double-digit growth of datacentric businesses and limit PC-centric business decline to low single digits.

### **GOAL**

Grow non-GAAP operating income faster than revenue

### **GOAL**

Grow non-GAAP diluted EPS faster than no GAAP operating income.

# RESULT **√** ACHIEVED

Exceeded our goal on both fronts with 18% datacentric businesses growth and 9% PC-centric business growth. Total revenue was approximately \$6.0 billion higher than our expectation at the beginning of 2018.

### RESULT ACHIEVED

On a non-GAAP basis, operating income grew faster than revenue two years in a row. From 2017 to 2018, non-GAAP operating income grew 25%, compared to 13% revenue growth.

### RESULT ACHIEVED

On a non-GAAP basis, diluted EPS grew fa than operating income two years in a row. F 2017 to 2018, non-GAAP diluted EPS grew compared to 25% non-GAAP operating inco arowth.

- Source: Intel calculated 2022 TAM derived from industry analyst reports.
- See "Non-GAAP Financial Measures" within Other Key Information.
- Tax Reform refers to the U.S. Tax Cuts and Jobs Act enacted in December 2017.

a001intellogocolor.jpg FUNDAMENTALS OF OUR BUSINESS

A Year In Review

# DATA-CENTRIC BUSINESSES EXPAND WITH NEW OPPORTUNITIES

Our data-centric businesses have grown significantly over the last two years. To extend the momentum of this growth, we continue to offer innovative new products that provide higher performance and better value for our customers. We expect that our leadership products such as the second generation Intel® Xeon® Scalable processors and Intel® Stratix®10 SX FPGA will further advance our opportunity in AI and help our customers process and analyze the flood of data implicit in big bets

### **PC-CENTRIC BUSINESS THRIVES**

Our focus on product segmentation, innovation, and performance in PCs continued. To extend product leadership and deliver more value to customers, we launched our 9th generation Intel® Core™ i9 processors, which target the growing gaming market segment.

a004xeonscalablebadge.jpg

a005kpieventintelai.jpg

a006cibadge.jpg

### **BIG BETS MAKE PROGRESS**

a007bigbetsa01.jpg

Our big bets are memory, autonomous driving, and 5G, and we have made progress on all fronts to expand and compete in the data-centric world. We are shipping Intel® Optane™ DC persistent memory for data centers. We also announced our first 5G new radio (NR) multi-mode modem for 2019 and our plan to commercialize Mobility-as-a-Service (MaaS) with autonomous vehicles through a joint venture starting 2019.

### **BOB SWAN OUR NEW CEO**

On January 30, 2019, our Board of Directors appointed Bob Swan as our Chief Executive Officer, the seventh CEO in Intel's 50-year history. Mr. Swan joined Intel as our Chief Financial Officer in October 2016.

a061intelbobswan2.jpg

# WE ARE PROUD OF OUR HERITAGE

Fifty years ago, Robert Noyce and Gordon Moore founded Intel. In honor of our golden anniversary, we are embracing Noyce's inspiring challenge, "Don't be encumbered by history. Go off and do something wonderful." We celebrated our heritage and the wonderful things we are doing to create a bright future for Intel and the world. Two years ahead of schedule, we announced that we have achieved our goal of a U.S. workforce that reflects the diversity of the available skilled labor market.

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a001intellogocolor.jpg FUNDAMENTALS OF OUR BUSINESS

A Year In Review

# **OUR STRATEGY**

We are in the midst of one of the most significant transformations in our corporate history. Over the last five years, we've made key investments and decisions to enter data-rich markets and deploy our IP and manufacturing technologies to redefine and expand our target market. We have evolved from a PC-centric company with a server business, to a data-centric company with an expanding portfolio of technology solutions that address customer needs across platform, storage, connectivity, and software. This transformation is evidenced by our 2018 revenue, of which roughly half was earned from data-centric businesses, and the expansion of our TAM, which we last estimated at more than \$300 billion<sup>1</sup>.

Our customers are looking for solutions that can process, analyze, store, and transfer data—turning it into actionable insights, amazing experiences, and competitive advantages. The Intel® architecture platform provides the foundation for new solutions that take advantage of this growth of data.

a020ourstrategy.jpg

### MAKE THE WORLD'S BEST SEMICONDUCTORS

We make significant investments and innovations in our silicon manufacturing technologies and platforms. Our proprietary technologies make it possible to integrate products and platforms that address evolving customer needs and expand the markets we serve. Our innovation strategy includes investments in advanced manufacturing processes and packaging, architecture, interconnects, and embedded security features, as part of our efforts to be the leading end-to-end platform provider.

Realizing the economics of Moore's Law has been and will continue to be a strategic priority, making possible the innovation of new high-performance products and improving user experience at exponential rates while balancing performance, cost, and power to meet our customers' needs. Unlike many semiconductor companies, we primarily develop and manufacture our products in our own facilities using our proprietary process technologies. We have the scale and expertise necessary to enable deep engagement with our customers, which provides us with a competitive advantage. Our manufacturing capital enables us to optimize performance, shorten time-to-market for new product introduction, and control essential elements of our supply chain. Sharing architectural innovation and IP enables us to spread our investments over a large manufacturing base of products, which reduces our costs and increases our return on capital.

### LEAD THE AI AND AUTONOMOUS REVOLUTION

We are positioned to be a driving force of the AI and autonomous revolution. By striving to build the world's best AI platform, our strategy is to meet the needs of our most innovative customers, to advance and accelerate the AI industry's open software stacks, to deliver the best AI products, and to seed and drive the AI ecosystem. Mobileye's EyeQ\* family of SoCs is already the automobile industry's leading solution for advanced driver assistance systems (ADAS). Mobileye is building on that leadership as the industry pursues higher levels of autonomy, developing Road Experience Management for real-time crowdsourced mapping, and the Responsibility Sensitive Safety model for autonomous vehicle safety. Customers use Intel® Xeon® processors for workloads such as image recognition, enhanced public security, and natural language processing, the foundation of the AI revolution. Intel® Nervana™ Neural Network Processors and Intel® Movidius™ Myriad™ Vision Processing Units (VPUs) provide a comprehensive suite of hardware and software technologies that deliver broad capabilities and support diverse approaches for AI, enabling our customers to infuse AI into everything they do.

<sup>&</sup>lt;sup>1</sup> Source: Intel calculated 2022 TAM derived from industry analyst reports and internal estimates.

### BE THE LEADING END-TO-END PLATFORM PROVIDER FOR THE NEW DATA WORLD

Growth in processing power and breakthroughs in connectivity, storage, memory, and algorithms have led to a new era of data-centric computing. We have an unparalleled product portfolio that spans the entire data-centric market and we are inventing new solutions in the highest growth areas by investing across six engineering pillars:

- advanced manufacturing processes and packaging;
- new architectures to speed up specialized tasks like AI and graphics:
- super-fast memory;
- interconnects:
- embedded security features; and
- · common software to unify and simplify programming for developers across our compute roadmap.

We are making significant investments and pursuing innovations in these areas to drive leaps forward in technology and user experience, and meet our customers' data needs.

### a021strategydatafuture.jpg

Enabling our customers to move faster, store more, and process everything is at the core of our strategy. Our customers' appetite for high-performance computing is greater than ever and, in response, we continue to make investments in optimizing our Intel® Xeon® processors. 5G connectivity will transform industries from all business sectors, initiating ripples of impact that spur market growth and the global economy. We are collaborating with ecosystem and vertical industry partners to define, prototype, test, and deliver 5G standards and solutions. We are also unveiling innovative memory and storage solutions, including Intel® QLC 3D NAND and Intel® Optane™ memory, and providing data center products that are optimized to deliver world-class performance and drive lower total cost of ownership for cloud workloads. Our advancements in programmable solutions, such as FPGAs, can efficiently manage the changing demands of next-generation data centers and accelerate the performance of emerging applications.

From end-to-end, our solutions help our customers stay ahead of their growing infrastructure demands by offering scale, innovation, and expertise from the edge to the cloud and back.

### RELENTLESS FOCUS ON OPERATIONAL EXCELLENCE AND EFFICIENCY

Underlying our transformation to a data-centric company is a relentless focus on operational excellence and efficiency. This focus includes the elimination of lower growth investments and activities, and the simplification and automation of routine processes and activities. These improvements enable us to achieve scale in our core operations, providing a stable and cost-effective platform to support additional investments in the design, development, and production of products that delight our customers. Operational excellence helps us fund the expansion of our TAM through big-bet investments such as memory, 5G technology, and autonomous driving.

### CONTINUE TO HIRE, DEVELOP AND RETAIN THE BEST, MOST DIVERSE AND INCLUSIVE TALENT

Andy Grove, former Intel CEO and Chairman, once said, "A corporation is a living organism; it has to continue to shed its skin. Methods have to change. Focus has to change. Values have to change. The sum total of those changes is transformation." At the core of our organization are highly skilled, diverse, and talented people capable of accelerating, as one team, in everything we do. Our rich and powerful culture sets a solid foundation based upon 50 years of invention; product leadership; purposeful leadership in corporate governance practices; and partnership with suppliers, customers, regulators, and local communities in the development and deployment of sustainable business practices. We are proud of our past and inspired by our employees who are rising to the challenge to transform our methods, focus, and values in a way that helps each person achieve their personal best in delighting our customers with compelling products, winning in dynamic and competitive markets, and making a positive impact on our communities.

# **HOW WE ORGANIZE OUR BUSINESS**

### **DATA-CENTRIC BUSINESSES<sup>1</sup>**

#### **KEY PRODUCTS AND MARKETS**

Includes workload-optimized platforms and related products designed for cloud, enterprise, and communication infrastructure market seaments.

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a010dcgdonut.jpg OF INTEL'S

TOTAL REVENUE

OF INTEL'S a012nsgdonut.jpg TOTAL REVENUE

**KEY PRODUCTS AND MARKETS** Includes Intel® Optane™ technology

primarily used in solid-state drives

and 3D NAND flash memory,

(SSDs).

#### **KEY PRODUCTS AND MARKETS**

Includes high-performance compute solutions for targeted verticals and embedded applications in market segments such as retail, manufacturing, health care, energy, automotive, and government.

**KEY PRODUCTS AND MARKETS** 

Includes programmable semiconductors, primarily fieldprogrammable gate arrays (FPGAs), and related products for a broad range of markets, such as communications, data center, industrial, and military.

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OF INTEL'S a011iotgdonut.jpg TOTAL REVENUE

OF INTEL'S a013psgdonut.jpg TOTAL REVENUE

#### **HIGHLIGHTS**

Our data-centric businesses collectively grew 18% led by the growth in DCG, due in part to customer transition to Intel® Xeon® Scalable processors and higher demand across cloud and communication service providers. To extend the growth, we have new products, such as the Intel® Programmable Acceleration Card (Intel® PAC) with Intel® Stratix® 10 SX FPGA, and are now shipping the second generation Intel Xeon Scalable processor and Intel® Optane™ DC persistent memory, which combines the speed of traditional memory with the capacity and native persistence of storage. In addition, Mobileye continued to secure new design wins at major U.S. and global automakers and announced plans to commercialize MaaS.

#### **OPPORTUNITIES**

We have expanded our data-centric TAM to \$200 billion<sup>2</sup> with acquisitions and product innovations. Our broadened portfolio enables new opportunities for us and creates better synergistic value for our customers. For example, our product offerings for Al workloads reach from the cloud to the edge, and we are developing CPU, graphics processing unit (GPU), FPGA, and AI accelerator products to span inference and training AI workloads, while also pursuing ongoing software optimizations for AI.

### **CHALLENGES**

Our 2018 revenue growth exceeded our expectation and put pressure on our factory network. We prioritized production on server and higher performance PC market segments, which consequently constrained supply in other areas, including IOTG. In addition, due to challenging market conditions, as well as continued investments in new memory products and in manufacturing capacity, the profitability of our memory business improved more slowly than expected in 2018. Our data center business was impacted by weakness in China demand and cloud market segment deceleration in Q4 2018.

### **PC-CENTRIC**

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### **KEY PRODUCTS AND MARKETS**

Includes platforms designed for enduser form factors, focusing on higher growth segments of 2-in-1, thin-andlight, commercial and gaming, and growing adjacencies such as WiFi and modem.

### **HIGHLIGHTS**

CCG had record revenue and operating income with three years of growth in a row by executing to our strategy. We announced additions to our 8th generation Intel® Core™ mobile processors, the first Intel® Core™ i9 processor for laptops, and the first 9th generation Intel® Core™ processor, i9-9900K, targeting the growing gaming market segment.

#### **OPPORTUNITIES**

We are targeting an expanded \$60 billion revenue TAM<sup>2</sup>, which is \$25 billion higher than our traditional CPU TAM. This expanded opportunity includes markets such as memory, graphics, and connectivity, and is in addition to a \$40 billion modem market where we are gaining share.

OF INTEL'S a014ccgdonut.jpg TOTAL **REVENUE** 

### **CHALLENGES**

We are operating in an increasingly competitive environment and are focused on executing an annual cadence of leadership products. Strong demand across our product lines has resulted in tight supply, particularly in the entry-level PC market. We are making additional investments in our 14nm factory network and working with customers to align demand with available supply.

- <sup>1</sup> Data-centric businesses include DCG, IOTG, NSG, PSG, and all other businesses, including Mobileye.
- <sup>2</sup> Source: Intel calculated 2022 TAM derived from industry analyst reports.

a001intellogocolor.jpg FUNDAMENTALS OF OUR BUSINESS

How We Organize Our Business

# **OUR PRODUCTS**

We are at the forefront of developing new technologies and new products as building blocks for the increasingly smart and connected world. These technologies and products are utilized as integrated solutions for a broad spectrum of markets.

#### PRODUCT LEADERSHIP CREATES ESSENTIAL VALUE FOR OUR CUSTOMERS

We focus on providing compelling user experiences by developing our next generation of products based on customer needs and expectations. We invest in product and process technologies to deliver higher performance and lower total cost of ownership by closely working with our customers and partners. By continuing to improve our products and expanding our product portfolio—including in adjacent products such as modem and memory, where we had significant growth this year—we were able to deliver more value to our customers.

### WE HAVE A BROAD PRODUCT PORTFOLIO

From processing to transferring, storing, and analyzing data, our broad product portfolio offers innovative solutions to a wide array of customers. These products, such as our gaming CPUs, may be sold directly to end consumers, or they may be further integrated by our customers into end products such as notebooks and storage servers. Combining some of these products—for example, integrating FPGA and memory with Intel® Xeon® processors in a data-center solution—enables incremental synergistic value and performance.

a037productportfolio.jpg

### **OUR PRODUCTS PROVIDE END-TO-END SOLUTIONS**

As the company transforms beyond a PC-centric company to address the needs of the new data-centric world, we have expanded our product offerings to provide end-to-end solutions, scaling from edge computing to the network, the cloud, and the emerging field of AI and autonomous driving. In 2018 we introduced the Intel® Neural Compute Stick 2 and new Mobileye EyeQ\* SoC. Meanwhile, we continue to push the boundary of client computing with innovations, including new form factors (e.g., dual-screen 2-in-1s), new functionalities (e.g., cellular connectivities), and performance enhancements (e.g., Intel® Optane™ memory).

a038endendsolutions.jpg

a001intellogocolor.jpg FUNDAMENTALS OF OUR BUSINESS

Our Products

# **OUR CAPITAL**

We deploy various forms of capital to execute our transformation strategy in a way that seeks to reflect our corporate values, delight our customers, and create value for our stockholders.

Our commitment to corporate responsibility creates value for Intel and our stockholders by helping us mitigate risks, reduce costs, build brand value, and identify new market opportunities. We set ambitious goals for our company and make strategic investments to advance progress in the areas of environmental sustainability, supply chain responsibility, diversity and inclusion, and social impact that benefit the environment and society.

We empower and invest in attracting and retaining talented employees who enable the development of solutions and enhance our intellectual and manufactured capital. Our effective utilization of natural resources and focus on corporate responsibility result in trusted relationships that support the growth of our business. Through these activities, we strive to develop the world's best semiconductors, deliver great customer experiences, efficiently manage our supply chain, improve the communities in which we operate, and, ultimately, generate financial capital that is reinvested in our business and returned to stockholders.

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a022capitalflow.jpg

	STRATEGY	VALUE
Cash flow and capital allocation strategy	Leverage financial capital to invest in the business, acquire and integrate strategic investments, and provide returns to stockholders in the forms of dividends and share repurchases.	We strategically invest financial capital to create value for our stockholders. Over the last five years, we: - Generated \$113 billion cash from operating activities - Generated \$59 billion in free cash flow <sup>1</sup> - Returned \$55 billion to stockholders.
Research and development (R&D) and IP rights	Invest significantly in R&D to ensure our process and product technologies compete successfully as we pursue our strategy to make the world's best semiconductors and realize new data-centric opportunities.	We develop IP for our platforms to enable next-generation products, create synergies across our businesses, provide a higher return as we expand into new markets, and establish and support our brands.
Capital assets and strategic supply chain investments	Invest timely and at a level sufficient to meet customer demand for current technologies and prepare for future technologies.	Our world-wide manufacturing scope and scale enable innovations to provide our customers and consumers with a broad range of leading-edge products in high volume.
Employees and culture	Develop the talent needed to keep the company at the forefront of innovation and create a diverse, inclusive, and safe workplace.	We attract and retain talented and engaged employees who can deliver their workplace best every day and who create the intellectual capital we rely on to develop and advance our technologies and manufacturing.
	capital allocation strategy  Research and development (R&D) and IP rights  Capital assets and strategic supply chain investments  Employees	Cash flow and capital invest in the business, acquire and integrate strategic investments, and provide returns to stockholders in the forms of dividends and share repurchases.  Research and development (R&D) and IP rights  Capital assets and strategic supply chain investments  Capital assets and culture  Employees and culture  Develop the talent needed to keep the company at the forefront of innovation and create a diverse, inclusive, and safe

a028socialicona02.jpg	Supply chain responsibility and positive social impact	Build trusted relationships for both Intel and our stakeholders, including local communities, governments, suppliers, customers, and employees.	We collaborate on programs to empower underserved communities through education and technology, and on initiatives to advance accountability and capabilities across our global supply chain, including advancing respect for human rights.
a027natureicona02.jpg	Resource efficiency	Continually strive to reduce our environmental footprint through efficient and responsible use of natural resources and materials used to create our products.	Our proactive efforts help us mitigate climate and water risk, achieve efficiencies, lower costs, and position us to respond to the needs and expectations of our stakeholders.

<sup>&</sup>lt;sup>1</sup> See "Non-GAAP Financial Measures" within Other Key Information.

a001intellogocolor.jpg FUNDAMENTALS Our Capital

## a023financialicona02.jpg FINANCIAL CAPITAL

Our financial capital allocation strategy focuses on building stockholder value. We do this by first investing in ourselves and growing our capabilities. We then look to supplement and strengthen our capabilities through acquisitions and strategic investments. And finally, we provide the return realized by these investments to our stockholders.

### **CASH FROM OPERATING ACTIVITIES \$B**

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■ Capital Investment ■ Fre

Free Cash Flow<sup>1</sup>

# OUR FINANCIAL CAPITAL ALLOCATION DECISIONS ARE DRIVEN BY THREE PRIORITIES

## **INVEST IN THE BUSINESS**

Our first priority is to invest in R&D and capital spending to strengthen our competitive position. We shifted our R&D focus as we transformed to a data-centric company, while efficiently maintaining our investment at approximately 20% of revenue. Our capital investment in logic (silicon wafer manufacturing of our platform products) and memory both increased in 2018 as we looked to improve supply of platform products and continued to ramp production capacity in our memory fab (Fab 68). We obtained customer prepayments of over \$1.6 billion in 2018 and \$1.1 billion in 2017, which helped to offset our investment in memory.

### **ACQUIRE AND INTEGRATE**

Our second financial capital allocation priority is to invest in companies around the world that will complement our strategic objectives and stimulate growth of datacentric opportunities. We look for acquisitions that further leverage and strengthen our capital and R&D investments. In 2018, we completed various small acquisitions, while leveraging Altera and Movidius to partner with customers and expand the markets we serve. Mobileye achieved record revenue, various design wins, and announced the ability to retrofit existing vehicles to deliver full autonomy. Intel Capital investments also support our strategic objectives.

## **RETURN CASH TO STOCKHOLDS**

Our third financial capital allocation prior to return cash to stockholders. We achie through our dividend and share repurch programs. During 2018, we paid \$5.5 bil dividends and increased our quarterly calividends by 10% from 2017. We also repurchased \$10.7 billion in shares, up to 2017, and have reduced the level of dilustrates outstanding over time.

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	nds Per nare	٦	Diluted S Outstar (In Mill
2018	\$1.20		4,70
2017	\$1.0775	7%	4,83
2016	\$1.04	CAGR	4,87

### **R&D AND CAPITAL INVESTMENTS \$B**

### **ACQUISITIONS**

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■ R&D ■ Logic ■ Memory —# of Acquisitions ■ To

sitions Total Spent \$B

**CASH TO STOCKHOLDERS \$B** 

■ Buyback ■ Dividend

a001intellogocolor.jpg FUNDAMENTALS OF OUR BUSINESS

Our Capital

See "Non-GAAP Financial Measures" within Other Key Information.

# a024intellectualicona02.jpg INTELLECTUAL CAPITAL

### RESEARCH AND DEVELOPMENT

Every year we make a significant investment in R&D, as it is a critical factor in achieving our strategic objectives to make the world's best semiconductors, lead the AI and autonomous revolution, and provide leading end-to-end platform solutions. Successful R&D efforts can lead to new products and technologies, or improvements to existing ones, which we seek to protect through our IP rights. We may augment our R&D initiatives by investing in or acquiring companies or entering into R&D agreements with other companies, as well as by directly purchasing or licensing technology.

We have increased our investments in R&D in each of the last five years and intensified our focus on key priorities in product technology while exiting non-core businesses, such as our divestiture of Wind River Systems, Inc. (Wind River) during 2018.

# **PRODUCT TECHNOLOGY**

We are focusing our R&D activities on six areas of engineering to advance our product capabilities. Our goal is to improve user experiences and value at the pace of Moore's Law through advances in performance, power, cost, connectivity, security features, form factor, and other features with each new generation of products.

Process technology. While development of next-generation manufacturing processes remains a critical and fundamental area of research, we are also pursuing innovations in packaging technology to enable new approaches to chip design. In 2018, we announced a new 3D packaging technology called "Foveros" that allows for stacking of logic chips, enabling products where input/output (I/O), static random-access memory (SRAM), and power delivery circuits can be fabricated in a base die and high-performance logic "chiplets" can be stacked on top. Together with our Embedded Multi-die Interconnect Bridge (EMIB) technology, advanced packaging allows for new hybrid chip designs that can "mix and match" different technology IP blocks, which may be manufactured on different process nodes, into a single system-in-package, enabling new design flexibility and new device form factors.

a029foveros.jpg
"Foveros" 3D packaging technology

Architecture. We are designing products for four major computing architectures—scalar (CPU products), vector (GPU products), matrix (Al accelerator products), and spatial (FPGA products)—as we move toward a model of providing multiple "xPU" compute platforms for a more diverse era of computing. In 2018, we announced "Sunny Cove," our next-generation CPU microarchitecture, with architectural extensions designed for special-purpose computing tasks such as Al and cryptography, among other features. We are also continuing development on our first discrete GPU.

Memory. With our Intel® 3D NAND and Intel® Optane™ technologies, we are developing products to disrupt the memory and storage hierarchy. We are shipping our Intel® Optane™ DC Persistent Memory, which combines memory-like performance with the larger capacity and persistence of storage, bringing more data closer to the CPU to help improve processing of big data sets like those used in Al and large databases. Our QLC 3D NAND technology allows users to move more data from hard disks to SSDs, giving them faster access to their data.

Interconnect. We have a broad portfolio of interconnect solutions, ranging from silicon to the data center to wireless. Our silicon photonics technology integrates lasers into silicon to create high-speed optical connections that can help remove networking bottlenecks in the data center. We are driving the 5G transition by offering products that communications service providers use to transform their networks for 5G, as well as through development of 5G modems.

Security technologies. We have made significant investments in security technologies, and built-in security features are integrated into our design process and roadmap. In the first half of 2018, we created the Intel Product Assurance and Security Group to serve as a center for security research across our products and businesses, not only to address the security issues of today, but also to monitor the evolving threat landscape and seek to continuously improve our product security in the years ahead.

Software. Software plays a critical role in unlocking the performance potential of our hardware products. Our vision is to unify our software abstractions across all of our xPU platforms. We are developing a project called OneAPI to simplify programming for developers across our CPU, GPU, FPGA, AI and other accelerator products, providing a unified portfolio of developer tools for mapping software to the hardware that can best accelerate the code.

# **IP RIGHTS**

We own and develop significant IP and related IP rights around the world that relate to our products, services, R&D, and other activities and assets. Our IP portfolio includes patents, copyrights, trade secrets, trademarks, maskwork, and other rights. We actively seek to protect our global IP rights and to deter unauthorized use of our IP and other assets. For a detailed discussion of our IP rights, see "Intellectual Property Rights and Licensing" within Other Key Information.

a001intellogocolor.jpg FUNDAMENTALS Our Capital

## a025manufacturedicona02.jpg MANUFACTURED CAPITAL

We are an integrated device manufacturer (IDM). Unlike many other semiconductor companies, we primarily design and manufacture our products in our own manufacturing facilities. We see our in-house manufacturing as one of our most critical forms of capital and an important advantage.

# MANUFACTURING PROCESS TECHNOLOGY

We continue to develop new generations of manufacturing process technology as we seek to realize the benefits from Moore's Law, a law of economics predicted by Intel's co-founder Gordon Moore more than 50 years ago. Realizing Moore's Law results in economic benefits as we are able to either reduce a chip's cost as we shrink its size or increase functionality and performance of a chip while maintaining the same cost with higher density. This makes possible the innovation of new products with higher performance while balancing power efficiency, cost, and size to meet customers' needs.

As of the end of 2018, our platform products were manufactured on 300mm wafers, with the majority manufactured using our 14nm process node, and we are currently ramping our next-generation 10nm process node. We have lengthened our utilization of our 14nm process to meet an annual cadence of product introductions while developing 10nm process technology. Over the course of our 14nm process generation, we have achieved significant product performance improvement. We expect the same trend of utilizing a process node for multiple waves of products to continue as we ramp 10nm.

With our 10nm process technology, we are striving for an aggressive density improvement target, beyond the density scaling we delivered with 14nm. We have experienced challenges associated with 10nm development and implementation, and announced in 2018 that volume production on our 10nm products would be delayed from the second half of 2018 into 2019. We have made good progress on improving 10nm yields in 2018, and we continue to expect volume client systems on retail shelves for the 2019 holiday season, with data center products to follow in 2020

## **FACTORY NETWORK AND SUPPLY CHAIN**

The map marks our manufacturing facilities and their primary functions, as well as the countries where we have a significant R&D or sales and marketing presence.

Approximately half of our wafer manufacturing is conducted within the U.S. We incur factory start-up costs as we ramp our facilities for new process technologies. We continued to ramp the 10nm process node in our Oregon and Israel locations and to expand our memory fab, Fab 68. Memory investments represented approximately 20% of total capital spending for 2018.

a030worldmap.jpg

Our manufacturing facilities are primarily used for silicon wafer manufacturing of our platform and memory products. These facilities are built following a "copy exactly" methodology, whereby new process technologies are transferred identically from a central development fab to each manufacturing facility. This enables fast ramp of the operation as well as better quality control. These wafer fabs operate in a network of manufacturing facilities integrated as one

factory to provide the most flexible supply capacity, allowing us to better analyze our production costs and adapt to changes in capacity needs.

We use a multi-source strategy for our memory business to enable a robust and flexible supply chain. Throughout 2018, we increased the memory capacity in Fab 68, where we ramped 3D NAND production. In addition, we have a supplemental supply agreement with Micron Technology, Inc. (Micron), as well as capacity from our joint venture, IM Flash Technologies, LLC (IMFT) factory in Lehi, Utah. In January 2019, Micron called our interest in IMFT. The IMFT agreement provides for supply for up to one year after the close of the transaction.

We use third-party foundries to manufacture wafers for certain components and leverage subcontractors to augment capacity to perform assembly and test in addition to our in-house manufacturing, primarily for chipsets and adjacent products.

a001intellogocolor.jpg FUNDAMENTALS OF OUR BUSINESS

Our Capital

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# **HUMAN CAPITAL**

Given the highly technical nature of our business, our success depends on our ability to attract and retain talented and skilled employees to create the technology of the future and delight our customers. Our global workforce of 107.400 is highly educated, with approximately 85% of our people working in technical roles. We invest in creating a diverse, inclusive, and safe work environment where our employees can deliver their workplace best every day. This environment fosters a rich and powerful culture that allows us to make a profound impact on the world.

All employees are responsible for upholding the Intel Values, Intel Code of Conduct, and Intel Global Human Rights Principles, which form the foundation of our policies and practices. We also place value on providing a wide range of opportunities to support the ongoing career development of employees. For over a decade, we have tracked and publicly reported on key human capital metrics, including workforce demographics, diversity and inclusion data, turnover, and training data.

"In 2018, we met our U.S. diversity and inclusion goal—two years ahead of schedule. We are proud of our progress but not satisfied. We view diversity and inclusion as a business imperative that drives innovation and future growth. Every voice matters."

—Barbara Whye, Intel's Chief Diversity and Inclusion Officer and Vice President of Human Resources

### **DIVERSITY AND INCLUSION**

Building an inclusive workforce, industry, and ecosystem is critical to helping us drive our business forward. We committed \$300 million to advance diversity and inclusion in our workforce and in the technology industry, and met our goal to achieve full representation of women and underrepresented minorities in our U.S. workforce in 2018—two years ahead of schedule. We have a long-standing commitment to inclusive workplace policies. For example, to help ensure employee concerns are openly and transparently resolved, Intel does not seek arbitration of sexual harassment and other employment claims.

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### GROWTH AND DEVELOPMENT

We invest significant resources to develop the talent needed to keep the company at the forefront of innovation and make Intel an employer of choice. We deliver training annually and provide rotational assignment opportunities. During 2017 and 2018, we trained our managers in inclusive management practices. Over the past five years, our undesired voluntary turnover rate has been below 5%.

#### COMMUNICATION AND ENGAGEMENT

Our success depends on employees understanding how their work contributes to the company's overall strategy. We use a variety of channels to facilitate open and direct communication, including open forums with executives; quarterly Organizational Health Polls; and engagement through more than 30 different employee resource groups, including the Women at Intel Network, the Network of Intel African American Employees, the Intel Latino Network, and others.

### **COMPENSATION AND BENEFITS**

We strive to provide pay, benefits, and services that help meet the varying needs of our employees. Our generous total rewards package a031capitalhumanmonitor.jpg includes market-competitive pay, broad-based stock grants and bonuses, a popular Employee Stock Purchase Plan, healthcare and retirement benefits, paid time off, flexible work schedules, sabbaticals, fertility assistance, and on-site services. For more than a decade, we've performed an annual compensation analysis in the U.S. to ensure pay equity by gender and race/ethnicity. In 2018, we began globalizing our analytics and recently announced that we've achieved gender pay equity globally.

**HEALTH, SAFETY, AND WELLNESS** 

Our ultimate goal is to achieve zero serious injuries through continued investment in and focus on our core safety programs and injury-reduction initiatives. We provide access to a variety of innovative, flexible, and convenient employee health and wellness programs, including on-site health centers.

a001intellogocolor.jpg FUNDAMENTALS OF OUR BUSINESS

Our Capital

# a028socialicona02.jpg SOCIAL AND RELATIONSHIP CAPITAL

We are committed to operating with transparency, and through open and direct communication, we work to develop trusted relationships with all stakeholders, including employees, customers, suppliers, governments, and communities. We also empower our employees to give back to the communities where we operate and engage them in corporate responsibility and sustainability initiatives. Our commitment to stakeholder collaboration and investments in social impact initiatives, including support of the United Nations Sustainable Development Goals, has resulted in our reputation as a leading corporate citizen, which has created value for Intel in terms of social license to operate and a positive operating environment. Each year, we receive third-party recognitions for our corporate responsibility leadership and ethical business practices. In 2018, recognitions included the Fortune 2018 Change the World List, Ethisphere's World's Most Ethical Companies, and Forbes/Just Capital's America's Most "Just" Companies.

### **ECONOMIC IMPACT**

The health of our company and local economies depend on continued investments in innovation. We provide high-skill, high-paying jobs at Intel sites around the world and also impact economies through our R&D ecosystem spending, sourcing activities, consumer spending by our employees, and tax revenue. Many of these are manufacturing and R&D jobs located in our own domestic and international factories. In addition, we make sizable capital investments and provide leadership in public-private partnerships to spur economic growth and innovation.

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### SOCIAL IMPACT

We are at the forefront of new technologies—such as AI, autonomous driving, and 5G wireless broadband—that are increasingly being used to empower individuals, companies, and governments around the world to solve major societal challenges. Simultaneously, we are empowering people through education and advancing social impact initiatives, helping us build trust with key external stakeholders and support the interests of our employees. Through the Intel® She Will Connect program, we have collaborated with global and local partners to empower millions of women and girls through technology skills training. Our employees actively share their expertise and skills through technology-related volunteer initiatives, and over the past 10 years have contributed more than 10 million hours of service in the communities where we operate. In celebration of our 50th anniversary, we set a goal to have 50,000 employees donate 1 million volunteer hours during 2018. We exceeded the goal with more than 68,000 employees contributing approximately 1.5 million hours.

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## SUPPLY CHAIN RESPONSIBILITY

Actively managing our supply chain creates business value for Intel and our customers by helping us reduce risks, improve product quality, achieve environmental and social goals, and raise the overall performance of our suppliers. Over the past five years, we have completed more than 500 supplier audits using the Responsible Business Alliance Code of Conduct standard and have expanded training and capacity-building programs with our suppliers. We actively collaborate with others and lead industry initiatives on key issues such as advancing responsible minerals sourcing, addressing risks of forced and bonded labor, and improving transparency around climate and water impacts in the global electronics supply chain. We also continue to work toward our goal of reaching \$1 billion in annual spending with diverse-owned suppliers by 2020, and are investing in programs to create new career pathways into the technology industry.

# a027natureicona02.jpg NATURAL CAPITAL

Driving to the lowest environmental footprint possible helps us achieve efficiency, lower costs, and respond to the needs of our customers and community stakeholders. We invest in conservation projects and set company-wide environmental targets, seeking to drive reductions in greenhouse gas emissions, energy use, water use, and waste generation. We focus on building energy efficiency into our products to help our customers lower their own emissions and energy costs. We also collaborate with policymakers and other stakeholders to identify opportunities to apply technology to environmental challenges such as climate change and water conservation.

### **CLIMATE AND ENERGY**

We focus on reducing our own direct climate "footprint" and over the past two decades have reduced our direct emissions and electricity generated emissions. We also continue to be one of the largest voluntary corporate purchasers of green power. Since 2012, we have invested more than \$200 million in energy conservation projects in our global operations, resulting in cumulative savings of more than 4 billion kilowatt hours and cost savings of approximately \$500 million through the end of 2018. We also focus on increasing our "handprint"—the ways in which Intel technologies can help others reduce their footprints, and collaborate on shaping public policy responses to climate change, both at the international level and in the countries and regions where we operate.

### **GREENER BUILDINGS**

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Our engineers have long incorporated green design standards and concepts into the new construction and renovation of our facilities. We continue to be on track to meet our goal to design all new buildings to a minimum Leadership in Energy and Environmental Design (LEED) Gold certification, and to date have achieved LEED certification for more than 17 million square feet, or approximately 26% of our total operational space. The Internet of Things is also expanding opportunities in the area of green buildings, including smart building energy management systems. Working with ecosystem partners, we are advancing solutions in this area, as well as incorporating these technologies into our own green building strategies. For example, one of our newest buildings, an office building in Bangalore, India that received LEED Platinum certification, is equipped with more than 9,000 sensors and has 50% lower energy demand compared to most traditional office buildings in the area.

# WASTE MANAGEMENT AND RECYCLING

In each of the past five years, we have recycled more than 84% of the non-hazardous waste generated in our global operations and continue to work toward our 2020 goals of recycling 90% of our non-hazardous waste and sending zero hazardous waste to landfills. Our aim is to continue to invest in reducing the amount of waste we generate while increasing the amount recycled.

## WATER STEWARDSHIP

Water is essential to the semiconductor manufacturing process. We use ultrapure water to remove impurities from our silicon wafers, and we use industrial and reclaimed water to run our manufacturing facility systems. Over the last two decades, our sustainable water management efforts and partnerships have enabled us to conserve billions of gallons of water and we return approximately 80% of our water back to our communities. In 2018, we continued to make progress toward our goal to restore 100% of our global water use by 2025 through funding collaborative community-based projects that will restore water in amounts equivalent to what our business consumes.

a036waterconservation.jpg

### SUPPLIER ENVIRONMENTAL IMPACT

We also partner with our suppliers to manage their environmental impact, which in turn reduces our own environmental impact, lowers supply chain risk, and can decrease costs. In 2018, we again attained a Leadership "A" rating on Supplier Engagement from CDP (which evaluates global companies on their environmental disclosure) for our work to encourage our suppliers to increase the level of transparency on their climate and water footprints.

### STOCKHOLDER RETURN

Through attention to constant improvement, we strive for our capital to work together in a manner consistent with our focus on long-term value creation. Long-term total stockholder return provides one measure of value creation, though we also consider other indicators of success for our deployment of capital, such as diversity advancement for our human capital. The stock performance graph and table that follow compare the cumulative total stockholder return on Intel's common stock with the cumulative total return of the Dow Jones U.S. Technology Index\*, the Standard & Poor's 100 Stock Index (S&P 100 Index\*), the Standard & Poor's 500 IT Stock Index (S&P 500 Index\*), the Standard & Poor's 500 IT Stock Index (S&P 500 IT Index\*), and the PHLX Semiconductor Sector Index (SOX Index\*)¹ for the five years ended December 29, 2018. The cumulative returns shown on the graph are based on Intel's fiscal year.

# Comparison of Five-Year Cumulative Return for Intel,

# the Dow Jones U.S. Technology Index, S&P 100 Index, S&P 500 Index, S&P 500 IT Index, and SOX Index

c008stockperformancegraph.jpg

Years Ended	ec 28, 2013	ec 27, 2014	ec 26, 2015	ec 31, 2016	ec 30, 2017	ec 29, 2018
Intel Corporation	\$ 100	\$ 151	\$ 145	\$ 156	\$ 204	\$ 211
Dow Jones U.S. Technology Index	\$ 100	\$ 123	\$ 126	\$ 143	\$ 196	\$ 193
S&P 100 Index	\$ 100	\$ 114	\$ 117	\$ 129	\$ 157	\$ 150
S&P 500 Index	\$ 100	\$ 116	\$ 117	\$ 130	\$ 158	\$ 150
S&P 500 IT Index	\$ 100	\$ 123	\$ 128	\$ 145	\$ 201	\$ 199
SOX Index	\$ 100	\$ 133	\$ 131	\$ 179	\$ 252	\$ 235

The graph and table assume that \$100 was invested on the last day of trading for the fiscal year ended December 28, 2013 in Intel's common stock, the Dow Jones U.S. Technology Index, S&P 100 Index, S&P 500 Index, S&P 500 IT Index, and SOX Index, and that all dividends were reinvested. The Dow Jones U.S. Technology Index was presented as a comparison in the 2017 Form 10-K stock performance graph as a peer index. We have added three indices that we consider more representative than the Dow Jones U.S. Technology Index: the S&P 100 Index, which includes a more diversified group of companies across major industrial sectors; the S&P 500 IT Index, which represents large capitalization IT industry performance; and the SOX Index, which more precisely represents overall semiconductor industry performance.

### WHO MANAGES OUR BUSINESS

EXECUTIVE OFFICERS OF THE REGISTRANT	AGE	OFFICE(S)
Andy D. Bryant	68	Chairman of the Board
Dr. Venkata S.M. Renduchintala	53	Group President, Technology, Systems Architecture and Client Group; Chief Engineering Officer
Steven R. Rodgers	53	Executive Vice President; General Counsel
Navin Shenoy	45	Executive Vice President; General Manager, Data Center Group
Robert H. Swan	58	Chief Executive Officer
Todd M. Underwood	49	Interim Chief Financial Officer; Vice President of Finance and Director, Corporate Planning and Reporting

Andy D. Bryant has been Chairman of our Board of Directors since May 2012. Mr. Bryant served as Vice Chairman of the Board of Directors of Intel from July 2011 to May 2012. From 2007 to 2012, Mr. Bryant served as Chief Administrative Officer. Mr. Bryant joined Intel in 1981 and served in a number of executive roles at the company. He was Executive Vice President, Technology, Manufacturing, and Enterprise Services from 2009 to 2012. Mr. Bryant previously served as Executive Vice President, Finance and Enterprise Services from 2007 to 2009; Executive Vice President, Chief Financial and Enterprise Services Officer from 2001 to 2007; Senior Vice President, Chief Financial and Enterprise Services Officer from 1999 to 2001; Senior Vice President, Chief Financial Officer from January 1999 to December 1999; and Vice President, Chief Financial Officer from 1994 to 1999. Mr. Bryant also serves on the board of directors of Columbia Sportswear Company and McKesson Corporation.

Dr. Venkata S.M. ("Murthy") Renduchintala joined Intel in November 2015 and serves as Group President of our Technology, Systems Architecture and Client Group (TCSG) and Chief Engineering Officer. In this role, Dr. Renduchintala oversees Intel's labs, technology development, manufacturing, and systems architecture engineering teams, as well as our client computing and connectivity business. His TCSG organization is responsible for aligning technology, engineering, product design, and process development across all our businesses and for providing business and strategic direction for our client and connectivity offerings. Dr. Renduchintala joined Intel as Executive Vice President and President, Client and Internet of Things Businesses and System Architecture Group, which expanded into the TSCG organization in 2018, and was named Group President and Chief Engineering Officer in April 2017. From 2004 to 2015, Dr. Renduchintala held various senior positions at Qualcomm Incorporated, most recently as Co-President of Qualcomm CDMA Technologies from June 2012 to November 2015 and Executive Vice President of Qualcomm Technologies Inc. from October 2012 to November 2015. Before joining Qualcomm, Dr. Renduchintala served as Vice President and General Manager of the Cellular Systems Division of Skyworks Solutions Inc./Conexant Systems Inc. and he spent a decade with Philips Electronics, where he held various positions, including Vice President of Engineering for its consumer communications business. Dr. Renduchintala also serves on the board of directors of Accenture plc.

**Steven R. Rodgers** has been our Executive Vice President and General Counsel since January 2017 and oversees our legal, government, human resources, and China groups. He previously led our legal and government groups as Senior Vice President and General Counsel from January 2015 to January 2017 and as Corporate Vice President and General Counsel from June 2014 to January 2015. Mr. Rodgers joined Intel in 2000 and has held a number of roles in our legal department, including as Corporate Vice President and Deputy General Counsel from January 2014 until his appointment as Intel's fifth General Counsel in June 2014. Prior to joining Intel, Mr. Rodgers was a litigation partner at the firm of Brown & Bain, P.A.

**Navin Shenoy** has been Executive Vice President and General Manager of the Data Center Group since May 2017. In this role, he oversees our Data Center Group, Internet of Things Group, and Programmable Solutions Group and leads strategy and product development for many of our data-centric offerings, including server, network, storage, AI, Internet of Things, and FPGA products, across a range of use cases that include cloud computing, virtualization of network infrastructure, and AI adoption. From May 2016 to May 2017, Mr. Shenoy was Senior Vice President and General Manager of the Client Computing Group. From April 2012 to April 2016, he served as General Manager of the Mobility Client Platform Division, as Vice President from April 2012 until December 2014 and Corporate Vice President from January 2015 to May 2016. From October 2007 to April 2012, Mr. Shenoy served as Vice President and General Manager of our Asia-Pacific business. Mr. Shenoy joined Intel in 1995.

Robert ("Bob") H. Swan was appointed our Chief Executive Officer and a member of our Board of Directors on January 30, 2019. Mr. Swan had served as our interim Chief Executive Officer since June 2018 and has been our Executive Vice President, Chief Financial Officer since joining Intel in October 2016. As CFO, he oversees Intel's global finance organization—including finance, accounting and reporting, tax, treasury, internal audit, and investor relations—IT, Intel Capital, and our corporate strategy office. From September 2015 to September 2016, Mr. Swan served as an Operating Partner at General Atlantic LLC, a private equity firm. He served as Senior Vice President, Finance and Chief Financial Officer of eBay Inc. from March 2006 to July 2015. Previously, Mr. Swan served as Executive Vice President, Chief Financial Officer of Electronic Data Systems Corporation, Executive Vice President, Chief Financial Officer of TRW Inc., as well as Chief Financial Officer, Chief Operating Officer, and Chief Executive Officer of Webvan Group, Inc. Mr. Swan began his career in 1985 at General Electric, serving for 15 years in numerous senior finance roles. Mr. Swan also serves on the board of directors of eBay.

**Todd M. Underwood** was appointed our interim Chief Financial Officer as of January 31, 2019. Since August 2016, Mr. Underwood has been our Vice President of Finance and Director, Corporate Planning and Reporting, with responsibility for leading our financial planning processes, management reporting, and quarterly earnings process. From June 2015 to August 2016, he served as Vice President of Finance and Co-Executive-in-Residence with responsibility for integration activities of Intel's acquisition of Altera. Mr. Underwood served as Vice President of Finance for the Mobile and Communications Group from January 2012 to June 2015. Prior to that, he served as Director of Finance for Intel Capital from June 2008 to January 2012. Mr. Underwood joined Intel in 1992.

a001intellogocolor.jpg FUNDAMENTALS OF OUR BUSINESS

Who Manages Our Business

# MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Five years ago, we set out a strategy to transform from a PC-centric to a data-centric company. Our 2018 results serve as a strong proof point that our strategy is working and our transformation is well underway. We achieved record revenue and earnings per share (EPS), driven by strong business performance, continued operating leverage, and a lower tax rate. Revenue from our data-centric businesses collectively increased by double digits. Our PC-centric business grew above our expectations and continued to be a source of profit, cash flow, scale, and intellectual property (IP). While we have had delays in implementing our 10 nanometer (nm) manufacturing process technology, we have continued to innovate in our 14nm products, introducing leadership products that deliver more value to our customers. We've expanded beyond PC and server businesses with significant growth in adjacent products, and gained share in an expanded \$300 billion TAM¹. Our employees are executing to our strategy by developing compelling technology and delivering innovative products to our customers, enabling strong financial growth. For key highlights of the results of our operations, see "A Year in Review" within Fundamentals of Our Business.

Years Ended		December	29, 2018	Decembe	r 30, 2017	30, 2017 December 31, 2016		
(In Millions, Except Per Share Amounts)		Amount	% of Net Revenue	Amount	% of Net Revenue		Amount	% of Net Revenue
Net revenue	\$	70,848	100.0 %\$	62,761	100.0	%\$	59,387	100.0 %
Cost of sales		27,111	38.3 %	23,663	37.7	%	23,154	39.0 %
Gross margin		43,737	61.7 %	39,098	62.3	%	36,233	61.0 %
Research and development		13,543	19.1 %	13,035	20.8	%	12,685	21.4 %
Marketing, general and administrative		6,750	9.5 %	7,452	11.9	%	8,377	14.1 %
Restructuring and other charges		(72)	(0.1 %	384	0.6	%	1,744	2.9 %
Amortization of acquisition-related intangibles		200	0.3 %	177	0.3	%	294	0.5 %
Operating income		23,316	32.9 %	18,050	28.8	%	13,133	22.1 %
Gains (losses) on equity investments, net		(125)	) (0.2 %	2,651	4.2	%	506	0.9 %
Interest and other, net		126	0.2 %	(349)	(0.6	) %	(703)	) (1.2 %
Income before taxes		23,317	32.9 %	20,352	32.4	%	12,936	21.8 %
Provision for taxes		2,264	3.2 %	10,751	17.1	%	2,620	4.4 %
Net income	\$	21,053	29.7 %	9,601	15.3	%\$	10,316	17.4 %
Earnings per share - Diluted	\$	4.48		1.99		\$	2.12	

Source: Intel calculated 2022 TAM derived from industry analyst reports.

a001intellogocolor.jpg MD&A

Consolidated Results and Analysis

#### **REVENUE**

We have achieved our third year in a row of record revenue, demonstrating that our strategy and transformation from a PC to a data-centric company is paying off. Our total revenue grew from \$55.9 billion in 2014 to \$70.8 billion in 2018, representing 6% compound annual growth rate (CAGR). Data-centric businesses collectively grew faster than Intel as a whole at 13% CAGR over the last five years and are approaching 50% of our revenue.

#### PC TO DATA-CENTRIC TRANSFORMATION OVER THE LAST 5 YEARS

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■ PC-centric \$B
■ Data-centric \$B
— Data-centric as a % of total Intel revenue

#### **SEGMENT REVENUE WALK \$B**

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#### 2018 - 2017

In 2018, revenue was \$70.8 billion, up \$8.1 billion, or 13%, from 2017. The increase in revenue was primarily driven by strong performance across our data-centric businesses, which collectively grew 18% year over year and made up nearly half of our total revenue in 2018. Our recently acquired Mobileye business had revenue of \$698 million. Our PC-centric business grew 9%, above our expectations, due to PC TAM¹ growth and demand for our leadership products. The increase in 2018 revenue was partially offset by the loss of revenue from businesses that were divested, specifically \$534 million from the divestiture of the Intel Security Group (ISecG) and approximately \$165 million from the divestiture of Wind River.

#### 2017 - 2016

2017 revenue of \$62.8 billion was up \$3.4 billion, or 6%, from 2016. After adjusting for the Q2 2017 divestiture of ISecG, revenue grew 9% from 2016. The increase in revenue was primarily driven by strong performance across our data-centric businesses, which collectively grew 16% year over year after adjusting for ISecG. We saw revenue growth across our DCG, IOTG, NSG, and PSG businesses, and 2017 revenue included \$210 million from our Mobileye business. The increase in 2017 revenue was partially offset by \$1.6 billion from the divestiture of ISecG and by approximately \$500 million from a change to the Intel Inside® program.

Source: Intel calculated PC TAM derived from industry analyst reports.

#### **GROSS MARGIN**

We derived most of our overall gross margin dollars from the sale of platform products in the CCG and DCG operating segments. Our overall gross margin dollars in 2018 increased by \$4.6 billion, or 12%, compared to 2017, and in 2017 increased by \$2.9 billion, or 8%, compared to 2016. In 2018, our adjacent products continued to grow, primarily due to memory and modem products, which have a lower gross margin percentage than our overall average. Adjacent products represented a larger proportion of our overall business in 2018, which positively impacted our gross margin dollars but substantially offset the increase in gross margin percentage from platform products.

#### **GROSS MARGIN \$B**

(Percentages in chart indicate gross margin as a percentage of total revenue) c011 grossmargin.jpg

(In I	Millions)	
\$	43,737	2018 Gross Margin
	5,810	Higher gross margin from platform revenue
	(1,085)	Higher platform unit cost, primarily from increased mix of performance products
	(86)	Other, primarily due to impact from divestitures, offset by higher gross margin from adjacent businesses
\$	39,098	2017 Gross Margin
	2,380	Higher gross margin from platform revenue
	1,010	Lower platform unit cost, primarily on 14nm cost improvement
	420	Lower Altera and other acquisition-related charges
	315	Lower period charges associated with product warranty and IP agreements incurred in 2016
	(535)	Higher factory start-up costs, primarily driven by the ramp of our 10nm process technology
	(390)	Impact of the ISecG divestiture, offset by higher gross margin from adjacent businesses
	(275)	Period charges primarily associated with engineering samples and higher initial production costs from our 10nm products
	(60)	Other
\$	36,233	2016 Gross Margin

#### **OPERATING EXPENSES**

Total R&D and marketing, general and administrative (MG&A) expenses for 2018 were \$20.3 billion, down 1% from 2017. These expenses represented 28.6% of revenue for 2018 and 32.6% of revenue for 2017. In 2018, we met our goal to have annual R&D and MG&A be 30% of revenue, two years ahead of our 2020 target.

We continue to invest in R&D to accelerate our growth and profitability while driving operational efficiencies to reduce our MG&A spending.

#### **RESEARCH AND DEVELOPMENT \$B**

#### **MARKETING, GENERAL AND ADMINISTRATIVE \$E**

(Percentages indicate expenses as a percentage of total revenue)

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#### **RESEARCH AND DEVELOPMENT**

#### 2018 - 2017

R&D spending increased by \$508 million, or 4%, driven by the following:

- + Investments in data-centric businesses
- + Investments in 10nm process technology
- + Profit-dependent compensation due to an increase in net income
- Lack of expenses due to the divestitures of ISecG in Q2 2017 and Wind River in Q2 2018

#### 2017 - 2016

R&D spending increased by \$350 million, or 3%, driven by the following:

- + Investments in data-centric businesses, including the addition of Mobileye
- + Process development costs for our 7nm process technology
- + Profit-dependent compensation due to an increase in net income, excluding Tax Reform impacts
- Lack of expenses due to the 2017 divestiture of ISecG
- Cost savings from gained efficiencies

#### MARKETING, GENERAL AND ADMINISTRATIVE

#### 2018 - 2017

MG&A expenses decreased by \$702 million, or 9%, driven by the following:

- Reduction in marketing programs in 2018
- Lack of acquisition costs due to our 2017 acquisition of Mobileye
- Lack of expenses due to the divestitures of ISecG in Q2 2017 and Wind River in Q2 2018
- Change to the Intel Inside program in 2017
- + Olympics sponsorship in 2018
- + Profit-dependent compensation due to an increase in net income

#### 2017 - 2016

MG&A expenses decreased by \$925 million, or 11%, driven by the following:

- Lack of expenses due to the 2017 divestiture of ISecG
- Change to the Intel Inside program in 2017
- + Profit-dependent compensation due to an increase in net income, excluding Tax Reform impacts

#### **OVERVIEW**

CCG is our largest business unit, delivering 52% of our revenue. The PC market remains a critical facet of our business, providing an important source of IP, scale, and cash flow. CCG is dedicated to delivering client computing end-user solutions, focusing on higher growth segments of 2-in-1, thin-and-light, commercial, and gaming, as well as growing adjacencies such as WiFi and modem. CCG is the human touchpoint in a datacentric world. We deploy platforms that connect people to data and analytics, allowing each person to focus, create, and connect in ways that unlock their individual potential.

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#### **HIGHLIGHTS AND SEGMENT IMPERATIVES**

- Since 2014, the PC TAM has decreased by approximately 16%<sup>1</sup>, while CCG profitability has improved by over 37%, with focus on higher growth segments and innovative form factors.
   Delivering an annual cadence of leadership products is foundational to our business. In 2019
- we will begin transitioning to 10nm products, which are expected to be on shelves for the 2019 holiday season.
- Leveraging our engineering capabilities and working with our customers and partners, we drive innovation across key vectors of performance, battery life, connectivity (e.g., WiFi, 5G), graphics, form factors, and AI.
- As a critical facet of Intel's business, CCG is transforming the PC into the platform that powers every person's greatest contribution and fundamentally supports Intel's data-centric vision of the future.

"The PC is the human touchpoint of our data-cestrategy. We are committee making the PC the platfor that powers everyone's greatest contribution."

—**Gregory Bryant**, CCG General Manager

#### **5-YEAR TRENDS**

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■ Revenue \$B —	- Year over Year Growth	■ Op Income \$B	— Year over Year Growth
<sup>1</sup> Source: Intel calculated TAM derive	d from industry analyst reports		
a001intellogocolor.jpg MD&A	Segment Trends and Results		23

#### **MARKET AND BUSINESS OVERVIEW**

#### Market trends and strategy

Overall market conditions have improved and we saw a modest growth in the PC TAM¹ this year for the first time since 2011. Our revenue in 2018 increased due to strong demand in commercial and gaming market segments, and higher demand for our high-performance processors, which more than offset declines in desktop volume. We are operating in an increasingly competitive market, particularly in desktop. We continue to invest in product and process technology and in partnerships with our customers to deliver platform innovation and an annual cadence of leadership products. As we move to being a data-centric company, the PC is the connection between people, data, and analytics. It is the bridge between people and the cloud, allowing individuals to focus, create, and connect in new ways.

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a042ccgmarketconnect.jpg

#### **Products and competitiveness**

With a focus on an annual cadence of leadership products, we seek to deliver security-enhanced solutions that continue to open the doors for new technologies, new use cases, and new categories. We expanded our 8th generation Intel<sup>®</sup> Core<sup>™</sup> mobile processor U-series and Y-series families, which are optimized for mobility. These new processors have integrated Gigabit WiFi and enable faster connectivity speeds, better performance, more intuitive voice experiences, and longer battery life for 2-in-1s and thin-and-light laptops.

We introduced the first Intel® Core™ i9 processor for laptops, an Intel Core platform extension that brings together the benefits of 8th generation Intel Core processors with Intel® Optane™ memory, and high-performance desktop CPUs and chipsets that deliver modern standby and ambient computing capabilities. We also announced the first 9th generation Intel® Core™ desktop processors, including the i9-9900K gaming processor, which significantly improves performance and platform features to meet a range of consumer needs. Additionally, we are investing in AI usages to make the client smarter, more adaptable, and more responsive.

Our platform products continue to be enhanced by new adjacent technologies. We introduced our 6th generation LTE\* modem, the Intel® XMM™ 7660 modem, built on Intel's 14nm process technology. We also announced our first 5G NR multi-mode product, the Intel XMM 8160 modem, in our Intel XMM 8000 series product family. In addition, we introduced an Intel® NUC family of products based on 8th generation Intel® Core™ processors. These mainstream products can power home theater systems, drive content creation solutions, and serve as personal voice assistants. We also launched new Thunderbolt™ products, increasing the presence of fast and simple connectivity in premium PCs and universal docking solutions.

Source: Intel calculated PC shipment estimate derived from industry analyst reports.

#### FINANCIAL PERFORMANCE

#### **CCG REVENUE \$B**

#### **CCG OPERATING INCOME \$B**

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■ Platform

Adjacent

#### **REVENUE SUMMARY**

- First year over year PC TAM¹ growth since 2011 drove an increase in notebook platform volume in 2018. We are operating in an increasingly competitive environment, especially in desktop.
- Increased demand for performance products, and segmentation drove strong product mix and higher ASP.
- Strong demand for commercial, 2-in-1, and gaming market segments, along with higher modem share.

	2018	2018 – 2017			2017 – 2016		
(Dollars in millions)	%	\$ Impact		%	\$ Impact		
Desktop platform volume	down (6)%	\$	(608)	down (5)%	\$	(686)	
Desktop platform ASP	up 11%		1,181	flat —%		(38)	
Notebook platform volume	up 4%		839	up 5%		885	
Notebook platform ASP	up 3%		677	up 2%		326	
Adjacent products and other			912			608	
Total change in revenue		\$	3,001		\$	1,095	

#### **OPERATING INCOME SUMMARY**

Operating income increased 10% from 2017 to 2018, primarily due to higher gross margin from platform products. CCG achieved better operating efficiency with lower spending while continuing to invest in growth areas.

#### (In Millions)

\$ 14,222	2018 Operating Income
2,080	Higher gross margin from CCG platform revenue
235	Lower operating expenses
(690)	Higher platform unit cost due to increased mix to performance products
(225)	Higher period charges, primarily due to reserved non-qualified platform product as we ramp 10nm
(97)	Other
\$ 12,919	2017 Operating Income
1,135	Lower platform unit cost, primarily on 14nm cost improvement
635	Higher gross margin from platform revenue
630	Lower operating expenses and share of technology development and MG&A costs
(430)	Period charges primarily associated with engineering samples and higher initial production costs from 10nm products
303	Other
\$ 10,646	2016 Operating Income

<sup>&</sup>lt;sup>1</sup> Source: Intel calculated PC TAM derived from industry analyst reports and internal estimates.

#### **OVERVIEW**

DCG develops workload-optimized platforms for compute, storage, and network functions. Customers include cloud service providers, enterprise and government, and communications service providers. In 2018, DCG continued to grow faster than Intel as a whole, generating over 30% of our total revenue. Growth was fueled by strong demand in key workloads like AI and network function virtualization in the cloud service provider and communications service provider market segments.

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#### **HIGHLIGHTS AND SEGMENT IMPERATIVES**

- DCG had record revenue and operating income in 2018. Customer transition to Intel® Xeon® Scalable processors and higher demand across cloud and communication service providers contributed to the growth.
- Adjacent products collectively grew revenue at double digits. Silicon photonics led the adjacencies with significant revenue growth year over year.
- We see significant opportunities in cloud, networking, AI, and data analytics. As we broadened our product offerings and continued to innovate, the data center market TAM¹ expanded to over \$70 billion in 2018 and is expected to grow to over \$90 billion by 2022.
- We shipped the second generation Intel® Xeon® Scalable processors and Intel® Optane™ DC
  persistent memory for the data center.

"Our workload-optimized, broad portfolio strategy uniquely positions us to enable the global appetite move, store and process data."

—Navin Shenoy, DCG Ger Manager

#### **5-YEAR TRENDS**

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■ Revenue \$B — Year over Year Growth

Op Income \$B

Year over Year Growth

<sup>1</sup> Source: Intel calculated 2018 and 2022 TAM derived from industry analyst reports.

a001intellogocolor.jpg MD&A

Segment Trends and Results

#### MARKET AND BUSINESS OVERVIEW

#### Market trends and strategy

a044datadeluge.jpg

Data is a significant force in society today, and data is generated intelligent and connected devices and infrastructures, such as phones and automated factories. Data is transmitted through netwinfrastructure, processed, and analyzed to become real-time information. This real-time information enables actionable insights and is the lifeblood for the future of technology innovation in area such as Al.

Our thesis is that the massive growth of data worldwide will increademand to process, analyze, store, and move data. We are one of the few companies that touches every part of the data revolution, we've invested both organically and acquisitively to capitalize on these demands. We expect the growth momentum in DCG and the other data-centric businesses to continue in the long term.

DCG focuses on three market segments: cloud service providers, enterprise and government, and communication service providers. In 2018, cloud revenue grew as service providers continued to invest in infrastructure to meet the explosive demand for digital services, AI, and data analytics. Enterprise and government revenue was stable, driven by macro environment strength and increased deployment of hybrid cloud solutions and data-intensive workloads. Compared to 2017, where we saw workload migration as the main force of cloud growth, we now see new services as the primary drivers to public cloud demand while enterprise increased on-premises investments, including hybrid and private cloud deployments. In the communication service provider segment, we gained market segment share as customers chose to virtualize and transform their networks and prepare for the 5G transition using Intel® architecture.

#### a045datainfrastructure.jpg

#### **Products and competitiveness**

We offer a broad portfolio of platforms and technologies designed to provide workload-optimized performance across compute, storage, and network. These offerings span the full spectrum from the data center core to the network edge. In addition, DCG focuses on lowering the total cost of ownership and on other specific workload optimizations for the enterprise, cloud service provider, and communications service provider market segments, with hardware-enhanced performance, security features, and reliability. DCG's platform value can be extended through Intel adjacent products such as FPGAs and SSDs.

In 2018, we began shipping for revenue the second generation Intel Xeon Scalable processors, formerly code-named Cascade Lake, and they will launch in 2019. The new product delivers performance improvement over the prior generation on popular workloads, includes hardware-based mitigations for certain side-channel vulnerabilities, and introduces new capabilities with support for Intel Optane DC persistent memory. The combination of Intel Xeon processors and Intel Optane memory significantly boosted overall system performance and reduced total cost of ownership compared to the prior generation.

#### FINANCIAL PERFORMANCE

#### **DCG REVENUE \$B**

#### **DCG OPERATING INCOME \$B**

c020dcgrevenue.jpgc021dcgopincome.jpg

■ Platform

Adjacent

#### **REVENUE SUMMARY**

- Platform volume growth primarily from cloud and communication service provider market segments, with higher platform ASPs from the adoption of 14nm Intel® Xeon® Scalable processors.
- Adjacent growth driven by the continued expansion of silicon photonics and Intel Optane memory technology in 2018.
- When comparing 2018 to 2017, revenue from cloud service providers was up 40%, enterprise and government
  was up 2%, and communication service providers was up 25% (up 28%, down 3%, and up 15%, respectively,
  when comparing 2017 to 2016). In Q4 2018, we saw all DCG market segments were impacted by weakness in
  China demand and some cloud customers absorbing existing capacity.

	2018	2018 – 2017				017 – 2016		
(Dollars in millions)	% Growth	\$ Impact		% Growth	\$	Impact		
Platform volume <sup>1</sup>	up 13%	\$	2,334	up 5%	\$	801		
Platform ASP	up 7%		1,382	up 4%		743		
Adjacent Products	up 13%		211	up 21%		284		
Total change in revenue		\$	3,927		\$	1,828		

#### **OPERATING INCOME SUMMARY**

Operating income increased 37% year over year, reaching an operating margin of 50% in 2018.

#### (In Millions)

•	,	
\$	11,476	2018 Operating Income
	3,445	Higher gross margin from platform revenue
	(350)	Higher platform unit cost
	(14)	Other
\$	8,395	2017 Operating Income
	1,450	Higher gross margin from DCG platform revenue
	215	Lower period charges associated with product warranty and IP agreements incurred in 2016
	(585)	Higher factory start-up costs, primarily driven by the ramp of our 10nm process technology
	(315)	Higher DCG spending and share of technology development and MG&A costs
	110	Other
\$	7,520	2016 Operating Income

<sup>&</sup>lt;sup>1</sup> DCG platform products are sold across the cloud service provider, communication service provider, and enterprise and government market segments.

#### **OVERVIEW**

IOTG develops high-performance compute for targeted verticals and embedded markets. Our customers include retailers, manufacturers, health care providers, energy companies, automakers, and governments. We facilitate our customers creating, storing, and processing data generated by connected devices to accelerate business transformations.

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#### **HIGHLIGHTS AND SEGMENT IMPERATIVES**

- IOTG achieved record revenue and operating income in 2018 on broad business strength and growing demand for edge computing and computer vision-based applications.
- Since 2014, IOTG has had average revenue growth of 14% and operating income growth of 15% per year. As we broaden our product offerings to meet market demand for Internet of Things solutions, our TAM is expected to reach approximately \$30 billion by 2022¹.
- We see significant opportunity for growth driven by an architectural shift toward edge computing, which extends applications, data, and compute from centralized points to be closer to the source inputs, enabling compute-hungry Internet of Things applications.
- In 2018, we launched hardware solutions such as the Intel® Vision Accelerator Design Products and software solutions like the Intel® Distribution of OpenVINO™ toolkit to accelerate market adoption of computer vision and AI applications.

Segment Trends and Results

"Industries are undergo data-driven digital transformations fueled the Internet of Things. V work with our partners' ecosystems to build end solutions that provisolid business results to and lay the foundation the more autonomous tomorrow."

—**Tom Lantzsch,** IOTG General Manager

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#### **5-YEAR TRENDS**

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5-TEAR TRENDS		
c022iotg5yrrevenue.jpg c023iotg5yropincome.jpg		
■ Revenue \$B — Year over Year Growth	Op Income \$B	— Year over Year Growth
Source: Intel calculated TAM derived from industry analyst reports.		

#### **MARKET AND BUSINESS OVERVIEW**

#### Market trends and strategy

The world is becoming smarter, more connected, and more data driven, and the Internet of Things sits at the center of this global digital transformation. Through a robust network of devices, software, networks, and sensors, the Internet of Things is transforming the way businesses create products, deliver services, and conduct operations—from schools and hospitals, to retailers and smart factories, Internet of Things-based solutions represent one of the fastest growing segments within the semiconductor industry, with 10% CAGR forecast from 2018 to 20221. However, the Internet of Things is a highly fragmented market with a diverse collection of competitors, products, and vertical segments. As such, IOTG specifically focuses on market sectors such as retail, industrial, and smart infrastructure/cities that align well with Intel's ability to provide high-performance computing solutions.

#### a047iotgretaila01.jpg

Retailers are under tremendous pressure to compete in the age of accelerated digital disruption brought on by connected consumers and online shopping. We are helping retailers turn their data into powerful new insights. The results are highly curated experiences, improved inventory and supply chain efficiencies, and precision marketing.

#### a048iotgindustriala01.jpg

The industrial Internet of Things involves making operations smarter, more connected, and, ultimately, autonomous. We enhance collaboration between humans, machines, and enterprise systems from the supply chain congestion, and achieve new levels of to the factory floor. Example use cases include predictive maintenance, machine vision, robotics, quality control, and defect detection.

#### a049iotginfrastructurea01.jpg

Infrastructure providers and cities are seeking the best ways to use Internet of Things technology to enhance quality of services, improve public safety, reduce efficiency. We help cities and service providers turn data into actionable insigh enable smarter, safer and more efficient solutions

a050iotgvisiona01.jpg

By 2021, we expect approximately 80% of data traffic will be video2. Processing highquality video requires the ability to rapidly analyze vast streams of data near the sour and respond in real time, moving only relevant insights to the cloud. To process video data efficiently, our customers need the right solution for the job. We offer a broad rar of hardware, software tools, and ecosystem programs to help scale vision technology across Internet of Things verticals and match specific needs with the right performance cost, and power efficiency at every point in an Internet of Things architecture. Use ca include machine vision, industrial automation, and intelligent traffic management and pedestrian safety.

#### **Products and competitiveness**

IOTG utilizes adjacent products across Intel while making the investments needed to adapt products to the specific requirements for our vertical segments. We offer end-to-end solutions with our wide spectrum of products, including Intel Atom® and Intel® Xeon® processor-based computing, wireless connectivity, FPGAs, Movidius VPUs, and developer tools such as the OpenVINO™ software toolkit. IOTG product development focuses on addressing the key challenges businesses face when implementing Internet of Things solutions, including interoperability, connectivity, safety, security, industrial use conditions, and long life support.

IOTG enables a global ecosystem of industry partners, developers, and innovators to create solutions based on our products that accelerate return on investment and time-to-value for end customers. These Intel® Internet of Things Market Ready Solutions are vetted and tested in the market, scalable, repeatable, commercially available, and fully supported through our ecosystem partners. These solutions can help streamline operations, automate manual tasks, provide insights from data, and more.

Source: Intel calculated Internet of Things TAM CAGR derived from industry analyst reports.

Source: Cisco Visual Networking Index: Forecast and Trends, 2017-2022, updated November 26, 2018.

#### FINANCIAL PERFORMANCE

#### **IOTG REVENUE \$B**

#### **IOTG OPERATING INCOME \$B**

c024iotgrevenue.jpgc025iotgopincome.jpg

■ Platform

Adjacent

#### **REVENUE SUMMARY**

#### 2018 - 2017

Net revenue increased \$286 million, or 9%, driven by \$632 million higher IOTG platform unit sales, offset by \$212 million mix of platform products sold and \$134 million lower adjacent revenue due to the divestiture of Wind River in June 2018. After adjusting for Wind River, IOTG revenue grew \$447 million, or 16%, year over year. Revenue grew due to strength across the retail, industrial, video, and other market segments.

#### 2017 - 2016

Net revenue increased \$531 million, driven by \$329 million higher IOTG platform unit sales and \$176 million growth in IOTG adjacent products, including \$74 million from milestone-based revenue. Revenue grew across the retail, industrial, and smart video market segments.

#### **OPERATING INCOME SUMMARY**

#### 2018 - 2017

Operating income increased \$330 million due to higher revenue and lower spending as we reprioritized investments within the automotive business and Wind River.

#### 2017 - 2016

Operating income increased \$65 million due to higher revenue offset by higher investment in growth areas such as automotive, and by increased share of technology development and MG&A costs.

a001intellogocolor.jpg MD&A

Segment Trends and Results

#### **OVERVIEW**

NSG's core offerings include Intel® Optane™ and Intel® 3D NAND technologies, driving innovation in SSDs and next-generation memory and storage products. Our customers include enterprise and cloud-based data centers, users of business and consumer desktops and laptops, and a variety of Internet of Things application providers. We are ramping 64-layer (64L) triple-level cell (TLC) and quad-level cell (QLC) NAND technologies, and Intel Optane technology in innovative new form factors and densities to address the challenges our customers face in a rapidly evolving technological landscape.

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#### **HIGHLIGHTS AND SEGMENT IMPERATIVES**

- Achieved more than 20% revenue growth in 2018 and drove improvements in operating margins by approximately \$250 million to approximately break even for 2018.
- Introduced the industry's first PCle\*-based QLC SSD and grew our Intel® Optane™ and NAND product lines with a focus on new densities and innovative form factors in 2018, resulting in 64L QLC products making up more than half of our sales volume.
- Announced the release of Intel® Optane™ DC Persistent memory, available on next-generation Intel® Xeon® processors for datacenters—which is redefining the memory/storage hierarchy and bringing persistent, large-scale, memory closer to the processor.
- During 2018, Intel and Micron announced they will independently develop future generations of 3D NAND and 3D XPoint technology and in January 2019, Micron called our interest in IMFT. The IMFT agreement provides for supply for up to one year after the close of the transaction.

"Our Optane™ technology products are critical to helping our customers analyze valuable data in ways that allow real time business impact and out the QLC 3D NAND products enable them to store more data for coseffective analysis."

—Rob Crooke, NSG Ger Manager

#### **5-YEAR TRENDS**

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■ Revenue \$B — Year over Year Growth

Op Income \$B

a001intellogocolor.jpg MD&A

Segment Trends and Results

#### **MARKET AND BUSINESS OVERVIEW**

#### Market trends and strategy

As technology penetration continues to grow worldwide, the amount of data that is produced has grown exponentially. Audio, video, and sensory data is produced and collected by a vast array of devices that require a significant increase in storage and memory technology. This has resulted in the storage and memory TAM growing to approximately \$180 billion in 2018, a 25% increase from 2017¹. Our focus continues to be within the high-performance compute, financial services, cloud service provider, and Internet usage markets. NSG delivered over 20% annual revenue growth and improved profitability to break even for 2018.

With data growth expanding, our customers face the challenge of ensuring that critical, or "hot," data is close to the CPU for rapid access. Our innovations in technology address the need for various storage tiers, based on different usages, while keeping a focus on performance and cost. As customers look to improve the performance of their storage and memory devices, NSG is seeing and leading a transition to the PCIe\* interface with Non-Volatile Memory Express\* for SSDs, as well as efficiency and game-changing form factors like the "ruler" based on EDSFF.

#### a054memorystorage.jpg

#### **Products and competitiveness**

The acceleration in data growth across our customer base requires significant innovation in storage and memory technology. Our storage and memory roadmap has led the way in reimagining usages and architecting innovative solutions that have disrupted the industry with 64L 3D NAND TLC and QLC solutions, as well as Intel<sup>®</sup> Optane™ technology. We have launched over 15 new products in 2018 to keep up with the evolving business needs of our customers. These new products have driven our 64L products to be more than half of 2018 NSG volume and a meaningful ramp in the Optane business.

A key highlight in 2018 was the announcement of Intel® Optane™ DC Persistent Memory, available on next-generation Intel® Xeon® processor platforms for data center usages. This technology redefines the memory storage hierarchy and offers the performance of memory with the large capacities and persistence characteristics of storage. We are also leading the way in the NAND industry with the announcement of the first PCle\* QLC 3D NAND SSD for the Data Center and Client markets. This new technology will enable innovative new form factors and higher capacity drives. With the addition of these new NAND and Optane product lines, we have strengthened our commitment to driving customer value through platform-connected features and solutions.

#### INTEL® OPTANE™ TECHNOLOGY

**INTEL® 3D NAND TECHNOLOGY** 

a052optaneproducts.jpg

a0533dnandproducts.jpg

Source: Gartner, Inc., Forecast: DRAM Market Statistics, Worldwide, 2014-2021, 3Q18 Update, Gartner, Inc., Forecast: Hard-Disk Drives, Worldwide, 2014-2022, 2Q18 Update, Gartner, Inc., Forecast: NAND Flash Supply and Demand, Worldwide, 1Q16-4Q18, 2Q18 Update.

#### **FINANCIAL PERFORMANCE**

#### **NSG REVENUE \$B**

#### **NSG OPERATING INCOME \$B**

c028nsgrevenue.jpgc029nsgopincome.jpg

#### **REVENUE SUMMARY**

#### 2018 - 2017

Net revenue increased \$787 million, driven by \$2.6 billion increase in unit sales due to strong demand in data center and client SSD and the ramp of Intel Optane technology products, partially offset by \$1.8 billion lower ASP due to NAND market pricing weakness and mix of products sold.

#### 2017 - 2016

Net revenue increased \$944 million, driven by \$1.6 billion from higher unit sales due to strong demand in data center, partially offset by \$655 million lower ASP due to market conditions and the ramp of our new TLC 3D NAND product line, which has a lower cost and ASP compared to our primary multi-level cell 3D NAND.

#### **OPERATING INCOME SUMMARY**

#### 2018 - 2017

Operating income improved \$255 million as our sales mix shifted to our latest 64L NAND and we continued to see the cost ramp at Fab 68. The improved unit costs and higher unit sales more than offset the decline in ASP. In addition, we had a total of \$160 million earned government grants benefiting 2018.

#### 2017 - 2016

Operating income increased \$284 million, driven primarily by \$725 million unit cost reductions due to the cost improvements associated with Fab 68 and lower costs from the ramp of the Intel® 3D NAND product line compared to prior generation NAND products. The lower unit cost impact was offset by \$380 million lower gross margin from NSG revenue.

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Segment Trends and Results

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#### **OVERVIEW**

PSG offers programmable semiconductors, primarily FPGAs and related products for a broad range of market segments, including communications, data center, industrial, and military. PSG collaborates with the other Intel businesses to deliver FPGA acceleration in tandem with Intel microprocessors. This "better together" integration broadens the use of FPGAs and combines the benefits of both technologies to allow more flexibility for systems to operate with increased efficiency and higher performance.

a013psgdonut.jpg

#### **HIGHLIGHTS AND SEGMENT IMPERATIVES**

- PSG achieved a record design win year in 2018, driven by Intel® Arria® 10 and Intel® Stratix® 10 device families.
- In 2018 we announced the Intel® Programmable Acceleration Card (Intel® PAC) with Intel® Stratix®10 SX FPGA, which operates seamlessly with Intel Xeon processors and an acceleration software stack, extending our portfolio of FPGA acceleration platforms.
- In 2018, we acquired eASIC, a leading provider of structured application-specific integrated circuits (ASICs). These products expand PSG's chip portfolio to better meet customers' needs to further optimize cost and power. Customers have more choices and can achieve faster time-to-market and lower development costs—including a low-cost conversion process from FPGA to structured ASICs.
- In 2019, PSG will continue to focus on becoming the multi-function acceleration solution of choice for continuously evolving technologies from the edge to the cloud.

"The increased adoption of FPGA and eASIC solutions across data center, networking, and IoT is drivalue to our data-centric businesses."

**—Dan McNamara,** PSG Ge Manager

#### **3-YEAR TRENDS**

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■ Revenue \$B — Year over Year Growth

Op Income \$B

a001intellogocolor.jpg MD&A

Segment Trends and Results

#### **MARKET AND BUSINESS OVERVIEW**

#### Market trends and strategy

PSG delivers solutions in the programmable logic device (PLD) market, primarily FPGAs, to accelerate applications that help secure, power, and connect billions of devices and the infrastructure of the smart, connected, data-centric world. PSG enables a broad range of solutions targeting the data center, wireless, networking, military, medical, and industrial markets. The configurability and efficiency of FPGAs provide advantages to enable transformative applications such as 5G wireless, network function virtualization offload, and edge acceleration for video analytics and Industry 4.0. PSG has expanded its product portfolio by providing Intel® PAC, complete with an acceleration software stack, enabling new customers to plug cards directly into an Intel® Xeon® processor-based server for application accelerations in markets such as finance, genomics, video transcoding, and database acceleration.

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#### **Products and competitiveness**

With the rise of pervasive connectivity and autonomous transactions, vast networks of devices and systems are linked from the edge through infrastructure to the cloud. The Intel® FPGA portfolio enables this transformation with discrete FPGAs and software-defined, hardware-based, multi-function acceleration cards that allow faster development times, high performance, and power efficiency with lower overall total cost of ownership. In the cloud, where workloads shift dynamically and algorithms change, Intel FPGAs are the ideal solution for adapting to new demands through reconfigurability.

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Segment Trends and Results

#### FINANCIAL PERFORMANCE

#### **PSG REVENUE \$B**

#### **PSG OPERATING INCOME \$B**

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#### **REVENUE SUMMARY**

#### 2018 - 2017

Revenue increased \$221 million, driven by growth in the data center market segment and our advanced products (28nm, 20nm, and 14nm process technologies), which grew approximately 60% from 2017.

#### 2017 - 2016

Revenue increased \$233 million, driven by growth in industrial, military, and automotive market segments, as well as in our advanced products and last-time buys of our legacy products. Also, a one-time \$99 million deferred revenue write-down due to the acquisition of Altera negatively impacted 2016 PSG revenue.

#### **OPERATING INCOME SUMMARY**

#### 2018 - 2017

Operating income was flat year over year, at \$466 million. Revenue increased from the growth in the data center and advanced products, but was offset by higher costs from an unfavorable product mix and increased investments.

#### 2017 - 2016

Operating income increased \$562 million. Higher revenue and operational synergies contributed \$111 million of the year over year increase. The remainder was due to one-time acquisition-related charges, including a \$99 million deferred revenue write-down with a \$64 million operating income impact and an inventory valuation adjustment of approximately \$387 million.

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Segment Trends and Results

#### RESTRUCTURING AND OTHER CHARGES

Years Ended (In Millions)	c 29, 018	ec 30, 2017	Dec 31, 2016		
2016 Restructuring Program	\$ (72)	\$ 135	\$	1,681	
ISecG separation costs and other charges	 	249		63	
Total restructuring and other charges	\$ (72)	\$ 384	\$	1,744	

We commenced the 2016 Restructuring Program in the second quarter of 2016 and the program was completed in 2017. Other charges consist primarily of expenses associated with the divestiture of ISecG that was completed in Q2 2017. For further information, see "Note 8: Restructuring and Other Charges" within the Consolidated Financial Statements.

# GAINS (LOSSES) ON EQUITY INVESTMENTS AND INTEREST AND OTHER, NET

Years Ended (In Millions)	Dec 29, 2018		Dec 30, 2017	Dec 31, 2016	
Gains (losses) on equity investments, net	\$ (12	5) \$	2,651	\$	506
Interest and other, net	\$ 12	6 \$	(349)	\$	(703)

#### GAINS (LOSSES) ON EQUITY INVESTMENTS, NET

We recognized ongoing mark-to-market net losses on our marketable equity securities of \$129 million in 2018, primarily related to changes in value of our interests in ASML Holding N.V. (ASML) and Cloudera, Inc. In addition to the mark-to-market losses, we also recognized impairment charges, including a \$290 million impairment charge to our equity method investment in IMFT. These losses were partially offset by \$202 million of upward observable price adjustments.

We recognized \$3.5 billion of net realized gains on sales in 2017, primarily related to sales of a portion of our interest in ASML. The higher net realized gains were partially offset by \$833 million of impairment charges and our share of equity method investee losses in 2017. We recognized higher reported gains in 2017 compared to 2016, primarily related to sales of a portion of our interest in ASML.

#### INTEREST AND OTHER. NET

We recognized a net gain in interest and other in 2018 compared to a net loss in 2017, primarily due to lower losses on debt conversions, higher assets under construction resulting in more capitalized interest, and larger divestiture gains in 2018 compared to 2017.

We recognized a lower net loss in interest and other in 2017 compared to 2016, primarily due to higher interest income in 2017.

#### **PROVISION FOR TAXES**

Years Ended (Dollars in Millions)	Dec 29, 2018	Dec 30, 2017	Dec 31, 2016		
Income before taxes	\$ 23,317	\$ 20,352	\$	12,936	
Provision for taxes	\$ 2,264	\$ 10,751	\$	2,620	
Effective tax rate	9.7 %	52.8 %	)	20.3 %	

The majority of the decrease in our effective tax rate in 2018 compared to 2017 resulted from initial tax expense from the U.S. Tax Cuts and Jobs Act (Tax Reform) and the tax impacts from the ISecG divestiture that we had in 2017, but not in 2018. The reduction of the U.S. statutory rate, combined with the net impact of the enactment or repeal of specific tax law provisions through the Tax Reform, drove the remaining decrease in our effective tax rate in 2018. For

further information on Tax Reform and its impacts, see "Note 9: Income Taxes" within the Consolidated Financial Statements.

Substantially all of the increase in our effective tax rate in 2017 compared to 2016 was driven by the one-time provisional impacts from the Tax Reform enacted on December 22, 2017, the 2017 ISecG divestiture, and a higher proportion of our income in higher tax rate jurisdictions.

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Consolidated Results and Analysis

#### LIQUIDITY AND CAPITAL RESOURCES

We consider the following when assessing our liquidity and capital resources:

(Dollars in Millions)	Dec 29, 2018	Dec 30, 2017		
Cash and cash equivalents, short-term investments, and trading assets	\$ 11,650	\$	14,002	
Other long-term investments	\$ 3,388	\$	3,712	
Loans receivable and other	\$ 1,550	\$	1,097	
Reverse repurchase agreements with original maturities greater than three months	\$ 250	\$	250	
Total debt	\$ 26,359	\$	26,813	
Temporary equity	\$ 419	\$	866	
Debt as a percentage of permanent stockholders' equity	35.4 %	)	38.8 %	

Cash generated by operations is our primary source of liquidity. We maintain a diverse investment portfolio that we continually analyze based on issuer, industry, and country. When assessing our sources of liquidity, we include investments as shown in the preceding table. Substantially all of our investments in debt instruments and financing receivables are in investment-grade securities.

Other potential sources of liquidity include our commercial paper program and our automatic shelf registration statement on file with the SEC, pursuant to which we may offer an unspecified amount of debt, equity, and other securities. Under our commercial paper program, we have an ongoing authorization from our Board of Directors to borrow up to \$10.0 billion. As of December 29, 2018, \$480 million of commercial paper remained outstanding. During 2018, we remarketed a total of \$423 million aggregate principal amount of bonds issued by the Industrial Development Authority of the City of Chandler, Arizona and the State of Oregon Business Development Commission. We also repaid \$600 million of our 2.50% senior notes that matured in November 2018 and paid \$2.4 billion in cash to satisfy conversion requests for a portion of our \$2.0 billion 3.25% junior subordinated convertible debentures due 2039.

The enactment of Tax Reform in December 2017 imposed a tax on all previously untaxed earnings of non-U.S. subsidiaries of U.S. corporations. Future distributions of non-U.S. assets to the U.S. are no longer subject to U.S. taxation in most cases. As a result, in Q4 2017 we recognized a one-time provisional transition tax expense of \$6.1 billion, which was adjusted to \$5.9 billion in 2018. We expect to pay the tax in annual installments from 2019 through 2026. We believe that our current U.S. sources of cash and liquidity are sufficient to meet our tax liability.

During Q3 2017, we acquired 97.3% of Mobileye's outstanding ordinary shares for \$14.5 billion net cash. We funded the acquisition of shares with cash held by our non-U.S. subsidiaries. During Q2 2018, we acquired the remaining outstanding ordinary shares for \$380 million.

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

#### **SOURCES AND USES OF CASH**

(In Millions)

#### a060cashflow2.jpg

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

Years Ended (In Millions)	Dec 29, 2018			Dec 30, 2017	Dec 31, 2016	
Net cash provided by operating activities	\$ 29,432			22,110	\$	21,808
Net cash used for investing activities		(11,239)		(15,762)		(25,817)
Net cash provided by (used for) financing activities		(18,607)		(8,475)		(5,739)
Net increase (decrease) in cash and cash equivalents	\$	(414)	\$	(2,127)	\$	(9,748)

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Consolidated Results and Analysis

#### **OPERATING ACTIVITIES**

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

For 2018 compared to 2017, the \$7.3 billion increase in cash provided by operating activities was primarily due to higher net income, offset by changes in working capital. Changes in working capital were driven by taxes and accounts receivables, offset by relatively flat inventory levels. Income taxes paid, net of refunds, in 2018 compared to 2017 were flat as the benefit of a lower U.S. corporate tax rate was offset by the payment related to the 2017 U.S. Tax Reform transition tax. We received \$1.4 billion of customer deposits and prepaid supply agreements in 2018, net of customer utilization, compared to \$1.1 billion in 2017.

For 2017 compared to 2016, the \$302 million increase in cash provided by operating activities was due to changes to working capital partially offset by adjustments for non-cash items and lower net income. Tax Reform did not have an impact on our 2017 cash provided by operating activities. The increase in cash provided by operating activities was driven by increased income before taxes and \$1.1 billion receipts of customer deposits and prepaid supply agreements. These increases were partially offset by increased inventory and accounts receivable. Income taxes paid, net of refunds, in 2017 compared to 2016 were \$2.9 billion higher due to higher income before taxes, taxable gains on sales of ASML, and taxes on the ISecG divestiture.

#### **INVESTING ACTIVITIES**

Investing cash flows consist primarily of capital expenditures; investment purchases, sales, maturities, and disposals; and proceeds from divestitures and cash used for acquisitions. Our capital expenditures were \$15.2 billion in 2018 (\$11.8 billion in 2017 and \$9.6 billion in 2016).

The decrease in cash used for investing activities in 2018 compared to 2017 was primarily due to lower cash paid on acquisitions and increased cash from net trading asset activity. This was partially offset by increased capital expenditures, net available-for-sale debt investments activity, decreased proceeds from divestitures, and decreased sales of equity investments (substantially all from ASML sales).

The decrease in cash used for investing activities in 2017 compared to 2016 was primarily due to higher net activity of available-for-sale debt investments in 2017, proceeds from our divestiture of ISecG in 2017, and higher maturities and sales of trading assets in 2017. This activity was partially offset by higher capital expenditures in 2017.

#### FINANCING ACTIVITIES

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

The increase in cash used for financing activities in 2018 compared to 2017 was primarily due to decreased long-term debt issuance and increased repurchases of common stock. During 2018, we repurchased \$10.7 billion of common stock under our authorized common stock repurchase program, compared to \$3.6 billion in 2017. In 2018, the Board approved a \$15.0 billion increase in our authorized stock repurchase program. As of December 29, 2018, \$17.3 billion remained available for repurchasing common stock under the repurchase authorization limit. We base our level of common stock repurchases on internal cash management decisions, and this level may fluctuate. Our total dividend payments were \$5.5 billion in 2018 compared to \$5.1 billion in 2017. We have paid a cash dividend in each of the past 105 quarters. In Q1 2019, the Board declared a quarterly cash dividend of \$0.315 per share of common stock, payable on March 1, 2019 to stockholders of record on February 7, 2019.

The increase in cash used for financing activities in 2017 compared to 2016 was primarily due to net long-term debt activity, which was a use of cash in 2017 compared to a source of cash in 2016. Additionally, cash used for common stock repurchases was higher in 2017 compared to 2016.

#### **CONTRACTUAL OBLIGATIONS**

Significant contractual obligations as of December 29, 2018 were as follows:

	Paym	ments Due by Period								
(In Millions)	Total			ss Than 1 Year	1-	3 Years	3–5 Years		More Than 5 Years	
Operating lease obligations	\$	835	\$	229	\$	314	\$	171	\$	121
Capital purchase obligations <sup>1</sup>		9,029		7,888		795		345		1
Other purchase obligations and commitments <sup>2</sup>		3,249		1,272		1,781		178		18
Tax obligations <sup>3</sup>		4,732		143		426		1,234		2,929
Long-term debt obligations <sup>4</sup>		40,187		1,518		7,583		6,173		24,913
Other long-term liabilities <sup>5</sup>		1,626		722		708		95		101
Total <sup>6</sup>	\$	59,658	\$	11,772	\$	11,607	\$	8,196	\$	28,083

- Capital purchase obligations represent commitments for the construction or purchase of property, plant and equipment. They were not recorded as liabilities on our consolidated balance sheets as of December 29, 2018, as we had not yet received the related goods nor taken title to the property.
- Other purchase obligations and commitments include payments due under various types of licenses and agreements to purchase goods or services, as well as payments due under non-contingent funding obligations.
- Tax obligations represent the future cash payments related to Tax Reform enacted in 2017 for the one-time transition tax on our previously untaxed foreign earnings. For further information, see "Note 9: Income Taxes" within the Consolidated Financial Statements.
- <sup>4</sup> Amounts represent principal payments for all debt obligations and interest payments for fixed-rate debt obligations. Interest payments on floating-rate debt obligations, as well as the impact of fixed-rate to floating-rate debt swaps, are excluded. Debt obligations are classified based on their stated maturity date, regardless of their classification on the consolidated balance sheets. Any future settlement of convertible debt would impact our cash payments.
- Amounts represent future cash payments to satisfy other long-term liabilities recorded on our consolidated balance sheets, including the short-term portion of these long-term liabilities. Derivative instruments are excluded from the preceding table, as they do not represent the amounts that may ultimately be paid.
- Total excludes contractual obligations already recorded on our consolidated balance sheets as current liabilities, except for the short-term portions of long-term debt obligations and other long-term liabilities.

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

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

For the purchase of raw materials, we have entered into certain agreements that specify minimum prices and quantities based on a percentage of the total available market or based on a percentage of our future purchasing requirements. Due to the uncertainty of the future market and our future purchasing requirements, as well as the non-binding nature of these agreements, obligations under these agreements have been excluded from the preceding table. Our purchase orders for other products are based on our current manufacturing needs and are fulfilled by our vendors within short time horizons. In addition, some of our purchase orders represent authorizations to purchase rather than binding agreements.

Contractual obligations that are contingent upon the achievement of certain milestones have been excluded from the preceding table. Most of our milestone-based contracts are tooling related for the purchase of capital equipment. These arrangements are not considered contractual obligations until the milestone is met by the counterparty. As of December 29, 2018, assuming that all future milestones are met, the additional required payments would be approximately \$688 million.

For the majority of restricted stock units (RSUs) granted, the number of shares of common stock issued on the date the RSUs vest is net of the minimum statutory withholding requirements that we pay in cash to the appropriate taxing authorities on behalf of our employees. The obligation to pay the relevant taxing authority is excluded from the preceding table, as the amount is contingent upon continued employment. In addition, the amount of the obligation is unknown, as it is based in part on the market price of our common stock when the awards vest.

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Consolidated Results and Analysis

During 2014, we entered into a series of agreements with Tsinghua Unigroup Ltd. (Tsinghua Unigroup), an operating subsidiary of Tsinghua Holdings Co. Ltd., to, among other things, jointly develop Intel architecture and communications-based solutions for phones. Subject to regulatory approvals and other closing conditions, we have agreed to invest up to \$9.0 billion Chinese yuan (approximately \$1.5 billion as of the date of the agreement) for a minority stake of Beijing Unisoc Technology Ltd. (Unisoc), formally Beijing UniSpreadtrum Technology Ltd. During 2015, we invested \$966 million to complete the first phase of the equity investment, and the second phase of the investment will require additional funding of approximately \$500 million; however, as our obligation is contingent upon regulatory approvals and other closing conditions, it has been excluded from the preceding table.

## QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are affected by changes in currency exchange and interest rates, as well as equity and commodity prices. Our risk management programs reduce, but may not entirely eliminate, the impacts of these risks. All of the following potential changes are based on sensitivity analyses performed on our financial positions as of December 29, 2018 and December 30, 2017. Actual results may differ materially.

#### **CURRENCY EXCHANGE RATES**

We are exposed to currency exchange risks of non-U.S.-dollar-denominated investments in debt instruments and loans receivable, and may economically hedge this risk with foreign currency contracts, such as currency forward contracts or currency interest rate swaps. Gains or losses on these non-U.S.-currency investments are generally offset by corresponding losses or gains on the related hedging instruments. We are exposed to currency exchange risks from our non-U.S.-dollar-denominated debt indebtedness and may use foreign currency contracts designated as cash flow hedges to manage this risk.

Substantially all of our revenue is transacted in U.S. dollars. However, a significant portion of our operating expenditures and capital purchases are incurred in other currencies, primarily the euro, the Japanese yen, the Israeli shekel, and the Chinese yuan. We have established currency risk management programs to protect against currency exchange rate risks associated with non-U.S. dollar forecasted future cash flows and existing non-U.S. dollar monetary assets and liabilities. We may also hedge currency risk arising from funding of foreign currency-denominated future investments. We may utilize foreign currency contracts, such as currency forwards or option contracts in these hedging programs. We considered the historical trends in currency exchange rates and determined that it was reasonably possible that a weighted average adverse change of 20% in currency exchange rates could be experienced in the near term. Such an adverse change, after taking into account balance sheet hedges only and offsetting recorded monetary asset and liability positions outstanding as of December 29, 2018 and December 30, 2017, would result in an adverse impact on income before taxes of less than \$46 million and less than \$95 million, respectively.

#### **INTEREST RATES**

We are exposed to interest rate risk related to our fixed-rate investment portfolio and outstanding debt. The primary objective of our investment policy is to preserve principal and the financial flexibility to fund our business while maximizing yields, which generally track the U.S. dollar three-month LIBOR. We generally enter into interest rate contracts to convert the returns on our fixed-rate debt investment with remaining maturities longer than six months into U.S. dollar three-month LIBOR-based returns. We also enter into swaps to convert fixed-rate coupon payments into floating-rate coupon payments for our existing indebtedness. Gains or losses on these instruments are generally offset by corresponding losses or gains on the related hedging instruments.

A hypothetical increase in benchmark interest rates of up to 1.0%, after taking into account investment hedges, would have resulted in a decrease in the fair value of our investment portfolio of approximately \$110 million as of December 29, 2018 (a hypothetical decrease of 1.0% would have resulted in an increase of approximately \$100 million as of December 30, 2017).

Taking into account floating-rate debt, and fixed-rate debt that is swapped to floating-rate debt, a hypothetical increase in interest rates of up to 1.0% would result in an increase in annual interest expense on our indebtedness of approximately \$215 million from debt outstanding as of December 29, 2018 (an increase of approximately \$140 million from debt outstanding as of December 30, 2017). We have changed our presentation from the prior year to show the impact of interest rate changes on interest expense rather than on fair value of debt in order to present information that could hypothetically impact our net income and cash flows.

#### **EQUITY PRICES**

Our investments include marketable equity securities and equity derivative instruments. We typically do not attempt to reduce or eliminate our equity market exposure through hedging activities at the inception of our investments. In the event we do decide to enter into hedge arrangements, before doing so we evaluate legal, market, and economic factors, as well as the expected timing of disposal, to determine whether hedging is appropriate. Our equity market risk management program may include equity derivatives with or without hedge accounting designation that utilize warrants, equity options, or other equity derivatives.

We also utilize total return swaps to offset changes in liabilities related to the equity market risks of certain deferred compensation arrangements. Gains or losses from changes in fair value of these total return swaps are generally offset by the losses or gains on the related liabilities.

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Consolidated Results and Analysis

As of December 29, 2018, the fair value of our marketable equity investments and our equity derivative instruments, including hedging positions, was \$1.4 billion (\$4.2 billion as of December 30, 2017). A substantial majority of our marketable equity investments portfolio as of December 29, 2018 was concentrated in our investment in ASML of \$1.1 billion (\$3.6 billion as of December 30, 2017). To determine reasonably possible decreases in the market value of our marketable equity investments, we have analyzed the historical market price sensitivity of our marketable equity investment portfolio. Assuming a decline of 40% in market prices, and after reflecting the impact of hedges and offsetting positions, the aggregate value of our marketable equity investments could decrease by approximately \$0.6 billion, based on the value as of December 29, 2018 (a decrease in value of approximately \$1.1 billion, based on the value as of December 30, 2017 using an assumed decline of 25%). Beginning in 2018, as explained in "Note 3: Recent Accounting Standards" within the Consolidated Financial Statements, changes in the fair value of our marketable equity securities will be measured and recorded at fair value with changes in fair value recorded through the income statement.

Many of the same factors that could result in an adverse movement of equity market prices affect our non-marketable equity investments, although we cannot always quantify the impacts directly. Financial markets are volatile, which could negatively affect the prospects of the companies we invest in, their ability to raise additional capital, and the likelihood of our ability to realize value in our investments through liquidity events such as initial public offerings, mergers, and private sales. These types of investments involve a great deal of risk, and there can be no assurance that any specific company will grow or become successful; consequently, we could lose all or part of our investment. Our non-marketable equity securities had a carrying amount of \$3.0 billion as of December 29, 2018 (\$2.6 billion as of December 30, 2017) and included our investment in Unisoc of \$658 million (\$658 million for Unisoc as of December 30, 2017). The carrying amount of our equity method investments was \$1.6 billion as of December 29, 2018 (\$1.8 billion as of December 30, 2017). Substantially all of our equity method investments balance as of December 29, 2018 was concentrated in our IMFT investment of \$1.6 billion (\$1.5 billion for IMFT as of December 30, 2017).

#### **COMMODITY PRICE RISK**

Although we operate facilities that consume commodities, we are not directly affected by commodity price risk to a material degree. We have established forecasted transaction risk management programs to protect against fluctuations in commodity prices. We may use commodity derivatives contracts, such as commodity swaps, in these hedging programs. In addition, we have sourcing plans in place that mitigate the risk of a potential supplier concentration for our key commodities.

### OTHER KEY INFORMATION

#### **SELECTED FINANCIAL DATA**

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

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

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

#### SALES AND MARKETING

#### **CUSTOMERS**

We sell our products primarily to original equipment manufacturers (OEMs) and original design manufacturers (ODMs). ODMs provide design and manufacturing services to branded and unbranded private-label resellers. In addition, our customers include other manufacturers and service providers, such as industrial and communication equipment manufacturers and cloud service providers, who buy our products through distributor, reseller, retail, and OEM channels throughout the world. For more information about our customers, including customers who accounted for greater than 10% of our net consolidated revenue, see "Note 4: Operating Segments" within the Consolidated Financial Statements.

Our worldwide reseller sales channel consists of thousands of indirect customers—systems builders that purchase Intel® processors and other products from our distributors. We have incentive programs that allow distributors to sell our microprocessors and other products in small quantities to customers of systems builders. Our microprocessors and other products are also available in direct retail outlets.

#### **SALES ARRANGEMENTS**

Our products are sold through sales offices throughout the world. Sales of our products are frequently made via purchase order acknowledgments that contain standard terms and conditions covering matters such as pricing, payment terms, and warranties, as well as indemnities for issues specific to our products, such as patent and copyright indemnities. From time to time, we may enter into additional agreements with customers covering, for example, changes from our standard terms and conditions, new product development and marketing, and private-label branding. Our sales are routinely made using electronic and web-based processes that allow the customer to review inventory availability and track the progress of specific goods ordered. Pricing on particular products may vary based on volumes ordered and other factors. We also offer discounts, rebates, and other incentives to customers to increase acceptance of our products and technology.

In accordance with contract terms, revenue for product sales is recognized at the time of product shipment from our facilities or delivery to the customer location, as determined by the agreed-upon shipping terms. Our standard terms and conditions of sale typically provide that payment is due at a later date, 30 days after shipment or delivery. We assess credit risk through quantitative and qualitative analysis. From this analysis, we establish shipping and credit limits, and determine whether we will seek to use one or more credit support protection devices, such as obtaining a parent guarantee, standby letter of credit, or credit insurance. Credit losses may still be incurred due to bankruptcy, fraud, or other failure of the customer to pay.

Our sales to distributors are typically made under agreements allowing for price protection on unsold merchandise and a right of return on stipulated quantities of unsold merchandise. Under the price protection program, we give distributors credits for the difference between the original price paid and the current price that we offer. Our products typically have no contractual limit on the amount of price protection, nor is there a limit on the time horizon under which price protection is granted. The right of return granted generally consists of a stock rotation program in which distributors are able to exchange certain products based on the number of qualified purchases made by the distributor.

#### DISTRIBUTION

Distributors typically handle a wide variety of products, including those that compete with our products, and fill orders for many customers. Customers may place orders directly with us or through distributors. We have several distribution warehouses that are located in proximity to key customers.

#### **SEASONAL TRENDS**

Historically, our net revenue has typically been higher in the second half of the year than in the first half of the year, accelerating in the third quarter and peaking in the fourth quarter.

#### **MARKETING**

Our global marketing objectives are to build a strong, well-known, differentiated, and meaningful Intel corporate brand that drives preference with businesses and consumers, and to offer a limited number of meaningful and valuable brands in our portfolio to aid businesses and consumers in making informed choices about technology purchases. The Intel Core processor family and the Intel® Quark™, Intel Atom®, Intel® Celeron®, Intel® Pentium®, Intel® Xeon®, Intel

We promote brand awareness and preference, and generate demand through our own direct marketing, as well as through co-marketing programs. Our direct marketing activities primarily include advertising through digital and social media and television, as well as consumer and trade events, industry and consumer communications, and press relations. We market to consumer and business audiences, and focus on building awareness and generating demand for our performance leadership products. Our key messaging focuses on increased performance, improved energy efficiency, and other capabilities such as connectivity and communications.

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Certain customers participate in cooperative advertising and marketing programs such as the Intel Inside program. These cooperative advertising and marketing programs broaden the reach of our brands beyond the scope of our own direct marketing. Certain customers are licensed to place Intel® logos on computing devices containing our microprocessors and processor technologies, and to use our brands in their marketing activities. The program partially reimburses customers for marketing activities for products featuring Intel® brands, subject to customers meeting defined criteria. These marketing activities primarily include advertising through digital and social media and television, as well as press relations. We have also entered into joint marketing arrangements with certain customers.

#### **COMPETITION**

The computing industry is continuously evolving. New and existing technology providers regularly introduce new and enhanced technologies and products. The marketplace can change quickly in response to such technologies and products, as well as to changes in customer and end-user requirements, expectations, and preferences. As technologies evolve and new market segments emerge, the boundaries between the market segments that we compete in may also change. We face significant competition in the development and market acceptance of our products in this environment.

In addition, in connection with our strategic transformation to a data-centric company, we have pursued a broader market opportunity by entering new areas and introducing adjacent products. We face new sources of competition in these market segments, including from incumbent competitors with well-established technologies and customer bases, more industry experience, significant financial resources, and greater brand recognition.

#### **COMPETITORS**

Our broad product portfolio offers end-to-end solutions to help our customers process, analyze, store, and transfer data, including platform products that range from high-performance platforms for cloud computing workloads to low-power platforms for edge computing devices. We face intense competition across each part of this portfolio from other companies that offer platform products, such as Advanced Micro Devices, Inc. (AMD); accelerator products such as GPUs, including NVIDIA Corporation (NVIDIA), as well as accelerator products such as ASICs, application-specific standard products, and FPGAs; memory and storage products; or connectivity products such as cellular modems. Some of these competitors have developed or utilize competing computing architectures for specific market segments or applications, such as low-power applications or emerging AI workloads. We also compete with internally developed semiconductors from OEMs, cloud service providers, and others, including customers. These companies may choose to vertically integrate their own proprietary semiconductor designs with their software assets, to offer greater product differentiation or increase product margins, or to customize such designs for their specific computing workloads. We may also face new sources of competition as a result of changes in industry participants through, for example, acquisitions or business collaborations, as well as new entrants, which could have a significant impact on our competitive position.

- CCG. We are a leading provider of platforms for notebooks, 2-in-1 systems, and desktops, including high-end enthusiast PCs. We face existing and emerging competition in these product areas. Tablets, phones, and other mobile devices offered by numerous vendors are significant competitors to traditional PCs for many usages, and considerable blurring of system form factors currently exists in the marketplace. We face strong competition from AMD as well as from vendors who use applications processors that are based on the ARM\* architecture, feature low-power or long battery-life operation, and are built in SoC formats that integrate numerous functions on one chip. We are competing with a number of large companies in the development of 5G cellular modems.
- DCG. We are a leading provider of data center platforms, and face competition from incumbent competitors
  such as AMD, providers of accelerator products such as NVIDIA, and companies using ARM architecture, as
  well as from new entrants developing products customized for specific data center workloads and from
  internally developed solutions by cloud service providers and others. We see cloud computing, storage, and
  networking as areas of significant opportunity in our DCG business, as we seek to help our customers process,
  analyze, store, and transfer increasing amounts of data in connection with AI, autonomous driving, and other
  applications. We face strong competition in these areas.

- IOTG. We have a long-standing position as a supplier of components and software for embedded products. This marketplace continues to expand significantly, with increasing types and numbers of smart and connected devices for retail, industrial, and consumer uses, including smart video. As this market segment evolves, we face numerous large and small incumbent processor competitors, as well as new entrants that use ARM architecture and other operating systems and software. In addition, the Internet of Things requires a broad range of connectivity solutions and we face competition from companies providing traditional wireless solutions such as cellular, WiFi, and Bluetooth®, as well as several new entrants who are taking advantage of new focused communications protocols.
- NSG. We compete against other providers of NAND flash memory products. We focus our efforts primarily on
  incorporating NAND flash memory into solution products, such as SSDs supporting enterprise and consumer
  applications. Our innovative Intel Optane technology offers a unique combination of performance, density,
  power, non-volatility, and cost advantages that redefines the memory storage hierarchy between conventional
  DRAM memory and NAND. We believe that our memory offerings, including our Intel Optane technology,
  complement our product offerings in our other segments.

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• PSG. We are a leading provider of programmable semiconductors and related products, including FPGAs and SoC FPGAs. We face competition from other programmable logic companies, as well as companies that make other types of semiconductor products, such as ASICs, application-specific standard products, GPUs, digital signal processors, and CPUs. Targeted growth areas for our programmable solutions include communications, data center, industrial, and military applications. The FPGA life cycle is long relative to other Intel products—from the time that a design win is secured, it generally takes three or more years before a customer starts volume production and we receive the associated revenue from such design win.

#### **COMPETITIVE FACTORS**

Our products primarily compete based on performance, energy efficiency, integration, ease-of-use, innovative design, features, price, quality, reliability, security features, software ecosystem and developer support, time-to-market, brand recognition, customer support and customization, and availability. The importance of these factors varies by the type of end system for the products. For example, performance might be among the most important factors for our products for data center servers, while energy efficiency and price, as well as density and non-volatility, might be among the most important factors for our memory products.

Our key competitive advantages include:

- Well-positioned for growth in a new era of data-centric computing. The proliferation of data from the cloud, to
  the network, and out to the edge; the impending transition to 5G; and the growth of Al and analytics have driven
  a profound shift in computing, creating massive amounts of largely untapped data and a significant opportunity.
  We believe we are one of the few companies with a product portfolio that spans this new data-centric world.
  With products to help our customers process, analyze, store, and transfer large amounts of data, we have the
  opportunity to be the leading end-to-end platform provider for our customers.
- Combination of our network of manufacturing and assembly and test facilities with our global architecture design teams. We have made significant capital and R&D investments in our integrated manufacturing network, which enables us to have more direct control over our design, development, and manufacturing processes; quality control; product cost; production timing; performance; power consumption; and manufacturing yield. We also have the scale and expertise necessary to enable deep engagement with our customers on their product needs. The increased cost of constructing new fabrication facilities to support smaller transistor geometries and larger wafers has led to a reduced number of companies that can build and equip leading-edge manufacturing facilities. Most of our competitors rely on third-party foundries, such as Taiwan Semiconductor Manufacturing Company, Ltd. or Samsung Electronics Co., Ltd., and subcontractors for manufacturing and assembly and test needs.

We also face competitive challenges associated with the development and implementation of our next-generation process technology. We announced earlier in 2018 that volume production on our 10nm process technology was being delayed from the second half of 2018 into 2019. We have made progress on improving 10nm yields during 2018, and we expect 10nm-based volume client systems on retail shelves for the 2019 holiday season. However, the delays in our transition to next-generation process technology may allow competitors to take advantage of potential improvements in performance, energy efficiency, cost and/or other features that may be offered by new process technologies developed by third-party foundries. While we believe we derive significant competitive advantages from being an integrated device manufacturer as discussed above, we are also subject to the inherent risks of next-generation process development.

#### INTELLECTUAL PROPERTY RIGHTS AND LICENSING

Intel owns and develops significant IP and related IP rights around the world that relate to our products, services, R&D, and other activities and assets. Our IP portfolio includes patents, copyrights, trade secrets, trademarks, trade dress rights, and maskwork rights. We actively seek to protect our global IP rights and to deter unauthorized use of our IP and other assets. Such efforts can be difficult, however, particularly in countries that provide less protection to IP rights and in the absence of harmonized international IP standards. For a discussion of the risks related to IP and our IP rights, please see "We are subject to IP risks and risks associated with litigation and regulatory proceedings" in "Risk Factors" within Other Key Information. While our IP rights are important to our success, our business as a whole is not significantly dependent on any single patent, copyright, or other IP right.

We have obtained patents in the U.S. and other countries. Because of the fast pace of innovation and product development, and the comparative pace of governments' patenting processes, our products are often obsolete before the patents related to them expire; in some cases, our products may be obsolete before the patents related to them are granted. As we expand our product offerings into new industries, we also seek to extend our patent development efforts to patent such products. In addition to developing patents based on our own R&D efforts, we may purchase or license patents from third parties. Established competitors in existing and new industries, as well as companies that

purchase and enforce patents and other IP, may already have patents covering similar products. There is no assurance that we will be able to obtain patents covering our own products, or that we will be able to obtain licenses from other companies on favorable terms or at all.

The software that we distribute, including software embedded in our component-level and platform products, is entitled to copyright and other IP protection. To distinguish our products from our competitors' products, we have obtained trademarks and trade names for our products, and we maintain cooperative advertising programs with customers to promote our brands and to identify products containing genuine Intel components. We also protect details about our processes, products, and strategies as trade secrets, keeping confidential the information that we believe provides us with a competitive advantage.

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#### CRITICAL ACCOUNTING ESTIMATES

The methods, assumptions, and estimates that we use in applying our accounting policies may require us to apply judgments regarding matters that are inherently uncertain. We consider an accounting policy to be a critical estimate if: (1) we must make assumptions that were uncertain when the judgment was made, and (2) changes in the estimate assumptions, or selection of a different estimate methodology could have a significant impact on our financial position and the results that we report in our consolidated financial statements. While we believe that our estimates, assumptions, and judgments are reasonable, they are based on information available when the estimate was made.

Refer to "Note 2: Accounting Policies" within the Consolidated Financial Statements for further information on our critical accounting estimates and policies, which are as follows:

- Inventories the transition of manufacturing costs to inventory, excluding factory excess capacity costs.
   Inventory reflected at the lower of cost or net realizable value considering future demand and market conditions;
- Property, plant and equipment the useful life determination and the related timing of when depreciation begins;
- Long-lived assets the valuation methods and assumptions used in assessing the impairment of property, plant
  and equipment, identified intangibles, and goodwill, including the determination of asset groupings and the
  identification and allocation of goodwill to reporting units;
- Non-marketable equity investments the valuation estimates and assessment of impairment and observable price adjustments;
- Business combinations the assumptions used to allocate the purchase price paid for assets acquired and liabilities assumed in connection with our acquisitions;
- Income taxes the identification and measurement of deferred tax assets and liabilities, and estimates
  associated with Tax Reform; and
- Loss contingencies the estimation of when a loss is probable and reasonably estimable.

#### RISK FACTORS

The following risks could materially and adversely affect our business, financial condition, cash flows, and results of operations, and the trading price of our common stock could decline. These risk factors do not identify all risks that we face; our operations could also be affected by factors that are not presently known to us or that we currently consider to be immaterial to our operations. Due to risks and uncertainties, known and unknown, our past financial results may not be a reliable indicator of future performance, and historical trends should not be used to anticipate results or trends in future periods. Refer also to the other information set forth in this Annual Report on Form 10-K, including in MD&A and our financial statements and the related notes.

### CHANGES IN PRODUCT DEMAND CAN ADVERSELY AFFECT OUR FINANCIAL RESULTS.

Demand for our products is variable and hard to predict. Our products are used in different market segments, and demand for our products may vary within or among the market segments served by our PC-centric and data-centric businesses. It is difficult to forecast these changes and their impact. For example, demand for our platform products may increase in one or more market segments while decreasing in others. Changes in the demand for our products, particularly our CCG and DCG platform products, may reduce our revenue, lower our gross margin, or require us to write down the value of our assets.

Important factors that could lead to variation in the demand for our products include:

- business conditions, including downturns in the market segments in which we operate, or in the global or regional economies;
- consumer confidence or income levels, and the levels of customer capital spending, which may be impacted by changes in market conditions, including changes in government borrowing, taxation, or spending policies; the credit market; or expected inflation, employment, and energy or other commodity prices;
- · our ability to timely introduce competitive products;
- competitive and pricing pressures, including new product introductions and other actions taken by competitors;

- the level of our customers' inventories;
- customer order patterns, including order cancellations, which may be affected by maturing product cycles, disruptions affecting customers, and other factors;
- market acceptance and industry support of our new and maturing products, including the introduction and availability of products used together with our products; and
- customer product needs and emerging technology trends, including changes in the levels and nature of customer and end-user computing workloads.

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Due to the complexity of our manufacturing operations, we may be unable to timely respond to fluctuations in demand and we may incur significant charges and costs. Because we own and operate high-tech fabrication facilities, our operations have high costs that are fixed or difficult to reduce in the short term, including our costs related to utilization of existing facilities, facility construction and equipment, R&D, and the employment and training of a highly skilled workforce. If product demand decreases or we fail to forecast demand accurately, we could be required to write off inventory or record excess capacity charges, which would lower our gross margin. If the demand decrease is prolonged, our manufacturing or assembly and test capacity could be underutilized, and we may be required to write down our long-lived assets, which would increase our expenses. We may also be required to shorten the useful lives of under-used facilities and equipment and accelerate depreciation. Conversely, if product demand increases, we may be unable to add capacity fast enough to meet market demand, which could result in a loss of revenue opportunities or market share, legal claims, and/or damage to customer relationships.

We face significant competition. The industry in which we operate is highly competitive and subject to rapid technological and market developments, changes in industry standards, changes in customer needs, and frequent product introductions and improvements. If we do not anticipate and respond to these developments, our competitive position may weaken, and our products or technologies might be uncompetitive or become obsolete. Our products primarily compete based on performance, energy efficiency, integration, ease-of-use, innovative design, features, price, quality, reliability, security features, software ecosystem and developer support, time-to-market, brand recognition, customer support and customization, and availability. The importance of these factors may vary by product—for example, if we do not continue to introduce data center platform products with performance leadership, our competitive position and market segment share in our DCG business may be adversely affected. We will not realize our strategic goal to become the leading end-to-end provider for the new data-centric era of computing if our products do not meet our customers' needs in an increasingly competitive landscape.

We face intense competition across our product portfolio from companies offering platform products; accelerator products such as GPUs, ASICs, application-specific standard products, and FPGAs; memory and storage products; connectivity products such as cellular modems; and other semiconductor products. Some of these competitors have developed or utilize competing computing architectures for specific market segments or applications, and these architectures can produce beneficial network effects for competitors if an ecosystem of customers and application developers for such architectures grows at scale. We also compete with internally developed semiconductors from OEMs, cloud service providers, and others, including customers, and with new entrants. Introduction of competitive new products, aggressive pricing, and other actions taken by competitors could harm demand for our products and our business. Additionally, a number of business combinations and strategic partnerships in the semiconductor industry have occurred over the last several years, and more could occur in the future. Consolidation could lead to fewer customers, partners, or suppliers, any of which could negatively affect our financial results.

To compete successfully, we must maintain a successful R&D effort, develop new products and production processes, and improve our existing products and processes ahead of competitors. For example, we invest substantially in our network of manufacturing and assembly and test facilities, including the construction of new fabrication facilities to support smaller transistor geometries, and in the development of the advanced manufacturing technologies to produce such transistors. We do not expect all of our R&D investments to be successful. We may be unable to develop and market new products successfully, and the products and technologies we invest in and develop may not be well received by customers. Our R&D investments may not contribute to our future operating results for several years, if at all, and such contributions may not meet our expectations or even cover the costs of such investments. Additionally, the products and technologies offered by others may affect demand for, or pricing of, our products.

If we are not able to compete effectively, our financial results will be adversely affected, including reduced revenue and gross margin, and we may be required to accelerate the write-down of the value of certain assets.

Our investments in new businesses, products, and technologies are inherently risky and may not succeed. In recent years, in connection with our strategic transformation to a data-centric company, we have entered new areas and introduced adjacent products in programmable solutions, AI, and autonomous driving. We have also expanded our adjacent product offerings in client computing, the data center, the Internet of Things, and memory, with offerings such as modems, silicon photonics solutions, and Intel Optane technology products. As a result, we face new sources of competition, including, in certain of these market segments, from incumbent competitors with established technologies and customer bases and greater brand recognition. These developing products and market segments may require significant investment, may not grow as significantly as projected, or at all, or may utilize technologies that are different from the ones that we develop and manufacture, and we may not realize an adequate return on our investments. For example, AI and machine learning are increasingly driving innovations in technology, but if they fail to deliver the benefits anticipated, or if our customers use competing technologies for these workloads, we may not realize a return on our investments in these areas. To be successful, we need to cultivate new industry relationships with customers and partners in these market segments. In addition, we must continually improve the cost, performance, integration, and energy efficiency of our products, as well as expand our software capabilities to provide

customers with comprehensive computing solutions. Despite our ongoing efforts, there is no guarantee that we will achieve or maintain market demand or acceptance for our products and services in these various market segments.

Changes in the mix of products sold may impact our financial results. Our pricing and margins vary across our products and market segments due in part to marketability of our products and differences in their features or manufacturing costs. For example, our platform product offerings range from lower-priced and entry-level platforms, such as those based on Intel Atom processors, to higher-end platforms based on Intel Xeon processors. Our adjacent products also typically have significantly lower margins than our higher-priced platform products. If demand shifts from our higher-priced to lower-priced platform products in any of our market segments, or if our adjacent products represent an increasingly greater share of our mix of products sold, our gross margin percentage may decrease.

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### WE OPERATE GLOBALLY AND ARE SUBJECT TO SIGNIFICANT RISKS IN MANY JURISDICTIONS.

Global or regional conditions may harm our financial results. We have manufacturing, assembly and test, R&D, sales, and other operations in many countries, and some of our business activities may be concentrated in one or more geographic areas. Moreover, sales outside the U.S. accounted for approximately 84% of our revenue for the fiscal year ended December 29, 2018. As a result, our operations and our financial results, including our ability to manufacture, assemble and test, design, develop, or sell products, and the demand for our products, may be adversely affected by a number of global and regional factors outside of our control.

Adverse changes in global or regional economic conditions, including recession or slowing growth, changes or uncertainty in fiscal or monetary policy, higher interest rates, tighter credit, inflation, lower capital expenditures by businesses including on IT infrastructure, increases in unemployment, and lower consumer confidence and spending, could significantly harm demand for our products and make it more challenging to forecast our operating results and make business decisions, including regarding prioritization of investments in our business. An economic downturn or increased uncertainty may also lead to increased credit and collectibility risks, higher borrowing costs or limits on our access to capital markets, reduced liquidity, adverse impacts on our suppliers, failures of counterparties and other financial institutions, and declines in the value of our financial instruments.

International trade disputes may result in increased tariffs, trade barriers, and other protectionist measures that could increase our manufacturing costs, make our products less competitive, reduce consumer demand, or impede or slow the movement of our goods across borders. Increasing protectionism and economic nationalism may lead to further changes in trade policy, domestic sourcing initiatives, or other formal and informal measures that could make it more difficult to sell our products in some markets.

We may be adversely affected by other global and regional factors, including:

- geopolitical and security issues, such as armed conflict and civil or military unrest, political instability, human rights concerns, and terrorist activity;
- natural disasters, public health issues, and other catastrophic events;
- inefficient infrastructure and other disruptions, such as supply chain interruptions and large-scale outages or unreliable provision of services from utilities, transportation, data hosting, or telecommunications providers;
- formal or informal imposition of new or revised export, import, or doing-business regulations, including trade sanctions and tariffs, which could be changed without notice;
- government restrictions on, or nationalization of our operations in any country, or restrictions on our ability to repatriate earnings from a particular country;
- differing employment practices and labor issues;
- · ineffective legal protection of our IP rights in certain countries;
- local business and cultural factors that differ from our current standards and practices;
- continuing uncertainty regarding social, political, immigration, and tax and trade policies in the U.S. and abroad, including as a result of the United Kingdom's vote to withdraw from the European Union; and
- fluctuations in the market values of our domestic and international investments, which can be negatively
  affected by liquidity, credit deterioration or losses, interest rate changes, financial results, political risk,
  sovereign risk, or other factors.

We are subject to laws and regulations worldwide that may differ among jurisdictions, affecting our operations in areas including, but not limited to: IP ownership and infringement; tax; import and export requirements; anti-corruption; foreign exchange controls and cash repatriation restrictions; data privacy requirements; competition; advertising; employment; product regulations; environment, health, and safety requirements; and consumer laws. Compliance with such requirements may be onerous and expensive, and may otherwise impact our business operations negatively. For example, unfavorable developments with evolving laws and regulations worldwide related to 5G or autonomous driving technology may limit global adoption, impede our strategy, and negatively impact our long-term expectations for our investments in these areas. Although we have policies, controls, and procedures designed to help ensure compliance with applicable laws, there can be no assurance that our employees, contractors, suppliers, and/or agents will not violate such laws or our policies. Violations of these laws and regulations could result in fines; criminal

sanctions against us, our officers, or our employees; prohibitions on the conduct of our business; and damage to our reputation.

We may be affected by fluctuations in currency exchange rates. We are potentially exposed to adverse as well as beneficial movements in currency exchange rates. Although most of our sales occur in U.S. dollars, expenses may be paid in local currencies. An increase in the value of the dollar could increase the real cost to our customers of our products in those markets outside the U.S. where we sell in dollars, and a weakened dollar could increase the cost of expenses such as payroll, utilities, tax, and marketing expenses, as well as overseas capital expenditures. We also conduct certain investing and financing activities in local currencies. Our hedging programs may not be effective to offset any, or more than a portion, of the adverse impact of currency exchange rate movements; therefore, changes in exchange rates could harm our results of operations and financial condition.

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Catastrophic events could have a material adverse effect on our operations and financial results. Our operations and business, and those of our customers and suppliers, could be disrupted by natural disasters; industrial accidents; public health issues; cybersecurity incidents; interruptions of service from utilities, transportation, telecommunications, or IT systems providers; or other catastrophic events. Our headquarters and many of our operations and facilities are in locations that are prone to earthquakes and other natural disasters. Global climate change may result in certain natural disasters occurring more frequently or with greater intensity, such as drought, wildfires, storms, sea-level rise, and flooding, and could disrupt the availability of water necessary for the operation of our fabrication facilities located in semi-arid regions. Catastrophic events could make it difficult or impossible to manufacture or deliver products to our customers, receive production materials from our suppliers, or perform critical functions, which could adversely affect our revenue and require significant recovery time and expenditures to resume operations. While we maintain business recovery plans that are intended to enable us to recover from natural disasters or other events that can be disruptive to our business, some of our systems are not fully redundant and we cannot be sure that our plans will fully protect us from all such disruptions. Furthermore, even if our operations are unaffected or recover quickly, if our customers cannot timely resume their own operations due to a catastrophic event, they may reduce or cancel their orders, which may adversely affect our results of operations.

We maintain a program of insurance coverage for a variety of property, casualty, and other risks. The types and amounts of insurance we obtain vary depending on availability, cost, and decisions with respect to risk retention. Some of our policies have large deductibles and broad exclusions. In addition, one or more of our insurance providers may be unable or unwilling to pay a claim. Losses not covered by insurance may be large, which could harm our results of operations and financial condition.

Damage to our reputation could damage our business. Our reputation is a critical factor in our relationships with customers, employees, governments, suppliers, and other stakeholders. If we fail to address, or appear to fail to address, issues that give rise to reputational risk, including those described throughout this "Risk Factors" section, we could significantly harm our reputation and our brands. Our reputation may also be damaged by how we respond to corporate crises. Corporate crises can arise from catastrophic events as well as from incidents involving unethical behavior or misconduct; product quality, security, or safety issues; allegations of legal noncompliance; internal control failures; corporate governance issues; data breaches; workplace safety incidents; environmental incidents; the use of our products for illegal or objectionable applications; marketing practices; media statements; the conduct of our suppliers or representatives; and other issues or incidents that, whether actual or perceived, result in adverse publicity. If we fail to respond quickly and effectively to address such crises, the ensuing negative public reaction could significantly harm our reputation and our brands and could lead to increases in litigation claims and asserted damages or subject us to regulatory actions or restrictions.

Damage to our reputation could reduce demand for our products and adversely affect our business and operating environment. It could reduce investor confidence in us, adversely affecting our stock price. It may also limit our ability to be seen as an employer of choice when competing for highly skilled employees. Moreover, repairing our reputation and brands may be difficult, time-consuming, and expensive.

#### WE ARE VULNERABLE TO PRODUCT AND MANUFACTURING-RELATED RISKS.

We are subject to risks associated with the development and implementation of new manufacturing process technology. Production of integrated circuits is a complex process. Realizing the economics of Moore's Law is a strategic priority, and we are continually engaged in the development of next-generation process technologies at increasingly advanced nodes. We may not be successful or efficient in developing or implementing new process nodes and production processes. Our efforts to innovate involve significant expense and carry inherent risks, including difficulties in designing and developing such next-generation process technologies, failures to realize the expected benefits of next-generation process technologies, and investments in manufacturing assets and facilities that are made years in advance of the process node introduction.

Risks inherent in the development of next-generation process technologies include production timing delays, lower-than-anticipated manufacturing yields, and product defects and errata. For example, we announced earlier in 2018 that volume production on our 10nm process technology was being delayed from the second half of 2018 into 2019. We have made progress on improving 10nm yields during 2018, and we expect 10nm-based volume client systems on retail shelves for the 2019 holiday season. However, the delays in our transition to next-generation process technology may allow competitors to take advantage of potential improvements in performance, energy efficiency, cost and/or other features that may be offered by new process technologies developed by third-party foundries. Furthermore, without the benefit of next-generation process nodes, including additional competitive features on our products may result in larger die size products, manufacturing supply constraints and increased product costs.

Disruptions in the production process can also result from errors, defects in materials, delays in obtaining or revising operating permits and licenses, interruptions in our supply of materials or resources, and disruptions at our fabrication

and assembly and test facilities due to accidents, maintenance issues, or unsafe working conditions—all of which could affect the timing of production ramps and yields.

Production issues can lead to increased costs and may affect our ability to meet product demand, which could adversely impact our business and the results of operations. In addition, if we face delays in the timing of our product introductions, we could become less competitive and lose revenue opportunities, and our gross margin could be adversely affected because we incur significant costs up front in the product development stage and earn revenue to offset these costs over time.

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We face supply chain risks. Thousands of suppliers provide materials and equipment that we use in production and other aspects of our business. Where possible, we seek to have several sources of supply. However, for certain materials and equipment, including photolithography tools, we may rely on a single or a limited number of suppliers, or upon suppliers in a single location. In addition, supplier consolidation or business failures could impact the nature, quality, availability, and pricing of the products and services available to us. The inability of suppliers to deliver necessary production materials or equipment could disrupt our production processes and make it more difficult for us to implement our business strategy. Production could be disrupted by the unavailability of resources, such as water, silicon, electricity, gases, and other materials. The unavailability or reduced availability of materials or resources may require us to reduce production or incur additional costs, which could harm our business and results of operations. Our manufacturing operations and ability to meet product demand may also be impacted by IP or other litigation between our suppliers, where an injunction against Intel or a supplier could interrupt the availability of goods or services supplied to Intel by others.

We also rely on third-party providers to manufacture and assemble and test certain components or products. These have included components and products related to networking, communications, programmable semiconductor solutions, and memory, and may include these and other components and products in the future. If any of these third parties are unable to perform these services on a timely or cost-effective basis, in sufficient volumes, or at all, we may encounter supply delays or disruptions or incur additional costs that could adversely affect our business and financial results. For example, while we have an agreement providing for the supply of 3D XPoint memory from IMFT for a period following the close of Micron's purchase of our interest in IMFT, we will need to fund and develop internal manufacturing options to continue 3D XPoint memory supply in the longer term.

In addition, increased regulation or stakeholder expectations regarding responsible sourcing practices could cause our compliance costs to increase or result in publicity that negatively affects our reputation. Moreover, given that we use many materials in the manufacturing of our products and rely on many suppliers to provide these materials, but do not directly control the procurement or employment practices of such suppliers, we could be subject to similar financial or reputational risks as a result of our suppliers' conduct.

We are subject to the risks of product defects, errata, or other product issues. Product defects and errata (deviations from published specifications) may result from problems in our product design or our manufacturing and assembly and test processes. Components and products we purchase or license from third-party suppliers, or attain through acquisitions, may also contain defects. We could face risks if products that we design, manufacture, or sell, or that include our technology, cause personal injury or property damage, even where the cause is unrelated to product defects or errata. These risks may increase as our products are introduced into new devices, market segments, technologies, or applications, including transportation and autonomous driving, healthcare, communications, and financial services, and other industrial, infrastructure, and consumer uses. Costs from defects, errata, or other product issues could include:

- writing off some or all of the value of inventory;
- recalling products that have been shipped;
- providing product replacements or modifications;
- reimbursing customers for certain costs they incur;
- · defending against litigation and/or paying resulting damages; and
- paying fines imposed by regulatory agencies.

These costs could be large and may increase expenses and lower gross margin, and result in delay or loss of revenue. Any product defects, errata, or other issues could also damage our reputation, negatively affect product demand, delay product releases, or result in legal liability. The announcement of product defects or errata could cause customers to purchase products from competitors. Any of these occurrences could harm our business and financial results. In addition, although we maintain liability insurance, our coverage has certain exclusions and/or may not adequately cover liabilities incurred. Our insurance providers may be unable or unwilling to pay a claim, and losses not covered by insurance could be large, which could harm our financial condition.

We are subject to risks associated with environmental, health, and safety regulations. The manufacturing and assembly and test of our products require the use of hazardous materials that are subject to a broad array of environmental, health, and safety laws and regulations. Our failure to comply with these laws or regulations could result in:

regulatory penalties, fines, and legal liabilities;

- suspension of production;
- alteration of our manufacturing and assembly and test processes;
- damage to our reputation; and
- restrictions on our operations or sales.

Our failure to manage the use, transportation, emissions, discharge, storage, recycling, or disposal of hazardous materials could lead to increased costs or future liabilities. Our ability to expand or modify our manufacturing capability in the future may be impeded by environmental regulations, such as air quality and wastewater requirements. Environmental laws and regulations could also require us to acquire additional pollution abatement or remediation equipment, modify product designs, or incur other expenses. Regulations in response to climate change could result in increased manufacturing costs associated with air pollution requirements, and increased compliance and energy costs. Many new materials that we are evaluating for use in our operations may be subject to regulation under environmental laws and regulations. These restrictions could harm our business and results of operations by increasing our expenses or requiring us to alter manufacturing and assembly and test processes.

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#### WE ARE SUBJECT TO CYBERSECURITY AND PRIVACY RISKS.

We face risks related to cybersecurity threats and incidents. We regularly face attempts by others to gain unauthorized access through the Internet, or to introduce malicious software, to our IT systems. Additionally, individuals or organizations, including malicious hackers, state-sponsored organizations, insider threats including employees and third-party service providers, or intruders into our physical facilities, may attempt to gain unauthorized access and corrupt the processes of hardware and software products that we manufacture and services we provide. Due to the widespread use of our products, we are a frequent target of computer hackers and organizations that intend to sabotage, take control of, or otherwise corrupt our manufacturing or other processes, products, and services. We are also a target of malicious attackers who attempt to gain access to our network or data centers or those of our customers or end users; steal proprietary information related to our business, products, employees, and customers; or interrupt our systems and services or those of our customers or others. Such attempts are increasing in number and in technical sophistication, and if successful, could expose us and the affected parties to risk of loss or misuse of proprietary or confidential information or disruptions of our business operations. Our IT infrastructure also includes products and services provided by third parties, and these providers may experience breaches of their systems and products that impact the security of our systems and our proprietary or confidential information.

From time to time, we encounter intrusions or unauthorized access to our network, products, services, or infrastructure. To date, none have resulted in any material adverse impact to our business or operations. Such incidents, whether or not successful, could result in our incurring significant costs related to, for example, rebuilding internal systems, writing down inventory value, implementing additional threat protection measures, providing modifications to our products and services, defending against litigation, responding to regulatory inquiries or actions, paying damages, providing customers with incentives to maintain the business relationship, or taking other remedial steps with respect to third parties, as well as reputational harm. In addition, these threats are constantly evolving, thereby increasing the difficulty of successfully defending against them or implementing adequate preventative measures. While we seek to detect and investigate all unauthorized attempts and attacks against our network, products, and services, and to prevent their recurrence where practicable through changes to our internal processes and tools and/or changes or updates to our products and services, we remain potentially vulnerable to additional known or unknown threats. In some instances, we, our customers, and the users of our products and services may be unaware of an incident or its magnitude and effects.

We face risks related to security vulnerabilities in our products. We or third parties regularly identify security vulnerabilities with respect to our processors and other products, as well as the operating systems and workloads running on them. As we have become a more data-centric company, our processors and other products are being used in more and different critical application areas that create new or increased cybersecurity and privacy risks, including applications that gather and process large amounts of data, such as the cloud or Internet of Things, and critical infrastructure and automotive applications. The security vulnerabilities identified in our processors include a category known as side-channel exploits, such as the variants referred to as "Spectre" and "Meltdown." Additional categories and variants have been and may continue to be identified. Publicity about these and other security vulnerabilities and attempted or successful exploits, whether accurate or inaccurate, may result in increased attempts by third parties to identify additional vulnerabilities. Although vulnerabilities have often been discovered and mitigated in advance of being exploited, it is possible that vulnerabilities may not be mitigated before they become known. We, our customers, and the users of our products may not promptly learn of or be able to fully assess the magnitude or effects of a vulnerability, including the extent, if any, to which a vulnerability has been exploited. Subsequent events or new information could develop that changes our assessment of the impact of a security vulnerability, including additional information learned as we develop and deploy mitigations or updates, become aware of additional variants, evaluate the competitiveness of existing and new products, address future warranty or other claims or customer satisfaction considerations, as well as developments in the course of any litigation or regulatory inquiries or actions over these matters.

Mitigation techniques designed to address security vulnerabilities, including software and firmware updates or other preventative measures, may not be available on a timely basis—or at all—or may not operate as intended or effectively resolve vulnerabilities for all applications. In addition, we may be required to rely on third parties, including hardware, software, and services vendors, as well as our customers and end users, to develop and deploy mitigation techniques, and the availability, effectiveness, and performance impact of mitigation techniques may depend solely or in part on the actions of these third parties in determining whether and how to develop and deploy mitigations. We and such third parties may make prioritization decisions about which vulnerabilities to address, which could delay or limit development or deployment of a mitigation and harm our reputation. Security vulnerabilities and/or mitigation techniques may result in adverse performance effects, reboots, system instability or unavailability, loss of functionality, data loss or corruption, unpredictable system behavior, decisions by customers and end users to limit or change the applications in which they use our products or product features, or the misappropriation of data by third parties.

Security vulnerabilities and any limitations of, or adverse effects resulting from, mitigation techniques can adversely affect our results of operations, financial condition, customer relationships, prospects, and reputation in a number of ways, any of which may be material. For example, whether or not they involve attempted or successful exploits, they

may result in our incurring significant costs related to developing and deploying updates and mitigations, writing down inventory value, defending against product claims and litigation, responding to regulatory inquiries or actions, paying damages, addressing customer satisfaction considerations, providing product replacements or modifications, or taking other remedial steps with respect to third parties. Adverse publicity about security vulnerabilities or mitigations could damage our reputation with customers or users and reduce demand for our products and services. These effects may be greater to the extent that competing products are not susceptible to the same vulnerabilities or if vulnerabilities can be more effectively mitigated in competing products. Moreover, third parties may release information regarding potential vulnerabilities of our products before mitigations are available, which, in turn, could lead to attempted or successful exploits, adversely affect our ability to introduce mitigations, or otherwise harm our business and reputation. For example, information on the "Spectre" and "Meltdown" side-channel variants was prematurely reported publicly before mitigation techniques to address all vulnerabilities were made widely available, and certain of the mitigation techniques did not operate as intended.

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We may be subject to theft, loss, or misuse of personal data about our employees, customers, or other third parties, which could increase our expenses, damage our reputation, or result in legal or regulatory proceedings. The theft, loss, or misuse of personal data collected, used, stored, or transferred by us to run our business could result in significantly increased business and security costs or costs related to defending legal claims. Global privacy legislation, enforcement, and policy activity in this area are rapidly expanding and creating a complex regulatory compliance environment. Costs to comply with and implement these privacy-related and data protection measures could be significant, and noncompliance could expose us to significant monetary penalties, damage to our reputation, suspension of online services or sites in certain countries, and even criminal sanctions. Even our inadvertent failure to comply with federal, state, or international privacy-related or data protection laws and regulations could result in audits, regulatory inquiries, or proceedings against us by governmental entities or other third parties.

### WE ARE SUBJECT TO IP RISKS AND RISKS ASSOCIATED WITH LITIGATION AND REGULATORY PROCEEDINGS.

We may be unable to enforce or protect our IP rights. We regard our patents, copyrights, trade secrets, and other IP rights as important to the success of our business. We rely on IP law—as well as confidentiality and licensing agreements with our customers, employees, technology development partners, and others—to protect our IP rights. Our ability to enforce these rights is subject to general litigation risks, as well as uncertainty as to the enforceability of our IP rights in various countries. Enforcement may be costly and time-consuming and may divert management attention. When we seek to enforce our rights, we may be subject to claims that our IP rights are invalid, not enforceable, or licensed to an opposing party. Our assertion of IP rights may result in another party seeking to assert claims against us, which could harm our business. Governments may adopt regulations—and governments or courts may render decisions—requiring compulsory licensing of IP rights, or governments may require products to meet standards that favor local companies. Our inability to enforce our IP rights under any of these circumstances may harm our competitive position and business. In addition, the theft or unauthorized use or publication of our trade secrets and other confidential business information could harm our competitive position and reduce acceptance of our products; as a result, the value of our investment in R&D, product development, and marketing could be reduced.

Our licenses with other companies and participation in industry initiatives may allow competitors to use our patent rights. Technology companies often bilaterally license patents between each other to settle disputes or as part of business agreements. Our competitors may have licenses to our patents, and under current case law, some of the licenses may exhaust our patent rights as to licensed product sales under some circumstances. Our participation in industry standards organizations or with other industry initiatives may require us to license our patents to companies that adopt industry-standard specifications. Depending on the rules of the organization, government regulations, or court decisions, we might have to grant licenses to our patents for little or no cost, and as a result, we may be unable to enforce certain patents against others, our costs of enforcing our licenses or protecting our patents may increase, and the value of our IP rights may be impaired.

Third parties may assert claims based on IP rights against us or our products, which could harm our business. We may face claims based on IP rights from individuals and companies, including claims from those who have aggregated patents acquired from multiple sources to form a new, larger portfolio to assert claims against us and other companies. Additionally, large patent portfolio owners may divest portions of their portfolios to more than one individual or company, increasing the number of parties who own IP rights previously all held by a single party. We are typically engaged in a number of disputes involving IP rights. Claims that our products or processes infringe the IP rights of others, regardless of their merits, could cause us to incur large costs to respond to, defend, and resolve the claims, and they may divert the efforts and attention of our management and technical personnel from our business and operations. In addition, we may face claims based on the alleged theft or unauthorized use or disclosure of third-party trade secrets or confidential information or end-user data that we obtain in conducting our business. Any such incidents and claims could severely disrupt our business, and we could suffer losses, including the cost of product recalls and returns, and reputational harm. Furthermore, we have agreed to indemnify customers for certain IP rights claims against them. IP rights claims against our customers could also limit demand for our products or disrupt our customers' businesses, which could in turn adversely affect our results of operations.

As a result of IP rights claims, we could:

- pay monetary damages, including payments to satisfy indemnification obligations, or royalties;
- stop manufacturing, using, selling, offering to sell, or importing products or technology subject to claims;
- need to develop other products or technology not subject to claims, which could be time-consuming or costly;
   and/or
- enter into settlement and license agreements, which agreements may not be available on commercially reasonable terms.

These IP rights claims could harm our competitive position, result in expenses, or require us to impair our assets. If we alter or stop production of affected items, our revenue could be harmed.

We rely on access to third-party IP, which may not be available to us on commercially reasonable terms or at all. Many of our products include third-party technology and/or implement industry standards, and may require licenses from third parties. Based on past experience and industry practice, we believe such licenses generally can be obtained on commercially reasonable terms. However, there is no assurance that the necessary licenses can be obtained on acceptable terms or at all. Failure to obtain the right to use third-party technology, or to license IP on commercially reasonable terms, could preclude us from selling certain products or otherwise have a material adverse impact on our financial condition and operating results.

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We are subject to risks associated with litigation and regulatory proceedings. We may face legal claims or regulatory matters involving stockholder, consumer, competition, commercial, IP, and other issues on a global basis. As described in "Note 20: Commitments and Contingencies" within the Consolidated Financial Statements, we are engaged in a number of litigation and regulatory matters. Litigation and regulatory proceedings are inherently uncertain, and adverse rulings could occur, including monetary damages, or an injunction stopping us from manufacturing or selling certain products, engaging in certain business practices, or requiring other remedies, such as compulsory licensing of patents. An unfavorable outcome may result in a material adverse impact on our business, financial condition, and results of operations. In addition, regardless of the outcome, litigation and regulatory proceedings can be costly, time-consuming, disruptive to our operations, and distracting to management.

#### WE MUST ATTRACT, RETAIN, AND MOTIVATE KEY EMPLOYEES.

To be competitive, we must attract, retain, and motivate executives and other key employees. Hiring and retaining qualified executives, scientists, engineers, technical staff, and sales representatives are critical to our business, and competition for highly skilled employees in our industry can be intense. In addition, changes in immigration policies may impair our ability to recruit and hire technical and professional talent. Changes in the interpretation and application of employment-related laws to our workforce practices may also result in increased operating costs and less flexibility in how we meet our changing workforce needs. To help attract, retain, and motivate qualified employees, we use share-based awards, such as RSUs, and performance-based cash incentive awards. Our employee hiring and retention also depend on our ability to build and maintain a diverse and inclusive workplace culture and be viewed as an employer of choice. If our share-based or other compensation programs and workplace culture cease to be viewed as competitive, our ability to attract, retain, and motivate employees could be weakened, which could harm our results of operations. Furthermore, changes in our management team may disrupt our business, and the failure to successfully transition and assimilate key employees could adversely affect our results of operations.

### WE ARE SUBJECT TO RISKS ASSOCIATED WITH OUR STRATEGIC TRANSACTIONS.

Our acquisitions, divestitures, and other strategic transactions could fail to achieve our financial or strategic objectives, disrupt our ongoing business, and adversely impact our results of operations. In furtherance of our business strategy, we routinely evaluate opportunities and enter into agreements for possible acquisitions, divestitures, and other strategic transactions. These transactions involve numerous risks, including:

- we may not be able to identify opportunities in a timely manner or on terms acceptable to us;
- the transaction may not advance our business strategy and its anticipated benefits may never materialize;
- we may experience disruption of our ongoing operations and our management's attention may be diverted;
- we may fail to complete a transaction in a timely manner, if at all, due to our inability to obtain required government or other approvals, IP disputes or other litigation, difficulty in obtaining financing on terms acceptable to us, or other unforeseen factors;
- we may not realize a satisfactory return on our investment, potentially resulting in an impairment of goodwill and other assets, and restructuring charges;
- we may be unable to effectively enter new market segments through our strategic transactions or retain customers and partners of acquired businesses;
- we may be unable to retain key personnel of acquired businesses or may have difficulty integrating employees, business systems, and technology;
- controls, processes, and procedures of acquired businesses may not adequately ensure compliance with laws and regulations, and we may fail to identify compliance issues or liabilities;
- we may fail to identify, or may underestimate, commitments, liabilities, and other risks associated with acquired businesses or assets; and/or
- · our acquisitions may result in dilutive issuances of our equity securities or significant additional debt.

Moreover, our resources are limited and our decision to pursue a transaction has opportunity costs; accordingly, if we pursue a particular transaction, we may need to forgo the prospect of entering into other transactions that could help us achieve our financial or strategic objectives.

Any of these risks could have a material adverse effect on our business, results of operations, financial condition, or cash flows, particularly in the case of a large acquisition or several concurrent acquisitions.

We invest in public and private companies and may not realize a return on our investments. We make investments in public and private companies around the world to further our strategic and financial objectives and to support certain key business initiatives. Companies in which we invest range from early-stage companies still defining their strategic direction to mature companies with established revenue streams and business models. Many of the instruments in which we invest are non-marketable and illiquid at the time of our initial investment, and we may not be able to achieve a return, if any, in a timely fashion. Our ability to realize a return on our investment in a private company, if any, is typically dependent on the company participating in a liquidity event, such as a public offering or acquisition. To the extent our investments are in marketable equity securities, as is typically the case for our public company investments, fluctuations in the fair value of those securities are recognized as gains or losses in our income statement, and consequently, declines in the fair value of these investments can reduce our net income. If any of the companies in which we invest are not successful, which may include failures to achieve business objectives as well as bankruptcy filings, we could recognize an impairment and/or lose all or part of our investment.

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#### WE ARE SUBJECT TO SALES-RELATED RISKS.

We face risks related to sales through distributors and other third parties. We sell a significant portion of our products through third parties such as distributors, value-added resellers, and channel partners (collectively referred to as distributors), as well as OEMs and ODMs. We depend on many distributors to help us create end-customer demand, provide technical support and other value-added services to customers, fill customer orders, and stock our products. We may rely on one or more key distributors for a product, and a material change in our relationship with one or more of these distributors or their failure to perform as expected could reduce our revenue. Our ability to add or replace distributors for some of our products may be limited. In addition, our distributors' expertise in the determination and stocking of acceptable inventory levels for some of our products may not be easily transferable to a new distributor; as a result, end customers may be hesitant to accept the addition or replacement of a distributor. Using third parties for distribution exposes us to many risks, including competitive pressure and concentration, credit, and compliance risks. Distributors and other third parties may sell products that compete with our products, and we may need to provide financial and other incentives to focus them on the sale of our products. They may face financial difficulties, including bankruptcy, which could harm our collection of accounts receivable and financial results. Violations of the Foreign Corrupt Practices Act or similar laws by distributors or other third-party intermediaries could have a material impact on our business. Failure to manage risks related to our use of distributors and other third parties may reduce sales, increase expenses, and weaken our competitive position.

We receive a significant portion of our revenue from a limited number of customers. Collectively, our three largest customers accounted for approximately 39% of our net revenue in 2018 and 40% of our net revenue in 2017. We expect a small number of customers will continue to account for a significant portion of our revenue in the foreseeable future. Industry trends, such as the increasing shift of data center workloads to the public cloud, may increase customer concentration for certain of our data-centric businesses. If one of our key customers stops purchasing from us, materially reduces its demand for our products, or delays its orders for our products, we may experience a reduction in revenue, which could harm our results of operations and financial condition. To the extent we differentiate our products through customization to meet customer specifications, order changes, delays, or cancellations may result in non-recoverable costs. For more information about our customers, including customers who accounted for greater than 10% of our net consolidated revenue, see "Note 4: Operating Segments" within the Consolidated Financial Statements.

We face risks related to business transactions with U.S. government entities. We receive proceeds from services and products we provide to the U.S. government. U.S. government demand and payment may be affected by public sector budgetary cycles and funding authorizations. U.S. government contracts are subject to oversight, including special rules on accounting, IP rights, expenses, reviews, information handling, and security. Failure to comply with these rules could result in civil and criminal penalties and sanctions, including termination of contracts, fines, and suspensions, or debarment from future business with the U.S. government.

#### CHANGES IN OUR EFFECTIVE TAX RATE MAY REDUCE OUR NET INCOME.

A number of factors may increase our effective tax rates, which could reduce our net income, including:

- changes in the volume and mix of profits earned across jurisdictions with varying tax rates;
- the resolution of issues arising from tax audits, including payment of interest and penalties;
- changes in the valuation of our deferred tax assets and liabilities, and in deferred tax valuation allowances;
- adjustments to income taxes upon finalization of tax returns;
- increases in expenses not deductible for tax purposes, including impairments of goodwill;
- changes in available tax credits;
- changes in our ability to secure new or renew existing tax holidays and incentives;
- changes in U.S. federal, state, or foreign tax laws or their interpretation, including changes in the U.S. to the taxation of manufacturing enterprises and of non-U.S. income and expenses;
- changes in accounting standards; and
- our decision to repatriate non-U.S. earnings for which we have not previously provided for local country withholding taxes incurred upon repatriation.

### WE MAY HAVE FLUCTUATIONS IN THE AMOUNT AND FREQUENCY OF OUR STOCK REPURCHASES.

We are not obligated to make repurchases under our stock repurchase program, and the amount, timing, and execution of our repurchases may fluctuate based on our priorities for the use of cash for other purposes—such as investing in our business, including operational spending, capital spending, and acquisitions, and returning cash to our stockholders as dividend payments—and because of changes in cash flows, tax laws, and the market price of our common stock.

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#### **NON-GAAP FINANCIAL MEASURES**

In addition to disclosing financial results in accordance with GAAP, this document contains references to the non-GAAP financial measures described below. We believe these non-GAAP financial measures provide investors with useful supplemental information about the financial performance of our business, enable comparison of financial results between periods where certain items may vary independent of business performance, and allow for greater transparency with respect to key metrics used by management in operating our business and measuring our performance.

Our non-GAAP operating income and diluted earnings per share reflect adjustments for the following items, as well as the related income tax effects. Income tax effects have been calculated using an appropriate tax rate for each adjustment. We also provide a non-GAAP financial measure of free cash flow, as described below. These non-GAAP financial measures should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and the financial results calculated in accordance with GAAP and reconciliations from these results should be carefully evaluated.

#### **ACQUISITION-RELATED ADJUSTMENTS**

Deferred revenue write-down: Sales to distributors are made under agreements allowing for subsequent price adjustments and returns, and prior to 2018, were deferred until the products were resold by the distributor. Business combination accounting principles require us to write down to fair value the deferred revenue assumed in our acquisitions, as we have limited performance obligations associated with this deferred revenue. Our GAAP revenue and related cost of sales for the subsequent reselling by distributors to end customers after an acquisition do not reflect the full amounts that would have been reported if the acquired deferred revenue was not written down to fair value. The non-GAAP adjustments made in Q1 2016 eliminated the effect of the deferred revenue write-down associated with our acquisition of Altera. We believe these adjustments are useful to investors as an additional means to reflect revenue and gross margin trends of our business.

Inventory valuation adjustments: Business combination accounting principles require us to measure acquired inventory at fair value. The fair value of inventory reflects the acquired company's cost of manufacturing plus a portion of the expected profit margin. The non-GAAP adjustments to our cost of sales exclude the expected profit margin component that is recorded under business combination accounting principles associated with our acquisitions of Mobileye and Altera. We believe the adjustments are useful to investors as an additional means to reflect cost of sales and gross margin trends of our business.

Amortization of acquisition-related intangible assets: Amortization of acquisition-related intangible assets consists of amortization of intangible assets such as developed technology, brands, and customer relationships acquired in connection with business combinations. We record charges related to the amortization of these intangibles within both cost of sales and operating expenses in our GAAP financial statements. Amortization charges for our acquisition-related intangible assets are inconsistent in size and are significantly impacted by the timing and valuation of our acquisitions. Consequently, our non-GAAP adjustments exclude these charges to facilitate an evaluation of our current operating performance and comparisons to our past operating performance.

Other acquisition-related charges: Other acquisition-related charges exclude the impact of other charges associated with the acquisitions of Mobileye and Altera. These charges primarily include bankers' fees, compensation-related costs, and valuation charges for stock-based compensation incurred related to the acquisitions. We believe these adjustments are useful to investors as an additional means to reflect the spending trends of our business.

#### RESTRUCTURING AND OTHER CHARGES

Restructuring charges are costs associated with a formal restructuring plan and are primarily related to employee severance and benefit arrangements. Other charges include asset impairments, pension charges, and costs associated with the ISecG divestiture. We exclude restructuring and other charges, including any adjustments to charges recorded in prior periods, for purposes of calculating certain non-GAAP measures. We believe that these costs do not reflect our current operating performance. Consequently, our non-GAAP adjustments exclude these charges to facilitate an evaluation of our current operating performance and comparisons to our past operating performance.

#### ONGOING MARK-TO-MARKET ON MARKETABLE EQUITY SECURITIES

We exclude gains and losses resulting from ongoing mark-to-market adjustments of our marketable equity securities, after the initial mark-to-market adjustment is recorded upon a security becoming marketable, when calculating certain non-GAAP measures, as we do not believe this volatility correlates to our core operational performance.

Consequently, our non-GAAP earnings per share figures exclude these impacts to facilitate an evaluation of our current performance and comparisons to our past operating performance.

#### **GAINS OR LOSSES FROM DIVESTITURE**

We divested ISecG in Q2 2017 and Wind River in Q2 2018. We exclude gains or losses and related tax impacts resulting from divestitures when calculating certain non-GAAP measures. We believe making these adjustments facilitates a better evaluation of our current operating performance and comparisons to our past operating performance.

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#### **TAX REFORM ADJUSTMENT**

We recognized a higher income tax expense in Q4 2017 as a result of Tax Reform and have made adjustments to the original estimate in 2018. We exclude the Q4 2017 provisional tax estimate and 2018 provisional tax adjustments relating to the transition tax on our previously untaxed foreign earnings and the remeasurement of our deferred income taxes to the new U.S. statutory tax rate for purposes of calculating certain non-GAAP measures. We believe making this adjustment facilitates a better evaluation of our current operating performance and comparisons to past operating results.

#### **FREE CASH FLOW**

We reference a non-GAAP financial measure of free cash flow, which is used by management when assessing our sources of liquidity, capital resources, and quality of earnings. We believe this non-GAAP financial measure is helpful to investors in understanding our capital requirements and provides an additional means to reflect the cash flow trends of our business.

Following are the reconciliations of our most comparable GAAP measures to our non-GAAP measures presented:

Years Ended (In Millions, Except Per Share Amounts)					ı		c 29, 018			с 30, 017	ı	Dec 31, 2016
Operating income					\$		23,316	\$		18,050	\$	13,133
Deferred revenue write-down, net of cos	t of	sales					_			_		64
Inventory valuation adjustments							_			55		387
Amortization of acquisition-related intang	gible	assets					1,305			1,089		1,231
Other acquisition-related charges							_			113		100
Restructuring and other charges							(72)			384		1,744
Non-GAAP operating income					\$		24,549	\$		19,691	\$	16,659
Earnings per share - Diluted					\$		4.48	\$		1.99	\$	2.12
Deferred revenue write-down, net of cos	t of	sales								_		0.01
Inventory valuation adjustments							_			0.01		0.08
Amortization of acquisition-related intang	gible	assets					0.28			0.22		0.25
Other acquisition-related charges							_			0.02		0.02
Restructuring and other charges							(0.02)			0.08		0.39
(Gains) losses from divestitures							(0.11)			(80.0)		_
Ongoing mark-to-market on marketable	equi	ity securities	3				0.03					_
Tax Reform							(0.06)			1.13		_
Income tax effect							(0.02)			0.09		(0.15)
Non-GAAP earnings per share - Diluted					\$		4.58	\$		3.46	\$	2.72
Years Ended (In Millions)		Dec 29, 2018		Dec 30, 2017			Dec 31, 2016		D	ec 26, 2015	_	Dec 27, 2014
Net cash provided by operating activities	\$	29,432	\$	22,110	0	\$	21,808		\$	19,018	\$	20,418
Additions to property, plant and equipment		(15,181)		(11,778	8)		(9,625	<u>()</u>		(7,326)		(10,105)
Free cash flow	\$	14,251	\$	10,332	2	\$	12,183	_	\$	11,692	\$	10,313
Net cash used for investing activities  Net cash provided by (used for)	\$	(11,239)	\$	(15,762	2)	\$	(25,817	)	\$	(8,183)	\$	(9,905)
financing activities	\$	(18,607)	\$	(8,47	5)	\$	(5,739	)	\$	1,912	\$	(13,611)

#### **PROPERTIES**

As of December 29, 2018, our major facilities consisted of:

(Square Feet in Millions)	United States	Other Countries	Total
Owned facilities	30.5	22.2	52.7
Leased facilities	1.0	6.6	7.6
Total facilities	31.5	28.8	60.3

Our principal executive offices are located in the U.S. and approximately half of our wafer manufacturing activities in 2018 were also located in the U.S. For more information on our wafer fabrication and our assembly and test facilities, see "Manufactured Capital" within Fundamentals of Our Business.

We believe that the facilities described above are suitable and adequate for our present purposes and that the productive capacity in our facilities is being utilized or in the process of being prepared for utilization as we continue to invest capital to meet demand.

We do not identify or allocate assets by operating segment, as they are interchangeable in nature and used by multiple operating segments. For information on net property, plant and equipment by country, see "Note 7: Other Financial Statement Details" within the Consolidated Financial Statements.

#### MARKET FOR OUR COMMON STOCK

The principal U.S. market on which Intel's common stock (symbol INTC) is traded is the Nasdaq Global Select Market. For dividend information, see "Financial Information by Quarter (Unaudited)" within the Consolidated Financial Statements.

As of January 26, 2019, there were approximately 116,000 registered holders of record of Intel's common stock. A substantially greater number of holders of Intel common stock are "street name" or beneficial holders, whose shares of record are held by banks, brokers, and other financial institutions.

#### **ISSUER PURCHASES OF EQUITY SECURITIES**

We have an ongoing authorization, originally approved by our Board of Directors in 2005, and subsequently amended, to repurchase shares of our common stock in open market or negotiated transactions. As of December 29, 2018, we were authorized to repurchase up to \$90.0 billion, of which \$17.3 billion remained available. This amount includes an increase of \$15.0 billion in the authorization limit approved by our Board of Directors in November 2018.

Common stock repurchase activity under our publicly announced stock repurchase program during each quarter of 2018 was as follows:

Period	Total Number of Shares Purchased (In Millions)	age Price Per Share	Sh Pu U	ar Value of ares That May Yet Be urchased nder the Program Millions)
December 31, 2017 - March 31, 2018	40.8	\$ 47.93	\$	11,237
April 1, 2018 - June 30, 2018	75.9	\$ 52.87	\$	7,224
July 1, 2018 - September 29, 2018	50.1	\$ 49.83	\$	4,728
September 30, 2018 - December 29, 2018	50.6	\$ 47.38	\$	17,333
Total	217.3			

Common stock repurchase activity under our stock repurchase program during Q4 2018 was as follows:

- \$ 19,728			
		\$ _	September 30, 2018 - October 27, 2018
1 <b>\$ 18,714</b>	47.71	\$ 21.3	October 28, 2018 - November 24, 2018
5 <b>\$ 17,333</b>	47.15	\$ 29.3	November 25, 2018 - December 29, 2018
		50.6	Total
5 <b>\$</b>	47.15	\$	November 25, 2018 - December 29, 2018  Total

We issue RSUs as part of our equity incentive plans. In our consolidated financial statements, we treat shares of common stock withheld for tax purposes on behalf of our employees in connection with the vesting of RSUs as common stock repurchases because they reduce the number of shares that would have been issued upon vesting. These withheld shares of common stock are not considered common stock repurchases under our authorized common stock repurchase plan, and accordingly are not included in the common stock repurchase totals in the preceding table.

#### AVAILABILITY OF COMPANY INFORMATION

Our Internet address is <u>www.intel.com</u>. We publish voluntary reports on our website that outline our performance with respect to corporate responsibility, including environmental, health, and safety compliance.

We use our Investor Relations website, <a href="www.intc.com">www.intc.com</a>, as a routine channel for distribution of important information, including news releases, analyst presentations, financial information, corporate governance practices, and corporate responsibility information. We post our filings at <a href="www.intc.com/sec">www.intc.com/sec</a> the same day they are electronically filed with, or furnished to, the SEC, including our annual and quarterly reports on Forms 10-K and 10-Q and current reports on Form 8-K; our proxy statements; and any amendments to those reports or statements. We post our quarterly and annual earnings results at <a href="www.intc.com/results.cfm">www.intc.com/results.cfm</a>, and do not distribute our financial results via a news wire service. All such postings and filings are available on our Investor Relations website free of charge. In addition, our Investor Relations website allows interested persons to sign up to automatically receive e-mail alerts when we post financial information. The SEC's website, <a href="www.sec.gov">www.sec.gov</a>, contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The content on any website referred to in this Form 10-K unless expressly noted.

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

### TO THE STOCKHOLDERS AND THE BOARD OF DIRECTORS OF INTEL CORPORATION

#### **Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Intel Corporation (the Company) as of December 29, 2018 and December 30, 2017, the related consolidated statements of income, comprehensive income, cash flows and stockholders' equity for each of the three years in the period ended December 29, 2018, and the related notes and Schedule II - Valuation and Qualifying Accounts (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 29, 2018 and December 30, 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 29, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 29, 2018, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 1, 2019 expressed an unqualified opinion thereon.

#### **Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

s/ Ernst & Young LLP

We have served as the Company's auditor since 1968.

San Jose, California February 1, 2019

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

### TO THE STOCKHOLDERS AND THE BOARD OF DIRECTORS OF INTEL CORPORATION

#### **Opinion on Internal Control Over Financial Reporting**

We have audited Intel Corporation's internal control over financial reporting as of December 29, 2018, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), (the COSO criteria). In our opinion, Intel Corporation (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 29, 2018, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2018 consolidated financial statements of the Company and our report dated February 1, 2019 expressed an unqualified opinion thereon.

#### **Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

#### **Definition and Limitations of Internal Control Over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

s/ Ernst & Young LLP

San Jose, California February 1, 2019

### **CONSOLIDATED STATEMENTS OF INCOME**

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

See accompanying notes.

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Consolidated Statements of Income

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

See accompanying notes.

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Consolidated Statements of Comprehensive Income

# **CONSOLIDATED BALANCE SHEETS**

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

# CONSOLIDATED STATEMENTS OF CASH FLOWS

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

Net cash provided by (used for) financing activities	 (18,607)	 (8,475)	(5,739)
Net increase (decrease) in cash and cash equivalents	(414)	(2,127)	(9,748)
Cash and cash equivalents, end of period	\$ 3,019	\$ 3,433	\$ 5,560
Supplemental disclosures:			<u> </u>
Acquisition of property, plant and equipment included in accounts payable and accrued liabilities	\$ 2,340	\$ 1,417	\$ 979
Non-marketable equity investment in McAfee from divestiture	\$ _	\$ 1,078	\$ _
Cash paid during the year for:			
Interest, net of capitalized interest	\$ 448	\$ 624	\$ 682
Income taxes, net of refunds	\$ 3,813	\$ 3,824	\$ 877
See accompanying notes.			
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# CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Common Stock and Capital

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

Temporary equity reduction	_	447	_	_	447
Convertible debt	_	(1,591)	_	_	(1,591)
Repurchase of common stock	(217)	(1,208)	_	(9,650)	(10,858)
Restricted stock unit withholdings	(10)	(329)	_	(197)	(526)
Cash dividends declared (\$1.20 per share of common stock)	_	_	_	(5,541)	(5,541)
Balance as of December 29, 2018	4,516	\$ 25,365	\$ (974)	\$ 50,172	\$ 74,563

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

See accompanying notes.

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Consolidated Statements of Stockholders' Equity

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

# NOTE 1

#### **BASIS OF PRESENTATION**

We have a 52- or 53-week fiscal year that ends on the last Saturday in December. Fiscal years 2018 and 2017 were 52-week fiscal years. Fiscal year 2016 was a 53-week year with the first quarter of 2016 being a 14-week quarter. Our consolidated financial statements include the accounts of Intel Corporation (Intel) and our subsidiaries. We have eliminated intercompany accounts and transactions. We have reclassified certain prior period amounts to conform to current period presentation.

#### **USE OF ESTIMATES**

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires us to make estimates and judgments that affect the amounts reported in our consolidated financial statements and the accompanying notes. The actual results that we experience may differ materially from our estimates.

# NOTE 2

### **ACCOUNTING POLICIES**

#### **REVENUE RECOGNITION**

We recognize net product revenue when we satisfy performance obligations as evidenced by the transfer of control of our products or services to customers. Substantially all of our revenue is derived from product sales. In accordance with contract terms, revenue for product sales is recognized at the time of product shipment from our facilities or delivery to the customer location, as determined by the agreed upon shipping terms. Prior to 2018, on sales made to distributors that allowed for price protections or right of return until the distributor sold through the merchandise, we deferred product revenue and related costs of sales. We include shipping charges billed to customers in net revenue, and include the related shipping costs in cost of sales.

We measure revenue based on the amount of consideration we expect to be entitled to in exchange for products or services. Variable consideration is estimated and reflected as an adjustment to the transaction price. We determine variable consideration, which consists primarily of various sales price concessions, by estimating the most likely amount of consideration we expect to receive from the customer based on historical analysis of customer purchase volumes. Sales rebates earned by customers are offset against their receivable balances. Rebates earned by customers when they do not have outstanding receivable balances are recorded within other accrued liabilities. The impacts of distributor sales price reductions resulting from price protection agreements are also estimated based on historical analysis of such activity and are reflected as a reduction in net revenue.

We make payments to our customers through cooperative advertising programs for marketing activities for certain of our products. We generally record the payment as a reduction in revenue in the period that the revenue is earned, unless the payment is for a distinct service, which we record as expense when the marketing activities occur. During the second half of 2017, we transitioned customers from previous offerings under the Intel Inside® program to cooperative advertising offerings more tailored to customers and their marketing audiences. These cooperative advertising costs are recorded as a reduction of revenue beginning in the second half of 2017, as we no longer meet the criteria for recording these as expense.

#### **INVENTORIES**

We compute inventory cost on a first-in, first-out basis. Our process and product development life cycle corresponds with substantive engineering milestones. These engineering milestones are regularly and consistently applied in assessing the point at which our activities and associated costs change in nature from research and development (R&D) to cost of sales, and when cost of sales can be capitalized as inventory.

For a product to be manufactured in high volumes and sold to our customers under our standard warranty, it must meet our rigorous technical quality specifications. This milestone is known as product release qualification (PRQ). We

have identified PRQ as the point at which the costs incurred to manufacture our products are included in the valuation of inventory. Prior to PRQ, costs that do not meet the criteria for R&D are included in cost of sales in the period incurred. If the point at which we estimate that inventory meets PRQ criteria changes in the future, the timing and recognition of costs would shift between R&D, inventory, and costs of sales. A single PRQ has previously ranged up to \$770 million and is dependent on product type.

The valuation of inventory includes determining which fixed production overhead costs can be included in inventory based on the normal capacity of our manufacturing and assembly and test facilities. We apply our historical loadings compared to our total available capacity in a statistical model to determine our normal capacity level. If the factory loadings are below the established normal capacity level, a portion of our fixed production overhead costs would not be included in the cost of inventory; instead, it would be recognized as cost of sales in that period. We refer to these costs as excess capacity charges. Excess capacity charges are insignificant in the years presented. Charges in certain prior years have ranged from \$46 million to \$1.1 billion. The high end of the range would be \$540 million when excluding the \$1.1 billion charge taken in connection with the 2009 economic recession.

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Notes to Financial Statements

Inventory is valued at the lower of cost or net realizable value, based upon assumptions about future demand and market conditions. Product-specific facts and circumstances reviewed in the inventory valuation process include a review of our customer base, the stage of the product life cycle, and an assessment of selling price in relation to product cost. Inventory reserves increased by approximately \$295 million in 2018 compared to 2017.

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

#### PROPERTY, PLANT AND EQUIPMENT

We compute depreciation using the straight-line method over the estimated useful life of assets. We also capitalize interest on borrowings related to eligible capital expenditures. Capitalized interest is added to the cost of qualified assets and depreciated together with that asset cost. We record capital-related government grants earned as a reduction to property, plant and equipment.

Annually, we evaluate the period over which we expect to recover the economic value of our property, plant and equipment, considering factors such as the process technology cadence between node transitions, changes in machinery and equipment technology, and re-use of machinery and tools across each generation of process technology. As we make manufacturing process conversions and other factory planning decisions, we use assumptions involving the use of management judgments regarding the remaining useful lives of assets, primarily process-specific semiconductor manufacturing tools and building improvements. When we determine that the useful lives of assets are shorter or longer than we had originally estimated, we adjust the rate of depreciation to reflect the assets' revised useful lives.

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

We may have certain facilities, included within construction in progress, being held in a safe state and not currently in use that we plan to place into service at a future date. The time at which these assets are placed into service depends on our existing manufacturing capacity, market demand for our products, and where we are in the transition of products on our roadmap. Management makes judgments about the timing of when these facilities will be readied for their intended use and placed into service for the manufacturing of our products. Depreciation is not recognized on these assets and they are not eligible for capitalized interest when construction is on hold.

#### **FAIR VALUE**

When determining fair value, we consider the principal or most advantageous market in which we would transact, as well as assumptions that market participants would use when pricing the asset or liability. Our financial assets are measured and recorded at fair value on a recurring basis, except for equity securities measured using the measurement alternative, equity method investments, cost method loans receivable, grants receivable, and reverse repurchase agreements with original maturities greater than three months. We assess fair value hierarchy levels for our issued debt and fixed-income investment portfolio based on the underlying instrument type.

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

- Level 1. Quoted prices in active markets for identical assets or liabilities. We evaluate security-specific market data when determining whether a market is active.
- Level 2. Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in less active markets, or model-derived valuations. All significant inputs used in our valuations, such as discounted cash flows, are observable or can be derived principally from or corroborated with observable market data for substantially the full term of the assets or liabilities. We use LIBOR-based yield curves, currency spot and forward rates, and credit ratings as significant inputs in our valuations. Level 2 inputs

also include non-binding market consensus prices, as well as quoted prices that were adjusted for security-specific restrictions. When we use non-binding market consensus prices, we corroborate them with quoted market prices for similar instruments or compare them to output from internally developed pricing models such as discounted cash flow models.

Level 3. Unobservable inputs to the valuation methodology that are significant to the measurement of the fair
value of assets or liabilities. We monitor and review the inputs and results of these valuation models to help
ensure the fair value measurements are reasonable and consistent with market experience in similar asset
classes. Level 3 inputs also include non-binding market consensus prices or non-binding broker quotes that we
were unable to corroborate with observable market data.

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Notes to Financial Statements

#### **DEBT INVESTMENTS**

We consider all highly liquid debt investments with original maturities from the date of purchase of three months or less as cash equivalents. Cash equivalents can include investments such as corporate debt, financial institution instruments, government debt, and reverse repurchase agreements.

Marketable debt investments are generally designated as trading assets when a market risk is economically hedged at inception with a related derivative instrument, or when the marketable debt investment itself is used to economically hedge currency exchange rate risk from remeasurement. Investments designated as trading assets are reported at fair value. Gains or losses on these investments arising from changes in fair value due to interest rate and currency market fluctuations and credit market volatility, largely offset by losses or gains on the related derivative instruments and balance sheet remeasurement, are recorded in interest and other, net.

Marketable debt investments are considered available-for-sale investments when the interest rate and foreign currency risks are not hedged at the inception of the investment or when our criteria for designation as trading assets are not met. Available-for-sale debt investments with original maturities of approximately three months or less from the date of purchase are classified within cash and cash equivalents. Available-for-sale debt investments with original maturities at the date of purchase greater than approximately three months and remaining maturities of less than one year are classified as short-term investments. Available-for-sale debt investments with remaining maturities beyond one year are classified as other long-term investments. Available-for-sale debt investments are reported at fair value, with unrealized gains or losses, net of tax, recorded in accumulated other comprehensive income (loss). We determine the cost of the investment sold based on an average cost basis at the individual security level, and record the interest income and realized gains or losses on the sale of these investments in interest and other, net.

Our available-for-sale debt investments are subject to periodic impairment reviews. For these investments, we consider whether it is more likely than not that we will be required to sell the investment before recovery of its amortized cost basis, or whether recovery of the entire amortized cost basis of the investment is unlikely because a credit loss exists. When we do not expect to recover the entire amortized cost basis of the investment, we separate other-than-temporary impairments into amounts representing credit losses, which are recognized in interest and other, net, and amounts not related to credit losses, which are recognized in other comprehensive income (loss).

#### **EQUITY INVESTMENTS**

We regularly invest in equity securities of public and private companies to promote business and strategic objectives. Equity investments are measured and recorded as follows:

- Marketable equity securities are equity securities with readily determinable fair value (RDFV) that are measured
  and recorded at fair value on a recurring basis with changes in fair value, whether realized or unrealized,
  recorded through the income statement. Prior to 2018, these securities were classified as available-for-sale
  securities and measured and recorded at fair value with unrealized changes in fair value recorded through other
  comprehensive income.
- Non-marketable equity securities are equity securities without RDFV that are measured and recorded using a
  measurement alternative that measures the securities at cost minus impairment, if any, plus or minus changes
  resulting from qualifying observable price changes. Prior to fiscal 2018, these securities were accounted for
  using the cost method of accounting, measured at cost less other-than-temporary impairment.
- Equity method investments are equity securities in investees we do not control but over which we have the
  ability to exercise significant influence. Equity method investments are measured at cost minus impairment, if
  any, plus or minus our share of equity method investee income or loss. Our proportionate share of the income
  or loss from equity method investments is recognized on a one-quarter lag.

Realized and unrealized gains and losses resulting from changes in fair value or the sale of our equity investments are recorded in gains (losses) on equity investments, net. Prior to 2018, we recorded unrealized gains and losses through other comprehensive income (loss) and realized gains and losses on the sale, exchange, or impairment of these equity investments through gains (losses) on equity investments, net. The carrying value of our non-marketable equity securities is adjusted for qualifying observable price changes resulting from the issuance of similar or identical securities by the same issuer. Determining whether an observed transaction is similar to a security within our portfolio requires judgment based on the rights and preferences of the securities. Recording upward and downward adjustments to the carrying value of our equity securities as a result of observable price changes requires quantitative assessments of the fair value of our securities using various valuation methodologies and involves the use of estimates.

Non-marketable equity securities and equity method investments (collectively referred to as non-marketable equity investments) are also subject to periodic impairment reviews. Our quarterly impairment analysis considers both

qualitative and quantitative factors that may have a significant impact on the investee's fair value. Qualitative factors considered include the investee's financial condition and business outlook, industry and sector performance, market for technology, operational and financing cash flow activities, and other relevant events and factors affecting the investee. When indicators of impairment exist, we prepare quantitative assessments of the fair value of our non-marketable equity investments using both the market and income approaches, which require judgment and the use of estimates, including discount rates, investee revenue and costs, and comparable market data of private and public companies, among others.

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Notes to Financial Statements

- Non-marketable equity securities are tested for impairment using a qualitative model similar to the model used for goodwill and long-lived assets. Upon determining that an impairment may exist, the security's fair value is calculated and compared to its carrying value and an impairment is recognized immediately if the carrying value exceeds the fair value. Prior to 2018, non-marketable equity securities were tested for impairment using the other-than-temporary impairment model.
- Equity method investments are subject to periodic impairment reviews using the other-than-temporary impairment model, which considers the severity and duration of a decline in fair value below cost and our ability and intent to hold the investment for a sufficient period of time to allow for recovery.

Impairments of equity investments are recorded in gains (losses) on equity investments, net.

#### **DERIVATIVE FINANCIAL INSTRUMENTS**

Our primary objective for holding derivative financial instruments is to manage currency exchange rate risk and interest rate risk, and, to a lesser extent, equity market risk, commodity price risk, and credit risk. We enter into master netting arrangements to mitigate credit risk in derivative transactions by permitting net settlement of transactions with the same counterparty. A master netting arrangement allows counterparties to net settle amounts owed to each other as a result of multiple, separate derivative transactions. We also enter into collateral security arrangements with certain of our counterparties to exchange cash collateral when the net fair value of certain derivative instruments fluctuates from contractually established thresholds. We record the collateral within current other assets and long-term other assets with a corresponding liability. For presentation on our consolidated balance sheets, we do not offset fair value amounts recognized for derivative instruments under master netting arrangements. Our derivative financial instruments are presented at fair value on a gross basis and are included in other current assets, other long-term assets, other long-term liabilities.

Cash flow hedges use foreign currency contracts, such as currency forwards and currency interest rate swaps, to hedge exposures for the following items:

- variability in the U.S.-dollar equivalent of non-U.S.-dollar-denominated cash flows associated with our forecasted operating and capital purchases spending; and
- coupon and principal payments for our non-U.S.-dollar-denominated indebtedness.

The after-tax gains or losses from the effective portion of a cash flow hedge is reported as a component of accumulated other comprehensive income (loss) and reclassified into earnings in the same period or periods in which the hedged transaction affects earnings, and in the same line item on the consolidated statements of income as the impact of the hedge transaction. For foreign currency contracts hedging our capital purchases, forward points are excluded from the hedge effectiveness assessment. Ineffective portions of cash flow hedges, as well as amounts excluded from the hedge effectiveness assessment, are recognized in earnings in interest and other, net. If the cash flow hedge transactions become probable not to occur, the corresponding amounts deferred in accumulated other comprehensive income (loss) would be immediately reclassified to interest and other, net. These derivatives are classified in the consolidated statements of cash flows in the same section as the underlying item.

Fair value hedges use interest rate contracts, such as interest rate swaps, to hedge against changes in the fair value on certain of our fixed-rate indebtedness attributable to changes in the benchmark interest rate. The gains or losses on these hedges, as well as the offsetting losses or gains related to the changes in the fair value of the underlying hedged item attributable to the hedged risk, are recognized in earnings in the current period, primarily in interest and other, net. These derivatives are classified in the consolidated statements of cash flows in the same section as the underlying item, primarily within cash flows from financing activities.

Non-designated hedges use foreign currency contracts to economically hedge the functional currency equivalent cash flows of recognized monetary assets and liabilities, non-U.S.-dollar-denominated debt instruments classified as trading assets, and non-U.S.-dollar-denominated loans receivables recognized at fair value. We also use interest rate contracts to hedge interest rate risk related to our U.S.-dollar-denominated fixed-rate debt instruments classified as trading assets.

The change in fair value of these derivatives is recorded through earnings in the line item on the consolidated statements of income to which the derivatives most closely relate, primarily in interest and other, net. Changes in the fair value of the underlying assets and liabilities associated with the hedged risk are generally offset by the changes in the fair value of the related derivatives.

#### LOANS RECEIVABLE

We elect the fair value option when the interest rate or foreign currency exchange rate risk is economically hedged at the inception of the loan with a related derivative instrument. When the fair value option is not elected, the loans are carried at amortized cost. We measure interest income for all loans receivable using the interest method, which is based on the effective yield of the loans rather than the stated coupon rate. We classify our loans within other current and long-term assets.

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#### **CREDIT RISK**

Financial instruments that potentially subject us to concentrations of credit risk consist principally of investments in debt instruments, derivative financial instruments, loans receivable, reverse repurchase agreements, and trade receivables. We enter into master netting arrangements to mitigate credit risk in derivative transactions by permitting net settlement of transactions with the same counterparty.

We generally place investments with high-credit-quality counterparties and, by policy, we limit the amount of credit exposure to any one counterparty based on our analysis of that counterparty's relative credit standing. As required per our investment policy, substantially all of our investments in debt instruments and financing receivables are in investment-grade instruments. Credit-rating criteria for derivative instruments are similar to those for other investments. Due to master netting arrangements, the amounts subject to credit risk related to derivative instruments are generally limited to the amounts, if any, by which the counterparty's obligations exceed our obligations with that counterparty. As of December 29, 2018, our total credit exposure to any single counterparty, excluding money market funds invested in U.S. treasury and U.S. agency securities and reverse repurchase agreements collateralized by treasury and agency securities, did not exceed \$750 million. To further reduce credit risk, we obtain and secure available collateral from counterparties against obligations, including securities lending transactions, when we deem it appropriate.

A substantial majority of our trade receivables are derived from sales to original equipment manufacturers (OEMs) and original design manufacturers (ODMs). We also have accounts receivable derived from sales to industrial and communications equipment manufacturers in the computing and communications industries. We believe that the net accounts receivable balances from our three largest customers (45% as of December 29, 2018) do not represent a significant credit risk, based on cash flow forecasts, balance sheet analysis, and past collection experience. For more information about the customers that represent our accounts receivable balance, see "Note 4: Operating Segments."

We have adopted credit policies and standards intended to accommodate industry growth and inherent risk. We believe that credit risks are moderated by the financial stability of our major customers. We assess credit risk through quantitative and qualitative analysis. From this analysis, we establish shipping and credit limits, and determine whether we will seek to use one or more credit support protection devices, such as obtaining a parent guarantee, standby letter of credit, or credit insurance.

#### **BUSINESS COMBINATIONS**

We allocate the purchase price paid for assets acquired and liabilities assumed in connection with our acquisitions based on their estimated fair values at the time of acquisition. This allocation involves a number of assumptions, estimates, and judgments that could materially affect the timing or amounts recognized in our financial statements. The most subjective areas include determining the fair value of the following:

- intangible assets, including the valuation methodology, estimations of future cash flows, discount rates, market segment growth rates, and our assumed market segment share, as well as the estimated useful life of intangible assets;
- deferred tax assets and liabilities, uncertain tax positions, and tax-related valuation allowances, which are initially estimated as of the acquisition date;
- inventory; property, plant and equipment; pre-existing liabilities or legal claims; deferred revenue; and contingent consideration, each as may be applicable; and
- goodwill as measured as the excess of consideration transferred over the net of the acquisition date fair values
  of the assets acquired and the liabilities assumed.

Our assumptions and estimates are based upon comparable market data and information obtained from our management and the management of the acquired companies. We allocate goodwill to the reporting units of the business that are expected to benefit from the business combination.

#### **GOODWILL**

We perform an annual impairment assessment of goodwill at the reporting unit level in the fourth quarter of each year, or more frequently if indicators of potential impairment exist. The analysis may include both qualitative and quantitative factors to assess the likelihood of an impairment. The reporting unit's carrying value used in an impairment test represents the assignment of various assets and liabilities, excluding certain corporate assets and liabilities, such as cash, investments, and debt.

Qualitative factors include industry and market considerations, overall financial performance, and other relevant events and factors affecting the reporting unit. Additionally, as part of this assessment, we may perform a quantitative analysis to support the qualitative factors above by applying sensitivities to assumptions and inputs used in measuring a reporting unit's fair value.

Our quantitative impairment test considers both the income approach and the market approach to estimate a reporting unit's fair value. Significant estimates include market segment growth rates, our assumed market segment share, estimated costs, and discount rates based on a reporting unit's weighted average cost of capital.

We test the reasonableness of the inputs and outcomes of our discounted cash flow analysis against available market data. In the current year, the fair value for all of our reporting units substantially exceeds their carrying value, and our annual qualitative assessment did not indicate that a more detailed quantitative analysis was necessary.

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#### **IDENTIFIED INTANGIBLE ASSETS**

We amortize acquisition-related intangible assets that are subject to amortization over their estimated useful life. Acquisition-related in-process R&D assets represent the fair value of incomplete R&D projects that had not reached technological feasibility as of the date of acquisition; initially, these are classified as in-process R&D and are not subject to amortization. Once these R&D projects are completed, the asset balances are transferred from in-process R&D to acquisition-related developed technology and are subject to amortization from this point forward. The asset balances relating to projects that are abandoned after acquisition are impaired and expensed to R&D.

We perform a quarterly review of significant finite-lived identified intangible assets to determine whether facts and circumstances indicate that the carrying amount may not be recoverable. These reviews can be affected by various factors, including external factors such as industry and economic trends, and internal factors such as changes in our business strategy and our forecasts for specific product lines.

#### **EMPLOYEE EQUITY INCENTIVE PLANS**

We use the straight-line amortization method to recognize share-based compensation expense over the service period of the award, net of estimated forfeitures. Upon exercise, cancellation, forfeiture, or expiration of stock options, or upon vesting or forfeiture of restricted stock units (RSUs), we eliminate deferred tax assets for options and RSUs with multiple vesting dates for each vesting period on a first-in, first-out basis as if each vesting period were a separate award.

#### **INCOME TAXES**

We compute the provision for income taxes using the asset and liability method, under which deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and for operating losses and tax credit carryforwards. We measure deferred tax assets and liabilities using the currently enacted tax rates that apply to taxable income in effect for the years in which those tax assets are expected to be realized or settled.

We assess the likelihood that we will be able to recover our deferred tax assets. If recovery is not likely, we must increase our provision for taxes by recording a valuation allowance against the deferred tax assets that we estimate will not ultimately be recoverable. We believe that we will ultimately recover the deferred tax assets recorded on our consolidated balance sheets. Recovery of a portion of our deferred tax assets is affected by management's plans with respect to holding or disposing of certain investments; therefore, such changes could also affect our future provision for taxes.

We recognize tax benefits from uncertain tax positions only if (based on the technical merits of the position) it is more likely than not that the tax positions will be sustained on examination by the tax authority. The tax benefits recognized in the financial statements from such positions are measured based on the largest amount that is more than 50% likely to be realized upon ultimate settlement. We recognize interest and penalties related to unrecognized tax benefits within the provision for taxes on the consolidated statements of income.

We have completed the accounting associated with the December 22, 2017 enactment of the U.S. Tax Cuts and Jobs Act (Tax Reform). The U.S. Securities and Exchange Commission (SEC) had provided accounting and reporting guidance that allowed us to report provisional amounts within a measurement period up to one year from the enactment date. Complexities inherent in adopting the changes included additional guidance, interpretations of the law, and further analysis of data and tax positions. During 2018, as part of completing our accounting, we recognized approximately \$300 million reduction to our one-time net tax charge related to the transition tax and the remeasurement of deferred income taxes. For more information about Tax Reform impacts, see "Note 9: Income Taxes."

We recognize the tax impact of including certain foreign earnings in U.S. taxable income as a period cost. We have recognized deferred income taxes for local country income and withholding taxes that could be incurred on distributions of certain non-U.S. earnings or for outside basis differences in our subsidiaries, because we do not plan to indefinitely reinvest such earnings and basis differences. Remittances of non-U.S. earnings are based on estimates and judgments of projected cash flow needs, as well as the working capital and investment requirements of our non-U.S. and U.S. operations. Material changes in our estimates of cash, working capital, and investment needs in various jurisdictions could require repatriation of indefinitely reinvested non-U.S. earnings, which could be subject to applicable non-U.S. income and withholding taxes.

#### LOSS CONTINGENCIES

We are subject to loss contingencies, including various legal and regulatory proceedings, asserted and potential claims, liabilities related to repair or replacement of parts in connection with product defects, as well as product

warranties and potential asset impairments that arise in the ordinary course of business. An estimated loss from such contingencies is recognized as a charge to income if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated.

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#### **ACCOUNTING STANDARDS ADOPTED**

## Retirement Benefits - Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost

Standard/Description: This amended standard was issued to provide additional guidance on the presentation of net periodic benefit cost in the income statement and on the components eligible for capitalization in assets. In accordance with the revised standard, we have separated the different components of net periodic benefit cost, presenting service cost components within operating income and other non-service components separately outside of operating income on the income statement. In addition, only service costs are now eligible for inventory capitalization.

Effective Date and Adoption Considerations: Effective in the first quarter of 2018. Changes to the presentation of benefit costs were required to be adopted retrospectively, while changes to the capitalization of service costs into inventories were required to be adopted prospectively. The standard permits, as a practical expedient, use of the amounts disclosed in the Retirement Benefit Plans footnote for the prior comparative periods as the estimation basis for applying the retrospective presentation requirement.

Effect on Financial Statements or Other Significant Matters: Adoption of the amended standard resulted in the reclassification of non-service net periodic benefit costs from line items within operating income to interest and other, net, of approximately \$114 million for the year ended December 30, 2017 (\$259 million for the year ended December 31, 2016).

#### **Revenue Recognition - Contracts with Customers**

Standard/Description: This standard was issued to achieve a consistent application of revenue recognition within the U.S., resulting in a single revenue model to be applied by all companies. Under the new model, recognition of revenue occurs when a customer obtains control of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, the new standard requires that companies disclose the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

Effective Date and Adoption Considerations: Effective in the first quarter of 2018. This standard was adopted using a modified retrospective approach through a cumulative adjustment to retained earnings for the fiscal year beginning December 31, 2017.

Effect on Financial Statements or Other Significant Matters: Our adoption assessments identified a change in revenue recognition timing on our component sales made to distributors. Under the new standard, we now recognize revenue when we deliver to the distributor rather than deferring recognition until the distributor sells the components.

On the date of initial application, we removed the deferred income and related receivables on component sales made to distributors through a cumulative adjustment to retained earnings. The revenue deferral that was historically recognized in the following period is expected to be primarily offset by the acceleration of revenue recognition in the current period as control of the product transfers to our customer.

Our assessment also identified a change in expense recognition timing related to payments we make to our customers for distinct services they perform as part of cooperative advertising programs, which were previously recorded as operating expenses. We now recognize the expense for cooperative advertising in the period the marketing activities occur. Previously we recognized the expense in the period the customer was entitled to participate in the program, which coincided with the period of sale. On the date of initial adoption, we capitalized the expense of cooperative advertising not performed through a cumulative adjustment to retained earnings.

We have completed our adoption and implemented policies, processes, and controls to support the standard's measurement and disclosure requirements. Refer to the tables below, which summarize the impacts of the changes discussed above to our financial statements recorded as an adjustment to opening balances for the fiscal year beginning December 31, 2017, and also provide comparative reporting of the impacts of adopting the standard.

#### **Financial Instruments - Recognition and Measurement**

Standard/Description: Requires changes to the accounting for financial instruments that primarily affect equity securities, financial liabilities measured using the fair value option, and the presentation and disclosure requirements for such instruments.

Effective Date and Adoption Considerations: Effective in the first quarter of 2018. Changes to our marketable equity securities were required to be adopted using a modified retrospective approach through a cumulative effect adjustment to retained earnings for the fiscal year beginning December 31, 2017. Since management has elected to apply the measurement alternative to non-marketable equity securities, changes to these securities were adopted prospectively.

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Effect on Financial Statements or Other Significant Matters: Marketable equity securities previously classified as available-for-sale equity investments are now measured and recorded at fair value with changes in fair value recorded through the income statement.

All non-marketable equity securities formerly classified as cost method investments are measured and recorded using the measurement alternative. Equity securities measured and recorded using the measurement alternative are recorded at cost minus impairment, if any, plus or minus changes resulting from qualifying observable price changes. Adjustments resulting from impairments and qualifying observable price changes are recorded in the income statement.

Beginning in the first quarter of 2018, in accordance with the standard, recurring fair value disclosures are no longer provided for equity securities measured using the measurement alternative. In addition, the previous impairment model has been replaced with a simplified qualitative impairment model. No initial adoption adjustment was recorded for these instruments since the standard was required to be applied prospectively for securities measured using the measurement alternative.

We have completed our adoption and implemented policies, processes, and controls to support the standard's measurement and disclosure requirements. Refer to the table below, which summarizes impacts, net of tax, of the changes discussed above to our financial statements. This reflects an adjustment to opening balances for the fiscal year beginning December 31, 2017.

#### **Opening Balance Adjustments**

The following table summarizes the effects of adopting *Revenue Recognition - Contracts with Customers* and *Financial Instruments - Recognition and Measurement* on our financial statements for the fiscal year beginning December 31, 2017 as an adjustment to the opening balance:

			Adjustme	ents	s from			
(In Millions)	 alance as f Dec 30, 2017	-	Revenue Standard	_	Financial struments Update	Other¹	В	Opening salance as of Dec 31, 2017
Assets:								
Accounts receivable, net	\$ 5,607	\$	(530)	\$	_	\$ _	\$	5,077
Inventories	\$ 6,983	\$	47	\$	_	\$ _	\$	7,030
Other current assets	\$ 2,908	\$	64	\$	_	\$ (8)	\$	2,964
Equity investments	\$ _	\$	_	\$	8,579	\$ _	\$	8,579
Marketable equity securities	\$ 4,192	\$	_	\$	(4,192)	\$ _	\$	_
Other long-term assets	\$ 7,602	\$	_	\$	(4,387)	\$ (43)	\$	3,172
Liabilities:								
Deferred income	\$ 1,656	\$	(1,356)	\$	_	\$ _	\$	300
Other accrued liabilities	\$ 7,535	\$	81	\$	_	\$ _	\$	7,616
Long-term deferred tax liabilities	\$ 3,046	\$	191	\$	_	\$ (20)	\$	3,217
Stockholders' equity:								
Accumulated other comprehensive income (loss)	\$ 862	\$	_	\$	(1,745)	\$ (45)	\$	(928)
Retained earnings	\$ 42,083	\$	665	\$	1,745	\$ 14	\$	44,507

Includes adjustments from the adoption of "Income Taxes - Intra-Entity Transfers of Assets Other Than Inventory" and "Income Statement—Reporting Comprehensive Income - Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income."

The following table summarizes the impacts of adopting the new revenue standard on our consolidated statements of income and balance sheets:

For the fiscal year ended December 29, 20
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(In Millions)	As	reported	Adi	ustments	V	Without new revenue standard
Net revenue		70,848	\$	(616)	<b>.</b>	
	4	•	Ф	. ,	Ф	70,232
Cost of sales		27,111		(206)		26,905
Gross margin		43,737		(410)		43,327
Marketing, general and administrative		6,750		(70)		6,680
Operating income		23,316		(340)		22,976
Income before taxes		23,317		(340)		22,977
Provision for taxes		2,264		(64)		2,200
Net income	\$	21,053	\$	(276)	\$	20,777
Assets:						
Accounts receivable	\$	6,722	\$	216	\$	6,938
Inventories	\$	7,253	\$	62	\$	7,315
Other current assets	\$	3,162	\$	4	\$	3,166
Liabilities:						
Deferred income	\$	_	\$	1,846	\$	1,846
Other accrued liabilities	\$	7,919	\$	(514)	\$	7,405
Deferred income taxes	\$	1,665	\$	(109)	\$	1,556
Equity:						
Retained earnings	\$	50,172	\$	(941)	\$	49,231

#### **ACCOUNTING STANDARDS NOT YET ADOPTED**

#### Leases

Standard/Description: This new lease accounting standard requires that we recognize operating leased assets and corresponding liabilities on the balance sheet and provide enhanced disclosure of lease activity.

Effective Date and Adoption Considerations: Effective in the first quarter of 2019. The standard requires a modified retrospective adoption. We can choose to apply the provisions at the beginning of the earliest comparative period presented in the financial statements or at the beginning of the period of adoption. We have elected to apply the guidance at the beginning of the period of adoption. Our leased assets and corresponding liabilities will exclude non-lease components.

Effect on Financial Statements or Other Significant Matters: We expect to record right-of-use leased assets and corresponding liabilities of approximately \$625 million at the beginning of first quarter 2019.

#### **Cloud Computing Implementation Costs**

Standard/Description: The standard requires implementation costs incurred in cloud computing (i.e., hosting) arrangements that are service contracts to be assessed under existing guidance to determine which costs to capitalize as assets or expense as incurred.

Effective Date and Adoption Considerations: Effective in the first quarter of 2020. The standard requires adoption either retrospectively or prospectively.

Effect on Financial Statements or Other Significant Matters: We have not yet determined the impact of this standard on our financial statements.

### NOTE 4 : OPERATING SEGMENTS

We manage our business through the following operating segments:

- Client Computing Group (CCG)
- · Data Center Group (DCG)
- Internet of Things Group (IOTG)
- Non-Volatile Memory Solutions Group (NSG)
- Programmable Solutions Group (PSG)
- All other

We offer platform products that incorporate various components and technologies, including a microprocessor and chipset, a stand-alone System-on-Chip (SoC), or a multichip package. A platform product may be enhanced by additional hardware, software, and services offered by Intel. Platform products are used in various form factors across our CCG, DCG, and IOTG operating segments. We derive a substantial majority of our revenue from platform products, which are our principal products and considered as one class of product.

CCG and DCG are our reportable operating segments. IOTG, NSG, and PSG do not meet the quantitative thresholds to qualify as reportable operating segments; however, we have elected to disclose the results of these non-reportable operating segments.

We have sales and marketing, manufacturing, engineering, finance, and administration groups. Expenses for these groups are generally allocated to the operating segments.

The "all other" category includes revenue and expenses such as:

- results of operations from non-reportable segments not otherwise presented, including Mobileye results;
- historical results of operations from divested businesses, including Intel Security Group (ISecG) results;
- results of operations of start-up businesses that support our initiatives, including our foundry business;
- amounts included within restructuring and other charges:
- a portion of employee benefits, compensation, and other expenses not allocated to the operating segments;
   and
- acquisition-related costs, including amortization and any impairment of acquisition-related intangibles and goodwill.

The Chief Operating Decision Maker (CODM), which is our Chief Executive Officer (CEO), allocates resources to and assesses the performance of each operating segment using information about its revenue and operating income (loss). The CODM does not evaluate operating segments using discrete asset information and we do not identify or allocate assets by operating segments. Based on the interchangeable nature of our manufacturing and assembly and test assets, most of the related depreciation expense is not directly identifiable within our operating segments, as it is included in overhead cost pools and subsequently absorbed into inventory as each product passes through our manufacturing process. As our products are then sold across multiple operating segments, it is impracticable to determine the total depreciation expense included as a component of each operating segment's operating income (loss) results. Operating segments do not record inter-segment revenue. We do not allocate gains and losses from equity investments, interest and other income, or taxes to operating segments. Although the CODM uses operating income to evaluate the segments, operating costs included in one segment may benefit other segments. Except for these differences, the accounting policies for segment reporting are the same as for Intel as a whole.

Net revenue and operating income (loss) for each period were as follows:

Years Ended (In Millions)	[	Dec 29, 2018	ı	Dec 30, 2017	[	Dec 31, 2016
Net revenue:						
Client Computing Group						
Platform	\$	33,234	\$	31,226	\$	30,751
Adjacent		3,770		2,777		2,157
		37,004		34,003		32,908
Data Center Group						
Platform		21,155		17,439		15,895
Adjacent		1,836		1,625		1,341
		22,991		19,064		17,236
Internet of Things Group						
Platform		3,065		2,645		2,290
Adjacent		390		524		348
		3,455		3,169		2,638
Non-Volatile Memory Solutions Group		4,307		3,520		2,576
Programmable Solutions Group		2,123		1,902		1,669
All other		968		1,103		2,360
Total net revenue	\$	70,848	\$	62,761	\$	59,387
Operating income (loss):						
Client Computing Group	\$	14,222	\$	12,919	\$	10,646
Data Center Group	•	11,476	Ψ.	8,395	Ψ	7,520
Internet of Things Group		980		650		585
Non-Volatile Memory Solutions Group		(5)		(260)		(544)
Programmable Solutions Group		466		458		(104)
All other		(3,823)		(4,112)		(4,970)
Total operating income	\$	23,316	\$	18,050	\$	13,133
Disaggregated net revenue for each period was as follows:						
Years Ended (In Millions)	I	Dec 29, 2018		Dec 30, 2017	I	Dec 31, 2016
Platform revenue						
Desktop platform	\$	12,220	\$	11,647	\$	12,371
Notebook platform		20,930		19,414		18,203
DCG platform		21,155		17,439		15,895
Other platform <sup>1</sup>		3,149		2,810		2,467
		57,454		51,310		48,936
Adjacent revenue <sup>2</sup>		13,394		10,917		8,290
ISecG divested business		_		534		2,161
Total revenue	\$	70,848	\$	62,761	\$	59,387

<sup>&</sup>lt;sup>1</sup> Includes our tablet, service provider, and IOTG platform revenue.

In 2018, our three largest customers accounted for 39% of our net revenue (40% in 2017, 38% in 2016), with Dell Inc. accounting for 16% (16% in 2017, 15% in 2016), Lenovo Group Limited accounting for 12% (13% in 2017, 13% in

Includes all of our non-platform products for CCG, DCG, and IOTG, such as modem, Ethernet, and silicon photonics, as well as NSG, PSG, and Mobileye products.

2016), and HP Inc. accounting for 11% (11% in 2017, 10% in 2016). These three customers accounted for 45% of our accounts receivable as of December 29, 2018 (36% as of December 30, 2017). Substantially all of the revenue from these customers was from the sale of platforms and other components by the CCG and DCG operating segments.

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Net revenue by country as presented below is based on the billing location of the customer. Revenue from unaffiliated customers for each period was as follows:

Years Ended (In Millions)	Dec 29, 2018		Dec 30, 2017	Dec 31, 2016	
China (including Hong Kong)	\$	18,824	\$ 14,796	\$	13,977
Singapore		15,409	14,285		12,780
United States		14,303	12,543		12,957
Taiwan		10,646	10,518		9,953
Other countries		11,666	10,619		9,720
Total net revenue	\$	70,848	\$ 62,761	\$	59,387

### NOTE 5 : EARNINGS PER SHARE

We computed basic earnings per share of common stock based on the weighted average number of shares of common stock outstanding during the period. We computed diluted earnings per share of common stock based on the weighted average number of shares of common stock outstanding plus potentially dilutive shares of common stock outstanding during the period.

Years Ended (In Millions, Except Per Share Amounts)	[	Dec 29, 2018	D	ec 30, 2017	Dec 31, 2016
Net income available to common stockholders	\$	21,053	\$	9,601	\$ 10,316
Weighted average shares of common stock outstanding—basic		4,611		4,701	4,730
Dilutive effect of employee incentive plans		50		47	53
Dilutive effect of convertible debt		40		87	92
Weighted average shares of common stock outstanding—diluted		4,701		4,835	4,875
Earnings per share - Basic	\$	4.57	\$	2.04	\$ 2.18
Earnings per share - Diluted	\$	4.48	\$	1.99	\$ 2.12

Potentially dilutive shares of common stock from employee incentive plans are determined by applying the treasury stock method to the assumed exercise of outstanding stock options, the assumed vesting of outstanding RSUs, and the assumed issuance of common stock under the stock purchase plan. In December 2017, we paid cash to satisfy the conversion of our convertible debentures due 2035, which we excluded from our diluted earnings per share computation starting in the fourth quarter of 2017 and are no longer dilutive. Our convertible debentures due 2039 (2009 debentures) require settlement of the principal amount of the debt in cash upon conversion. Since the conversion premium is paid in cash or stock at our option, we determined the potentially dilutive shares of common stock by applying the treasury stock method. During 2018, we paid cash to satisfy the conversion of a portion of our 2009 debentures. The potentially dilutive shares associated with the converted portion were excluded from our diluted earnings per share computation in the quarter when conversions were tendered.

In all years presented, potentially dilutive securities that would have been anti-dilutive are insignificant and are excluded from the computation of diluted earnings per share. In all years presented, we included our 2009 debentures in the calculation of diluted earnings per share of common stock because the average market price was above the conversion price. We could potentially exclude the 2009 debentures in the future if the average market price is below the conversion price.

### NOTE 6 : CONTRACT LIABILITIES

Other	Dec 29, 2018	Ва	Opening Balance as of Dec 31, 2017		
Prepaid supply agreements	\$ 2,58	7 \$	105		
Other	12	2	195		
Total contract liabilities	\$ 2,70	9 \$	300		

Contract liabilities are primarily related to partial prepayments received from customers on long-term supply agreements toward future NSG product delivery. As new prepaid supply agreements are entered into and performance obligations are negotiated, this component of the contract liability balance will increase, and as customers purchase product and utilize their prepaid balances, the balance will decrease. The short-term portion of prepayments from supply agreements is reported on the consolidated balance sheets within other accrued liabilities.

The following table shows the changes in contract liability balances relating to prepaid supply agreements during 2018:

#### (In Millions)

Prepaid supply agreements balance as of December 31, 2017	\$ 105
Additions and adjustments	2,753
Prepaids utilized	(271)
Prepaid supply agreements balance as of December 29, 2018	\$ 2,587

Additions and adjustments in 2018 include a \$1.0 billion reclassification from customer deposits previously included in other long-term liabilities. The long-term supply agreements represent \$4.6 billion in future anticipated revenues to be recognized ratably over the next five years.



### OTHER FINANCIAL STATEMENT DETAILS

#### **INVENTORIES**

(In Millions)	Dec 29, 2018	Dec 30, 2017		
Raw materials	\$ 813	\$	738	
Work in process	4,511		4,213	
Finished goods	1,929		2,032	
Total inventories	\$ 7,253	\$	6,983	

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#### PROPERTY, PLANT AND EQUIPMENT

(In Millions)	Dec 29, 2018		,				,				Dec 30, 2017
Land and buildings	\$	30,954	\$ 27,391								
Machinery and equipment		66,721	57,192								
Construction in progress		16,643	15,812								
Total property, plant and equipment, gross		114,318	100,395								
Less: accumulated depreciation		65,342	59,286								
Total property, plant and equipment, net	\$	48,976	\$ 41,109								

Substantially all of our depreciable property, plant and equipment assets were depreciated over the following estimated useful lives: machinery and equipment, 2 to 5 years, and buildings, 10 to 30 years.

Net property, plant and equipment by country at the end of each period was as follows:

(In Millions)	Dec 29, lillions) 2018		Dec 30, 2017		 Dec 31, 2016
United States	\$	27,512	\$	24,459	\$ 23,598
Israel		8,861		6,501	3,923
China		6,417		4,275	2,306
Ireland		3,947		3,938	4,865
Other countries		2,239		1,936	1,479
Total property, plant and equipment, net	\$	48,976	\$	41,109	\$ 36,171

#### **OTHER ACCRUED LIABILITIES**

Other accrued liabilities include deferred compensation of \$1.7 billion as of December 29, 2018 (\$1.7 billion as of December 30, 2017).

#### **ADVERTISING**

Advertising costs, including direct marketing, recorded within marketing, general and administrative (MG&A) expenses were \$1.2 billion in 2018 (\$1.4 billion in 2017 and \$1.8 billion in 2016).

#### INTEREST AND OTHER, NET

The components of interest and other, net for each period were as follows:

Years Ended (In Millions)		Dec 29, 2018				Dec 31, 2016	
Interest income	\$	438	\$	441	\$	222	
Interest expense		(468)		(646)		(733)	
Other, net		156		(144)		(192)	
Total interest and other, net	\$	126	\$	(349)	\$	(703)	

Interest expense in the preceding table is net of \$496 million of interest capitalized in 2018 (\$313 million in 2017 and \$135 million in 2016).

# NOTE 8

#### **RESTRUCTURING AND OTHER CHARGES**

Years Ended (In Millions)	Dec 29, 2018		Dec 30, 2017		ec 31, 2016
2016 Restructuring Program	\$ (72)	\$	135	\$	1,681
ISecG separation costs and other charges	 		249		63
Total restructuring and other charges	\$ (72)	\$	384	\$	1,744

#### 2016 RESTRUCTURING PROGRAM

In the second quarter of 2016, management approved and commenced the 2016 Restructuring Program to accelerate our transformation from a PC company to one that powers the cloud and billions of smart, connected computing devices. Under this program, we closed certain facilities and reduced headcount globally to align our operations with evolving business needs by investing in our growth businesses and improving efficiencies. This program was completed in 2017.

Restructuring and other charges (benefits) by type for the 2016 Restructuring Program were as follows:

Years Ended (In Millions)		Dec 29, 2018		,		,		ec 31, 2016
Employee severance and benefit arrangements	\$	(72)	\$	70	\$	1,652		
Pension settlement charges		_		25		_		
Asset impairment and other charges				40		29		
Total restructuring and other charges	\$	(72)	\$	135	\$	1,681		

### NOTE 9 : INCOM

#### **INCOME TAXES**

The Tax Reform enacted in December 2017 reduced the U.S. federal corporate tax rate from 35.0% to 21.0% starting in 2018, assessed a one-time transition tax on earnings of non-U.S. subsidiaries that have not been taxed previously in the U.S., and created new taxes on certain future foreign sourced earnings. We recorded a provisional income tax expense of \$5.4 billion, net within our 2017 results related to Tax Reform. We completed our accounting for Tax Reform in the fourth quarter of 2018. Our final tax charge for Tax Reform was \$5.1 billion, net and was made up of the recognition of the transition tax imposed on undistributed earnings from non-U.S. subsidiaries and remeasurement of deferred income taxes using the newly enacted statutory tax rate of 21.0%.

#### **INCOME TAX PROVISION**

Income before taxes and the provision for taxes consisted of the following:

Years Ended (In Millions)		Dec 29, 2018		•								Dec 31, 2016	
Income before taxes:													
U.S.	\$	14,753	\$	11,141	\$	6,957							
Non-U.S.		8,564		9,211		5,979							
Total income before taxes		23,317		20,352		12,936							
Provision for taxes:		·		,									
Current:													
Federal		2,786		8,307		1,319							
State		(11)		27		13							
Non-U.S.		1,097		899		756							
Total current provision for taxes		3,872		9,233		2,088							

Deferred:			
Federal	(1,389)	1,680	658
Other	(219)	(162)	(126)
Total deferred provision for taxes	 (1,608)	1,518	 532
Total provision for taxes	\$ 2,264	\$ 10,751	\$ 2,620
Effective tax rate	 9.7 %	52.8 %	20.3 %

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The difference between the tax provision at the statutory federal income tax rate and the tax provision as a percentage of income before income taxes (effective tax rate) for each period was as follows:

Years Ended	Dec 29, 2018	Dec 30, 2017	Dec 31, 2016
Statutory federal income tax rate	21.0 %	35.0 %	35.0 %
Increase (reduction) in rate resulting from:			
Non-U.S. income taxed at different rates	(3.6)	(7.6)	(11.7)
Research and development tax credits	(2.7)	(2.3)	(2.3)
Domestic manufacturing deduction benefit	_	(1.3)	(1.4)
Foreign derived intangible income benefit	(3.7)	_	_
Tax Reform	(1.3)	26.8	_
ISecG divestiture	_	3.3	_
Other	(0.1)	(1.1)	0.7
Effective tax rate	9.7 %	52.8 %	20.3 %

The majority of the decrease in our effective tax rate in 2018 compared to 2017 was driven by non-recurring impacts in 2017 from Tax Reform and the ISecG divestiture. The reduction of the U.S. statutory rate combined with the net impact of the enactment or repeal of specific tax law provisions through Tax Reform drove the remaining decrease in our effective tax rate in 2018.

Substantially all of the increase in our effective tax rate in 2017 compared to 2016 was driven by the one-time impacts from Tax Reform enacted on December 22, 2017, the 2017 ISecG divestiture, and a higher proportion of our income in higher tax rate jurisdictions.

We derive the effective tax rate benefit attributed to non-U.S. income taxed at different rates primarily from our operations in China, Hong Kong, Ireland, and Israel. The statutory tax rates in these jurisdictions range from 12.5% to 25.0%. In addition, we are subject to reduced tax rates in China and Israel as long as we conduct certain eligible activities and make certain capital investments. These conditional reduced tax rates expire at various dates through 2026 and we expect to apply for renewals upon expiration.

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#### **DEFERRED AND CURRENT INCOME TAXES**

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for income tax purposes. Significant components of our deferred tax assets and liabilities at the end of each period were as follows:

(In Millions)	Dec 29, 2018		Dec 30, 2017
Deferred tax assets:			
Accrued compensation and other benefits	\$ 570	\$	711
Share-based compensation	273		241
Deferred income	_		211
Inventory	517		675
State credits and net operating losses	1,297		1,081
Other, net	512		887
Gross deferred tax assets	3,169		3,806
Valuation allowance	(1,302	)	(1,171)
Total deferred tax assets	1,867		2,635
Deferred tax liabilities:			
Property, plant and equipment	(878	)	(943)
Licenses and intangibles	(744	)	(881)
Convertible debt	(204	)	(374)
Unrealized gains on investments and derivatives	(266	)	(421)
Transition tax	_		(1,850)
Other, net	(318	)	(373)
Total deferred tax liabilities	(2,410	) _	(4,842)
Net deferred tax assets (liabilities)	\$ (543	\$	(2,207)
Reported as:			
Deferred tax assets	1,122		840
Deferred tax liabilities	(1,665	)	(3,046)
Net deferred tax assets (liabilities)	\$ (543	\$	(2,207)

Deferred tax assets are included within other long-term assets on the consolidated balance sheets.

The valuation allowance as of December 29, 2018 included allowances primarily related to unrealized state credit carryforwards of \$1.3 billion.

As of December 29, 2018, our federal and non-U.S. net operating loss carryforwards for income tax purposes were \$246 million and \$414 million, respectively. Most of the non-U.S. net operating loss carryforwards have no expiration date. The remaining non-U.S. and U.S. federal and state net operating loss carryforwards expire at various dates through 2039. A significant amount of the net operating loss carryforwards in the U.S. relates to acquisitions and, as a result, is limited in the amount that can be recognized in any one year. The non-U.S. net operating loss carryforwards include \$39 million that is not likely to be recovered and has been reduced by a valuation allowance.

At December 29, 2018, we have undistributed earnings of certain foreign subsidiaries of approximately \$18.0 billion that we have indefinitely invested, and on which we have not recognized deferred taxes. Estimating the amount of potential tax is not practicable because of the complexity and variety of assumptions necessary to compute the tax.

Current income taxes receivable of \$162 million as of December 29, 2018 (\$71 million as of December 30, 2017) are included in other current assets. Current income taxes payable of \$366 million as of December 29, 2018 (\$1.4 billion as of December 30, 2017) are included in other accrued liabilities.

Long-term income taxes payable of \$4.9 billion as of December 29, 2018 (\$4.1 billion as of December 30, 2017) includes uncertain tax positions, reduced by the associated federal deduction for state taxes and non-U.S. tax credits. Long-term income taxes payable may also include other long-term tax liabilities that are not uncertain but have not yet

been paid, including the substantial majority of the transition tax from the Tax Reform, which is payable over eight years beginning in 2018.

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#### **UNCERTAIN TAX POSITIONS**

Unrecognized tax benefits were \$283 million as of December 29, 2018 (\$211 million as of December 30, 2017 and \$154 million as of December 31, 2016). If the remaining balance of unrecognized tax benefits were recognized in a future period, it would result in a tax benefit of \$178 million as of December 29, 2018 (\$139 million as of December 30, 2017) and a reduction in the effective tax rate. The tax benefit for settlements, effective settlements, and remeasurements was insignificant in all periods presented. Interest, penalties, and accrued interest related to unrecognized tax benefits were insignificant in the periods presented.

We comply with the laws, regulations, and filing requirements of all jurisdictions in which we conduct business. We regularly engage in discussions and negotiations with tax authorities regarding tax matters in various jurisdictions. Although the timing of the resolutions and/or closures of audits is highly uncertain, it is reasonably possible that certain U.S. federal and non-U.S. tax audits may be concluded within the next 12 months, which could increase or decrease the balance of our gross unrecognized tax benefits.

We file federal, state, and non-U.S. tax returns. For U.S. federal and non-U.S. tax returns, we are generally no longer subject to tax examinations for years prior to 2004. For U.S. state tax returns, we are no longer subject to tax examination for years prior to 2010. We have filed petitions before the U.S. Tax Court relating to the treatment of stock-based compensation expense in an inter-company cost-sharing transaction for certain pre-acquisition Altera tax years. The U.S. Tax Court ruled in favor of Altera and the U.S. Internal Revenue Service appealed the ruling to the U.S. Court of Appeals for the Ninth Circuit. During 2018, the U.S. Court of Appeals heard oral arguments and the outcome of those appeals is pending.



#### **DEBT INVESTMENTS**

#### **Trading Assets**

Net losses related to trading assets still held at the reporting date were \$188 million in 2018 (net gains of \$414 million in 2017 and net losses of \$295 million in 2016). Net gains on the related derivatives were \$163 million in 2018 (net losses of \$422 million in 2017 and net gains of \$300 million in 2016).

#### **Available-for-Sale Debt Investments**

		December 29, 2018			December 30, 2017			
(In Millions)	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Corporate debt	\$ 3,068	\$ 2	\$ (28)	\$ 3,042	\$ 2,294	\$ 4	\$ (13)	\$ 2,285
Financial institution instruments	3,076	3	(11)	3,068	3,387	3	(9)	3,381
Government debt	1,069	1	(9)	1,061	961	_	(6)	955
Total available- for-sale debt investments	\$ 7,213	\$ 6	\$ (48)	\$ 7,171	\$ 6,642	\$ 7	\$ (28)	\$ 6,621

Government debt includes instruments such as non-U.S. government bonds and U.S. agency securities. Financial institution instruments include instruments issued or managed by financial institutions in various forms, such as commercial paper, fixed- and floating-rate bonds, money market fund deposits, and time deposits. Substantially all time deposits were issued by institutions outside the U.S. as of December 29, 2018 and December 30, 2017.

The fair values of available-for-sale debt investments by contractual maturity as of December 29, 2018 were as follows:

(In Millions)	Fair Value
Due in 1 year or less	\$ 3,233
Due in 1–2 years	404
Due in 2–5 years	2,776

Due after 5 years Instruments not due at a single	maturity date	208 550
Total	\$ 7,171	
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# **EQUITY INVESTMENTS**

(In Millions)	C	ec 29, 2018	Dec 30, 2017	
Marketable equity securities	\$	1,440	\$	4,192
Non-marketable equity securities		2,978		2,613
Equity method investments		1,624		1,774
Total	\$	6,042	\$	8,579

The components of gains (losses) on equity investments, net for each period were as follows:

Years Ended (In Millions)	Dec 29, Dec 30, 2018 2017				Dec 31, 2016	
Ongoing mark-to-market adjustments on marketable equity securities <sup>1</sup>	\$	(129)	\$	_	\$	_
Observable price adjustments on non-marketable equity securities <sup>1</sup>		202		_		_
Impairment charges		(424)		(833)		(187)
Sale of equity investments and other <sup>2</sup>		226		3,484		693
Total gains (losses) on equity investments, net	\$	(125)	\$	2,651	\$	506

- Ongoing mark-to-market adjustments and observable price adjustments relate to the new financial instruments standard adopted in the first quarter of 2018, and are not applicable in prior periods.
- <sup>2</sup> Sale of equity investments and other includes realized gains (losses) on sales of non-marketable equity investments, our share of equity method investee gains (losses), and initial fair value adjustments recorded upon a security becoming marketable. In 2017 and 2016, sales of equity investments and other also includes realized gains (losses) on sales of available-for-sale equity securities, which are now reflected in ongoing mark-to-market adjustments on marketable equity securities.

In 2018, we recognized \$202 million in upward observable price adjustments and there were no downward adjustments. Observable price adjustments are not applicable to prior periods. We also recognized impairments of \$132 million on non-marketable equity securities (\$555 million in 2017 and \$184 million in 2016).

In 2018, we recognized \$153 million in equity method investee losses (\$223 million in 2017 and \$38 million in 2016).

In 2017 and 2016, we recognized \$3.4 billion and \$407 million, respectively, in realized gains on sales of a portion of our interest in ASML Holding N.V. (ASML). During the second quarter of 2017, we determined we had an other-than-temporary decline in the fair value of our investment in Cloudera, Inc. and recognized an impairment charge of \$278 million.

Gains and losses for our marketable and non-marketable equity securities during the period were as follows:

(In Millions)	ec 29, 2018
Net gains (losses) recognized during the period on equity securities	\$ 298
Less: Net (gains) losses recognized during the period on equity securities sold during the period	 (445)
Unrealized gains (losses) recognized during the period on equity securities still held at the reporting date	\$ (147)

Equity method investments at the end of each period were as follows:

		Decembe	er 29, 2018	December 30, 2017				
(Dollars In Millions)	Carrying Value				Ownership Percentage			
IM Flash Technologies, LLC	\$	1,574	49 % \$	1,505	49 %			
McAfee			49 %	153	49 %			
Other equity method investments		50		116				
Total	\$	1,624	\$	1,774				

# IM Flash Technologies, LLC

IM Flash Technologies, LLC (IMFT) was formed in 2006 by Micron Technology, Inc. (Micron) and Intel to jointly develop NAND flash memory and 3D XPoint™ technology products. IMFT is an unconsolidated variable interest entity and all costs of IMFT are passed on to Micron and Intel through sale of products or services in proportional share of ownership. As of December 29, 2018, we own a 49% interest in IMFT. Our portion of IMFT costs was approximately \$494 million in 2018 (approximately \$415 million in 2017 and \$400 million in 2016).

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IMFT depends on Micron and Intel for any additional cash needs to be provided in the form of cash calls or member debt financing (MDF). Extensions of MDF may be converted to a capital contribution at the lender's request, or may be repaid upon availability of funds.

In July 2018, Intel and Micron announced that they agreed to complete joint development for the second generation of 3D XPoint technology, which is expected to occur in the first half of 2019 and technology development beyond that generation will be pursued independently by the two companies to optimize the technology for their respective product and business needs. We recognized an impairment charge of \$290 million million during the third quarter of 2018. This reduced the carrying value of our equity method investment in IMFT to \$1.6 billion in line with our expectation of future cash flows. In January 2019, Micron exercised its right to call our interest in IMFT. The call transaction will close between six and twelve months from the date Micron exercised the call option. We will continue to purchase product manufactured at the IMFT facility for a period of up to one year following the close date.

#### **McAfee**

During the second quarter of 2017, we closed our divestiture of the ISecG business and retained a 49% interest in McAfee as partial consideration. Our investment is accounted for under the equity method of accounting. During the third quarter of 2017, we received a \$735 million dividend from McAfee. For further information related to the divestiture of the ISecG business, see "Note 11: Acquisitions and Divestitures."

# Beijing Unisoc Technology Ltd. (Unisoc)

During 2014, we entered into an agreement with Tsinghua Unigroup Ltd. (Tsinghua Unigroup), an operating subsidiary of Tsinghua Holdings Co. Ltd., to jointly develop Intel® architecture- and communications-based solutions for phones. During 2015, we invested \$966 million for a minority stake of Beijing UniSpreadtrum Technology Ltd, a holding company under Tsinghua Unigroup. During 2017, we reduced our expectation of the company's future operating performance due to competitive pressures, which resulted in an impairment charge of \$308 million. During 2018, Beijing UniSpreadtrum Technology Ltd and RDA Microelectronics merged and rebranded themselves as Beijing Unisoc Technology Ltd. (Unisoc). We account for our interest in Unisoc as a non-marketable equity security.



# **ACQUISITIONS AND DIVESTITURES**

### **ACQUISITIONS**

During 2018, we completed five acquisitions qualifying as business combinations that were not material to our operations. During 2017, in addition to the Mobileye acquisition shown below, we completed two acquisitions qualifying as business combinations. During 2016, we acquired Altera for \$14.5 billion, and, in addition, completed 11 acquisitions qualifying as business combinations for aggregate consideration of \$1.1 billion.

Other acquisitions completed in 2018, 2017, and 2016, both individually and in the aggregate, were not significant to our results of operations, and substantially all of the consideration, which primarily consisted of cash, was allocated to goodwill and identifiable intangible assets. For information on the assignment of goodwill to our operating segments, see "Note 12: Goodwill," and for information on the classification of intangible assets, see "Note 13: Identified Intangible Assets."

#### **Mobileye**

As of August 21, 2017, upon the completion of our tender offer, we acquired 97.3% of the outstanding ordinary shares of Mobileye, a global leader in the development of computer vision and machine learning, data analysis, localization, and mapping for advanced driver- assistance systems and autonomous driving. This acquisition combines Mobileye's leading computer vision expertise with Intel's high-performance computing and connectivity expertise to create automated driving solutions from car to cloud. The combination is expected to accelerate innovation for the automotive industry and position Intel as a leading technology provider in the fast-growing market for highly and fully autonomous vehicles. The transaction also extends Intel's strategy to invest in data-intensive market opportunities that build on our strengths in computing and connectivity from the cloud, through the network, to the device. We acquired the remaining 2.7% of Mobileye shares in April 2018.

Total consideration to acquire Mobileye was \$14.9 billion (net of \$366 million of cash and cash equivalents acquired), of which \$14.5 billion was paid in 2017 and the remainder in 2018.

The fair values of the assets acquired and liabilities assumed in the acquisition of Mobileye, by major class, were recognized as follows:

## (In Millions)

Short-term investments and marketable securities	\$ 370
Tangible assets	227
Goodwill	10,283
Identified intangible assets	4,482
Current liabilities	(69)
Deferred tax liabilities and other	 (418)
Total	\$ 14,875
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We assumed outstanding unvested Mobileye stock options and RSUs granted under two Mobileye equity plans. We will not grant additional equity awards under these two Mobileye equity plans. In connection with the acquisition, we recognized share-based compensation expense of \$71 million for cash-settled awards.

Goodwill of \$10.3 billion arising from the acquisition is attributed to the expected synergies and other benefits that will be generated from the combination of Intel and Mobileye. Substantially all of the goodwill recognized is not expected to be deductible for tax purposes. The goodwill recognized from the acquisition is included within "all other."

The identified intangible assets assumed in the acquisition of Mobileye were recognized as follows:

	 ir Value Millions)	Weighted Average Estimated Useful Life (In Years)
Developed technology	\$ 2,346	9
Customer relationships and brands	777	12
Identified intangible assets subject to amortization	3,123	
In-process research and development	1,359	
Identified intangible assets not subject to amortization	 1,359	
Total identified intangible assets	\$ 4,482	

#### **DIVESTITURES**

## Wind River Systems, Inc. (Wind River)

During the second quarter of 2018, we completed the divestiture of Wind River and recognized a pre-tax gain of \$494 million.

#### **Intel Security Group**

On April 3, 2017, we closed the transaction with TPG VII Manta Holdings, L.P., now known as Manta Holdings, L.P. (TPG), transferring certain assets and liabilities relating to ISecG to a newly formed, jointly owned, separate cybersecurity company called McAfee.

Total consideration received was \$4.2 billion, consisting of \$924 million in cash proceeds, \$1.1 billion in the form of equity representing a 49% ownership interest in McAfee, and \$2.2 billion in the form of promissory notes issued by McAfee and TPG. During the third quarter of 2017, McAfee and TPG repaid the \$2.2 billion of promissory notes, which are included within proceeds from divestiture.

The carrying amounts of the major classes of ISecG assets and liabilities as of the transaction close date included the following:

(In Millions)	 Apr 1, 2017
Accounts receivable	\$ 317
Goodwill	3,601
Identified intangible assets	965
Other assets	 276
Total assets	\$ 5,159
Deferred income	\$ 1,553
Other liabilities	 276
Total liabilities	\$ 1,829

As of the transaction close date, we recognized a pre-tax gain of \$387 million within "Interest and other, net," which is net of \$507 million of currency translation adjustment losses reclassified from accumulated other comprehensive income (loss) associated with currency charges on the carrying values of ISecG goodwill and identified intangible assets. In addition, we recognized a tax expense of \$822 million.

# NOTE 12: GOODWILL

Goodwill activity for each period was as follows:

(In Millions)	 Dec 30, 2017	Acq	uisition	s Tra	ansfers	Other	- [	Dec 29, 2018
Client Computing Group	\$ 4,356	\$	47	\$	_	\$ _	\$	4,403
Data Center Group	5,421		3		_	_		5,424
Internet of Things Group	1,126		16		480	(43)		1,579
Programmable Solutions Group	2,490		89		_	_		2,579
All other	 10,996		7		(480)	5		10,528
Total	\$ 24,389	\$	162	\$		\$ (38)	\$	24,513

(In Millions)	 Dec 31, 2016	Ac	quisitions	Tra	ansfers	Other	Dec 30, 2017
Client Computing Group	\$ 4,356	\$	_	\$	_	\$ _	\$ 4,356
Data Center Group	5,412		9		_	_	5,421
Internet of Things Group	1,123		3		_	_	1,126
Programmable Solutions Group	2,490		_		_	_	2,490
All other	 718		10,278				10,996
Total	\$ 14,099	\$	10,290	\$		\$ 	\$ 24,389

During the third quarter of 2018, we made an organizational change to combine our artificial intelligence investments in edge computing with IOTG; accordingly, approximately \$480 million of goodwill was reallocated from "all other" to the IOTG operating segment.

During the fourth quarters of 2018, 2017, and 2016, we completed our annual impairment assessments and we concluded that goodwill was not impaired in any of these years. The accumulated impairment losses as of December 29, 2018 were \$719 million: \$365 million associated with CCG, \$275 million associated with DCG, and \$79 million associated with IOTG.

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# **IDENTIFIED INTANGIBLE ASSETS**

	December 29, 2018								
(In Millions)		Gross Assets		cumulated ortization		Net			
Acquisition-related developed technology	\$	9,611	\$	(3,021)	\$	6,590			
Acquisition-related customer relationships and brands		2,179		(527)		1,652			
Licensed technology and patents		2,932		(1,406)		1,526			
Identified intangible assets subject to amortization		14,722		(4,954)		9,768			
In-process research and development		1,497		_		1,497			
Other intangible assets		571				571			
Identified intangible assets not subject to amortization		2,068		_		2,068			
Total identified intangible assets	\$	16,790	\$	(4,954)	\$	11,836			

	December 30, 2017								
(In Millions)		Gross Assets		cumulated ortization		Net			
Acquisition-related developed technology	\$	8,912	\$	(1,922)	\$	6,990			
Acquisition-related customer relationships and brands		2,195		(342)		1,853			
Licensed technology and patents		3,104		(1,370)		1,734			
Identified intangible assets subject to amortization		14,211		(3,634)		10,577			
In-process research and development		2,168				2,168			
Identified intangible assets not subject to amortization		2,168		_		2,168			
Total identified intangible assets	\$	16,379	\$	(3,634)	\$	12,745			

Identified intangible assets subject to amortization recorded for each period and their respective estimated weighted average useful lives were as follows:

		Decembe	r 29, 2018	Decembe	r 30, 2017	
	Α	Gross ssets Millions)	Estimated Useful Life (In Years)	Gross Assets Millions)	Estimated Useful Life (In Years)	
Acquisition-related developed technology	\$	35	7	\$ 2,346	9	
Acquisition-related customer relationships and brands	\$	_	0	\$ 777	12	
Licensed technology and patents	\$	66	6	\$ 162	7	

Amortization expenses recorded for identified intangible assets in the consolidated statements of income for each period and the estimated useful life ranges were as follows:

Years Ended (In Millions)	Location	D	ec 29, 2018	ec 30, 2017	ec 31, 2016	Estimated Useful Life Range (In Years)
Acquisition-related developed technology	Cost of sales	\$	1,105	\$ 912	\$ 937	5 – 11
Acquisition-related customer relationships and brands	Amortization of acquisition- related intangibles		200	177	294	6 – 12
Licensed technology and patents	Cost of sales		260	 288	 293	2 – 17

Total amortization expenses

**\$ 1,565 \$ 1,377 \$ 1,524** 

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We expect future amortization expense for the next five years to be as follows:

(In Millions)	2019		2020	2021		2022	2023		
Acquisition-related developed technology	\$ 1,114 \$ 1,082 \$ 1,047 \$		1,008	\$	1,005				
Acquisition-related customer relationships and brands	200		199	199		177		173	
Licensed technology and patents	249		218	204		196		139	
Total future amortization expenses	\$ 1,563	\$	1,499	\$ 1,450	\$	1,381	\$	1,317	

# NOTE

# **OTHER LONG-TERM ASSETS**

(In Millions)	c 29, 018	ec 30, 2017
Non-current deferred tax assets	\$ 1,122	\$ 840
Pre-payments for property, plant and equipment	1,507	714
Loans receivable	479	860
Other	1,313	801
Total other long-term assets	\$ 4,421	\$ 3,215

# NOTE

# **BORROWINGS**

# **SHORT-TERM DEBT**

(In Millions)	Dec 29, 2018		Dec 30, 2017
Commercial paper and drafts payable	\$ 500	\$	37
Current portion of long-term debt	761	_	1,739
Total short-term debt	\$ 1,261	\$	1,776

Our current portion of long-term debt includes our 2009 junior subordinated convertible debentures due 2039, as well as debt classified as short-term based on contractual maturity.

We have an ongoing authorization from our Board of Directors to borrow up to \$10.0 billion under our commercial paper program.

# **LONG-TERM DEBT**

	Decemb	December 29, 2018						
(In Millions)	Effective Interest Rate	Amount	30, 2017 Amount					
Floating-rate senior notes:								
Three-month LIBOR plus 0.08%, due May 2020	2.29%	\$ 700	\$ 700					
Three-month LIBOR plus 0.35%, due May 2022	2.56%	800	800					
Fixed-rate senior notes:								
2.50%, due November 2018	—%	_	600					
3.25%, due December 2019 <sup>1</sup>	2.11%	177	194					
1.85%, due May 2020	1.89%	1,000	1,000					
2.45%, due July 2020	2.49%	1,750	1,750					
1.70%, due May 2021	1.79%	500	500					
3.30%, due October 2021	3.67%	2,000	2,000					
2.35%, due May 2022	2.67%	750	750					
3.10%, due July 2022	3.47%	1,000	1,000					
4.00%, due December 2022 <sup>1</sup>	2.89%	389	428					
2.70%, due December 2022	3.06%	1,500	1,500					
4.10%, due November 2023	3.22%	400	400					
2.88%, due May 2024	3.03%	1,250	1,250					
2.70%, due June 2024	2.79%	600	600					
3.70%, due July 2025	4.16%	2,250	2,250					
2.60%, due May 2026	2.62%	1,000	1,000					
3.15%, due May 2027	3.21%	1,000	1,000					
4.00%, due December 2032	3.70%	750	750					
4.80%, due October 2041	4.49%	802	802					
4.25%, due December 2042	3.87%	567	567					
4.90%, due July 2045	4.56%	772	772					
4.70%, due December 2045	3.45%	915	915					
4.10%, due May 2046	3.72%	1,250	1,250					
4.10%, due May 2047	3.59%	1,000	1,000					
4.10%, due August 2047	2.91%	640	640					
3.73%, due December 2047	3.90%	1,967	1,967					
Oregon and Arizona bonds:								
2.40% - 2.70%, due December 2035 - 2040	2.49%	423	_					
Junior subordinated convertible debentures:								
3.25%, due August 2039 <sup>2</sup>	3.42%	988	2,000					
Total senior notes and other borrowings		27,140	28,385					
Unamortized premium/discount and issuance costs		(891)	(1,357)					
Hedge accounting fair value adjustments		(390)	(252)					
Long-term debt		25,859	26,776					
Current portion of long-term debt		(761)	(1,739)					
Total long-term debt		\$ 25,098	\$ 25,037					

To manage foreign currency risk associated with the Australian-dollar-denominated notes issued in 2015, we entered into currency interest rate swaps with an aggregate notional amount of \$577 million, which effectively converted these notes to U.S.-dollar-denominated notes. For further discussion on our currency interest rate swaps, see "Note 18: Derivative"

Financial Instruments." Principal and unamortized discount/issuance costs for the Australian-dollar-denominated notes in the table above were calculated using foreign currency exchange rates as of December 29, 2018 and December 30, 2017.

 $^{2}\,\,$  Effective interest rate for the year ended December 30, 2017 was 4.03%.

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The fair value of our convertible debentures is determined using discounted cash flow models with observable market inputs, and takes into consideration variables such as interest rate changes, comparable instruments, subordination discount, and credit-rating changes. As of December 29, 2018 and December 30, 2017, the fair value of short- and long-term debt (excluding commercial paper and drafts payable) was \$27.1 billion and \$29.4 billion, respectively. These liabilities are classified as Level 2 within the fair value hierarchy, based on the nature of the fair value inputs.

#### **Senior Notes**

During 2017, we issued a total of \$7.7 billion aggregate principal amount of senior notes, which excludes the private placement of \$2.0 billion of senior notes issued in December 2017, as discussed in the following paragraph. We used the net proceeds from the offerings of the notes for general corporate purposes, which included refinancing of outstanding debt and repurchase of shares of our common stock. Additionally, we redeemed our \$1.0 billion, 4.90% senior notes due August 2045.

In December 2017, we completed exchange and cash offers for our outstanding 4.80% senior notes due 2041, 4.25% senior notes due 2042, and 4.90% senior notes due 2045 (Old Notes). As a result of the exchange offer, we issued in a private placement \$2.0 billion principal amount of 3.73% senior notes due 2047 and paid \$293 million cash in exchange for \$1.9 billion aggregate principal amount of the Old Notes. As a result of the cash offer, we paid \$518 million to repurchase \$425 million aggregate principal amount and recognized a \$93 million loss on the extinguishment of the Old Notes.

Our floating-rate senior notes pay interest quarterly and our fixed-rate senior notes pay interest semiannually. As of December 29, 2018 and December 30, 2017, the total principal amount of our fixed-rate senior notes that was converted to variable-rate indebtedness using interest rate swaps was \$20.0 billion and \$12.9 billion, respectively. We may redeem the fixed-rate notes prior to their maturity at our option at specified redemption prices and subject to certain restrictions. The obligations under the notes rank equally in right of payment with all of our other existing and future senior unsecured indebtedness and will effectively rank junior to all liabilities of our subsidiaries.

#### **Oregon and Arizona Bonds**

During the third quarter of 2018, we remarketed \$423 million principal of bonds issued by the Industrial Development Authority of the City of Chandler, Arizona (the Arizona bonds) and the State of Oregon Business Development Commission (the Oregon bonds). The bonds are our unsecured general obligations in accordance with loan agreements we entered into with the Industrial Development Authority of the City of Chandler, Arizona and the State of Oregon Business Development Commission. The bonds mature between 2035 and 2040 and carry interest rates of 2.40% - 2.70%. Each series of the Arizona bonds and the Oregon bonds is subject to mandatory tender in August 2023, at which time we can remarket the bonds as either fixed-rate bonds for a specified period, or as variable-rate bonds until another fixed-rate period is selected or their final maturity date.

#### **Convertible Debentures**

In 2009, we issued junior subordinated convertible debentures due 2039 (2009 debentures), which pay a fixed rate of interest semiannually. In 2018, we paid \$2.4 billion in cash to satisfy conversion obligations for \$1.0 billion in principal, resulting in a cumulative loss of \$260 million in interest and other, net and \$1.6 billion as a reduction to stockholders' equity related to the conversion feature.

The 2009 debentures have a contingent interest component that requires us to pay interest based on certain thresholds or for certain events, commencing on August 1, 2019. After such date, if the 10-day average trading price of \$1,000 principal amount of the bond immediately preceding any six-month interest period is less than or equal to \$650 or greater than or equal to \$1,500, we are required to pay contingent 0.25% or 0.50% annual interest, respectively.

The 2009 debentures are convertible, subject to certain conditions. Holders can surrender the 2009 debentures for conversion if the closing price of Intel common stock has been at least 130% of the conversion price then in effect for at least 20 trading days during the 30 consecutive trading-day period ending on the last trading day of the preceding fiscal quarter. We will settle any conversion of the 2009 debentures in cash up to the face value, and any amount in excess of face value will be settled in cash or stock at our option. On or after August 5, 2019, we can redeem, for cash, all or part of the 2009 debentures for the principal amount, plus any accrued and unpaid interest, if the closing price of Intel common stock has been at least 150% of the conversion price then in effect for at least 20 trading days during any 30 consecutive trading-day period. In addition, if certain events occur in the future, the indenture governing the 2009 debentures provides that each holder of the debentures can, for a pre-defined period of time, require us to repurchase the holder's debentures for the principal amount plus any accrued and unpaid interest. The 2009 debentures are subordinated in right of payment to any existing and future senior debt and to the other liabilities of our subsidiaries. We have concluded that the 2009 debentures are not conventional convertible debt instruments and that the embedded stock conversion options qualify as derivatives. In addition, we have concluded that the embedded

conversion options would be classified in stockholders' equity if they were freestanding derivative instruments and are not accounted for separately as derivative liabilities.

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Notes to Financial Statements

During the fourth quarter of 2018, the closing stock price conversion right condition of the 2009 debentures continued to be met and the debentures will be convertible at the option of the holders during the first quarter of 2019. As a result, the \$569 million carrying amount of the 2009 debentures was classified as short-term debt on our consolidated balance sheet as of December 29, 2018 (\$1.1 billion as of December 30, 2017). The excess of the amount required to be settled in cash if converted over the carrying amount of the 2009 debentures of \$419 million has been classified as temporary equity on our consolidated balance sheet as of December 29, 2018 (\$866 million as of December 30, 2017). In future periods, if the closing stock price conversion right condition is no longer met, all outstanding 2009 debentures would be reclassified to long-term debt and the temporary equity would be reclassified to stockholders' equity on our consolidated balance sheet.

	2009 De	bent	ures	
(In Millions, Except Per Share Amounts)		ec 29, 2018	D	ec 30, 2017
Outstanding principal	\$	988	\$	2,000
Unamortized discount <sup>1</sup>	\$	419	\$	866
Net debt carrying amount	\$	569	\$	1,134
Conversion rate (shares of common stock per \$1,000 principal amount of debentures)		49.01		48.37
Effective conversion price (per share of common stock)	\$	20.40	\$	20.68

<sup>&</sup>lt;sup>1</sup> The unamortized discounts for the 2009 debentures are amortized over the remaining life of the debt.

The conversion rate adjusts for certain events outlined in the indentures governing the 2009 debentures, such as quarterly dividend distributions in excess of \$0.14 per share, but it does not adjust for accrued interest. In addition, the conversion rate will increase for a holder of the 2009 debentures who elects to convert the debentures in connection with certain share exchanges, mergers, or consolidations involving Intel.

#### **Debt Maturities**

Our aggregate debt maturities, excluding commercial paper and drafts payable, based on outstanding principal as of December 29, 2018, by year payable, were as follows:

	2	019	2020	2021	2022	2	2023	2024 and	Total
(In Millions)								thereafter	
	\$	177	\$3,450	\$2,500	\$4,439	\$	400	\$ 16,174	\$ 27,140

In the preceding table, the 2009 debentures are classified based on their stated maturity date, regardless of their classification on the consolidated balance sheet.

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Notes to Financial Statements

# ASSETS AND LIABILITIES MEASURED AND RECORDED AT FAIR VALUE ON A RECURRING BASIS

		December 29, 2018								December 30, 2017								
	R		d a	Measure t Reporti Jsing					Fair Value Measured and Recorded at Reporting Date Using									
(In Millions)	L	evel 1	Level 2		Level 3		_	Total	Level 1		Level 2		Level 3			Total		
Assets																		
Cash equivalents:																		
Corporate debt	\$	_	\$	262	\$	_	\$	262	\$	_	\$	30	\$	_	\$	30		
Financial institution instruments <sup>1</sup>		550		183		_		733		335		640		_		975		
Government debt <sup>2</sup>				_				_		_		90		_		90		
Reverse repurchase agreements		_		1,850		_		1,850		_		1,399		_		1,399		
Short-term investments:																		
Corporate debt		_		937		_		937		_		672		3		675		
Financial institution instruments <sup>1</sup>		_		1,423		_		1,423		_		1,009		_		1,009		
Government debt <sup>2</sup>		_		428				428		_		130		_		130		
Trading assets:																		
Asset-backed securities		_						_		_		2		_		2		
Corporate debt		_		2,635				2,635		_		2,842		_		2,842		
Financial institution instruments <sup>1</sup>		67		1,273		_		1,340		59		1,064		_		1,123		
Government debt <sup>2</sup>		_		1,868		_		1,868		30		4,758		_		4,788		
Other current assets:																		
Derivative assets		_		180				180		_		279		_		279		
Loans receivable		_		354				354		_		30		_		30		
Marketable equity securities		1,440		_		_		1,440	4	l,148		44		_		4,192		
Other long-term investments:																		
Corporate debt		_		1,843				1,843		_		1,576		4		1,580		
Financial institution instruments <sup>1</sup>		_		912				912				1,397				1,397		
Government debt <sup>2</sup>		_		633		_		633		_		735		_		735		
Other long-term assets:																		
Derivative assets		_		100				100		_		77		7		84		
Loans receivable		_		229				229		_		610		_		610		
Total assets measured and recorded at fair value	\$	2,057	\$	15,110	\$	_	\$ 1	17,167	\$ 4	l,572	\$	17,384	\$	14	\$2	1,970		
Liabilities			_								_							
Other accrued liabilities:																		
Derivative liabilities	\$	_	\$	412	\$		\$	412	\$	_	\$	454	\$	_	\$	454		
Other long-term liabilities:	7		*		+		+		7		~		*		7			
Derivative liabilities		_		415		68		483		_		297		6		303		
			_															

Total liabilities
measured and
recorded at fair value

ecorded at fair value	\$ _	\$ 827	\$ 68	\$ 895	\$ _	\$ 751	\$ 6	\$ 757

- Level 1 investments consist of money market funds. Level 2 investments consist primarily of commercial paper, certificates of deposit, time deposits, and notes and bonds issued by financial institutions.
- <sup>2</sup> Level 1 investments consist primarily of U.S. Treasury securities. Level 2 investments consist primarily of U.S. agency notes and non-U.S. government debt.

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Notes to Financial Statements

# ASSETS MEASURED AND RECORDED AT FAIR VALUE ON A NON-RECURRING BASIS

Our non-marketable equity securities, equity method investments, and certain non-financial assets, such as intangible assets and property, plant and equipment, are recorded at fair value only if an impairment or observable price adjustment is recognized in the current period. If an impairment or observable price adjustment is recognized on our non-marketable equity securities during the period, we classify these assets as Level 3 within the fair value hierarchy based on the nature of the fair value inputs.

We classified non-marketable equity securities and non-marketable equity method investments as Level 3. Impairments recognized on these investments held as of December 29, 2018 were \$416 million (\$537 million held as of December 30, 2017 and \$153 million held as of December 31, 2016).

# FINANCIAL INSTRUMENTS NOT RECORDED AT FAIR VALUE ON A RECURRING BASIS

Financial instruments not recorded at fair value on a recurring basis include non-marketable equity securities and equity method investments that have not been remeasured or impaired in the current period, grants receivable, loans receivable, reverse repurchase agreements, and our short-term and long-term debt.

Prior to the adoption of the new financial instrument standard, our non-marketable cost method investments were disclosed at fair value on a recurring basis. The carrying amount and fair value of our non-marketable cost method investments as of December 30, 2017 were \$2.6 billion and \$3.6 billion, respectively. These measures are classified as Level 3 within the fair value hierarchy based on the nature of the fair value inputs.

As of December 29, 2018, the aggregate carrying value of grants receivable, loans receivable, and reverse repurchase agreements was \$833 million (the aggregate carrying amount as of December 30, 2017 was \$935 million). The estimated fair value of these financial instruments approximates their carrying value and is categorized as Level 2 within the fair value hierarchy based on the nature of the fair value inputs.

For information related to the fair value of our short-term and long-term debt, see "Note 15: Borrowings."

# NOTE 17: OTHER COMPREHENSIVE INCOME (LOSS)

The changes in accumulated other comprehensive income (loss) by component and related tax effects for each period were as follows:

(In Millions)	(Lo A	realized Holding Gains Desses) on vailable- for-Sale Equity restments	H (L	realized olding Gains osses) on ivatives	V aı F	actuarial aluation nd Other Pension xpenses	Adju	nslation ustments I Other	Total
December 31, 2016	\$	2,179	\$	(259)		(1,280)	\$	(534)	\$ 106
Other comprehensive income (loss) before reclassifications		2,765		605		275		(2)	3,643
Amounts reclassified out of accumulated other comprehensive income (loss)		(3,433)		(69)		103		509	(2,890)
Tax effects		234		(171)		(61)		1_	3
Other comprehensive income (loss)		(434)		365		317		508	756
December 30, 2017		1,745		106		(963)		(26)	862
Impact of change in accounting standards		(1,745)		24		(65)		(4)	(1,790)
Opening balance as of December 31, 2017		_		130		(1,028)		(30)	(928)
Other comprehensive income (loss) before reclassifications		_		(310)		157		(16)	(169)
Amounts reclassified out of accumulated other comprehensive income (loss)		_		9		109		8	126
Tax effects				48		(56)		5	(3)

December 29, 2018	\$	 \$	(123)	\$ (818)	\$ (33)	\$ (974)
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Other comprehensive income (loss)

The amounts reclassified out of accumulated other comprehensive income (loss) into the consolidated statements of income for each period were as follows:

		Ind	ome Bef	- 1	axes Impa Ended Millions)	ct for	Years
Comprehensive Income Components	Location		ec 29, 2018		ec 30, 2017		ec 31, 2016
Unrealized holding gains (losses) on available-for-sale investments:							
	Gains (losses) on equity investments, net	\$	_	\$	3,433	\$	530
					3,433		530
Unrealized holding gains (losses) on derivatives:							
Foreign currency contracts	Cost of sales		(16)		(65)		(65)
	Research and development		41		45		7
	Marketing, general and administrative		22		7		5
	Gains (losses) on equity investments, net		_		57		11
	Interest and other, net		(56)		25		4
			(9)		69		(38)
Amortization of pension and postretirement benefit components:							
Actuarial valuation and other pension expenses			(109)		(103)		(170)
ехрепосо			(109)		(103)		(170)
Translation adjustments and other	Interest and other, net		(8)		(509)		<del>(110)</del>
Total amounts reclassified out of			(3)		()		
accumulated other comprehensive income (loss)		\$	(126)	\$	2,890	\$	322

The amortization of pension and postretirement benefit components is included in the computation of net periodic benefit cost. For more information, see "Note 19: Retirement Benefit Plans."

We estimate that we will reclassify approximately \$202 million (before taxes) of net derivative losses included in accumulated other comprehensive income (loss) into earnings within the next 12 months.

During the second quarter of 2017, we reclassified \$507 million (before taxes) of currency translation adjustment losses included in accumulated other comprehensive income (loss) into earnings as a result of our divestiture of ISecG. For more information, see "Note 11: Acquisitions and Divestitures."

# **DERIVATIVE FINANCIAL INSTRUMENTS**

# **VOLUME OF DERIVATIVE ACTIVITY**

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

(In Millions)	Dec 29, 2018		,		Dec 30, 2017		Dec 31, 2016					
Foreign currency contracts	\$	\$ 19,223		\$ 19,223		19,958	\$	17,960				
Interest rate contracts		22,447		16,823		14,228						
Other		1,356		1,356		1,356		1,356		1,636		1,340
Total	\$	\$ 43,026		\$ 43,026		\$ 43,026		\$ 43,026		38,417	\$	33,528

During 2018, 2017, and 2016, we entered into \$7.1 billion, \$4.8 billion, and \$4.7 billion, respectively, of interest rate swaps to hedge against changes in the fair value attributable to the benchmark interest rates related to our outstanding senior notes. These hedges were designated as fair value hedges.

# FAIR VALUE OF DERIVATIVE INSTRUMENTS IN THE CONSOLIDATED BALANCE SHEETS

	December 29, 2018					December 30, 20			
(In Millions)	As	ssets¹	Lial	bilities <sup>2</sup>	As	ssets¹	Liabilities <sup>2</sup>		
Derivatives designated as hedging instruments									
Foreign currency contracts <sup>3</sup>	\$	44	\$	244	\$	283	\$	32	
Interest rate contracts		84		474		1		254	
Total derivatives designated as hedging instruments		128		718		284		286	
Derivatives not designated as hedging instruments									
Foreign currency contracts <sup>3</sup>		132		155		52		447	
Interest rate contracts		20		22		18		24	
Other		_		_		9		_	
Total derivatives not designated as hedging instruments		152		177		79		471	
Total derivatives	\$	280	\$	895	\$	363	\$	757	

<sup>&</sup>lt;sup>1</sup> Derivative assets are recorded as other assets, current and non-current.

<sup>&</sup>lt;sup>2</sup> Derivative liabilities are recorded as other liabilities, current and non-current.

<sup>&</sup>lt;sup>3</sup> The majority of these instruments mature within 12 months.

# AMOUNTS OFFSET IN THE CONSOLIDATED BALANCE SHEETS

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

	December 29, 2018											
							_	Fross Am ffset in th Sh				
(In Millions)	Gross Amounts Recognized		Gross Amounts Offset in the Balance Sheet		Net Amounts Presented in the Balance Sheet		Financial Instruments		No Co Re	ash and on-Cash ollateral eceived Pledged	Aı	Net mount
Assets:												
Derivative assets subject to master netting arrangements	\$	292	\$	_	\$	292	\$	(220)	\$	(72)	\$	_
Reverse repurchase agreements		2,099		_		2,099		_		(1,999)		100
Total assets		2,391		_		2,391		(220)		(2,071)		100
Liabilities:												
Derivative liabilities subject to master netting		890				890		(220)		(576)		94
arrangements  Total liabilities	\$	890	\$		\$	890	\$	(220)	\$	(576)	\$	94
					[	Decembe	G	Fross Am				
(In Millions)	Ar	Gross nounts cognized	Am Off Ba	ross ounts set in the lance heet	Pre i Ba	Net nounts esented n the alance Sheet		nancial	Ca No Co Re	ash and on-Cash ollateral eceived Pledged	Aı	Net mount
Assets:	1100	ogzca		1000		-	11100		-	. lougou		nount
Derivative assets subject to master netting arrangements	\$	350	\$	_	\$	350	\$	(206)	\$	(130)	\$	14
Reverse repurchase agreements		1,649		_		1,649		_		(1,649)		_
Total assets		1,999		_		1,999		(206)		(1,779)		14
Liabilities:												
Derivative liabilities subject to master netting		7.5				-4-		(000)		(50.4)		25
Derivative liabilities subject to	<u> </u>	745 <b>745</b>	\$		<u> </u>	745 <b>745</b>	\$	(206) (206)	\$	(504) <b>(504)</b>	\$	35 <b>35</b>

We obtain and secure available collateral from counterparties against obligations, including securities lending transactions and reverse repurchase agreements, when we deem it appropriate.

0-:-- (| ----)

# **DERIVATIVES IN CASH FLOW HEDGING RELATIONSHIPS**

The before-tax net gains or losses attributed to the effective portion of cash flow hedges, recognized in other comprehensive income (loss), were \$310 million net losses in 2018 (\$605 million net gains in 2017 and \$26 million net losses in 2016). Substantially all of our cash flow hedges are foreign currency contracts for all periods presented.

Hedge ineffectiveness and amounts excluded from effectiveness testing were insignificant during all periods presented.

For information on the unrealized holding gains (losses) on derivatives reclassified out of accumulated other comprehensive income into the consolidated statements of income, see "Note 17: Other Comprehensive Income (Loss)."

### **DERIVATIVES IN FAIR VALUE HEDGING RELATIONSHIPS**

The effects of derivative instruments designated as fair value hedges, recognized in interest and other, net for each period were as follows:

Years Ended (In Millions)	Re	ecognized	in Sta	s (Losses atement c ivatives	ome on
	D	ec 29, 2018		ec 30, 2017	ec 31, 2016
Interest rate contracts	\$	(138)	\$	(68)	\$ (171)
Hedged items		138		68	171
Total	\$		\$		\$ _

There was no ineffectiveness during all periods presented in the preceding table.

The amounts recorded on the consolidated balance sheet related to cumulative basis adjustments for fair value hedges for each period were as follows:

Line Item in the Consolidated Balance Sheet in Which the Hedged Item Is Included	Carrying Ar Hedged It (Liab	em	Asset/	Ac tl	unt of ging ded in nount ties)		
Years Ended (In Millions)	Dec 29, 2018		Dec 30, 2017		ec 29, 2018		ec 30, 2017
Long-term debt	\$ (19,622)	\$	(12,653)	\$	390	\$	252

As of December 29, 2018 and December 30, 2017, the total notional amount of pay variable/receive fixed-interest rate swaps was \$20.0 billion and \$12.9 billion, respectively.

## **DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS**

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

Years Ended (In Millions)	Location of Gains (Losses) Recognized in Income on Derivatives	ec 29, 2018	ec 30, 2017	ec 31, 2016
Foreign currency contracts	Interest and other, net	\$ 372	\$ (547)	\$ 388
Interest rate contracts	Interest and other, net	9	9	8
Other	Various	(147)	203	113
Total		\$ 234	\$ (335)	\$ 509

# RETIREMENT BENEFIT PLANS

### **DEFINED CONTRIBUTION PLANS**

We provide tax-qualified defined contribution plans for the benefit of eligible employees, former employees, and retirees in the U.S. and certain other countries. The plans are designed to provide employees with an accumulation of funds for retirement on a tax-deferred basis. For the benefit of eligible U.S. employees, we also provide an unfunded non-tax-qualified supplemental deferred compensation plan for certain highly compensated employees.

We expensed \$372 million for discretionary contributions to the U.S. qualified defined contribution and non-qualified deferred compensation plans in 2018 (\$346 million in 2017 and \$326 million in 2016).

#### U.S. POSTRETIREMENT MEDICAL BENEFITS PLAN

Upon retirement, we provide benefits to eligible U.S. employees who were hired prior to 2014 under the U.S. Postretirement Medical Benefits Plan. The benefits can be used to pay all or a portion of the cost to purchase eligible coverage in a medical plan.

As of December 29, 2018 and December 30, 2017, the projected benefit obligation was \$547 million and \$567 million, respectively, which used the discount rate of 4.4% and 3.8%, respectively. The December 29, 2018 and December 30, 2017 corresponding fair value of plan assets was \$476 million and \$563 million, respectively.

The investment strategy for U.S. Postretirement Medical Benefits Plan assets is to invest primarily in liquid assets, due to the level of expected future benefit payments. The assets are invested solely in a tax-aware global equity portfolio, which is actively managed by an external investment manager. The tax-aware global equity portfolio is composed of a diversified mix of equities in developed countries. As of December 29, 2018, substantially all of the U.S. Postretirement Medical Benefits Plan assets were invested in exchange-traded equity securities and were measured at fair value using Level 1 inputs.

The estimated benefit payments for this plan over the next 10 years are as follows:

(In Millions)	2019	 2020	 2021	2	022	2	2023	202	4-2028
Postretirement Medical Benefits	\$ 28	\$ 30	\$ 31	\$	32	\$	33	\$	181

#### **PENSION BENEFIT PLANS**

We provide defined-benefit pension plans in certain countries, most significantly the U.S., Ireland, Germany, and Israel. The substantial majority of the plans' benefits have been frozen and beginning on January 1, 2020, future benefit accruals for the U.S. plan will be frozen to remaining eligible employees, reducing our projected benefit obligation by \$150 million at December 29, 2018.

# BENEFIT OBLIGATION AND PLAN ASSETS FOR PENSION BENEFIT PLANS

The vested benefit obligation for a defined-benefit pension plan is the actuarial present value of the vested benefits to which the employee is currently entitled based on the employee's expected date of separation or retirement.

(In Millions)	D	ec 29, 2018	 Dec 30, 2017
Changes in projected benefit obligation:			
Beginning projected benefit obligation	\$	3,842	\$ 3,640
Service cost		65	84
Interest cost		113	117
Actuarial (gain) loss		(204)	24
Currency exchange rate changes		(121)	281
Plan curtailments		(150)	(162)
Plan settlements		(74)	(101)
Other		(38)	(41)
Ending projected benefit obligation <sup>1</sup>		3,433	3,842
Changes in fair value of plan assets:			
Beginning fair value of plan assets		2,287	1,696
Actual return on plan assets		(38)	136
Employer contributions		480	471
Currency exchange rate changes		(62)	124
Plan settlements		(74)	(101)
Other		(42)	(39)
Ending fair value of plan assets <sup>2</sup>		2,551	2,287
Net funded status	\$	882	\$ 1,555
Amounts recognized in the consolidated balance sheets			
Other long-term assets	\$	244	\$ _
Other long-term liabilities	\$	1,126	\$ 1,555
Accumulated other comprehensive loss (income), before tax <sup>3</sup>	\$	1,038	\$ 1,257

<sup>&</sup>lt;sup>1</sup> The split between U.S. and non-U.S. in the projected benefit obligation was approximately 35% and 65%, respectively, as of December 29, 2018 and 40% and 60%, respectively, as of December 30, 2017.

Changes in actuarial gains and losses in the projected benefit obligation are generally driven by discount rate movement. We use the corridor approach to amortize actuarial gains and losses. Under this approach, net actuarial gains or losses in excess of 10% of the larger of the projected benefit obligation or the fair value of plan assets are amortized on a straight-line basis.

As of December 29, 2018, the accumulated benefit obligations were \$1.2 billion and \$2.0 billion for the U.S. plan and non-U.S. plans, respectively. In 2018, the U.S. plan was in the net asset position and all non-U.S. plans had accumulated benefit obligations and projected benefit obligations in excess of plan assets. As of December 30, 2017, the accumulated benefit obligations were \$1.3 billion and \$2.1 billion for the U.S. plan and non-U.S. plans, respectively, and all plans had accumulated benefit obligations and projected benefit obligations in excess of plan assets.

The split between the U.S. and non-U.S. in the fair value of plan assets was approximately 55% and 45%, respectively, as of December 29, 2018 and 50% and 50%, respectively, as of December 30, 2017.

<sup>&</sup>lt;sup>3</sup> The split between U.S. and non-U.S. in the accumulated other comprehensive loss (income), before tax, was approximately 35% and 65%, respectively, as of December 29, 2018 and 40% and 60%, respectively, as of December 30, 2017

In Millions)		Dec 29, 2018		ec 30, 2017
Plans with accumulated benefit obligation in excess of plan assets				
Accumulated benefit obligation	\$	1,965	\$	3,423
Plan assets	\$	1,106	\$	2,287
Plans with projected benefit obligation in excess of plan assets				
Projected benefit obligation	\$	2,232	\$	3,842
Plan assets	\$	1,106	\$	2,287

# **ASSUMPTIONS FOR PENSION BENEFIT PLANS**

	Dec 29, 2018	Dec 30, 2017
Weighted average actuarial assumptions used to determine benefit obligations		
Discount rate	3.3 %	3.0 %
Rate of compensation increase	3.5 %	3.3 %

	2018	2017	2016
Weighted average actuarial assumptions used to determine costs			
Discount rate	3.0 %	3.2 %	3.3 %
Expected long-term rate of return on plan assets	4.7 %	4.6 %	5.5 %
Rate of compensation increase	3.3 %	3.6 %	3.8 %

We establish the discount rate for each pension plan by analyzing current market long-term bond rates and matching the bond maturity with the average duration of the pension liabilities.

We establish the long-term expected rate of return by developing a forward-looking, long-term return assumption for each pension fund asset class, taking into account factors such as the expected real return for the specific asset class and inflation. A single, long-term rate of return is then calculated as the weighted average of the target asset allocation percentages and the long-term return assumption for each asset class.

# **FUNDING**

Policy. Our practice is to fund the various pension plans in amounts sufficient to meet the minimum requirements of applicable local laws and regulations. Additional funding may be provided as deemed appropriate. Funding for the U.S. Postretirement Medical Benefits Plan is discretionary under applicable laws and regulations; additional funding may be provided as deemed appropriate.

Funding Status. On a worldwide basis, our pension and postretirement benefit plans were 76% funded as of December 29, 2018. The U.S. Intel Minimum Pension Plan, which accounts for 30% of the worldwide pension and postretirement benefit obligations, was 120% funded. Funded status is not indicative of our ability to pay ongoing pension benefits or of our obligation to fund retirement trusts. Required pension funding for U.S. retirement plans is determined in accordance with the Employee Retirement Income Security Act (ERISA), which sets required minimum contributions. Cumulative company funding to the U.S. Intel Minimum Pension Plan currently exceeds the minimum ERISA funding requirements.

#### **NET PERIODIC BENEFIT COST**

The net periodic benefit cost for pension benefits and U.S. postretirement medical benefits was \$197 million in 2018 (\$243 million in 2017 and \$415 million in 2016). The decrease in the net periodic pension benefit cost in 2017 compared to 2016 was primarily attributed to plan settlements and remeasurement in conjunction with our 2016 Restructuring Program. See "Note 8: Restructuring and Other Charges."

# **PENSION PLAN ASSETS**

		Dec 30, 2017								
	Fair									
(In Millions)	Le	vel 1	L	evel 2	Le	vel 3	Total			Total
Equity securities	\$	_	\$	261	\$	_	\$	261	\$	473
Fixed income		_		93		18		111		465
Other investments		_		_		_		_		19
Assets measured by fair value hierarchy	\$	_	\$	354	\$	18	\$	372	\$	957
Assets measured at net asset value								2,138		1,208
Cash and cash equivalents								41		122
Total pension plan assets at fair value							\$	2,551	\$	2,287

#### **U.S. Plan Assets**

The investment strategy for U.S. Intel Minimum Pension Plan assets is to maximize risk-adjusted returns, taking into consideration the investment horizon and expected volatility to help ensure that sufficient assets are available to pay pension benefits as they come due. The allocation to each asset class will fluctuate with market conditions, such as volatility and liquidity concerns, and will typically be rebalanced when outside the target ranges, which were 45% fixed income, 30% hedge funds, and 25% equity investments in 2018. During 2018, the U.S. Intel Minimum Pension Plan assets were invested in collective investment trust funds, which are measured at net asset value.

#### Non-U.S. Plan Assets

The investments of the non-U.S. plans are managed by insurance companies, pension funds, or third-party trustees, consistent with regulations or market practice of the country where the assets are invested. The investment manager makes investment decisions within the guidelines set by Intel or local regulations. Investments managed by qualified insurance companies or pension funds under standard contracts follow local regulations, and we are not actively involved in their investment strategies. For the assets that we have discretion to set investment guidelines, the assets are invested in developed country equity investments and fixed-income investments, either through index funds or direct investment. In general, the investment strategy is designed to accumulate a diversified portfolio among markets, asset classes, or individual securities to reduce market risk and to help ensure that the pension assets are available to pay benefits as they come due. The target allocation of the non-U.S. plan assets that we have control over was approximately 45% fixed income, 35% equity, and 20% hedge fund investments in 2018.

The equity investments in the non-U.S. plan assets are invested in a diversified mix of equities of developed countries, including the U.S., and emerging markets throughout the world.

We have control over the investment strategy related to the majority of the assets measured at net asset value, which are invested in hedge funds, bond index, and equity index funds.

## **ESTIMATED FUTURE BENEFIT PAYMENTS FOR PENSION BENEFIT PLANS**

Estimated benefit payments over the next 10 years are as follows:

(In Millions)	2019	2020		2021		2022	2023	2024-2028		
Pension benefits	\$ 117	\$	111	\$	113	\$ 115	\$ 115	\$	603	



Our equity incentive plans are broad-based, long-term programs intended to attract and retain talented employees and align stockholder and employee interests. Our plans include our 2006 Equity Incentive Plan (2006 Plan) and our 2006 Employee Stock Purchase Plan (2006 ESPP).

Under the 2006 Plan, 786 million shares of common stock have been authorized for issuance as equity awards to employees and non-employee directors through June 2020. As of December 29, 2018, 185 million shares of common stock remained available for future grants.

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Under the 2006 Plan, we grant RSUs and previously granted stock options. We grant RSUs with a service condition, as well as RSUs with both a market condition and a service condition, which we call outperformance stock units (OSUs), and have been granted to a group of senior officers, employees, and non-employee directors. For OSUs granted in 2018, the number of shares of our common stock to be received at vesting will range from 0% to 200% of the target grant amount, based on total stockholder return (TSR) of our common stock measured against the benchmark TSR of the S&P 500 IT Sector Index over a three-year period. TSR is a measure of stock price appreciation plus any dividends paid in this performance period. As of December 29, 2018, 11 million OSUs were outstanding. These OSUs generally vest three years and one month from the grant date, and OSUs granted prior to 2017 accrue dividend equivalents. Other RSU awards and option awards generally vest over four years from the grant date. Stock options generally expire seven years from the date of grant.

#### SHARE-BASED COMPENSATION

Share-based compensation recognized in 2018 was \$1.5 billion (\$1.4 billion in 2017 and \$1.4 billion in 2016). During 2018, the tax benefit that we realized for the tax deduction from share-based awards totaled \$399 million (\$520 million in 2017 and \$616 million in 2016).

We estimate the fair value of RSUs with a service condition using the value of our common stock on the date of grant, reduced by the present value of dividends expected to be paid on our shares of common stock prior to vesting. We estimate the fair value of OSUs using a Monte Carlo simulation model on the date of grant. We base expected volatility for OSUs on historical volatility.

We based the weighted average estimated value of RSU and OSU grants on the weighted average assumptions for each period as follows:

	RSUs and OSUs											
	Dec 29, 2018				Dec 31, 2016							
Estimated values	\$ 48.95	\$	35.30	\$	29.76							
Risk-free interest rate	2.4 %			0.9 %								
Dividend yield	2.4 %		2.9 %		3.3 %							
Volatility	22 %		23 %		23 %							

# **RESTRICTED STOCK UNIT AWARDS**

RSU activity in 2018 was as follows:

	Number of RSUs (In Millions)				
December 30, 2017	100.4	\$	32.36		
Granted	36.4	\$	48.95		
Vested	(39.5)	\$	31.64		
Forfeited	(7.4)	\$	36.23		
December 29, 2018	89.9	\$	39.07		
Expected to vest as of December 29, 2018	85.3	\$	38.92		

The aggregate fair value of awards that vested in 2018 was \$2.0 billion (\$1.6 billion in 2017 and \$1.6 billion in 2016), which represents the market value of our common stock on the date that the RSUs vested. The grant-date fair value of awards that vested in 2018 was \$1.2 billion (\$1.1 billion in 2017 and \$1.3 billion in 2016). The number of RSUs vested includes shares of common stock that we withheld on behalf of employees to satisfy the minimum statutory tax withholding requirements. RSUs that are expected to vest are net of estimated future forfeitures.

As of December 29, 2018, unrecognized compensation costs related to RSUs granted under our equity incentive plans were \$2.1 billion. We expect to recognize those costs over a weighted average period of 1.3 years.

#### STOCK PURCHASE PLAN

The 2006 ESPP allows eligible employees to purchase shares of our common stock at 85% of the value of our common stock on specific dates. Under the 2006 ESPP, 373 million shares of common stock are authorized for

issuance through August 2021. As of December 29, 2018, 137 million shares of common stock remained available for issuance.

Employees purchased 13.7 million shares of common stock in 2018 for \$468 million under the 2006 ESPP (14.5 million shares of common stock for \$432 million in 2017 and 16.5 million shares of common stock for \$415 million in 2016). As of December 29, 2018, unrecognized share-based compensation costs related to rights to acquire shares of common stock under the 2006 ESPP totaled \$20 million. We expect to recognize those costs over a period of approximately two months.

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# COMMITMENTS AND CONTINGENCIES

### **COMMITMENTS**

#### Leases

Portions of our real property and equipment are under operating leases that expire at various dates through 2028. Rental expense was \$231 million in 2018 (\$264 million in 2017 and \$282 million in 2016).

(In Millions)	2019		;	2020		2021		2022		2023		2024 and Thereafter		Total	
Minimum rental commitments under all non-cancelable leases <sup>1</sup>	\$	229	\$	181	\$	133	\$	101	\$	70	\$	121	\$	835	

<sup>&</sup>lt;sup>1</sup> Includes leases with initial term in excess of one year.

#### **Other Commitments**

Commitments for construction or purchase of property, plant and equipment totaled \$9.0 billion as of December 29, 2018 (\$12.1 billion as of December 30, 2017), a substantial majority of which will be due within the next 12 months. Other purchase obligations and commitments totaled approximately \$3.2 billion as of December 29, 2018 (approximately \$2.7 billion as of December 30, 2017). Other purchase obligations and commitments include payments due under various types of licenses and agreements to purchase goods or services, as well as payments due under non-contingent funding obligations. In addition, we have various contractual commitments with IMFT. For further information on these contractual commitments, see "Note 10: Investments."

#### LEGAL PROCEEDINGS

We are a party to various legal proceedings, including those noted in this section. Although management at present believes that the ultimate outcome of these proceedings, individually and in the aggregate, will not materially harm our financial position, results of operations, cash flows, or overall trends, legal proceedings and related government investigations are subject to inherent uncertainties, and unfavorable rulings or other events could occur. Unfavorable resolutions could include substantial monetary damages. In addition, in matters for which injunctive relief or other conduct remedies are sought, unfavorable resolutions could include an injunction or other order prohibiting us from selling one or more products at all or in particular ways, precluding particular business practices, or requiring other remedies. An unfavorable outcome may result in a material adverse impact on our business, results of operations, financial position, and overall trends. We might also conclude that settling one or more such matters is in the best interests of our stockholders, employees, and customers, and any such settlement could include substantial payments. Except as specifically described below, we have not concluded that settlement of any of the legal proceedings noted in this section is appropriate at this time.

### **European Commission Competition Matter**

In 2001, the European Commission (EC) commenced an investigation regarding claims by Advanced Micro Devices, Inc. (AMD) that we used unfair business practices to persuade customers to buy our microprocessors. We received numerous requests for information and documents from the EC and we responded to each of those requests. The EC issued a Statement of Objections in July 2007 and held a hearing on that Statement in March 2008. The EC issued a Supplemental Statement of Objections in July 2008. In May 2009, the EC issued a decision finding that we had violated Article 82 of the EC Treaty and Article 54 of the European Economic Area Agreement. In general, the EC found that we violated Article 82 (later renumbered as Article 102 by a new treaty) by offering alleged "conditional rebates and payments" that required our customers to purchase all or most of their x86 microprocessors from us. The EC also found that we violated Article 82 by making alleged "payments to prevent sales of specific rival products." The EC imposed a fine in the amount of €1.1 billion (\$1.4 billion as of May 2009), which we subsequently paid during the third quarter of 2009, and ordered us to "immediately bring to an end the infringement referred to in" the EC decision.

The EC decision contained no specific direction on whether or how we should modify our business practices. Instead, the decision stated that we should "cease and desist" from further conduct that, in the EC's opinion, would violate applicable law. We took steps, which are subject to the EC's ongoing review, to comply with that decision pending

appeal. We had discussions with the EC to better understand the decision and to explain changes to our business practices.

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We appealed the EC decision to the Court of First Instance (which has been renamed the General Court) in July 2009. The hearing of our appeal took place in July 2012. In June 2014, the General Court rejected our appeal in its entirety. In August 2014, we filed an appeal with the European Court of Justice. In November 2014, Intervener Association for Competitive Technologies filed comments in support of Intel's grounds of appeal. The EC and interveners filed briefs in November 2014, we filed a reply in February 2015, and the EC filed a rejoinder in April 2015. The Court of Justice held oral argument in June 2016. In October 2016, Advocate General Wahl, an advisor to the Court of Justice, issued a non-binding advisory opinion that favored Intel on a number of grounds. The Court of Justice issued its decision in September 2017, setting aside the judgment of the General Court and sending the case back to the General Court to examine whether the rebates at issue were capable of restricting competition. The General Court has appointed a panel of five judges to consider our appeal of the EC's 2009 decision in light of the Court of Justice's clarifications of the law. In November 2017, the parties filed initial "Observations" about the Court of Justice's decision and the appeal, and were invited by the General Court to offer supplemental comments to each other's "Observations," which the parties submitted in March 2018. Responses to other questions posed by the General Court were filed in May and June 2018. We are now awaiting notice as to whether the General Court will hold a management conference before it conducts oral argument at some future date. Pending the final decision in this matter, the fine paid by Intel has been placed by the EC in commercial bank accounts where it accrues interest.

#### McAfee, Inc. Shareholder Litigation

On August 19, 2010, we announced that we had agreed to acquire all of the common stock of McAfee, Inc. (McAfee) for \$48.00 per share. Four McAfee shareholders filed putative class-action lawsuits in Santa Clara County, California Superior Court challenging the proposed transaction. The cases were ordered consolidated in September 2010. Plaintiffs filed an amended complaint that named former McAfee board members, McAfee, and Intel as defendants, and alleged that the McAfee board members breached their fiduciary duties and that McAfee and Intel aided and abetted those breaches of duty. The complaint requested rescission of the merger agreement, such other equitable relief as the court may deem proper, and an award of damages in an unspecified amount. In June 2012, the plaintiffs' damages expert asserted that the value of a McAfee share for the purposes of assessing damages should be \$62.08.

In January 2012, the court certified the action as a class action, appointed the Central Pension Laborers' Fund to act as the class representative, and scheduled trial to begin in January 2013. In March 2012, defendants filed a petition with the California Court of Appeal for a writ of mandate to reverse the class certification order; the petition was denied in June 2012. In March 2012, at defendants' request, the court held that plaintiffs were not entitled to a jury trial and ordered a bench trial. In April 2012, plaintiffs filed a petition with the California Court of Appeal for a writ of mandate to reverse that order, which the court of appeal denied in July 2012. In August 2012, defendants filed a motion for summary judgment. The trial court granted that motion in November 2012, and entered final judgment in the case in February 2013. In April 2013, plaintiffs appealed the final judgment. The California Court of Appeal heard oral argument in October 2017, and in November 2017, affirmed the judgment as to McAfee's nine outside directors, reversed the judgment as to former McAfee director and chief executive officer David DeWalt, Intel, and McAfee, and affirmed the trial court's ruling that the plaintiffs are not entitled to a jury trial. At a June 2018 case management conference following remand, the Superior Court set an October hearing date for any additional summary judgment motions that may be filed, and set trial to begin in December 2018. In July 2018, plaintiffs filed a motion for leave to amend the complaint, which the court denied in September 2018. Also in July 2018, McAfee and Intel filed a motion for summary judgment on the aiding and abetting claims asserted against them; in October 2018, the court granted the motion as to McAfee and denied the motion as to Intel.

In late October 2018, the parties agreed in principal to settle the case for an aggregate payment by defendants of \$11.7 million. Intel's contribution to the settlement will be immaterial to its financial statements. The parties will seek court approval of the settlement after they have completed documenting the agreement.

#### Litigation Related to Security Vulnerabilities

In June 2017, a Google research team notified us and other companies that it had identified security vulnerabilities (now commonly referred to as "Spectre" and "Meltdown") that affect many types of microprocessors, including our products. As is standard when findings like these are presented, we worked together with other companies in the industry to verify the research and develop and validate software and firmware updates for impacted technologies. On January 3, 2018, information on the security vulnerabilities was publicly reported, before software and firmware updates to address the vulnerabilities were made widely available. Numerous lawsuits have been filed against Intel and, in certain cases, our executives and directors, in U.S. federal and state courts and in certain courts in other countries relating to the Spectre and Meltdown security vulnerabilities, as well as another variant of these vulnerabilities ("Foreshadow") that has since been identified.

As of January 31, 2019, 48 consumer class action lawsuits and three securities class action lawsuits have been filed. The consumer class action plaintiffs, who purport to represent various classes of end users of our products, generally claim to have been harmed by Intel's actions and/or omissions in connection with the security vulnerabilities and assert a variety of common law and statutory claims seeking monetary damages and equitable relief. Of the consumer class action lawsuits, 44 have been filed in the U.S., two of which have been dismissed; two have been filed in Canada; and two have been filed in Israel. In April 2018, the U.S. Judicial Panel on Multidistrict Litigation ordered the U.S. consumer class action lawsuits consolidated for pretrial proceedings in the U.S. District Court for the District of Oregon. Intel filed a motion to dismiss that consolidated action in October 2018, and a hearing on that motion has been scheduled for February 2019. In the case pending in the Superior Court of Justice of Ontario, an initial status conference has not yet been scheduled. In the case pending in the Superior Court of Justice of Quebec, the court entered an order in October 2018, staying that case for one year. In Israel, both consumer class action lawsuits were filed in the District Court of Haifa. The District Court denied the parties' joint request for a stay in the first case. Intel filed a motion to stay the second case, and a hearing on that motion has been scheduled for April 2019. In the securities class action litigation, the lead securities class action plaintiffs, who purport to represent classes of acquirers of Intel stock between October 27, 2017 and January 9, 2018, generally allege that Intel and certain officers violated securities laws by making statements about Intel's products that were revealed to be false or misleading by the disclosure of the security vulnerabilities. The securities class actions have been consolidated and are pending in the U.S. District Court for the Northern District of California. Defendants moved to dismiss those actions on various grounds; a hearing on that motion was scheduled for November 2018, but was taken off calendar by the court and has not been rescheduled. Additional lawsuits and claims may be asserted on behalf of customers and shareholders seeking monetary damages or other related relief. We dispute the claims described above and intend to defend the lawsuits vigorously. Given the procedural posture and the nature of these cases, including that the proceedings are in the early stages, that alleged damages have not been specified, that uncertainty exists as to the likelihood of a class or classes being certified or the ultimate size of any class or classes if certified, and that there are significant factual and legal issues to be resolved, we are unable to make a reasonable estimate of the potential loss or range of losses, if any, that might arise from these matters.

In addition to these lawsuits, Intel stockholders have filed seven shareholder derivative lawsuits since January 2018 against certain current and former members of our Board of Directors and certain current and former officers, alleging that the defendants breached their duties to Intel in connection with the disclosure of the security vulnerabilities and the failure to take action in relation to alleged insider trading. The complaints seek to recover damages from the defendants on behalf of Intel. Three of the derivative actions were filed in the U.S. District Court for the Northern District of California and have been consolidated, and the other four were filed in the Superior Court of the State of California in San Mateo County and have been consolidated. In August 2018, the federal court granted defendants' motion to dismiss the consolidated complaint on the ground that plaintiffs failed to plead facts sufficient to show they were excused from making a pre-lawsuit demand on the Board. The federal court granted plaintiffs leave to amend their complaint, but in September 2018, plaintiffs instead requested that the action be dismissed. The federal court ordered the case dismissed without prejudice in January 2019. In August 2018, the California Superior Court granted defendants' motion to dismiss the consolidated complaint in the action on the ground that plaintiffs failed to plead facts sufficient to show they were excused from making a pre-lawsuit demand on the Board. The state court granted plaintiffs leave to amend their complaint, and the parties have stipulated that plaintiffs must file any amended complaint by February 2019.

# FINANCIAL INFORMATION BY QUARTER (UNAUDITED)

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

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

a001intellogocolor.jpg SUPPLEMENTAL DETAILS

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

## **CONTROLS AND PROCEDURES**

#### **Evaluation of Disclosure Controls and Procedures**

Based on management's evaluation (with the participation of our principal executive officer and principal financial officer), as of the end of the period covered by this report, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)), are effective to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

#### **Changes in Internal Control Over Financial Reporting**

There were no changes to our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended December 29, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

#### **Management Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of consolidated financial statements for external purposes in accordance with GAAP.

Management assessed our internal control over financial reporting as of December 29, 2018. Management based its assessment on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Management's assessment included evaluation of elements such as the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies, and our overall control environment.

Based on this assessment, management has concluded that our internal control over financial reporting was effective as of the end of the fiscal year to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external reporting purposes in accordance with GAAP. We reviewed the results of management's assessment with the Audit Committee of our Board of Directors.

Our independent registered public accounting firm, Ernst & Young LLP, independently assessed the effectiveness of the company's internal control over financial reporting, as stated in the firm's attestation report, which is included within the Consolidated Financial Statements.

#### **Inherent Limitations on Effectiveness of Controls**

Our management, including the principal executive officer and principal financial officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well-designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected.

## EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

- 1. Financial Statements: See "Index to Consolidated Financial Statements" within the Consolidated Financial Statements.
- 2. Financial Statement Schedule: See "Schedule II—Valuation and Qualifying Accounts" in this section of this Form 10-K.
- 3. Exhibits: The exhibits listed in the accompanying index to exhibits are filed, furnished, or incorporated by reference as part of this Form 10-K.

Certain of the agreements filed as exhibits to this Form 10-K contain representations and warranties by the parties to the agreements that have been made solely for the benefit of the parties to the agreement. These representations and warranties:

- may have been qualified by disclosures that were made to the other parties in connection with the negotiation of the agreements, which disclosures are not necessarily reflected in the agreements;
- may apply standards of materiality that differ from those of a reasonable investor; and
- were made only as of specified dates contained in the agreements and are subject to subsequent developments and changed circumstances.

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date that these representations and warranties were made or at any other time. Investors should not rely on them as statements of fact.

## **Schedule II—Valuation and Qualifying Accounts**

Years Ended (In Millions)	Balance at Beginning of Year		Additions Charged to Expenses/ Other Accounts		Net (Deductions) Recoveries		Balance at End of Year	
Valuation allowance for deferred tax assets								
December 29, 2018	\$	1,171	\$	185	\$	(54)	\$	1,302
December 30, 2017	\$	953	\$	237	\$	(19)	\$	1,171
December 31, 2016	\$	701	\$	261	\$	(9)	\$	953
a001intellogocolor.jpg SUPPLEMENTAL DETAILS								114

### **Exhibit Index**

			Filed or			
Exhibit Number	Exhibit Description	Form	File Number	Exhibit	Filing Date	Furnished Herewith
2.1†	Agreement and Plan of Merger among Intel Corporation, 615 Corporation and Altera Corporation, dated as of May 31, 2015	8-K	000-06217	2.1	6/1/2015	
2.2†	Purchase Agreement, dated as of March 12, 2017, by and among Intel Corporation, Cyclops Holdings, Inc. and Mobileye N.V.	8-K	000-06217	2.1	3/13/2017	
3.1	Intel Corporation Third Restated Certificate of Incorporation of Intel Corporation dated May 17, 2006	8-K	000-06217	3.1	5/22/2006	
3.2	Intel Corporation Bylaws, as amended and restated on January 16, 2019	8-K	000-06217	3.2	1/17/2019	
4.1	Indenture dated as of March 29, 2006 between Intel Corporation and Wells Fargo Bank, National Association (as successor to Citibank N.A.) (the "Open- Ended Indenture")	S-3ASR	333-132865	4.4	3/30/2006	
4.2	First Supplemental Indenture to Open- Ended Indenture, dated as of December 3, 2007	10-K	000-06217	4.2.4	2/20/2008	
4.3	Indenture for the Registrant's 3.25% Junior Subordinated Convertible Debentures due 2039 between Intel Corporation and Wells Fargo Bank, National Association, dated as of July 27, 2009	10-Q	000-06217	4.1	11/2/2009	
4.4	Second Supplemental Indenture to Open- Ended Indenture for the Registrant's 1.95% Senior Notes due 2016, 3.30% Senior Notes due 2021, and 4.80% Senior Notes due 2041, dated as of September 19, 2011	8-K	000-06217	4.01	9/19/2011	
4.5	Third Supplemental Indenture to Open- Ended Indenture for the Registrant's 1.35% Senior Notes due 2017, 2.70% Senior Notes due 2022, 4.00% Senior Notes due 2032, and 4.25% Senior Notes due 2042, dated as of December 11, 2012	8-K	000-06217	4.01	12/11/2012	
4.6	Fourth Supplemental Indenture to Open- Ended Indenture for the Registrant's 4.25% Senior Notes due 2042, dated as of December 14, 2012	8-K	000-06217	4.01	12/14/2012	
4.7	Fifth Supplemental Indenture to Open- Ended Indenture, dated as of July 29, 2015, between Intel Corporation and Wells Fargo Bank, National Association, as successor trustee	8-K	000-06217	4.1	7/29/2015	
4.8	Seventh Supplemental Indenture to Open- Ended Indenture, dated as of December 14, 2015, among Intel Corporation, Wells Fargo Bank, National Association, as successor trustee, and Elavon Financial Services Limited, UK Branch, as paying agent	8-K	000-06217	4.1	12/14/2015	
4.9	Eighth Supplemental Indenture to Open- Ended Indenture, dated as of May 19, 2016, between Intel Corporation and	8-K	000-06217	4.1	5/19/2016	

	Wells Fargo Bank, National Association, as successor trustee				
4.10	Ninth Supplemental Indenture to Open- Ended Indenture, dated as of May 11, 2017, between Intel Corporation and Wells Fargo Bank, National Association, as successor trustee	8-K	000-06217	4.1	5/11/2017
4.11	Tenth Supplemental Indenture to Open- Ended Indenture, dated as of June 16, 2017, between Intel Corporation and Wells Fargo Bank, National Association, as successor trustee	8-K	000-06217	4.1	6/16/2017
4.12	Eleventh Supplemental Indenture to Open-Ended Indenture, dated as of August 14, 2017, among Intel Corporation, Wells Fargo Bank, National Association, as successor trustee, and Elavon Financial Services DAC, UK Branch, as paying agent	8-K	000-06217	4.1	8/14/2017

			Filed or			
Exhibit Number	Exhibit Description	Form	File Number	Exhibit	Filing Date	Furnished Herewith
4.13	Twelfth Supplemental Indenture to Open- Ended Indenture, dated as of December 8, 2017, between Intel Corporation and Wells Fargo Bank, National Association, as successor trustee	10-K	000-06217	4.2.13	2/16/2018	
4.14	Guarantee dated December 28, 2015 by Intel Corporation in favor of U.S. Bank, National Association, as Trustee for the holders of Altera's 1.750% Senior Notes due 2017, 2.500% Senior Notes due 2018 and 4.100% Senior Notes due 2023  Certain instruments defining the rights of holders of long-term debt of Intel Corporation are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. Intel Corporation hereby agrees to furnish to the Securities and Exchange Commission, upon request, copies of such instruments.	8-K	000-06217	99.2	12/28/2015	
10.1 <sup>††</sup>	Intel Corporation 2006 Equity Incentive Plan, as amended and restated, effective May 18, 2017	10-Q	000-06217	10.1	7/27/2017	
10.1.2 <sup>††</sup>	Form of Notice of Grant - Restricted Stock Units	10-Q	000-06217	10.3	8/3/2009	
10.1.3 <sup>††</sup>	Intel Corporation Form of Notice of Grant - Restricted Stock Units	10-Q	000-06217	10.1	10/25/2018	
10.1.5††	Intel Corporation Restricted Stock Unit Agreement under the 2006 Equity Incentive Plan (for RSUs granted on or after January 23, 2015 under the Executive RSU program)	10-Q	000-06217	10.3	4/27/2015	
10.1.6††	Intel Corporation Restricted Stock Unit Agreement under the 2006 Equity Incentive Plan (for RSUs granted to executives with annual vesting over 3 years)	10-K	000-06217	10.1.27	2/17/2017	
10.1.7††	Intel Corporation Restricted Stock Unit Agreement under the 2006 Equity Incentive Plan (for RSUs granted to executives with quarterly vesting over 2 years)	10-K	000-06217	10.1.6	2/16/2018	
10.1.8††	Intel Corporation Restricted Stock Unit Agreement under the 2006 Equity Incentive Plan (for time-based RSUs granted to Robert Swan as interim CEO on August 15, 2018)	10-Q	000-06217	10.2	10/25/2018	
10.1.9††	Intel Corporation Restricted Stock Unit Agreement under the 2006 Equity Incentive Plan (for RSUs granted on or after January 23, 2015 under the Executive OSU program)	10-Q	000-06217	10.4	4/27/2015	
10.1.10††	Intel Corporation Restricted Stock Unit Agreement under the 2006 Equity Incentive Plan (for RSUs granted on or after February 1, 2017 under the Executive OSU program)	10-Q	000-06217	10.1	4/27/2017	
10.1.11††	Intel Corporation Restricted Stock Unit Agreement under the 2006 Equity Incentive Plan (for performance-based RSUs granted to Robert Swan as interim CEO on August 15, 2018)	10-Q	000-06217	10.3	10/25/2018	
10.1.12 <sup>††</sup>	Intel Corporation Non-Employee Director Restricted Stock Unit Agreement under the	10-Q	000-06217	10.1	4/27/2015	

	2006 Equity Incentive Plan (for RSUs granted on or after January 23, 2015 under the Director RSU program)					
10.1.13††	Intel Corporation Non-Employee Director Restricted Stock Unit Agreement under the 2006 Equity Incentive Plan (for RSUs granted on or after January 23, 2015 under the Director OSU program)	10-Q	000-06217	10.2	4/27/2015	
10.1.14††	Intel Corporation Non-Employee Director Restricted Stock Unit Agreement under the 2006 Equity Incentive Plan (for RSUs granted on or after February 1, 2017 under the Director OSU program)	10-Q	000-06217	10.2	4/27/2017	
10.2 <sup>††</sup>	Intel Corporation 2006 Employee Stock Purchase Plan, as amended and restated, effective January 1, 2019	10-K				Х

			Incorporated b	y Referer	nce	Filed or
Exhibit Number	Exhibit Description	Form	File Number	Exhibit	Filing Date	Furnished Herewith
10.3 <sup>††</sup>	Intel Corporation 2014 Annual Performance Bonus Plan (amended and restated, effective January 1, 2014)	10-K	000-06217	10.9.2	2/14/2014	
10.4††	Form of Indemnification Agreement with Directors and Executive Officers	10-K	000-06217	10.15	2/22/2005	
10.5††	Form of Indemnification Agreement with Directors and Executive Officers (for Directors and Executive Officers who joined Intel after July 1, 2016)	10-Q	000-06217	10.2	10/31/2016	
10.6††	Intel Corporation Sheltered Employee Retirement Plan Plus, as amended and restated, effective January 1, 2009	S-8	333-172024	99.1	2/2/2011	
10.7††	Intel Corporation 2006 Deferral Plan for Outside Directors, effective November 15, 2006	10-K	000-06217	10.41	2/26/2007	
10.8	Settlement Agreement Between Advanced Micro Devices, Inc. and Intel Corporation, dated November 11, 2009	8-K	000-06217	10.1	11/12/2009	
10.9†††	Patent Cross License Agreement between NVIDIA Corporation and Intel Corporation, dated January 10, 2011	8-K	000-06217	10.1	1/10/2011	
10.10††	Offer Letter by and between Intel Corporation and Dr. Venkata S.M.  "Murthy" Renduchintala dated November 17, 2015	10-K	000-06217	10.14	2/12/2016	
10.11††	Offer Letter between Intel Corporation and Robert H. Swan, dated January 30, 2019	8-K	000-06217	10.1	1/31/2019	
10.12††	Confidential Retirement Agreement and General Release of Claims between Intel Corporation and Diane M. Bryant dated November 29, 2017	10-K	000-06217	10.12	2/16/2018	
10.13 <sup>††</sup>	Retention Letter between Intel Corporation and Navin Shenoy dated December 12, 2017	10-K	000-06217	10.13	2/16/2018	
21.1	Intel Corporation Subsidiaries					X
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm					Χ
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) of the Exchange Act					Х
31.2	Certification of interim Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act					Х
32.1	Certification of the Chief Executive Officer and interim Chief Financial Officer pursuant to Rule13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350					Х
99.1	Supplement to Present Required Information in Searchable Format					Х
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Extension Schema Document					Х
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					Χ
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					Х

101.LAB	XBRL Taxonomy Extension Label Linkbase Document	X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	X

<sup>&</sup>lt;sup>†</sup> Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. Intel agrees to furnish supplementally a copy of any such schedule or exhibit to the SEC upon request.

<sup>\*\*</sup>Management contracts or compensation plans or arrangements in which directors or executive officers are eligible to participate.

<sup>†††</sup>Portions of this exhibit have been omitted pursuant to an order granting confidential treatment.

## FORM 10-K CROSS-REFERENCE INDEX

ltem Number	Item	
Part I		
Item 1.	Business:	
	General development of business	Pages <u>3-8</u>
	Narrative description of business	Pages <u>3-19, 23-37, 46-48,</u> 79-81
	Available information	— — Page <u>61</u>
Item 1A.	Risk Factors	Pages <u>49</u> - <u>57</u>
Item 1B.	Unresolved Staff Comments	Not applicable
Item 2.	Properties	Pages <u>13,</u> <u>60</u>
Item 3.	Legal Proceedings	Pages <u>108</u> - <u>110</u>
Item 4.	Mine Safety Disclosures	Not applicable
Part II		
r ure ii	Market for Davietorate Common Fruits Deleted Oterlikelder	
Item 5.	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	Pages <u>11</u> , <u>17</u> , <u>60</u> - <u>61</u>
Item 6.	Selected Financial Data	Page <u>45</u>
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations:	
	Results of operations	Pages <u>19</u> - <u>38</u>
	Liquidity	Pages <u>39</u> - <u>41</u>
	Capital resources	Pages <u>39</u> - <u>41</u>
	Off balance sheet arrangements	(a)
	Contractual obligations	Pages <u>42</u> -43
	Critical accounting estimates and policies	Pages <u>49, 70-75</u>
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	Pages <u>43</u> - <u>44</u>
Item 8.	Financial Statements and Supplementary Data	Pages <u>62</u> - <u>111</u>
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	Not applicable
Item 9A.	Controls and Procedures	Page <u>112</u>
Item 9B.	Other Information	Not applicable
Part III		
Item 10.	Directors, Executive Officers and Corporate Governance	Page <u>18,</u> (b)
Item 11.	Executive Compensation	(c)
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	(d)
Item 13.	Certain Relationships and Related Transactions, and Director Independence	(e)
Item 14.	Principal Accounting Fees and Services	(f)
Part IV		
Item 15.	Exhibits and Financial Statement Schedules	Pages <u>113</u> - <u>117</u>
Item 16.	Form 10-K Summary	Not applicable
Signatures		Page <u>119</u>

- As of December 29, 2018, we did not have any significant off-balance-sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.
- (b) Incorporated by reference to "Proposal 1: Election of Directors," "Corporate Governance," "Code of Conduct," and "Other Matters-Section 16(a) Beneficial Ownership Reporting Compliance" in the 2019 Proxy Statement. The information under the heading "Executive Officers of the Registrant" within Fundamentals of Our Business is also incorporated by reference in this section.
- (c) Incorporated by reference to "Director Compensation," "Compensation Discussion and Analysis," "Report of the Compensation Committee," and "Executive Compensation" in the 2019 Proxy Statement.
- (d) Incorporated by reference to "Security Ownership of Certain Beneficial Owners and Management" and "Equity Compensation Plan Information" in the 2019 Proxy Statement.
- (e) Incorporated by reference to "Corporate Governance" and "Certain Relationships and Related Transactions" in the 2019 Proxy Statement.
- (f) Incorporated by reference to "Report of the Audit Committee" and "Proposal 2: Ratification of Selection of Independent Registered Public Accounting Firm" in the 2019 Proxy Statement.

## **SIGNATURES**

/s/ DR. OMAR ISHRAK

/s/ DR. RISA LAVIZZO-MOUREY

Dr. Omar Ishrak

February 1, 2019

Director

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.

INTEL CORPORATION Registrant

By: /s/ ROBERT H. SWAN

Robert H. Swan

Chief Executive Officer, Director, and Principal

Executive Officer

February 1, 2019

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.

/s/ ROBERT H. SWAN	/s/ TODD M. UNDERWOOD
Robert H. Swan	Todd M. Underwood
Chief Executive Officer, Director, and Principal Executive Officer	Interim Chief Financial Officer and Principal Financial Officer;
February 1, 2019	Vice President of Finance and Director, Corporate Planning and Reporting
	February 1, 2019
/s/ KEVIN T. MCBRIDE	_
Kevin T. McBride	
Vice President of Finance, Corporate Controller and Principal Accounting Officer	
February 1, 2019	
/s/ ANEEL BHUSRI	/s/ DR. TSU-JAE KING LIU
Aneel Bhusri	Dr. Tsu-Jae King Liu
Director	Director
February 1, 2019	February 1, 2019
/s/ ANDY D. BRYANT	/s/ GREGORY D. SMITH
Andy D. Bryant	Gregory D. Smith
Chairman of the Board and Director	Director
February 1, 2019	February 1, 2019
/s/ REED E. HUNDT	/s/ ANDREW WILSON
Reed E. Hundt	Andrew Wilson
Director	Director
February 1, 2019	February 1, 2019

/s/ FRANK D. YEARY

Frank D. Yeary

February 1, 2019

Director

Dr. Risa Lavizzo-Mourey
Director
February 1, 2019

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## UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

#### **FORM 10-K**

(M	ark	One	)

	Commission File Number 000-06217
	For the transition period from to
	TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
	or
	For the fiscal year ended December 30, 2017.
X	ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

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## INTEL CORPORATION

(Exact name of registrant as specified in its charter)

**Delaware** 

94-1672743

State or other jurisdiction of incorporation or organization

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

2200 Mission College Boulevard, Santa Clara, California 95054-1549

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code **(408) 765-8080** Securities registered pursuant to Section 12(b) of the Act:

#### Title of each class

Name of each exchange on which registered

Common stock, \$0.001 par value

The Nasdaq Global Select Market\*

Securities registered pursuant to Section 12(g) of the Act:  $\label{eq:None} \mbox{None}$ 

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  $\boxtimes$  No  $\square$ 

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  $\square$  No  $\boxtimes$ 

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  $\square$  No  $\square$ 

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every interactive data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  $\boxtimes$  No  $\square$ 

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer ⊠			Emerging growth
	Accelerated filer □	Non-accelerated filer □	Smaller reporting company ☐ company ☐
	(Do n	ot check if a smaller reporting compar	ny)
3 3 3	mplying with any new	3	as elected not to use the extended g standards provided pursuant to Section
Indicate by check mar Act). Yes $\square$ No $\boxtimes$	k whether the registran	t is a shell company (as defin	ned in Rule 12b-2 of the

Aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2017, based upon the closing price of the common stock as reported by the Nasdaq Global Select Market on such date, was \$158.3 billion. 4,668 million shares of common stock were outstanding as of February 7, 2018.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's proxy statement related to its 2018 Annual Stockholders' Meeting to be filed subsequently are incorporated by reference into Part III of this Annual Report on Form 10-K. Except as expressly incorporated by reference, the registrant's proxy statement shall not be deemed to be part of this report.

## Table of contents

#### **CHANGES TO OUR ANNUAL REPORT ON FORM 10-K**

To improve readability and better present how we organize and manage our business, we have changed the order and presentation of content in our Annual Report on Form 10-K (Form 10-K). See "Form 10-K Cross-Reference Index" within the Consolidated Financial Statements and Supplemental Details for a cross-reference index to the traditional U.S. Securities and Exchange Commission (SEC) Form 10-K format.

We have included key metrics that we use to measure our business, some of which are non-GAAP measures. See these "Non-GAAP Financial Measures" within Other Key Information.

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## **Forward-Looking Statements**

This Annual Report on Form 10-K contains forward-looking statements that involve a number of risks and uncertainties. Words such as "anticipates," "expects," "intends," "goals," "plans," "believes," "seeks," "estimates," "continues," "may," "will," "would," "should," "could," and variations of such words and similar expressions are intended to identify such forward-looking statements. In addition, any statements that refer to projections of our future financial performance, our anticipated growth and trends in our businesses, projected growth of markets relevant to our businesses, uncertain events or assumptions, and other characterizations of future events or circumstances are forward-looking statements. Such statements are based on management's expectations as of the date of this filing and involve many risks and uncertainties that could cause our actual results to differ materially from those expressed or implied in our forward-looking statements. Such risks and uncertainties include those described throughout this report and particularly in "Risk Factors" within Other Key Information. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forwardlooking statements. Readers are urged to carefully review and consider the various disclosures made in this Form 10-K and in other documents we file from time to time with the SEC that disclose risks and uncertainties that may affect our business. The forward-looking statements in this Form 10-K do not reflect the potential impact of any divestitures, mergers, acquisitions, or other business combinations that had not been completed as of February 16, 2018. In addition, the forward-looking statements in this Form 10-K are made as of the date of this filing, including expectations based on third-party information and projections that management believes to be reputable, and Intel does not undertake, and expressly disclaims any duty, to update such statements, whether as a result of new information, new developments, or otherwise, except to the extent that disclosure may be required by law.

# **Note Regarding Third-Party Information**

This Annual Report on Form 10-K includes market data and certain other statistical information and estimates that are based on reports and other publications from industry analysts, market research firms, and other independent sources, as well as management's own good faith estimates and analyses. Intel believes these third-party reports to be reputable, but has not independently verified the underlying data sources, methodologies or assumptions. The reports and other publications referenced are generally available to the public and were not commissioned by Intel. Information that is based on estimates, forecasts, projections, market research or similar methodologies is inherently subject to uncertainties and actual events or circumstances may differ materially from events and circumstances reflected in this information.

## **Intel unique terms**

We use specific terms throughout this document to describe our business and results. Below are key terms and how we define them:

PLATFORM PRODUCTS	A microprocessor (processor or central processing unit (CPU)) and chipset, a stand-alone System-on-Chip (SoC), or a multichip package. Platform products, or platforms, are primarily used in solutions sold through CCG, DCG, and IOTG segments.
ADJACENT PRODUCTS	All of our non-platform products, for CCG, DCG, and IOTG like modem, ethernet and silicon photonics, as well as NSG, PSG, and Mobileye products. Combined with our platform products, adjacent products form comprehensive platform solutions to meet customer needs.
PC-CENTRIC BUSINESS	Is made up of our CCG business, both platform and adjacent products.
	Includes our DCG, IOTG, NSG, PSG, and all other businesses.

## DATA-CENTRIC BUSINESSES

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# Introduction our business

We are a world leader in the design and manufacturing of essential technologies that power the cloud and an increasing smart, connected world. We offer computing, networking, dastorage, and communications solutions to a broad set of customers spanning multiple industries. In 1968, Intel was incorporated in California (reincorporated in Delaware in 198 in what became known as Silicon Valley, and our technology been at the heart of computing breakthroughs ever since.

We're now in the midst of a corporate transformation as we beyond our traditional PC and server businesses into data-ric markets addressing the explosive demands to process, analy store, and transfer data. The transformation is well underway with our data-centric businesses representing an increasing share of our overall revenue.

Our vision is to build a smart and connected world that runs Intel® solutions. This vision is supported by our commitmen corporate responsibility and our relentless pursuit of Moore's Law. As we enter Intel's 50th year in business, we continue to follow the advice of Intel co-founder Bob Noyce: "Don't be encumbered by history, go off and do something wonderful."

a003introtoourbusiness03.jpg

## **Our Strategy**

Data is a significant force in society and will be essential in shaping the future of every person on the planet. From large complex applications in the cloud to small low-power mobile devices at the edge, our customers are looking for solutions that can process, analyze, store, and transfer data—turning it into actionable insights, amazing experiences, and competitive advantages.

We strive to unlock the power of data so people can ride in selfdriving cars, experience virtual worlds, connect with each other over fast mobile networks, and be touched by computer-assisted intelligence in ways yet unimagined. "Intel's strategy is to provide the technological foundation of the new data world."

—Brian Krzanich, Intel Chief Executive Officer

We are well-positioned to be the driving force of this data revolution. Intel technology powers the devices and infrastructure that power the data-centric world, from PCs and the cloud to telecommunications equipment and data centers. Our computing solutions from the cloud to the edge enable a Virtuous Cycle of Growth. Our strategy is to provide the technological foundation of the new data world—a world that is always learning, smarter and faster.

## COMPUTE PERFORMANCE FROM CLIENT TO CLOUD

a008ourstrategy02.jpg

The most important trend shaping the future of the data- centric world is the cloud and its connection to billions of smart devices, including PCs, autonomous cars, and virtual reality systems. When smart devices are connected to the cloud, the data can be analyzed real-time, making these devices more useful. Our continuous innovation of client and Internet of Things products, designed to connect even more seamlessly, is shaping this trend.

Our data center products are optimized to deliver industry-leading performance and best-in-class total cost of ownership for cloud workloads. We add new products and features to our portfolio to address emerging, high-growth workloads such as artificial intelligence, virtual reality systems, and the 5G network.

#### **ACCELERANT TECHNOLOGIES**

Advancements in memory technology and programmable solutions, such as FPGAs, drive performance in smart devices as well as data centers. Intel's 3D XPoint™ technology significantly improves access to large amounts of data. FPGAs can efficiently manage the changing demands of next-generation data centers and accelerate the performance in other applications. The combination of memory

and FPGAs with client and cloud products enables new solutions such as deep learning acceleration engines.

#### **CONNECTIVITY**

With our wireless, computing, and cloud capabilities, we are driving the development of technologies and collaborating on the rapid definition of open standards that will help define the 5G market. Our collaborations shape the connectivity ecosystem and enable new opportunities to meet the diverse connectivity needs of data. From smart devices to network infrastructure to the cloud and back, we aim to offer scale, innovation, and expertise to our customers.

FUNDAMENTALS OF OUR BUSINESS

Our Strategy

#### STRATEGIC ENABLERS

We meet our customer needs with discrete platforms and platforms that are integrated with software and other technologies to provide end-to-end solutions. Our solutions are enabled by:

- Shared architecture and intellectual property. We have developed a common architecture and intellectual property across our platforms. We continue to invest in improving our architecture and product platforms that deliver increasing value to our customers. Our proprietary technologies make it possible to integrate products and platforms that address evolving customer needs and expand the markets we serve. Sharing a common architecture and intellectual property enables us to spread our costs over a large manufacturing base of products, which reduces our costs and increases our return on capital.
- Silicon manufacturing technologies. We make significant investments and innovations in our silicon manufacturing technologies. Unlike many semiconductor companies, we primarily develop and manufacture our products in our own facilities using our proprietary process technologies. This competitive advantage enables us to optimize performance, shorten time-to-market for new product introduction, and more quickly scale products in high volume.
- Moore's Law. Intel's advancement of Moore's Law has driven significant computing power growth and better economics. Through Moore's Law we enable new devices and capabilities that meet our customers' needs for balancing performance, power efficiency, and cost.

a009ourstrategy03.jpg

#### **CORPORATE TRANSFORMATION**

We are in the midst of a corporate transformation. Over the last four years, we've grown outside our traditional PC and server businesses, where we had roughly 90% market share. By making key investments and decisions to enter data-rich markets, we have redefined our target market well beyond our traditional businesses and estimated a total addressable market (TAM) of \$260 billion<sup>1</sup>, where we have greater opportunity to grow. The expanded TAM leverages our manufacturing technologies and intellectual properties and provides growth opportunities in our revenue and profit. We have evolved from a PC company with a server business to a data-centric company, and have begun the next phase of our journey—to build a world that runs on Intel.

 ${\it 1 Source: Intel calculated 2021\ TAM\ derived\ from\ industry\ analyst\ reports\ and\ internal\ estimates.}$ 

FUNDAMENTALS OF OUR BUSINESS

Our Strategy

# Research AND development (R&D) and Manufacturing

We are committed to investing in R&D. Realizing the benefits from Moore's Law provides flexibility in balancing production costs and the increased functionality of our products. In addition, intellectual property that we have developed for our platforms reduces our costs, creates synergies across our businesses, and provides a higher return as we expand into new markets.

We design and manufacture silicon technology products. Unlike many other semiconductor companies, we primarily manufacture our products in our own manufacturing facilities. We see our in-house manufacturing as one of our most critical assets and advantages. This advantage is now expanding to our adjacent businesses, for example, FPGA, modem, and memory, which are enabling our transformation to a data-centric company.

## Moore's Law — a law of economics

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Moore's Law is not a law of physics, but instead a law of economics predicted by Intel's co-founder Gordon Moore 50 years ago. It is the keystone of our manufacturing advancement. We measure Moore's Law primarily using a quantitative transistor density metric (transistors per square millimeter). In addition, we are optimizing process technology within each node to enable an annual cadence of product improvements.

Realizing Moore's Law results in economic benefits as we are able to either reduce a chip's cost as we shrink its size, or increase functionality and performance of a chip while maintaining the same cost. At Intel, we continue to develop new generations of manufacturing process technology and realize the benefits from Moore's Law. This makes possible the innovation of new products with higher functionality while balancing power efficiency, cost, and size to meet customers' needs. As of the end of 2017, our platform products were manufactured on 300mm wafers, with the majority manufactured using our 14nm process node.

## **Research and Development**

We focus our R&D activities on developing new microarchitectures, advancing our manufacturing process technology, delivering the next generation of products, ensuring our products and technologies are secure, and developing new solutions in emerging technologies, for example, artificial intelligence, 5G wireless connectivity, and autonomous vehicles.

In conjunction with our R&D efforts, we plan to introduce new microarchitectures for our various products on a regular cadence. We have lengthened the amount of time we are using our 14nm process node, further optimizing our technology and meeting the yearly market cadence for product introductions with multiple waves of product offerings. While we have lengthened our utilization of 14nm, we are accelerating transistor density improvement with hyper-scaling technology, resulting in the same density and cost improvements over time as predicted by Moore's Law. We expect the same trends to continue as we introduce our next-generation 10nm process node.

We centrally manage key cross-business group product initiatives to align and prioritize our R&D activities. In addition, we may augment our R&D initiatives by investing in companies or entering into agreements with companies that have similar R&D focus areas, as well as directly purchasing or licensing applicable technology. To drive innovation and gain efficiencies, we intend to utilize our investments in intellectual property and R&D across our platforms and businesses.

## manufacturing footprint

In 2017, the majority of our wafer manufacturing was conducted within the U.S. We incur factory start-up costs as we ramp our facilities for new process technologies. In 2017 we continued to ramp the 10nm process node in our Oregon and Israel locations, began 10nm production in Oregon, and restarted construction on one of our Arizona wafer fabs, which is targeted for leading-edge process technologies. We ramped our first memory fab, Fab 68, with investments representing approximately 20% of total capital spending in 2017.

The map below marks our manufacturing facilities and their primary manufacturing functions as of the end of 2017, as well as the countries where we have a significant R&D or sales and marketing presence.

a011manufacturingfootprint.jpg

## supply chain and factory network

Our manufacturing facilities are primarily used for silicon wafer manufacturing of our platform and memory products. These facilities are built following a "copy exactly" methodology, whereby new process technologies are transferred identically from a central development fab to each manufacturing facility. This enables fast ramp of the operation as well as better quality control. These wafer fabs operate in a network of manufacturing facilities integrated as one factory to provide the most flexible supply capacity, allowing us to better analyze our production costs and manage capacity.

We use third-party foundries to manufacture wafers for certain components, including communications, connectivity, networking, FPGA, and memory products. We also leverage subcontractors to augment capacity to perform assembly and test in addition to our in-house manufacturing, primarily for chipsets and adjacent products.

We use a multi-source strategy for our memory business to enable a robust and flexible supply chain. The ramping of Fab 68 in 2017 enabled us to maintain a cost-effective strategy to better serve our customers. We expect this expansion to continue to provide significant manufacturing capacity. As of the end of 2017, over half of the 3D NAND we supplied was manufactured in Fab 68. In addition to the memory we manufacture internally, we have a supplemental supply agreement with Micron Technology, Inc. (Micron), as well as capacity from our joint venture, IM Flash Technologies, LLC (IMFT) factory in Lehi, Utah.

<b>FUNDAMENTALS</b>	OF	OUR
RUSINESS		

## who manages our business

## **Executive Officers of the Registrant**

NAME	AGE	OFFICE(S)
Andy D. Bryant	67	Chairman of the Board
Brian M. Krzanich	57	Chief Executive Officer
Dr. Venkata S.M. Renduchintala	52	Executive Vice President; President, Client and Internet of Things Businesses and System Architecture Group
Navin Shenoy	44	Executive Vice President; General Manager, Data Center Group
Robert H. Swan	57	Executive Vice President, Chief Financial Officer

Andy D. Bryant has been Chairman of our Board of Directors since May 2012. Mr. Bryant served as Vice Chairman of the Board of Directors of Intel from July 2011 to May 2012. From 2007 to 2012, Mr. Bryant served as Chief Administrative Officer. Mr. Bryant joined Intel in 1981 and served in a number of executive roles at the company. He was Executive Vice President, Technology, Manufacturing, and Enterprise Services from 2009 to 2012. Mr. Bryant previously served as Executive Vice President, Finance and Enterprise Services from 2007 to 2009; Executive Vice President, Chief Financial and Enterprise Services Officer from 2001 to 2007; Senior Vice President, Chief Financial and Enterprise Services Officer from 1999 to 2001; Senior Vice President, Chief Financial Officer from January 1999 to December 1999; and Vice President, Chief Financial Officer from 1994 to 1999. Mr. Bryant also serves on the board of directors of Columbia Sportswear and McKesson Corporation.

**Brian M. Krzanich** has been Chief Executive Officer and a member of our Board of Directors since May 2013. Mr. Krzanich served as Executive Vice President, Chief Operating Officer from 2012 to 2013. As CEO, his focus has been transforming Intel from a PC-centric company to a data-centric company, delivering the technology foundations for the new data economy. Mr. Krzanich joined Intel in 1982 and served in a number of executive roles prior to his appointment as CEO. From 2010 to 2012, he was Senior Vice President, General Manager of Manufacturing and Supply Chain. From 2006 to 2010, he was Vice President, General Manager of Assembly and Test. Prior to 2006, Mr. Krzanich held various senior leadership positions within Intel's manufacturing organization. Mr. Krzanich is also a member of Deere & Company's board of directors, and chairman of the board of directors of the Semiconductor Industry Association.

**Dr. Venkata S.M. ("Murthy") Renduchintala** joined Intel in November 2015. Since then, he has served as our Executive Vice President and President, Client and Internet of Things Businesses and System Architecture Group. In this role, Dr. Renduchintala oversees Intel's Platform Engineering, Client Computing, Internet of Things, Software and Services, and Design and Technology Solutions divisions. From 2004 to 2015, Dr. Renduchintala held various senior positions at Qualcomm Incorporated, most recently as Co-President of Qualcomm CDMA Technologies from June 2012 to November 2015 and Executive Vice President of Qualcomm Technologies Inc. from October 2012 to November 2015. Before joining Qualcomm, Dr. Renduchintala served as Vice President and General Manager of the Cellular Systems Division of Skyworks Solutions Inc./Conexant Systems Inc. and he spent a decade with Philips Electronics, where he held various positions, including Vice President of Engineering for its consumer communications business.

**Navin Shenoy** has been Executive Vice President and General Manager of the Data Center Group since May 2017. In this role, he oversees the strategy and product development of our data center platforms, a business that spans servers, networks, and storage across all customer segments. From May 2016 to May 2017, Mr. Shenoy was Senior Vice President and General Manager of the Client Computing Group. From April 2012 to April 2016, he served as General Manager of the Mobility Client Platform Division, as Vice President from April 2012 until December 2014 and Corporate Vice President

from January 2015 to May 2016. From October 2007 to April 2012, Mr. Shenoy served as Vice President and General Manager of our Asia-Pacific business. Mr. Shenoy joined Intel in 1995.

Robert ("Bob") H. Swan has been our Executive Vice President, Chief Financial Officer since joining Intel in October 2016. He oversees Intel's global finance organization—including finance, accounting and reporting, tax, treasury, internal audit, and investor relations—IT, and the Corporate Strategy Office. From September 2015 to September 2016, Mr. Swan served as an Operating Partner at General Atlantic LLC, a private equity firm. He served as Senior Vice President, Finance and Chief Financial Officer of eBay Inc. from March 2006 to July 2015. Previously, Mr. Swan served as Executive Vice President, Chief Financial Officer of Electronic Data Systems Corporation, Executive Vice President, Chief Financial Officer of TRW Inc., as well as Chief Financial Officer, Chief Operating Officer, and Chief Executive Officer of Webvan Group, Inc. Mr. Swan began his career in 1985 at General Electric, serving for 15 years in numerous senior finance roles. Mr. Swan also serves on the board of directors of eBay.

FUNDAMENTALS OF OUR BUSINESS

Who Manages Our Business

## human capital

Given the highly technical nature of our business, our success depends on our ability to attract and retain talented and skilled employees. Our global workforce of 102,700 is highly educated, with approximately 87% of our people working in technical roles.

We invest in creating a diverse and inclusive environment where our employees can deliver their workplace best every day, and empower them to give back to the communities where we operate. "Through a focused effort across Intel, we are building diverse and inclusive teams and embedding this capability in all that we do. We believe a more diverse and inclusive Intel provides a better work environment for our employees and enables better business results."

—Leslie Culbertson, Senior Vice President and Director of Human Resources (2017)

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a012humancapitalemployees.jpg

#### **GROWTH AND DEVELOPMENT**

We invest significant resources to develop the talent needed to keep the company at the forefront of innovation, delivering millions of hours of web-based and face-to-face training annually and providing rotational or temporary assignment development opportunities. Through our new "Managing at Intel" course, we are training every manager in the company in inclusive management practices and providing resources and tools to support them.

#### **COMMUNICATION AND ENGAGEMENT**

We believe that our success depends on employees understanding how their work contributes to the company's overall strategy. We use a variety of communications channels to facilitate open and direct communication, including open forums with our executives, quarterly Organizational Health Polls, and engagement through 30 different employee resource groups, including the Women at Intel Network.

#### **COMPENSATION AND BENEFITS**

We strive to provide benefits and services that help meet the varying needs of our employees—from working parents and those with eldercare responsibilities, to those in the military reserves. Our total rewards package provides highly competitive compensation, with the inclusion of stock grants,

retirement benefits, generous paid time off, bonding leave, flexible work schedules, sabbaticals, on-site services, and more.

#### **HEALTH, SAFETY, AND WELLNESS**

Our ultimate goal is to achieve zero injuries through continued investment in and focus on our core safety programs and injury-reduction initiatives. We provide access to a variety of innovative, flexible, and convenient employee health and wellness programs, including on-site health centers and fitness classes and facilities.

FUNDAMENTALS OF OUR BUSINESS

Human Capital

# Corporate responsibility and sustainability

Our commitment to corporate responsibility and sustainability—built on a strong foundation of transparency, governance, and ethics—creates value for Intel and our stockholders by helping us mitigate risks, reduce costs, build brand value, and identify new market opportunities. We set ambitious goals for our company and make strategic investments to advance progress in the areas of environmental sustainability, supply chain responsibility, diversity and inclusion, and social impact that benefit the environment and society. Through our technology we enable more people to harness the power of data to help address society's most complex issues—from climate change and energy efficiency, to economic empowerment and human rights.

We have established formal board-level oversight responsibility for corporate responsibility and, since 2008, have linked a portion of employee and executive pay to corporate responsibility factors. A foundational element of our approach to corporate responsibility is our commitment to transparency. For more information, read our most recent Corporate Responsibility Report and Diversity and Inclusion Report.

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#### **ENVIRONMENTAL SUSTAINABILITY**

Driving to the lowest environmental footprint possible helps us achieve efficiency, low costs, and respond to the needs of our customers and community stakeholders. We invest in conservation projects and set company-wide environmental targets, seeking drive reductions in greenhouse gas emissions, energy use, water use, and waste generation. Since 2012, we have invested more than \$185 million in approximately 2,000 energy conservation projects, resulting in annual cost savings of approximatel \$120 million and cumulative energy savings of more than 3 billion kilowatt hours. We are also working with others to apply Internet of Things technologies to environment challenges such as climate change and water conservation.

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# SUPPLY CHAIN RESPONSIBILITY

Actively managing our supply chain creates business value for Intel and our custome by helping us reduce risks, improve product quality, achieve environmental and social goals, and raise the overall performance of our suppliers. Over the past five years, we have completed more than 450 supplier audits using the Responsible Business Allian Code of Conduct standard and have expanded training and capacity building program with our suppliers. We actively collaborate with others and lead industry initiatives of key issues such as advancing responsible minerals sourcing, addressing risks of force and bonded labor, and improving transparency around climate and water impacts in global electronics supply chain.

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#### **DIVERSITY AND INCLUSION**

Building an inclusive workforce, industry, and ecosystem is critical to helping us attra and retain the talent needed to advance innovation and drive our business forward. In have committed \$300 million to advance diversity and inclusion in our workforce and the technology industry, and are making progress toward our goal to achieve full representation of women and underrepresented minorities in our U.S. workforce by the end of 2018. We are increasing spending with diverse-owned suppliers with a goal of reaching \$1.0 billion by 2020, and are investing in programs to create new career pathways into the technology industry.

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#### **SOCIAL IMPACT**

Empowering people through technology and advancing social impact initiatives helps build trust with key external stakeholders and engages and supports the interests of employees. Our employees actively share their expertise and skills through technological related volunteer initiatives, and over the past 10 years have contributed approxima 10 million hours of service in the communities where we operate.

FUNDAMENTALS OF OUR BUSINESS

Corporate Responsibility and Sustainability

# Management's Discussion and analysis (md&A) - results of operations

2017 was another record year for Intel and shows we have made progress on our shift from being primarily a PC-centric company to a data-centric company. We achieved record revenue in 2017 and strong operating income growth and bottom line results. Our growth was primarily driven by our data-centric businesses, while our PC-centric business exceeded our expectation and continues to be a source of profit, cash flow, scale, and intellectual property. The strategic investments we have made in data-rich markets like memory, programmable solutions, and autonomous driving are starting to pay off and are becoming an increasingly larger portion of our business. For a more comprehensive overview of the results of our operations, see "A Year in Review" within Fundamentals of Our Business.

Years Ended	December	r 30, 2017	December	31, 2016	December 26, 2015			
(In Millions, Except				% of Net		% of Net		
Per Share Amounts)	Dollars	Revenue	Dollars	Revenue	Dollars	Revenue		
Net revenue	\$62,761	100.0 %	\$ 59,387	100.0 %	\$ 55,355	100.0 %		
Cost of sales	23,692	37.7 %	23,196	39.1 %	20,676	37.4 %		
Gross margin	39,069	62.3 %	36,191	60.9 %	34,679	62.6 %		
Research and development	13,098	20.9 %	12,740	21.5 %	12,128	21.9 %		
Marketing, general and administrative	7,474	11.9 %	8,397	14.1 %	7,930	14.3 %		
Restructuring and other charges	384	0.6 %	1,886	3.2 %	354	0.6 %		
Amortization of acquisition-related intangibles	177	0.3 %	294	0.5 %	265	0.5 %		
Operating income	17,936	28.6 %	12,874	21.7 %	14,002	25.3 %		
	17,930	28.0 %	12,074	21.7 %	14,002	25.5 %		
Gains (losses) on equity investments, net	2,651	4.2 %	506	0.9 %	315	0.6 %		
Interest and other, net	(235)	(0.4)%	(444)	(0.8)%	(105)	(0.2)%		
Income before taxes	20,352	32.4 %	12,936	21.8 %	14,212	25.7 %		
Provision for taxes	10,751	17.1 %	2,620	4.4 %	2,792	5.1 %		
Net income	\$ 9,601	15.3 %	\$ 10,316	17.4 %	\$ 11,420	20.6 %		
Earnings per share - Diluted	\$ 1.99		\$ 2.12		\$ 2.33			

### **REVENUE**

(Dollars in charts are shown in billions)

#### **REVENUE**

#### **SEGMENT REVENUE**

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#### **SEGMENT REVENUE WALK**

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#### 2017 vs. 2016

We have achieved record revenue two years in a row, with 2017 revenue of \$62.8 billion, up \$3.4 billion, or 6%, from 2016. After adjusting for the Q2 2017 divestiture of ISecG, revenue grew 9% from 2016. The increase in revenue was primarily driven by strong performance across our datacentric businesses, which collectively grew 16% year over year after adjusting for ISecG. We saw revenue growth across our DCG, IOTG, NSG, and PSG businesses, and 2017 revenue includes \$210 million from our Mobileye business. The increase in revenue was partially offset by \$1.6 billion from the divestiture of ISecG and by a change to the Intel Inside® program in 2017.

We implemented a change to the Intel Inside program to make the program more efficient and effective, and to provide more flexibility to our customers. This change affects the way we classify our cooperative advertising costs and resulted in a reduction to 2017 revenue of approximately \$500 million compared to 2016, which would have been classified as marketing expenses prior to program changes.

#### 2016 vs. 2015

In 2016, we achieved revenue of \$59.4 billion, up \$4.0 billion, or 7%, from 2015. Our 2016 results reflected the inclusion of PSG and an extra workweek when compared to 2015. In addition, our revenue growth in 2016 was driven by higher unit sales from our DCG platform and higher average selling prices (ASPs) for our notebook and desktop platforms.

MD&A - RESULTS OF OPERATIONS

Consolidated Results and Analysis

## **GROSS MARGIN**

(Dollars in chart are shown in billions; percentages indicate gross margin as a percentage of total revenue)

#### **GROSS MARGIN**

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We derived most of our overall gross margin dollars from the sale of platform products in the CCG and DCG operating segments. Our overall gross margin dollars in 2017 increased by \$2.9 billion, or 8%, compared to 2016, and in 2016 increased by \$1.5 billion, or 4%, compared to 2015.

(Iı	n Millions)	GROSS MARGIN WALK
\$	39,069	2017 Gross Margin
	2,380	Higher gross margin from platform revenue
	1,010	Lower platform unit cost, primarily on 14nm cost improvement
	420	Lower Altera and other acquisition-related charges
	315	Lower period charges associated with product warranty and intellectual property agreements incurred in 2016
	(535)	Higher factory start-up costs, primarily driven by the ramp of our 10nm process technology
	(390)	Impact of the ISecG divestiture, offset by higher gross margin from adjacent businesses
	(275)	Period charges primarily associated with engineering samples and higher initial production costs from our 10nm products
	(47)	Other
\$	36,191	2016 Gross Margin
	1,830	Higher gross margin from platform revenue
	1,150	PSG gross margin from acquisition of Altera
	935	Lower platform unit cost
	(1,045)	Altera and other acquisition-related charges
	(690)	Lower NSG gross margin
	(645)	Higher factory start-up costs, primarily driven by the ramp of our 10nm process technology
	(315)	Period charges associated with product warranty and intellectual property agreements
	(313)	
	292	Other
\$	,	Other 2015 Gross Margin

## **OPERATING EXPENSES**

(Dollars in charts are shown in billions; percentages indicate expenses as a percentage of total revenue)

#### **RESEARCH AND DEVELOPMENT**

#### MARKETING, GENERAL AND ADMINISTRATIVE

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Total R&D and marketing, general and administrative (MG&A) for 2017 were \$20.6 billion, down 3% from 2016. These expenses represent 32.8% of revenue for 2017 and 35.6% of revenue for 2016. We are making progress toward our goal to have annual R&D and MG&A be 30% of revenue by 2020, and are now expecting to meet this goal by 2019. See additional operating expense details within Restructuring and Other, below.

#### RESEARCH AND DEVELOPMENT

#### 2017-2016

R&D spending increased by \$358 million, or 3%, driven by the following:

- + Investments in data-centric businesses, including the addition of Mobileye
- + Process development costs for our 7nm process technology
- + Profit-dependent compensation due to an increase in net income, excluding Tax Reform impacts
- Lower expenses due to the ISecG divestiture
- Cost savings from gained efficiencies

#### 2016-2015

R&D spending increased by \$612 million, or 5%, driven by the following:

- + Addition of PSG expenses from the acquisition of Altera Corporation (Altera)
- + Higher investment, net of 2016 restructuring program savings, in strategically important areas such as servers, Internet of Things, new devices, and memory
- + Higher process development costs for our 7nm process technology
- Lower depreciation expense due to a change at the beginning of fiscal year 2016 to the estimated useful life of the machinery and equipment in our wafer fabrication facilities

#### MARKETING, GENERAL AND ADMINISTRATIVE

#### 2017-2016

MG&A expenses decreased by \$923 million, or 11%, driven by the following:

- Lower expenses due to the ISecG divestiture
- Change to the Intel Inside program
- + Profit-dependent compensation due to an increase in net income, excluding Tax Reform impacts

#### 2016-2015

MG&A expenses increased by \$467 million, or 6%, primarily driven by PSG expenses due to the acquisition of Altera.

#### MARKET AND BUSINESS OVERVIEW

#### Market trends and strategy

Worldwide PC shipments have decreased over the last few years<sup>1</sup>. However, our CCG profitability has increased over 45% since 2013. The CCG business provides scale, funds intellectual property, and continues to generate a significant portion of our consolidated profit and cash flow.

The landscape of the client computing market is shifting, with new markets and devices, new consumer expectations, and new ways to connect to the cloud. We have focused our strategy on these growth opportunities by enhancing platforms and adjacent technologies to reinvigorate PC demand and provide new user experiences. Today, CCG spans a broader set of devices and a wider array of uses, such as smart homes, virtual reality, and video streaming.

As these new uses become mainstream in our daily lives, an increasing amount of data will flow between PCs or PC-like devices and the data center. While we are transforming from a PC-centric to a data-centric company, CCG continues to be a critical part of the Virtuous Cycle of Growth, generating significant amounts of data and driving the growth of new uses, as well as the need for continued expansion of the cloud and data center.

a025ccgmarketoverview01.jpg

#### **Products and competitiveness**

To focus our business and better serve our customers, we have established an annual cadence of leadership product introductions. This year we launched the latest flagship product, the Intel®  $Core^{TM}$  i9 processor family, and the 8th generation Intel Core processors. These platform products address a wide range of needs for rapidly growing markets, from notebook products such as 2 in 1 systems, thin-and-lights, and Chromebook\* systems, to desktop products such as gaming systems and mini desktops.

Our platform products are enhanced by new adjacent technologies. During the year, we introduced our 5th generation LTE\* modem, the Intel® XMM™ 7560 modem, built on Intel's 14nm process technology, and our first family of 5G NR multi-mode commercial modems, the Intel XMM 8000 series modems. In addition, we offer Intel Optane memory, an adaptive caching technology for accelerating system performance, and advanced connectivity like Thunderbolt™ technology.

To enable the smart and connected home, Intel delivers SoCs and Wi-Fi chipsets for home gateways, routers, modems, and personal assistants. Intel® Puma™ and Intel® AnyWAN™ SoCs enable high-performance connectivity that can keep up with increasing demands for bandwidth. Intel® Home Wi-Fi Chipsets enable home networks to scale for more connected devices and experiences and Intel Atom® SoCs enable a new class of premium personal assistant experiences for the smart home.

a026ccgmarketoverview02.jpg

1 Source: Intel calculated PC shipment estimate derived from industry analyst reports.

MD&A - RESULTS OF OPERATIONS

Client Computing Group

#### **FINANCIAL PERFORMANCE**

(Dollars in charts are shown in billions) a027ccgrevenuewalk.jpg

#### **Revenue Summary**

#### 2017 vs. 2016

- + Growth in notebook (NB) from the strength in commercial and gaming and improving market conditions
- + Higher adjacent revenue, primarily from modem product ramp
- Continued desktop (DT) market decline and the impact from the change of Intel Inside program, partially offset by higher demand for highperformance processors

#### 2016 vs. 2015

- + Ramp of our adjacent products, primarily modem
- PC market decline, offset by mix of highperformance processors

#### **Key Revenue Metrics**

	2017 vs. 2016	2016 vs. 2015
Desktop Platform		
Volume	down (5)%	down (6)%
ASP	flat —%	up 2%
Notebook Platform		
Volume	up 5%	down (1)%
ASP	up 2%	up 2%
Adjacent Products		
Revenue	up 29%	up 40%

#### a028ccgoperatingincome.jpg

#### (In Millions) **CCG Operating Income Walk**

\$ 12,919	2017 Operating Income
1,135	Lower CCG platform unit cost, primarily on 14nm cost improvement
630	Lower CCG spending and share of technology development and MG&A costs
635	Higher gross margin from CCG platform revenue
(430)	Period charges primarily associated with engineering samples and higher initial production costs from our 10nm products
303	Other
\$ 10,646	2016 Operating Income

\$ 8,166	2015 Operating Income
345	Other
(645)	Higher factory start-up costs, primarily driven by the ramp of our 10nm process technology
625	Higher gross margin from CCG platform revenue
905	Lower CCG operating expense
1,250	Lower CCG platform unit cost

MD&A - RESULTS OF OPERATIONS

Client Computing Group

#### MARKET AND BUSINESS OVERVIEW

#### Market trends and strategy

The infographic below illustrates multiple ways that we analyze the DCG business. The "What's in the box?" line shows all DCG products —for example, CPUs, and silicon photonics—that are integrated in the form of server, storage, and network ("What is the box?") and sold to DCG's end users ("Who bought the box?").

#### a030dcgtaxonomy.jpg

Data is a significant force in society today and data is generated by intelligent and connected machines. Data is the lifeblood for the future of technology innovation and actionable insights. Data is transmitted through network infrastructure, processed, and analyzed to become real-time information.

The data center TAM is expected to surpass \$70 billion by 2022¹. Currently, we have less than a 40% market share. We see significant opportunities in cloud, networking, and analytics/artificial intelligence and the chance to drive higher growth as we expand our product offerings with our adjacent products. The cloud and communications service provider market segments continue to grow significantly, while the enterprise and government market segment continues to decline as workloads move to the public cloud.

a031dcgfloodofdata.jpg

#### **Products and competitiveness**

We offer a broad portfolio of platforms and technologie designed to provide workload-optimized performance across compute, storage, and network. These offerings span the full spectrum from the data center core to the network edge. In addition, DCG focuses on lowering th total cost of ownership and on other specific workload optimizations for the enterprise, cloud service provider, and communications service provider market segments with hardware-enhanced performance, security, and reliability. DCG's platform value can be extended throughted adjacent products such as FPGAs and SSDs.

In early Q3 2017, we launched the Intel Xeon Scalable processors, formerly code-named Skylake-SP. The new product delivers performance improvement over the pr generation on popular workloads, and was broadly available in more than 200 original equipment manufacturer (OEM) systems as of the end of 2017.

1 Source: Intel calculated Data Center TAM derived from industry analyst reports.

MD&A - RESULTS OF OPERATIONS

Data Center Group

#### **FINANCIAL PERFORMANCE**

(Dollars in charts are shown in billions) a032dcgrevenuewalk.jpg

#### Market Segment Revenue Growth<sup>1</sup>

	2017 vs. 2016	2016 vs. 2015
Cloud Service Provider	up 28%	up 24%
Enterprise and Government	down (3)%	down (3)%
Communication Service Provider	up 15%	up 19%

<sup>1</sup> DCG platform products are sold across all three market segments.

#### **Revenue Summary**

#### 2017 vs. 2016

- + Growth in server box type, primarily with cloud service providers and increased market share in network box type, and higher mix of our 14nm processors that have higher ASPs
- + Higher revenue across our adjacent products

#### 2016 vs. 2015

- + Growth in cloud and network, offset by mix of processors
- + Higher revenue across our adjacent products

#### **Key Revenue Metrics**

	2017 vs. 2016	2016 vs. 2015
DCG Platform		
Volume	up 5%	up 8%
ASP	up 4%	down (1)%
Adjacent Products		
Revenue	up 21%	up 19%

a033dcgoperatingincome.jpg

(In Millions) DCG Operating Income Walk

8,395

2017 Operating Income

(655) (335) (215)	Higher DCG operating expense Higher DCG platform unit costs Period charges associated with product warranty and intellectual property agreements
. ,	
(655)	Higher DCG operating expense
930	Higher gross margin from DCG platform revenue
\$ 7,520	2016 Operating Income
110	Other
(315)	Higher DCG spending and share of technology development and MG&A costs
(585)	Higher factory start-up costs, primarily driven by the ramp of our 10nm process technology
215	Lower period charges associated with product warranty and intellectual property agreements incurred in 2016
1,450	Higher gross margin from DCG platform revenue

MD&A - RESULTS OF OPERATIONS

Data Center Group

#### MARKET AND BUSINESS OVERVIEW

#### Market trends and strategy

The world is becoming smarter, more connected, and more data driven, and the Internet of Things sits at the center of this global digital transformation. Through a robust network of devices, software, networks, and sensors the Internet of Things is transforming the way we live, connect, work, create, and conduct business—from smart cities, to smart and efficient manufacturing. Creating, transferring, and harnessing the power of data, Internet of Things-based solutions represent one of the fastest growing segments within the semiconductor industry, with 9% compound annual growth rate (CAGR) forecast from 2017 to 2022¹. However, the Internet of Things is a highly fragmented market with a diverse collection of competitors, products, and vertical segments. As such, we are specifically focused on market sectors that align well with Intel's ability to provide high-performance computing solutions.

#### a035iotgmarketsa01.jpg

Intel's vision for this market revolves around powering the evolution of the smart and connected world by providing distributed compute from the edge through the network to the cloud. We focus our efforts partnering with industry leaders to lead the transition from connected to smart and eventually autonomous devices capable of creating learning systems.

#### a036iotg3phasesofiota01.jpg

#### **Products and competitiveness**

We are uniquely equipped to offer technologies that enable solutions that work across the entire Internet of Things—at the edge, in the network, or in the cloud—enabling businesses to extract the right insights, in the right place, at the right time. We offer end-to-end solutions with our wide spectrum of products, including Intel Atom to Intel Xeon processor-based computing, wireless connectivity, FPGAs, and Wind River\* software. IOTG leverages adjacent product investments across Intel while making the investments needed to adapt products to the specific requirements for IOTG vertical segments. For example, applications in the industrial sector require technologies such as extended temperature ranges, functional safety, time-coordinated computing, and long-life support.

With IOTG, we enable a global ecosystem of industry partners, developers, and innovators to create solutions based on our products that accelerate return on investment and time-to-value for end customers. These Intel® IoT Ready Solutions are vetted and tested in the market, commercially available, and fully supported through our ecosystem partners. One example is the Intel architecture-based Cisco\* Connected Factory Network\*, which improves factory operation efficiency and reduces costs by connecting factory automation and control systems to IT systems.

1 Source: Intel calculated Internet of Things CAGR derived from industry analyst reports.

#### FINANCIAL PERFORMANCE

(Dollars in charts are shown in billions) a038iotgrevenue02.jpga037iotgrevenue01.jpga039iotgoperatingincome.jpg **Revenue Summary** 

#### 2017 vs. 2016

Net revenue increased \$531 million, driven by \$329 million higher IOTG platform unit sales and \$176 million growth in IOTG adjacent products including \$74 million from milestone-based revenue. Revenue grew across the retail, industrial, and smart video market segments.

#### 2016 vs. 2015

Net revenue increased \$340 million, driven by \$192 million higher IOTG platform unit sales and \$122 million higher IOTG platform ASP.

#### **Operating Income Summary**

#### 2017 vs. 2016

Operating income increased \$65 million due to higher revenue offset by higher investment in growth areas such as automotive, and by increased share of technology development and MG&A costs.

#### 2016 vs. 2015

Operating income increased \$70 million, driven by higher gross margin from IOTG revenue and partially offset by higher IOTG operating expenses.

MD&A - RESULTS OF OPERATIONS

Internet of Things Group

#### MARKET AND BUSINESS OVERVIEW

#### Market trends and strategy

The world is grappling with increasing amounts of data created by such applications as social media, smart hospitals, airplanes, smart factories, and autonomous driving. This data all needs to be stored, accessed, and analyzed, easily and quickly. The TAM in 2017 for storage and memory is approximately \$150 billion<sup>1</sup>. With our breadth of products, our focus is on segments that have a growing need for storage, including cloud service providers, financial services, high-performance computing, and Internet usage.

a041nsgmarkets.jpg

With data growth expanding, our customers face the challenge of gett critical, or "hot," data close to the CPU for rapid access. Intel's innovations in technology address the need for various storage tiers, based on different usages, while keeping a focus on performance and cost. As customers look to improve the performance of their storage a memory devices, we are seeing and leading a transition to the PCI Express\* interface with Non-Volatile Memory Express\* for SSDs.

In the face of these growing volumes of data, Intel took on the exactined needs of data centers for growing capacity, easy serviceability, and thermal efficiency and announced our invention of the innovative "rule form factor that will solve customer requirements without the constrait of legacy form factors. The innovative ruler will enable up to one petabyte of storage in a single server rack unit.

a042nsgrulerformfacto

"Ruler" form fac

#### **Products and competitiveness**

Intel Optane technology is a major memory breakthrough with revolutionary performance profiles. This innovative technology combines the performance, density, power, non-volatility, and cost advantages of existing non-volatile memories with the attributes of conventional memories like DRAM. In 2017, we expanded our portfolio by delivering products based on Intel Optane technology, specifically Intel Optane memory, a PC system acceleration module, and highly responsive SSDs for both the data center and enthusiast markets.

Our Intel 3D NAND technology offers the highest density in the industry, enabling higher capacity media and more gigabytes per wafer. By transitioning our manufacturing capacity from a 2D NAND/3D NAND mix to 100% 3D NAND by the end of 2017, we helped drive a transformation in storage economics, with our cost-per-gigabyte approaching the cost of traditional hard disk drives. In 2017, we led the industry with the first 64-layer, TLC, 3D NAND SSDs for data center, client, and embedded segments.

#### a043nsgdataspherea01.jpg

1 Source: Storage and memory market opportunity is based on Forward Insights Q4'17 for Client and DC SSDs; DRAM Market Statistics, Worldwide, 2014-2021; Hard-Disk Drives, Worldwide, 2014-2021; NAND Flash Supply and Demand, Worldwide, 1Q16-4Q18. Note: DRAM and Hard-Disk Drives are excluded from Intel TAM of \$260 billion in 2021.

#### Investing in the future

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#### FINANCIAL PERFORMANCE

(Dollars in charts are shown in billions) a045nsgrevenue.jpga046nsgoperatingincome.jpg

#### **Revenue Summary**

#### 2017 vs. 2016

Net revenue increased \$944 million, driven by \$1.6 billion from higher unit sales due to strong demand in data center, partially offset by \$655 million lower ASP due to market conditions and the ramp of our new TLC 3D NAND product line, which has a lower cost, and ASP compared to our primary multi-level cell 3D NAND.

#### 2016 vs. 2015

Net revenue decreased \$21 million due to lower ASP offset by higher unit sales.

#### **Operating Income Summary**

#### 2017 vs. 2016

Operating loss decreased \$284 million driven primarily by \$725 million unit cost reductions due to the cost improvements associated with Fab 68 and lower costs from the ramp of the Intel® 3D NAND product line compared to prior generation NAND products. The lower unit cost impact was offset by \$380 million lower gross margin from NSG revenue. We expect NSG to be profitable for the full year of 2018.

#### 2016 vs. 2015

Operating income decreased \$783 million in 2016 to an operating loss compared to 2015, driven by lower ASP on competitive pricing pressures, offset by higher volume. The decrease in operating income was also affected by higher costs on the ramp of Intel® 3D NAND flash memory in Fab 68, and higher spending on 3D XPoint technology, and partially offset by lower unit costs.

MD&A - RESULTS OF OPERATIONS

Non-Volatile Memory Solutions Group

#### MARKET AND BUSINESS OVERVIEW

#### Market trends and strategy

PSG delivers solutions in the programmable logic device (PLD) market, primarily FPGAs, to enable smarter and more connected systems. Our focus is on enabling a broad range of solutions, including in the data center, wireless, networking, automotive, military, medical, and industrial markets. We expect the PLD market to grow at 9% CAGR through 2021.¹ FPGAs are a key technology, enabling transformative applications such as AI, baseband processing and radio for 5G wireless connectivity, packet processing and virtual network functions offload for NFV, edge acceleration like video and vision for analytics and intelligence, and workload consolidation of things through fog computing for Industry 4.0.

a048psgmarketsa02.jpg

#### **Products and competitiveness**

With the rise of pervasive connectivity and autonomous transactions, a vast network of devices and systems are linked from the edge through infrastructure to the cloud. The Intel® FPGA portfolio enables this transformation with discrete FPGAs and software defined-hardware based multi-function acceleration cards that allow faster end-product development times, high performance, and power efficiency with overall lower total cost of ownership. In the cloud, where workloads shift dynamically and algorithms change, Intel FPGAs are the ideal solution for adapting to new demands through reconfigurability.

In 2017, PSG began shipping the industry's first high-density >1million logic elements ARM-based FPGA (Intel Stratix 10 SX FPGAs), which provide an ideal solution for 5G wireless communication, software defined radios, secure computing for military applications, NFV, and data center acceleration. In addition, we announced availability of the Intel Stratix 10 MX FPGA, the industry's first FPGA with integrated High Bandwidth Memory DRAM for high-performance computing, data centers, NFV, and broadcast applications. It enables the ability to compress and decompress data before or after mass data movements. To simplify and expedite the benefits of FPGA-accelerated solutions, PSG developed a combination of hardware platforms, a software acceleration stack, and ecosystem support in a compelling new approach and introduced the first in a family of Intel Programmable Acceleration Cards. These cards, when combined with an Acceleration Stack, plug easily into any Intel Xeon processor-based server and boost performance while minimizing power consumption for complex, data-intensive applications such as AI inference, video streaming analytics, database acceleration, and more.

1 Source: The PLD market growth is based on Gartner, Inc., 3Q17 Forecast Analysis; Electronics and Semiconductors, Worldwide, 2017-2021.

MD&A - RESULTS OF OPERATIONS

Programmable Solutions Group

#### **FINANCIAL PERFORMANCE**

(Dollars in charts are shown in billions)

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#### **Revenue Summary**

#### 2017 vs. 2016

PSG revenue increased \$233 million, driven by growth in industrial, military, and automotive market segments as well as in our advanced products and last-time buys of our legacy products. Also, in 2016 a one-time \$99 million deferred revenue write-down due to the acquisition of Altera negatively impacted 2016 PSG revenue.

#### **Operating Income Summary**

#### 2017 vs. 2016

PSG operating income increased \$562 million. Higher revenue and operational synergies contributed \$111 million of the year over year increase. The remainder was due to one-time acquisition-related charges, including a \$99 million deferred revenue write-down with a \$64 million operating income impact and an inventory valuation adjustment of approximately \$387 million.

MD&A - RESULTS OF OPERATIONS

Programmable Solutions Group

# **Restructuring and Other Charges**

Years Ended (In Millions)	Dec 30, 2017		,		ec 31, 2016	ec 26, 2015
2016 Restructuring Program	\$	135	\$ 1,823	\$ _		
2015 and 2013 Restructuring Programs		_	_	354		
ISecG separation costs and other charges		249	63	 _		
Total restructuring and other charges	\$	384	\$ 1,886	\$ 354		

#### **2016 RESTRUCTURING PROGRAM**

We commenced the 2016 Restructuring Program in the second quarter of 2016. This program was completed in 2017.

Restructuring actions related to this program, which were approved in 2016, impacted approximately 16,000 employees. The charges incurred as part of the 2016 Restructuring Program resulted in net annual headcount savings of approximately \$1.8 billion as we re-balanced our workforce. On an annual basis, \$1.6 billion of these savings reduced our R&D and MG&A spending, and the remainder reduced our cost of sales. We began to realize these savings in Q2 2016 and most of these savings were realized by the end of 2017. We reallocated these savings to our growth segments, such as the data center and Internet of Things, and continue to invest in areas that extend our leadership in Moore's Law and expand market opportunities in areas such as memory and autonomous driving.

#### **OTHER CHARGES**

Other charges consist primarily of expenses associated with the divestiture of ISecG that was completed in Q2 2017.

For further information, see "Note 7: Restructuring and Other Charges" within the Consolidated Financial Statements.

# Gains (Losses) on Equity Investments and Interest and Other, Net

Years Ended (In Millions)		Dec 30, 2017		Dec 31, 2016		Dec 26, 2015	
Gains (losses) on equity investments, net	\$	2,651	\$	506	\$	315	
Interest and other, net	\$	(235)	\$	(444)	\$	(105)	

#### GAINS (LOSSES) ON EQUITY INVESTMENTS, NET

We recognized higher net realized gains on sales of a portion of our interest in ASML Holding N.V. (ASML) of \$3.4 billion in 2017 compared to \$407 million in 2016. The higher net realized gains were partially offset by \$833 million of impairment charges and our share of equity method investee losses in 2017.

We recognized higher net gains on equity investments in 2016 compared to 2015 primarily due to gains of \$407 million related to sales of a portion of our interest in ASML.

#### INTEREST AND OTHER, NET

We recognized a lower net loss in interest and other in 2017 compared to 2016 primarily due to higher interest income in 2017.

We recognized a higher net loss in interest and other in 2016 compared to 2015 primarily due to higher interest expense from debt issued or acquired in 2015 and 2016, as well as lower capitalized interest due to lower eligible capital expenditures in 2016.

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OPERATIONS	Analysis	

## **Provision for Taxes**

Years Ended (Dollars in Millions)		Dec 30, 2017			Dec 26, 2015			
Income before taxes	\$	20,352	\$	12,936	\$	14,212		
Provision for taxes	\$	10,751	\$	2,620	\$	2,792		
Effective tax rate		52.8%		52.8 % 20		20.3 %	)	19.6%

Substantially all of the increase in our effective tax rate in 2017 compared to 2016 was driven by the one-time provisional impacts from the U.S. Tax Cuts and Jobs Act (Tax Reform) that was enacted in December 2017, the 2017 ISecG divestiture, and a higher proportion of our income in higher tax rate jurisdictions. In addition to the one-time impacts from Tax Reform, we expect the new legislation will significantly lower our effective tax rate starting in 2018. For further information on Tax Reform and its impacts, see "Note 8: Income Taxes" within the Consolidated Financial Statements.

The majority of the increase in our effective tax rate in 2016 compared to 2015 was driven by onetime items and our 2015 decision to indefinitely reinvest some of our prior years' non-U.S. earnings, partially offset by a higher proportion of our income in lower tax jurisdictions.

# **Liquidity and Capital Resources**

We consider the following when assessing our liquidity and capital resources:

(Dollars in Millions)		Dec 30, 2017	Dec 31, 2016			
Cash and cash equivalents, short-term investments, and trading assets	\$	14,002	\$	17,099		
Other long-term investments	\$	3,712	\$	4,716		
Loans receivable and other	\$	1,097	\$	996		
Reverse repurchase agreements with original maturities greater than three months	\$	250	\$	250		
Total debt	\$	26,813	\$	25,283		
Temporary equity	\$	866	\$	882		
Debt as a percentage of permanent stockholders' equity	38.8 %		)	38.2 %		

Cash generated by operations is our primary source of liquidity. We maintain a diverse investment portfolio that we continually analyze based on issuer, industry, and country. When assessing our sources of liquidity, we include investments as shown in the preceding table. Substantially all of our investments in debt instruments and financing receivables are in investment-grade securities.

Other potential sources of liquidity include our commercial paper program and our automatic shelf registration statement on file with the SEC, pursuant to which we may offer an unspecified amount of debt, equity, and other securities. Under our commercial paper program, we have an ongoing authorization from our Board of Directors to borrow up to \$10.0 billion. This amount includes an increase of \$5.0 billion in the authorization limit approved by our Board of Directors in April 2017. No commercial paper remained outstanding as of December 30, 2017. During 2017, we issued a total of \$7.7 billion aggregate principal amount of senior notes. Additionally, we redeemed our \$1.0 billion, 4.90% senior notes due August 2045. We used the net proceeds from the offerings of the notes to finance a portion of the redemption price of our 4.90% senior notes due August 2045 and for general corporate purposes. During 2017, we repaid \$500 million of our 1.75% senior notes that matured in May 2017, and \$3.0 billion of our 1.35% senior notes that matured in December 2017. In Q4 2017, we paid \$2.8 billion in cash to convert our \$1.6 billion 2.95% junior subordinated convertible debentures due 2035.

The enactment of Tax Reform in December 2017, imposes a tax on all previously untaxed earnings of non-U.S. subsidiaries of U.S. corporations. Future distributions of non-U.S. assets to the U.S. will no longer be subject to U.S. taxation. As a result, we recognized a one-time provisional transition tax

expense of \$6.1 billion. We expect to pay the tax over a period of eight years based on a defined payment schedule and believe that our current U.S. sources of cash and liquidity are sufficient to meet our tax liability.

As of December 30, 2017, \$8.4 billion of our \$14.0 billion of cash and cash equivalents, short-term investments, and trading assets was held by our non-U.S. subsidiaries.

During Q3 2017, we acquired 97.3% of Mobileye's outstanding ordinary shares for \$14.5 billion net cash. We funded the acquisition of shares, and expect to fund the acquisition of the remaining shares, with cash held by our non-U.S. subsidiaries.

MD&A - RESULTS OF OPERATIONS

Consolidated Results and Analysis

During Q2 2017, we completed the divestiture of our ISecG business for total consideration of \$4.2 billion. The consideration included cash proceeds of \$924 million and \$2.2 billion in the form of promissory notes. During Q3 2017, McAfee and TPG VII Manta Holdings, L.P., now known as Manta Holdings, L.P. (TPG) repaid the \$2.2 billion of promissory notes and McAfee paid us a \$735 million dividend.

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

#### **SOURCES AND USES OF CASH**

(In Millions)

a051sourcesandusesofcash.jpg

MD&A - RESULTS OF OPERATIONS

Consolidated Results and Analysis

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

Years Ended (In Millions)	Dec 30, 2017		 Dec 31, 2016	Dec 26, 2015		
Net cash provided by operating activities	\$	22,110	\$ 21,808	\$	19,018	
Net cash used for investing activities		(15,762)	(25,817)		(8,183)	
Net cash provided by (used for) financing activities		(8,475)	(5,739)		1,912	
Net increase (decrease) in cash and cash equivalents	\$	(2,127)	\$ (9,748)	\$	12,747	

#### **OPERATING ACTIVITIES**

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

For 2017 compared to 2016, the \$302 million increase in cash provided by operating activities was due to changes to working capital partially offset by adjustments for non-cash items and lower net income. Tax Reform did not have an impact on our 2017 cash provided by operating activities. The increase in cash provided by operating activities was driven by increased income before taxes and \$1.0 billion receipts of customer deposits. These increases were partially offset by increased inventory and accounts receivable. Income taxes paid, net of refunds, in 2017 compared to 2016 were \$2.9 billion higher due to higher income before taxes, taxable gains on sales of ASML, and taxes on the ISecG divestiture. We expect approximately \$2.0 billion of additional customer deposits in 2018.

For 2016 compared to 2015, the \$2.8 billion increase in cash provided by operating activities was due to adjustments for non-cash items and changes in working capital, partially offset by lower net income. The adjustments for non-cash items were higher in 2016 primarily due to restructuring and other charges and the change in deferred taxes, partially offset by lower depreciation.

#### **INVESTING ACTIVITIES**

Investing cash flows consist primarily of capital expenditures; investment purchases, sales, maturities, and disposals; and proceeds from divestitures and cash used for acquisitions. Our capital expenditures were \$11.8 billion in 2017 (\$9.6 billion in 2016 and \$7.3 billion in 2015).

The decrease in cash used for investing activities in 2017 compared to 2016 was primarily due to higher net activity of available-for sale-investments in 2017, proceeds from our divestiture of ISecG in 2017, and higher maturities and sales of trading assets in 2017. This activity was partially offset by higher capital expenditures in 2017.

The increase in cash used for investing activities in 2016 compared to 2015 was primarily due to our completed acquisition of Altera, net purchases of trading assets in 2016 compared to net sales of trading assets in 2015, and higher capital expenditures in 2016. This increase was partially offset by lower investments in non-marketable equity investments.

#### **FINANCING ACTIVITIES**

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

The increase in cash used for financing activities in 2017 compared to 2016 was primarily due to net long-term debt activity, which was a use of cash in 2017 compared to a source of cash in 2016. During 2017, we repurchased \$3.6 billion of common stock under our authorized common stock repurchase program, compared to \$2.6 billion in 2016. As of December 30, 2017, \$13.2 billion remained available for repurchasing common stock under the existing repurchase authorization limit. We base our level of common stock repurchases on internal cash management decisions, and this level may fluctuate. Proceeds from the sale of common stock through employee equity incentive plans totaled \$770 million in 2017 compared to \$1.1 billion in 2016. Our total dividend payments were \$5.1 billion in 2017 compared to \$4.9 billion in 2016. We have paid a cash dividend in each of the past 101 quarters. In January 2018, our Board of Directors approved an increase to our cash dividend to \$1.20 per share on

an annual basis. The board has declared a quarterly cash dividend of \$0.30 per share of common stock for Q1 2018. The dividend is payable on March 1, 2018 to stockholders of record on February 7, 2018.

Cash was used for financing activities in 2016 compared to cash provided by financing activities in 2015, primarily due to fewer debt issuances and the repayment of debt in 2016. This activity was partially offset by repayment of commercial paper in 2015 and fewer common stock repurchases in 2016.

MD&A - RESULTS OF OPERATIONS

Consolidated Results and Analysis

# **Contractual Obligations**

Significant contractual obligations as of December 30, 2017 were as follows:

	Payments Due by Period									
(In Millions)	То	tal	Less Than 1 Year		1-3 Years		3-5 Years		1	lore Than Years
Operating lease obligations	\$ 1	,245	\$	215	\$	348	\$	241	\$	441
Capital purchase obligations <sup>1</sup>	12	,068		9,689		2,266		113		_
Other purchase obligations and commitments <sup>2</sup>	2	,692		1,577		1,040		55		20
Tax obligations <sup>3</sup>	6	,120		490		979		979		3,672
Long-term debt obligations <sup>4</sup>	42	,278		1,495		5,377		8,489	2	26,917
Other long-term liabilities <sup>5</sup>	1	,544		799		422		190		133
Total <sup>6</sup>	\$ 65,	947	<b>\$ 1</b>	4,265	<b>\$</b> 1	.0,432	<b>\$ 1</b>	0,067	\$3	1,183

- 1 Capital purchase obligations represent commitments for the construction or purchase of property, plant and equipment. They were not recorded as liabilities on our consolidated balance sheets as of December 30, 2017, as we had not yet received the related goods nor taken title to the property.
- 2 Other purchase obligations and commitments include payments due under various types of licenses and agreements to purchase goods or services, as well as payments due under non-contingent funding obligations.
- 3 Tax obligations represent the future cash payments related to Tax Reform enacted in 2017 for the one-time provisional transition tax on our previously untaxed foreign earnings. For further information, see "Note 8: Income Taxes" within the Consolidated Financial Statements.
- 4 Amounts represent principal and interest cash payments over the life of the debt obligations, including anticipated interest payments that are not recorded on our consolidated balance sheets. Debt obligations are classified based on their stated maturity date, regardless of their classification on the consolidated balance sheets. Any future settlement of convertible debt would impact our cash payments.
- 5 Amounts represent future cash payments to satisfy other long-term liabilities recorded on our consolidated balance sheets, including the short-term portion of these long-term liabilities. Derivative instruments are excluded from the preceding table, as they do not represent the amounts that may ultimately be paid.
- 6 Total excludes contractual obligations already recorded on our consolidated balance sheets as current liabilities, except for the short-term portions of long-term debt obligations and other long-term liabilities.

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

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

For the purchase of raw materials, we have entered into certain agreements that specify minimum prices and quantities based on a percentage of the total available market or based on a percentage of our future purchasing requirements. Due to the uncertainty of the future market and our future purchasing requirements, as well as the non-binding nature of these agreements, obligations under these agreements have been excluded from the preceding table. Our purchase orders for other products are based on our current manufacturing needs and are fulfilled by our vendors within short

time horizons. In addition, some of our purchase orders represent authorizations to purchase rather than binding agreements.

Contractual obligations that are contingent upon the achievement of certain milestones have been excluded from the preceding table. Most of our milestone-based contracts are tooling related for the purchase of capital equipment. These arrangements are not considered contractual obligations until the milestone is met by the counterparty. As of December 30, 2017, assuming that all future milestones are met, the additional required payments would be approximately \$2.0 billion.

For the majority of restricted stock units (RSUs) granted, the number of shares of common stock issued on the date the RSUs vest is net of the minimum statutory withholding requirements that we pay in cash to the appropriate taxing authorities on behalf of our employees. The obligation to pay the relevant taxing authority is excluded from the preceding table, as the amount is contingent upon continued employment. In addition, the amount of the obligation is unknown, as it is based in part on the market price of our common stock when the awards vest.

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Consolidated Results and Analysis

During 2014, we entered into a series of agreements with Tsinghua Unigroup Ltd. (Tsinghua Unigroup), an operating subsidiary of Tsinghua Holdings Co. Ltd., to, among other things, jointly develop Intel architecture and communications-based solutions for phones. Subject to regulatory approvals and other closing conditions, we have agreed to invest up to \$9.0 billion Chinese yuan (approximately \$1.5 billion as of the date of the agreement) for a minority stake of approximately 20% of Beijing UniSpreadtrum Technology Ltd. (UniSpreadtrum). During 2015, we invested \$966 million to complete the first phase of the equity investment and the second phase of the investment will require additional funding of approximately \$500 million; however, as our obligation is contingent upon regulatory approvals and other closing conditions, it has been excluded from the preceding table.

# QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are affected by changes in currency exchange and interest rates, as well as equity and commodity prices. Our risk management programs reduce, but may not entirely eliminate, the impacts of these risks. All of the following potential changes are based on sensitivity analyses performed on our financial positions as of December 30, 2017 and December 31, 2016. Actual results may differ materially.

#### **CURRENCY EXCHANGE RATES**

We are exposed to currency exchange risks of non-U.S.-dollar-denominated investments in debt instruments and loans receivable, and may economically hedge this risk with foreign currency contracts, such as currency forward contracts or currency interest rate swaps. Gains or losses on these non-U.S.-currency investments are generally offset by corresponding losses or gains on the related hedging instruments. We are exposed to currency exchange risks from our non-U.S.-dollar-denominated debt indebtedness and may use foreign currency contracts designated as cash flow hedges to manage this risk.

Substantially all of our revenue is transacted in U.S. dollars. However, a significant portion of our operating expenditures and capital purchases are incurred in other currencies, primarily the euro, the Japanese yen, the Israeli shekel, and the Chinese yuan. We have established currency risk management programs to protect against currency exchange rate risks associated with non-U.S. dollar forecasted future cash flows and existing non-U.S. dollar monetary assets and liabilities. We may also hedge currency risk arising from funding of foreign currency-denominated future investments. We may utilize foreign currency contracts, such as currency forwards or option contracts in these hedging programs. We considered the historical trends in currency exchange rates and determined that it was reasonably possible that a weighted average adverse change of 20% in currency exchange rates could be experienced in the near term. Such an adverse change, after taking into account balance sheet hedges only and offsetting recorded monetary asset and liability positions, would have resulted in an adverse impact on income before taxes of less than \$95 million as of December 30, 2017 (less than \$80 million as of December 31, 2016).

#### **INTEREST RATES**

We are exposed to interest rate risk related to our fixed-rate investment portfolio and outstanding debt. The primary objective of our investment policy is to preserve principal and the financial flexibility to fund our business while maximizing yields, which generally track the U.S. dollar three-month LIBOR. We generally enter into interest rate contracts to convert the returns on our fixed-rate debt investment with remaining maturities longer than six months into U.S. dollar three-month LIBOR-based returns. We may enter into swaps to convert fixed-rate coupon payments into floating-rate coupon payments for our existing indebtedness. Gains or losses on these instruments are generally offset by corresponding losses or gains on the related hedging instruments.

A hypothetical decrease in benchmark interest rates of up to 1.0%, after taking into account investment hedges, would have resulted in an increase in the fair value of our investment portfolio of approximately \$100 million as of December 30, 2017 (an increase of approximately \$100 million as of December 31, 2016). After taking into account interest rate and currency swaps, a hypothetical decrease in interest rates of up to 1.0% would have resulted in an increase in the fair value of our indebtedness of approximately \$1.6 billion as of December 30, 2017 (an increase of approximately \$1.3 billion as of December 31, 2016). The fluctuations in fair value of our investment portfolio and

indebtedness reflect only the direct impact of the change in interest rates. Other economic variables, such as equity market fluctuations and changes in relative credit risk, could result in a significantly higher fluctuation in the fair value of our net investment position.

#### **EQUITY PRICES**

Our investments include marketable equity securities and equity derivative instruments. We typically do not attempt to reduce or eliminate our equity market exposure through hedging activities at the inception of our investments. In the event we do decide to enter into hedge arrangements, before doing so we evaluate legal, market, and economic factors, as well as the expected timing of disposal, to determine whether hedging is appropriate. Our equity market risk management program may include equity derivatives with or without hedge accounting designation that utilize warrants, equity options, or other equity derivatives.

We also utilize total return swaps to offset changes in liabilities related to the equity market risks of certain deferred compensation arrangements. Gains or losses from changes in fair value of these total return swaps are generally offset by the losses or gains on the related liabilities.

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As of December 30, 2017, the fair value of our marketable equity investments and our equity derivative instruments, including hedging positions, was \$4.2 billion (\$6.2 billion as of December 31, 2016). A substantial majority of our marketable equity investments portfolio as of December 30, 2017 was concentrated in our investment in ASML of \$3.6 billion (\$6.1 billion as of December 31, 2016). Our marketable equity method investments are excluded from our analysis, as the carrying value does not fluctuate based on market price changes unless an impairment is deemed necessary. To determine reasonably possible decreases in the market value of our marketable equity investments, we have analyzed the historical market price sensitivity of our marketable equity investment portfolio. Assuming a decline of 25% in market prices, and after reflecting the impact of hedges and offsetting positions, the aggregate value of our marketable equity investments could decrease by approximately \$1.1 billion, based on the value as of December 30, 2017 (a decrease in value of approximately \$1.9 billion, based on the value as of December 31, 2016 using an assumed decline of 30%). Beginning in 2018, as explained in "Note 3: Recent Accounting Standards" within the Consolidated Financial Statements, changes in the fair value of our marketable equity securities will be measured and recorded at fair value with changes in fair value recorded through the income statement.

Many of the same factors that could result in an adverse movement of equity market prices affect our non-marketable equity investments, although we cannot always quantify the impacts directly. Financial markets are volatile, which could negatively affect the prospects of the companies we invest in, their ability to raise additional capital, and the likelihood of our ability to realize value in our investments through liquidity events such as initial public offerings, mergers, and private sales. These types of investments involve a great deal of risk, and there can be no assurance that any specific company will grow or become successful; consequently, we could lose all or part of our investment. Our non-marketable cost method equity investments had a carrying amount of \$2.6 billion as of December 30, 2017 (\$3.1 billion as of December 31, 2016) and included our investment in UniSpreadtrum of \$658 million (\$966 million for UniSpreadtrum as of December 31, 2016). The carrying amount of our non-marketable equity method investments was \$1.9 billion as of December 30, 2017 (\$1.3 billion as of December 31, 2016). A substantial majority of our non-marketable equity method investments balance as of December 30, 2017 was concentrated in our IMFT investment of \$1.5 billion (\$849 million for IMFT as of December 31, 2016).

#### **COMMODITY PRICE RISK**

Although we operate facilities that consume commodities, we are not directly affected by commodity price risk to a material degree. We have established forecasted transaction risk management programs to protect against fluctuations in commodity prices. We may use commodity derivatives contracts, such as commodity swaps, in these hedging programs. In addition, we have sourcing plans in place that mitigate the risk of a potential supplier concentration for our key commodities.

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# Other key information

# **Stock Performance Graph**

The graph and table that follow compare the cumulative total stockholder return on Intel's common stock with the cumulative total return of the Dow Jones U.S. Technology Index\* and the Standard & Poor's 500 Stock Index (S&P 500 Index\*) for the five years ended December 30, 2017. The cumulative returns shown on the graph are based on Intel's fiscal year.

# Comparison of Five-Year Cumulative Return for Intel, The Dow Jones U.S. Technology Index\*, and the S&P 500 Index\*

a052stockperfgraph.jpg

Years Ended	c 29, 012	ec 28, 2013	Dec 27, 2014		Dec 26, 2015		Dec 31, 2016		Dec 30, 2017	
Intel Corporation	\$ 100	\$ 132	\$	199	\$	191	\$	205	\$	268
Dow Jones U.S. Technology Index	\$ 100	\$ 129	\$	160	\$	163	\$	185	\$	254
S&P 500 Index	\$ 100	\$ 134	\$	155	\$	156	\$	174	\$	212

<sup>1</sup> The graph and table assume that \$100 was invested on the last day of trading for the fiscal year December 29, 2012 in Intel's common stock, the Dow Jones U.S. Technology Index, and the S&P 500 Index, and that all dividends were reinvested.

### **SELECTED FINANCIAL DATA**

Years Ended (Dollars in Millions,					
Except Per Share Amounts)	Dec 28, 2013	Dec 27, 2014	Dec 26, 2015	Dec 31, 2016	Dec 30, 2017
Net revenue	\$ 52,708	\$ 55,870	\$ 55,355	\$ 59,387	\$ 62,761
Gross margin	\$ 31,521	\$ 35,609	\$ 34,679	\$ 36,191	\$ 39,069
Gross margin percentage	59.8%	63.7 %	62.6%	60.9 %	62.3%
Research and development (R&D)	\$ 10,611	\$ 11,537	\$ 12,128	\$ 12,740	\$ 13,098
Marketing, general and administrative (MG&A)	\$ 8,088	\$ 8,136	\$ 7,930	\$ 8,397	\$ 7,474
R&D and MG&A as a percentage of revenue	35.5%	35.2%	36.2 %	35.6%	32.8%
Operating income	\$ 12,291	\$ 15,347	\$ 14,002	\$ 12,874	\$ 17,936
Net income <sup>1</sup>	\$ 9,620	\$ 11,704	\$ 11,420	\$ 10,316	\$ 9,601
Effective tax rate <sup>1</sup>	23.7 %	25.9 %	19.6%	20.3 %	52.8%
Earnings per share <sup>1</sup>					
Basic	\$ 1.94	\$ 2.39	\$ 2.41	\$ 2.18	\$ 2.04
Diluted	\$ 1.89	\$ 2.31	\$ 2.33	\$ 2.12	\$ 1.99
Weighted average diluted shares of common stock outstanding	5,097	5,056	4,894	4,875	4,835
Dividends per share of common stock, declared and paid	\$ 0.90	\$ 0.90	\$ 0.96	\$ 1.04	\$ 1.0775
Net cash provided by operating activities	\$ 20,776	\$ 20,418	\$ 19,018	\$ 21,808	\$ 22,110
Additions to property, plant and equipment	\$ 10,711	\$ 10,105	\$ 7,326	\$ 9,625	\$ 11,778
Repurchase of common stock	\$ 2,147	\$ 10,792	\$ 3,001	\$ 2,587	\$ 3,615
Payment of dividends to stockholders	\$ 4,479	\$ 4,409	\$ 4,556	\$ 4,925	\$ 5,072
	D 20	D 27	D 26	Dag 24	D = = 20
(Dollars in Millions)	Dec 28, 2013	Dec 27, 2014	 Dec 26, 2015	 Dec 31, 2016	Dec 30, 2017
Property, plant and equipment, net	\$ 31,428	\$ 33,238	\$ 31,858	\$ 36,171	\$ 41,109
Total assets	\$ 89,789	\$ 90,012	\$ 101,459	\$ 113,327	\$ 123,249
Debt	\$ 13,385	\$ 13,655	\$ 22,670	\$ 25,283	\$ 26,813
Stockholders' equity	\$ 58,256	\$ 55,865	\$ 61,085	\$ 66,226	\$ 69,019
Employees (in thousands)	107.6	106.7	107.3	106.0	102.7

<sup>1</sup> In Q4 2017, we recognized a \$5.4 billion higher income tax expense as a result of one-time impacts from Tax Reform.

# **Sales and Marketing**

#### **CUSTOMERS**

We sell our products primarily to original equipment manufacturers (OEMs) and original design manufacturers (ODMs). ODMs provide design and manufacturing services to branded and unbranded private-label resellers. In addition, our customers include other manufacturers and service providers, such as industrial and communication equipment manufacturers and cloud service providers, who buy our products through distributor, reseller, retail, and OEM channels throughout the world. For more information about our customers, including customers who accounted for greater than 10% of our net consolidated revenue, see "Note 4: Operating Segments" within the Consolidated Financial Statements.

Our worldwide reseller sales channel consists of thousands of indirect customers—systems builders that purchase Intel® processors and other products from our distributors. We have incentive programs that allow distributors to sell our microprocessors and other products in small quantities to customers of systems builders. Our microprocessors and other products are also available in direct retail outlets.

#### SALES ARRANGEMENTS

Our products are sold through sales offices throughout the world. Sales of our products are frequently made via purchase order acknowledgments that contain standard terms and conditions covering matters such as pricing, payment terms, and warranties, as well as indemnities for issues specific to our products, such as patent and copyright indemnities. From time to time, we may enter into additional agreements with customers covering, for example, changes from our standard terms and conditions, new product development and marketing, and private-label branding. Our sales are routinely made using electronic and web-based processes that allow the customer to review inventory availability and track the progress of specific goods ordered. Pricing on particular products may vary based on volumes ordered and other factors. We also offer discounts, rebates, and other incentives to customers to increase acceptance of our products and technology.

Our products are generally shipped under terms that transfer title to the customer, even in arrangements for which the recognition of revenue and related cost of sales is deferred. Our standard terms and conditions of sale typically provide that payment is due at a later date, 30 days after shipment or delivery. We assess credit risk through quantitative and qualitative analysis. From this analysis, we establish shipping and credit limits, and determine whether we will seek to use one or more credit support protection devices, such as obtaining a parent guarantee, standby letter of credit, or credit insurance. Credit losses may still be incurred due to bankruptcy, fraud, or other failure of the customer to pay.

Our sales to distributors are typically made under agreements allowing for price protection on unsold merchandise and a right of return on stipulated quantities of unsold merchandise. Under the price protection program, we give distributors credits for the difference between the original price paid and the current price that we offer. Our products typically have no contractual limit on the amount of price protection, nor is there a limit on the time horizon under which price protection is granted. The right of return granted generally consists of a stock rotation program in which distributors are able to exchange certain products based on the number of qualified purchases made by the distributor.

#### **DISTRIBUTION**

Distributors typically handle a wide variety of products, including those that compete with our products, and fill orders for many customers. Customers may place orders directly with us or through distributors. We have several distribution warehouses that are located in proximity to key customers.

#### **BACKLOG**

Our customers generally operate with lean-inventory or just-in-time operations rather than maintaining larger inventories of our products. As our customers continue to lower their inventories, our processes to fulfill their orders have evolved to meet their needs. As a result, our manufacturing production is based on estimates and advance non-binding commitments from customers as to future purchases. Our order backlog as of any particular date is a mix of these commitments and specific firm orders that are primarily made pursuant to standard purchase orders for delivery of products. Only a small portion

of our orders are non-cancelable, and the dollar amount associated with the non-cancelable portion is not significant.

#### **SEASONAL TRENDS**

Historically, our net revenue has typically been higher in the second half of the year than in the first half of the year, accelerating in the third quarter and peaking in the fourth quarter.

#### **MARKETING**

Our global marketing objectives are to build a strong, well-known, differentiated, and meaningful Intel corporate brand that drives preference with businesses and consumers, and to offer a limited number of meaningful and valuable brands in our portfolio to aid businesses and consumers in making informed choices about technology purchases. The Intel Core processor family and the Intel® Quark™, Intel Atom®, Intel® Celeron®, Intel® Pentium®, Intel® Xeon®, Intel® Xeon Phi™, and Intel® Itanium® trademarks make up our processor brands.

We promote brand awareness and preference, and generate demand through our own direct marketing, as well as through co-marketing programs. Our direct marketing activities primarily include advertising through digital and social media and television, as well as consumer and trade events, industry and consumer communications, and press relations. We market to consumer and business audiences, and focus on building awareness and generating demand for new form factors such as all-in-one devices and 2 in 1 systems powered by Intel technologies. Our key messaging focuses on increased performance, improved energy efficiency, and other capabilities such as connectivity and communications.

Purchases by customers often allow them to participate in cooperative advertising and marketing programs such as the Intel Inside program. This program broadens the reach of our brands beyond the scope of our own direct marketing. Through the Intel Inside program, certain customers are licensed to place Intel® logos on computing devices containing our microprocessors and processor technologies, and to use our brands in their marketing activities. The program includes a market development component that accrues funds based on purchases and partially reimburses customers for marketing activities for products featuring Intel® brands, subject to customers meeting defined criteria. These marketing activities primarily include advertising through digital and social media and television, as well as press relations. We have also entered into joint marketing arrangements with certain customers.

## **Competition**

The computing industry continuously evolves with new and enhanced technologies and products from existing and new providers. The marketplace can change quickly in response to the introduction of such technologies and products and other factors such as changes in customer and end-user requirements, expectations, and preferences. As technologies evolve and new market segments emerge, the boundaries between the market segments that we compete in are also subject to change.

Intel faces significant competition in the development and market acceptance of our products in this environment. Our platforms, based on Intel architecture, are positioned to compete across the compute continuum, from low-power devices to the most powerful data center servers. These platforms have integrated hardware and software and offer our customers benefits such as ease of use, savings in total cost of ownership, and the ability to scale systems to accommodate increased usage.

#### **COMPETITORS**

We compete against other companies that make and sell platforms, other silicon components, and software to businesses that build and sell computing and communications systems to end users. Our competitors also include companies that sell goods and services to businesses that use them for their internal and/or customer-facing processes (e.g., businesses running large data centers). In addition, we face competition from OEMs, ODMs, and other industrial and communications equipment manufacturers that, to some degree, choose to vertically integrate their own proprietary semiconductor and software assets. By doing so, these competitors may be attempting to offer greater differentiation in their products and to increase their share of the profits for each finished product they sell. Continuing changes in industry participants through, for example, acquisitions or business collaborations could also have a significant impact on our competitive position.

In the PC market segment, we are a leading provider of platforms for notebooks, 2 in 1 systems, and desktops (including all-in-ones and high-end enthusiast PCs). We face existing and emerging competition in these product areas. Tablets, phones, and other mobile devices offered by numerous vendors are significant competitors to traditional PCs for many usages, and considerable blurring of

system form factors currently exists in the marketplace. We face strong competition from vendors who use applications processors that are based on the ARM\* architecture, feature low-power or long battery-life operation, and are built in SoC formats that integrate numerous functions on one chip.

In the data center market segment, we are a leading provider of data center platforms, and face competition from companies using ARM architecture or other technologies. Internet cloud computing, storage, and networking are areas of significant targeted growth for us in the data center segment, including as a result of increasing amounts of data created by artificial intelligence, autonomous driving, and other applications. We face strong competition in these market segments.

In the Internet of Things market segment, we have a long-standing position as a supplier of components and software for embedded products. This marketplace continues to expand significantly with increasing types and numbers of smart and connected devices for retail, automotive, industrial, and consumer uses, including smart video. As this market segment evolves, we face numerous large and small incumbent processor competitors, as well as new entrants that use ARM architecture and other operating systems and software. In addition, the Internet of Things requires a broad range of connectivity solutions and we face competition from companies providing traditional wireless solutions such as cellular, WiFi, and Bluetooth\*, as well as several new entrants who are taking advantage of new focused communications protocols.

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In the memory market segment, we compete against other providers of NAND flash memory products. We focus our efforts primarily on incorporating NAND flash memory into solution products, such as SSDs supporting enterprise and consumer applications. We believe that our memory offerings, including innovative developments such as Intel Optane technology, complement our product offerings in our other segments.

In the programmable solutions market segment, we are a leading provider of programmable semiconductors and related products, including FPGAs and SoC FPGAs. We face competition from other programmable logic companies, as well as companies that make other types of semiconductor products, such as application-specific integrated circuits, application-specific standard products, graphics processing units, digital signal processors, and CPUs. Targeted growth areas for our programmable solutions include communications, data center, and automotive applications. The FPGA life cycle is long relative to other Intel products—from the time that a design win is secured, it generally takes three or more years before a customer starts volume production and we receive the associated revenue from such design win.

Our products primarily compete based on performance, energy efficiency, integration, innovative design, features, price, quality, reliability, brand recognition, technical support, and availability. The importance of these factors varies by the type of end system for the products. For example, performance might be among the most important factors for our products for data center servers, while energy efficiency and price, as well as density and non-volatility, might be among the most important factors for our memory products.

#### **COMPETITIVE ADVANTAGES**

Our key competitive advantages include:

- Well-positioned for growth in smart, connected world. We offer solutions across every segment of the smart, connected world—from the cloud, to the network, to devices—and believe that we are well-positioned for growth through our strategy of the Virtuous Cycle of Growth. The expansion and proliferation of the cloud and data center, Internet of Things, memory, and FPGAs—all of which are connected—help grow our business. As more devices connect to the cloud, we have increased opportunities for growth. We are uniquely positioned to meet customer needs with platform solutions that leverage our breadth of products. Our range of silicon products and associated software gives us an end-to-end capability supported by our manufacturing expertise and intellectual property.
- Transitions to next-generation technologies. We have a market lead in transitioning to the next-generation process technology and bringing products to market using such technology. In Q4 2017, we began to ship products utilizing our 10nm process technology and we are continuing to work on the development of our next-generation 7nm process technology. We believe that these advancements will offer significant improvements in one or more of the following areas: performance, new features, energy efficiency, and cost.
- Combination of our network of manufacturing and assembly and test facilities with our global architecture design teams. We have made significant capital and R&D investments into our integrated manufacturing network, which enables us to have more direct control over our design, development, and manufacturing processes; quality control; product cost; production timing; performance; power consumption; and manufacturing yield. The increased cost of constructing new fabrication facilities to support smaller transistor geometries and larger wafers has led to a reduced number of companies that can build and equip leading-edge manufacturing facilities. Most of our competitors rely on third-party foundries and subcontractors for manufacturing and assembly and test needs. We provide foundry services as an alternative to such foundries.

# Intellectual Property Rights and Licensing

Intel owns and develops significant intellectual property (IP) and related IP rights around the world that relate to our products, services, R&D, and other activities and assets. Our IP portfolio includes patents, copyrights, trade secrets, trademarks, trade dress rights, and maskwork rights. We actively seek to protect our global IP rights and to deter unauthorized use of our IP and other assets. Such efforts can be difficult, however, particularly in countries that provide less protection to IP rights and in the absence of harmonized international IP standards. While our IP rights are important to our success, our business as a whole is not significantly dependent on any single patent, copyright, or other IP right.

We have obtained patents in the U.S. and other countries. Because of the fast pace of innovation and product development, and the comparative pace of governments' patenting processes, our products are often obsolete before the patents related to them expire; in some cases, our products may be obsolete before the patents related to them are granted. As we expand our products into new industries, we also seek to extend our patent development efforts to patent such products. In addition to developing patents based on our own R&D efforts, we may purchase or license patents from third parties. Established competitors in existing and new industries, as well as companies that purchase and enforce patents and other IP, may already have patents covering similar products. There is no assurance that we will be able to obtain patents covering our own products, or that we will be able to obtain licenses from other companies on favorable terms or at all.

The software that we distribute, including software embedded in our component-level and platform products, is entitled to copyright and other IP protection. To distinguish our products from our competitors' products, we have obtained trademarks and trade names for our products, and we maintain cooperative advertising programs with customers to promote our brands and to identify products containing genuine Intel components. We also protect details about our processes, products, and strategies as trade secrets, keeping confidential the information that we believe provides us with a competitive advantage.

# **Critical Accounting Estimates**

The methods, assumptions, and estimates that we use in applying our accounting policies may require us to apply judgments regarding matters that are inherently uncertain. We consider an accounting policy to be a critical estimate if: (1) we must make assumptions that were uncertain when the judgment was made, and (2) changes in the estimate assumptions, or selection of a different estimate methodology could have a significant impact on our financial position and the results that we report in our consolidated financial statements. While we believe that our estimates, assumptions, and judgments are reasonable, they are based on information available when the estimate was made.

Refer to "Note 2: Accounting Policies" within the Consolidated Financial Statements for further information on our critical accounting estimates and policies, which are as follows:

- Inventories the transition of manufacturing costs to inventory excluding factory excess capacity
  costs. Inventoried product reflected at the lower of cost or net realizable value considering future
  demand and market conditions;
- Property, plant and equipment the useful life determination and the related timing of when depreciation begins;
- Long-lived assets the valuation methods and assumptions used in assessing the impairment of
  property, plant and equipment, identified intangibles, and goodwill, including the determination of
  asset groupings and the identification and allocation of goodwill to reporting units;
- Non-marketable equity investments the valuation estimates and assessment of other-thantemporary impairment;
- Business combinations the assumptions used to allocate the purchase price paid for assets acquired and liabilities assumed in connection with our acquisitions;
- Income taxes the identification and measurement of deferred tax assets and liabilities and the provisional estimates associated with Tax Reform; and
- Loss contingencies the estimation of when a loss is probable and reasonably estimable.

### RISK FACTORS

The following risks could materially and adversely affect our business, financial condition, cash flows, and results of operations, and the trading price of our common stock could decline. These risk factors do not identify all risks that we face; our operations could also be affected by factors that are not presently known to us or that we currently consider to be immaterial to our operations. Due to risks and uncertainties, known and unknown, our past financial results may not be a reliable indicator of future performance, and historical trends should not be used to anticipate results or trends in future periods. Refer also to the other information set forth in this Annual Report on Form 10-K, including "MD&A - Results of Operations" and our financial statements and the related notes.

# CHANGES IN PRODUCT DEMAND CAN ADVERSELY AFFECT OUR FINANCIAL RESULTS.

Demand for our products is variable and hard to predict. Our platform products are used across different market segments, and demand for our platforms may vary within or among our client computing, data center, Internet of Things, and other market segments. It is difficult to anticipate the impact of these changes, as demand may increase in one or more market segments while decreasing in others. Changes in the demand for our products, particularly in the client computing or data center market segments, may reduce our revenue, lower our gross margin, or require us to write down the value of our assets.

Important factors that could lead to variation in the demand for our products include changes in:

business conditions, including downturns in the market segments in which we operate, or in the global or regional economies;

- consumer confidence or income levels caused by changes in market conditions, including changes in government borrowing, taxation, or spending policies; the credit market; or expected inflation, employment, and energy or other commodity prices;
- the level of our customers' inventories;
- competitive and pricing pressures, including actions taken by competitors;
- customer order patterns, including order cancellations;
- failure to timely introduce competitive products; and
- market acceptance and industry support of our new and maturing products.

Due to the complexity of our manufacturing operations, we may be unable to timely respond to fluctuations in demand and we may incur significant charges and costs. Because we own and operate high-tech fabrication facilities, our operations have high costs that are fixed or difficult to reduce in the short term, including our costs related to utilization of existing facilities, facility construction and equipment, R&D, and the employment and training of a highly skilled workforce. If product demand decreases or we fail to forecast demand accurately, we could be required to write off inventory or record excess capacity charges, which would lower our gross margin. If the demand decrease is prolonged, our manufacturing or assembly and test capacity could be underutilized, and we may be required to write down our long-lived assets, which would increase our expenses. We may also be required to shorten the useful lives of under-used facilities and equipment and accelerate depreciation. Conversely, if product demand increases, we may be unable to add capacity fast enough to meet market demand.

We face significant competition. The industry in which we operate is highly competitive and subject to rapid technological and market developments, changes in industry standards, changes in customer needs, and frequent product introductions and improvements. If we do not anticipate and respond to these developments, our competitive position may weaken, and our products or technologies might be uncompetitive or become obsolete. Additionally, a number of business combinations—including mergers, asset acquisitions, and strategic partnerships—in the semiconductor industry have occurred over the last several years, and more could occur in the future. Consolidation in the industry could lead to fewer customers, partners, or suppliers, any of which could negatively affect our financial results.

In recent years, in connection with our strategic transformation to a data-centric company, we have entered new areas and introduced adjacent products in programmable solutions, AI, and autonomous driving; we have also expanded our adjacent product offerings in client computing, the data center, the Internet of Things, and memory, with offerings such as modems, silicon photonics solutions, and 3D XPoint technology products. As a result, we face new sources of competition, including, in certain of these market segments, from incumbent competitors with established customer bases and greater brand recognition. These developing products and market segments may not grow as significantly as projected, or at all, or may utilize technologies that are different from the ones that we develop and manufacture. To be successful, we need to cultivate new industry relationships with customers and partners in these market segments. In addition, we must continually improve the cost, performance, integration, and energy efficiency of our products, as well as expand our software capabilities to provide customers with comprehensive computing solutions. Despite our ongoing efforts, there is no guarantee that we will achieve or maintain market demand or acceptance for our products and services in these various market segments.

To compete successfully, we must maintain a successful R&D effort, develop new products and production processes, and improve our existing products and processes ahead of competitors. For example, we invest substantially in our network of manufacturing and assembly and test facilities, including the construction of new fabrication facilities to support smaller transistor geometries and larger wafers. We do not expect all of our R&D investments to be successful. We may be unable to develop and market new products successfully, and the products and technologies we invest in and develop may not be well-received by customers. Our R&D investments may not contribute to our future operating results for several years, if at all, and such contributions may not meet our expectations or even cover the costs of such investments. Additionally, the products and technologies offered by others may affect demand for, or pricing of, our products.

If we are not able to compete effectively, our financial results will be adversely affected, including reduced revenue and gross margin, and we may be required to accelerate the write-down of the value of certain assets.

Changes in the mix of products sold may impact our financial results. Our pricing and margins vary across our products and market segments due in part to marketability of our products and differences in their features or manufacturing costs. For example, our platform product offerings range from lower-priced and entry-level platforms, such as those based on Intel Atom processors, to higher-end platforms based on Intel Xeon processors. If demand shifts from our higher-priced to lower-priced products in any of our market segments, our gross margin and revenue would decrease.

## WE OPERATE GLOBALLY AND ARE SUBJECT TO SIGNIFICANT RISKS IN MANY JURISDICTIONS.

Global or regional conditions may harm our financial results. We have manufacturing, assembly and test, R&D, sales, and other operations in many countries, and some of our business activities may be concentrated in one or more geographic areas. Moreover, sales outside the U.S. accounted for approximately 83% of our revenue for the fiscal year ended December 30, 2017. As a result, our operations and our financial results, including our ability to manufacture, assemble and test, design, develop, or sell products, may be adversely affected by a number of factors outside of our control, including:

- global and regional economic conditions;
- geopolitical and security issues, such as armed conflict and civil or military unrest, political instability (including geopolitical uncertainty on the Korean peninsula), human rights concerns, and terrorist activity;
- natural disasters, public health issues, and other catastrophic events;
- inefficient infrastructure and other disruptions, such as supply chain interruptions and large-scale outages or unreliable provision of services from utilities, transportation, data hosting, or telecommunications providers;
- government restrictions on, or nationalization of our operations in any country, or restrictions on our ability to repatriate earnings from a particular country;
- differing employment practices and labor issues;
- formal or informal imposition of new or revised export and/or import and doing-business regulations, including trade sanctions and tariffs, which could be changed without notice;
- ineffective legal protection of our IP rights in certain countries;
- local business and cultural factors that differ from our current standards and practices; and
- continuing uncertainty regarding social, political, immigration, and tax and trade policies in the U.S. and abroad, including the United Kingdom's vote to withdraw from the European Union.

We are subject to laws and regulations worldwide, which may differ among jurisdictions, affecting our operations in areas including, but not limited to: IP ownership and infringement; tax; import and export requirements; anti-corruption; foreign exchange controls and cash repatriation restrictions;

data privacy requirements; competition; advertising; employment; product regulations; environment, health, and safety requirements; and consumer laws. Compliance with such requirements may be onerous and expensive, and may otherwise impact our business operations negatively. For example, unfavorable developments with evolving laws and regulations worldwide related to 5G technology may limit its global introduction and adoption, which could impede our modem strategy and negatively impact our long-term outlook. Although we have policies, controls, and procedures designed to help ensure compliance with applicable laws, there can be no assurance that our employees, contractors, suppliers, and/or agents will not violate such laws or our policies. Violations of these laws and regulations could result in fines; criminal sanctions against us, our officers, or our employees; prohibitions on the conduct of our business; and damage to our reputation.

We may be affected by fluctuations in currency exchange rates. We are potentially exposed to adverse as well as beneficial movements in currency exchange rates. Although most of our sales occur in U.S. dollars, expenses may be paid in local currencies. An increase in the value of the dollar could increase the real cost to our customers of our products in those markets outside the U.S. where we sell in dollars, and a weakened dollar could increase the cost of expenses such as payroll, utilities, tax, and marketing expenses, as well as overseas capital expenditures. We also conduct certain investing and financing activities in local currencies. Our hedging programs reduce, but do not eliminate, the impact of currency exchange rate movements; therefore, changes in exchange rates could harm our results of operations and financial condition.

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Catastrophic events could have a material adverse effect on our operations and financial results. Our operations and business could be disrupted by natural disasters; industrial accidents; public health issues; cybersecurity incidents; interruptions of service from utilities, transportation, or telecommunications providers; or other catastrophic events. Such events could make it difficult or impossible to manufacture or deliver products to our customers, receive production materials from our suppliers, or perform critical functions, which could adversely affect our revenue and require significant recovery time and expenditures to resume operations. While we maintain business recovery plans that are intended to enable us to recover from natural disasters or other events that can be disruptive to our business, some of our systems are not fully redundant and we cannot be sure that our plans will fully protect us from all such disruptions.

We maintain a program of insurance coverage for a variety of property, casualty, and other risks. The types and amounts of insurance we obtain vary depending on availability, cost, and decisions with respect to risk retention. Some of our policies have large deductibles and broad exclusions. In addition, one or more of our insurance providers may be unable or unwilling to pay a claim. Losses not covered by insurance may be large, which could harm our results of operations and financial condition.

#### WE ARE VULNERABLE TO PRODUCT AND MANUFACTURING-RELATED RISKS.

We are subject to risks associated with the development and implementation of new manufacturing process technology. Production of integrated circuits is a complex process. Our strategy is significantly dependent upon the timely advancement of Moore's Law and we are continually engaged in the development of next-generation process technologies. We may not be successful or efficient in developing or implementing new process nodes and production processes. Our efforts to innovate involve significant expense and carry inherent risks, including difficulties in designing and developing such next-generation process technologies, and investments in manufacturing assets and facilities years in advance of the process node introduction.

Risks inherent in the development of next-generation process technologies include production timing delays, lower than anticipated manufacturing yields, and product defects and errata. Disruptions in the production process can also result from errors, defects in materials, delays in obtaining or revising operating permits and licenses, interruption in our supply of materials or resources, and disruptions at our fabrication and assembly and test facilities due to accidents, maintenance issues, or unsafe working conditions—all of which could affect the timing of production ramps and yields. Production issues can lead to increased costs and may affect our ability to meet product demand, which could adversely impact our business and the results of operations. In addition, if we face unexpected delays in the timing of our product introductions, our revenue and gross margin could be adversely affected because we incur significant costs up front in the product development stage and earn revenue to offset these costs over time.

We face supply chain risks. Thousands of suppliers provide materials and equipment that we use in production and other aspects of our business. Where possible, we seek to have several sources of supply. However, for certain materials, we may rely on a single or a limited number of suppliers, or upon suppliers in a single location. In addition, consolidation among suppliers could impact the nature, quality, availability, and pricing of the products and services available to us. The inability of suppliers to deliver necessary production materials or equipment could disrupt our production processes and make it more difficult for us to implement our business strategy. Production could be disrupted by the unavailability of resources, such as water, silicon, electricity, gases, and other materials. The unavailability or reduced availability of materials or resources may require us to reduce production or incur additional costs, which could harm our business and results of operations. Our manufacturing operations and ability to meet product demand may also be impacted by IP or other litigation between our suppliers, where an injunction against Intel or a supplier could interrupt the availability of goods or services supplied to Intel by others.

We also rely on third-party providers to manufacture and assemble and test certain components or products, particularly those related to networking, communications, programmable semiconductor solutions, and NAND flash memory. If any of these third parties are unable to perform these services on a timely or cost-effective basis, we may encounter supply delays or disruptions that could adversely affect our business and financial results.

In addition, increased regulation or stakeholder expectations regarding responsible sourcing practices could cause our compliance costs to increase or result in publicity that negatively affects our

reputation. Moreover, given that we use many materials in the manufacturing of our products and rely on many suppliers to provide these materials, but do not directly control the procurement or employment practices of such suppliers, we could be subject to similar financial or reputational risks as a result of our suppliers' conduct.

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We are subject to the risks of product defects, errata, or other product issues. Product defects and errata (deviations from published specifications) may result from problems in our product design or our manufacturing and assembly and test processes. Components and products we purchase or license from third-party suppliers, or attain through acquisitions, may also contain defects. We could face risks if products that we design, manufacture, or sell, or that include our technology, cause personal injury or property damage, even where the cause is unrelated to product defects or errata. These risks may increase as our products are introduced into new devices, market segments, technologies, or applications, including wearables, drones and transportation, health care and financial transactions, and other industrial and consumer uses. Costs from defects, errata, or other product issues could include:

- writing off some or all of the value of inventory;
- recalling products that have been shipped;
- providing product replacements or modifications;
- reimbursing customers for certain costs they incur;
- defending against litigation and/or paying resulting damages; and
- paying fines imposed by regulatory agencies.

These costs could be large and may increase expenses and lower gross margin, and result in delay or loss of revenue. Any product defects, errata, or other issues could also damage our reputation, negatively affect product demand, delay product releases, or result in legal liability. The announcement of product defects or errata could cause customers to purchase products from competitors. Any of these occurrences could harm our business and financial results. In addition, although we maintain liability insurance, our coverage has certain exclusions and/or may not adequately cover liabilities incurred. Our insurance providers may be unable or unwilling to pay a claim, and losses not covered by insurance could be large, which could harm our financial condition.

We are subject to risks associated with environmental, health, and safety regulations and climate change. The manufacturing and assembly and test of our products require the use of hazardous materials that are subject to a broad array of environmental, health, and safety laws and regulations. Our failure to comply with these laws or regulations could result in:

- regulatory penalties, fines, and legal liabilities;
- suspension of production;
- alteration of our manufacturing and assembly and test processes;
- damage to our reputation; and
- restrictions on our operations or sales.

Our failure to manage the use, transportation, emissions, discharge, storage, recycling, or disposal of hazardous materials could lead to increased costs or future liabilities. Our ability to expand or modify our manufacturing capability in the future may be impeded by environmental regulations, such as air quality and wastewater requirements. Environmental laws and regulations could also require us to acquire additional pollution abatement or remediation equipment, modify product designs, or incur other expenses. Many new materials that we are evaluating for use in our operations may be subject to regulation under environmental laws and regulations. These restrictions could harm our business and results of operations by increasing our expenses or requiring us to alter manufacturing and assembly and test processes.

Climate change may also pose regulatory and environmental risks that could harm our results of operations and affect the way we conduct business. For example, climate change regulation could result in increased manufacturing costs associated with air pollution control requirements, and increased or new monitoring, recordkeeping, and reporting of greenhouse gas emissions. We also see the potential for higher energy costs driven by climate change regulations if, for example, utility companies pass on their costs to their customers. Furthermore, many of our operations are located in

semi-arid regions such as Arizona, New Mexico, and Israel that may become increasingly vulnerable to rising average temperatures or prolonged droughts due to climate change. Our fabrication facilities require significant water use and, while we recycle and reuse a portion of the water used, we may have difficulties obtaining sufficient water to fulfill our operational needs. In addition, climate change may pose physical and regulatory risks to our suppliers, including increased extreme weather events that could result in supply delays or disruptions.

#### WE ARE SUBJECT TO CYBERSECURITY AND PRIVACY RISKS.

Third parties regularly attempt to gain unauthorized access to our network, products, services, and infrastructure. We regularly face attempts by others to gain unauthorized access through the Internet or to introduce malicious software to our IT systems. Additionally, individuals or organizations, including malicious hackers or intruders into our physical facilities, may attempt to gain unauthorized access and corrupt the processes of hardware and software products that we manufacture and services we provide. Due to the widespread use of our products, we are a frequent target of computer hackers and organizations that intend to sabotage, take control of, or otherwise corrupt our manufacturing or other processes, products, and services. We are also a target of malicious attackers who attempt to gain access to our network or data centers or those of our customers or end users; steal proprietary information related to our business, products, employees, and customers; or interrupt our systems and services or those of our customers or others. We believe such attempts are increasing in number and in technical sophistication. As we become a more data-centric company, our processors may be used in more and different critical application areas and may be subject to increased cybersecurity and privacy risks.

From time to time, we encounter intrusions or unauthorized access to our network, products, services, or infrastructure. To date, none have resulted in any material adverse impact to our business or operations. Such incidents, whether or not successful, could result in our incurring significant costs related to, for example, rebuilding internal systems, writing down inventory value, implementing

additional threat protection measures, providing modifications to our products and services, defending against litigation, responding to regulatory inquiries or actions, paying damages, providing customers with incentives to maintain the business relationship, or taking other remedial steps with respect to third parties. In addition, these threats are constantly evolving, thereby increasing the difficulty of successfully defending against them or implementing adequate preventative measures. While we seek to detect and investigate all unauthorized attempts and attacks against our network, products, and services, and to prevent their recurrence where practicable through changes to our internal processes and tools and/or changes or updates to our products and services, we remain potentially vulnerable to additional known or unknown threats. In some instances, we, our customers, and the users of our products and services may be unaware of an incident or its magnitude and effects.

Security vulnerabilities may exist with respect to our processors and other products as well as the operating systems and workloads running on them. Mitigation techniques designed to address these security vulnerabilities, including software and firmware updates or other preventative measures, may not operate as intended or effectively resolve these vulnerabilities. In addition, we may be required to rely on third parties, including hardware, software, and services vendors, as well as end users, to develop and deploy mitigation techniques, and the effectiveness of mitigation techniques may depend solely or in part on the actions of these third parties. Security vulnerabilities and/or mitigation techniques, including software and firmware updates, may result in adverse performance, reboots, system instability, data loss or corruption, unpredictable system behavior, or the misappropriation of data by third parties, which could adversely impact our business and harm our reputation.

A side-channel exploit is a type of security vulnerability that has recently received attention as a result of the variants referred to as "Spectre" and "Meltdown." Information on these variants was prematurely reported publicly before mitigation techniques to address all vulnerabilities were made widely available, and certain of the mitigation techniques did not operate as intended. To date, we do not expect a material financial impact to our business or operations from these security vulnerabilities. However, subsequent events or new information could develop which changes our expectations, including additional information learned as we deploy updates, evaluate the competitiveness of existing and new products, address future warranty or other claims or customer satisfaction considerations, as well as developments in the course of responding to any litigation or investigations over these matters. The recent publicity regarding side-channel exploits may also result in increased attempts by third parties to identify additional variants. We will continue to reassess whether or not we expect to be exposed to a loss that could be material.

As a result of the foregoing risks, we have and may continue to face product claims, litigation, and adverse publicity and customer relations from security vulnerabilities and/or mitigation techniques. Publicity about security vulnerabilities and attempted or successful exploits, whether accurate or inaccurate, may result in increased attempts by third parties to identify additional vulnerabilities. This publicity could damage our reputation with customers or users and reduce demand for our products and services. In addition, future vulnerabilities and mitigation of those vulnerabilities may also adversely impact our results of operations, financial condition, customer relationships, and reputation. Moreover, we may be unable to anticipate the timing of the release of information by third parties regarding potential vulnerabilities of our products, which, in turn, has and could adversely impact our ability to timely introduce mitigation techniques and thereby harm our business and reputation.

We may be subject to theft, loss, or misuse of personal data about our employees, customers, or other third parties, which could increase our expenses, damage our reputation, or result in legal or regulatory proceedings. The theft, loss, or misuse of personal data collected, used, stored, or transferred by us to run our business could result in significantly increased business and security costs or costs related to defending legal claims. Global privacy legislation, enforcement, and policy activity in this area are rapidly expanding and creating a complex regulatory compliance environment. Costs to comply with and implement these privacy-related and data protection measures could be significant. In addition, even our inadvertent failure to comply with federal, state, or international privacy-related or data protection laws and regulations could result in proceedings against us by governmental entities or others.

# WE ARE SUBJECT TO IP RISKS AND RISKS ASSOCIATED WITH LITIGATION AND REGULATORY PROCEEDINGS.

We may be unable to enforce or protect our IP rights. We regard our patents, copyrights, trade secrets, and other IP rights as important to the success of our business. We rely on IP law—as well as

confidentiality and licensing agreements with our customers, employees, technology development partners, and others—to protect our IP rights. Our ability to enforce these rights is subject to general litigation risks, as well as uncertainty as to the enforceability of our IP rights in various countries. When we seek to enforce our rights, we may be subject to claims that our IP rights are invalid, not enforceable, or licensed to an opposing party. Our assertion of IP rights may result in another party seeking to assert claims against us, which could harm our business. Governments may adopt regulations—and governments or courts may render decisions—requiring compulsory licensing of IP rights, or governments may require products to meet standards that favor local companies. Our inability to enforce our IP rights under any of these circumstances may harm our competitive position and business. In addition, the theft or unauthorized use or publication of our trade secrets and other confidential business information could harm our competitive position and reduce acceptance of our products; as a result, the value of our investment in R&D, product development, and marketing could be reduced.

Our licenses with other companies and participation in industry initiatives may allow competitors to use our patent rights. Technology companies often bilaterally license patents between each other to settle disputes or as part of business agreements. Our competitors may have licenses to our patents, and under current case law, some of the licenses may exhaust our patent rights as to licensed product sales under some circumstances. Our participation in industry standards organizations or with other industry initiatives may require us to license our patents to companies that adopt industry-standard specifications. Depending on the rules of the organization, government regulations, or court decisions, we might have to grant licenses to our patents for little or no cost, and as a result, we may be unable to enforce certain patents against others, our costs of enforcing our licenses or protecting our patents may increase, and the value of our IP rights may be impaired.

Third parties may assert claims based on IP rights against us or our products, which could harm our business. We may face claims based on IP rights from individuals and companies, including claims from those who have aggregated patents acquired from multiple sources to form a new, larger portfolio to assert claims against us and other companies. Additionally, large patent portfolio owners may divest portions of their portfolios to more than one individual or company increasing the number of parties who own IP rights previously all held by a single party. We are typically engaged in a number of disputes involving IP rights. Claims that our products or processes infringe the IP rights of others, regardless of their merits, could cause us to incur large costs to respond to, defend, and resolve the claims, and they may divert the efforts and attention of our management and technical personnel from our business and operations. In addition, we may face claims based on the alleged theft or unauthorized use or disclosure of third-party trade secrets and other confidential information or enduser data that we obtain in conducting our business. Any such incidents and claims could severely disrupt our business, and we could suffer losses, including the cost of product recalls and returns, and reputational harm. Furthermore, we have agreed to indemnify customers for certain IP rights claims against them. As a result of IP rights claims, we could:

- pay monetary damages, including payments to satisfy indemnification obligations;
- stop manufacturing, using, selling, offering to sell, or importing products or technology subject to claims;
- need to develop other products or technology not subject to claims, which could be timeconsuming or costly; and/or
- enter into settlement and license agreements, which agreements may not be available on commercially reasonable terms.

These IP rights claims could harm our competitive position, result in expenses, or require us to impair our assets. If we alter or stop production of affected items, our revenue could be harmed.

We rely on access to third-party IP, which may not be available to us on commercially reasonable terms or at all. Many of our products include third-party technology and/or implement industry standards, and may require licenses from third parties. Based on past experience and industry practice, we believe such licenses generally can be obtained on commercially reasonable terms. However, there is no assurance that the necessary licenses can be obtained on acceptable terms or at all. Failure to obtain the right to use third-party technology, or to license IP on commercially reasonable terms, could preclude us from selling certain products or otherwise have a material adverse impact on our financial condition and operating results.

We are subject to the risks associated with litigation and regulatory proceedings. We may face legal claims or regulatory matters involving stockholder, consumer, competition, and other issues on a global basis. As described in "Note 20: Commitments and Contingencies" within the Consolidated Financial Statements, we are engaged in a number of litigation and regulatory matters. Litigation and regulatory proceedings are inherently uncertain, and adverse rulings could occur, including monetary damages, or an injunction stopping us from manufacturing or selling certain products, engaging in certain business practices, or requiring other remedies, such as compulsory licensing of patents. An unfavorable outcome may result in a material adverse impact on our business, financial condition and results of operations. In addition, regardless of the outcome, litigation and regulatory proceedings can be costly, time-consuming, disruptive to our operations, and distracting to management.

#### WE MUST ATTRACT, RETAIN, AND MOTIVATE KEY EMPLOYEES.

To be competitive, we must attract, retain, and motivate executives and other key employees. Hiring and retaining qualified executives, scientists, engineers, technical staff, and sales representatives are critical to our business, and competition for experienced employees can be intense. To help attract, retain, and motivate qualified employees, we use share-based and other performance-based incentive awards such as RSUs and cash bonuses. Also key to our employee hiring and retention is our ability to build and maintain an inclusive business culture and be viewed as an employer of choice. If our share-based or other compensation programs and workplace culture cease to be viewed as competitive, our ability to attract, retain, and motivate employees could be weakened, which could harm our results of operations.

#### WE ARE SUBJECT TO RISKS ASSOCIATED WITH OUR STRATEGIC TRANSACTIONS.

We invest in companies for strategic reasons and may not realize a return on our investments. We make investments in public and private companies around the world to further our strategic objectives and support key business initiatives. Many of the instruments in which we invest are non-marketable at the time of our initial investment. Companies in which we invest range from early-stage companies still defining their strategic direction to mature companies with established revenue streams and business models. The success of our investment in any company is typically dependent on the company's access to additional funding on favorable terms, or a liquidity event, such as a public offering or acquisition. If any of the companies in which we invest fail, we could lose all or part of our investment.

Our acquisitions, divestitures, and other strategic transactions could fail to achieve our financial or strategic objectives, disrupt our ongoing business, and adversely impact our results of operations. In pursuing our business strategy, we routinely conduct discussions, evaluate opportunities, and enter into agreements for possible acquisitions, divestitures, and other strategic transactions. These transactions involve numerous risks, including:

- the transaction may not advance our business strategy and its anticipated benefits may never materialize;
- we may experience disruption of our ongoing operations and our management's attention may be diverted;
- we may not realize a satisfactory return on our investment, potentially resulting in an impairment;
- we may be unable to retain key personnel of acquired businesses or may have difficulty integrating employees, business systems, and technology;

- we may not be able to identify opportunities in a timely manner or on terms acceptable to us;
- controls, processes, and procedures of acquired businesses may not adequately ensure compliance with laws and regulations, and we may fail to identify compliance issues or liabilities;
- we may be unable to effectively enter new market segments through our strategic transactions or retain customers and partners of acquired businesses;
- we may fail to identify the existence of unknown, underestimated, and/or undisclosed commitments or liabilities; and/or
- we may fail to complete a transaction in a timely manner, if at all, due to our inability to obtain required government or other approvals, IP disputes or other litigation, difficulty in obtaining financing on terms acceptable to us, or other unforeseen factors.

Moreover, our resources are limited and our decision to pursue a transaction has opportunity costs; accordingly, if we pursue a particular transaction, we may need to forgo the prospect of entering into other transactions that could help us achieve our financial or strategic objectives.

Any of these risks could have a material adverse effect on our business, results of operations, financial condition, or cash flows, particularly in the case of a large acquisition or several concurrent acquisitions.

#### WE ARE SUBJECT TO SALES-RELATED RISKS.

We face risks related to sales through distributors and other third parties. We sell a significant portion of our products through third parties such as distributors, value-added resellers, and channel partners (collectively referred to as distributors), as well as OEMs, ODMs and Internet service providers. We depend on many distributors to help us create end-customer demand, provide technical support and other value-added services to customers, fill customer orders, and stock our products. We may rely on one or more key distributors for a product, and a material change in our relationship with one or more of these distributors or their failure to perform as expected could reduce our revenue. Our ability to add or replace distributors for some of our products may be limited. In addition, our distributors' expertise in the determination and stocking of acceptable inventory levels for some of our products may not be easily transferable to a new distributor; as a result, end customers may be hesitant to accept the addition or replacement of a distributor. Using third parties for distribution exposes us to many risks, including competitive pressure and concentration, credit, and compliance risks. Distributors and other third parties may sell products that compete with our products, and we may need to provide financial and other incentives to focus them on the sale of our products. They may face financial difficulties, including bankruptcy, which could harm our collection of accounts receivable and financial results. Violations of the Foreign Corrupt Practices Act or similar laws by distributors or other thirdparty intermediaries could have a material impact on our business. Failure to manage risks related to our use of distributors and other third parties may reduce sales, increase expenses, and weaken our competitive position.

We receive a significant portion of our revenue from a limited number of customers. Collectively, our three largest customers accounted for approximately 40% of our net revenue in 2017 and 38% of our net revenue in 2016. We expect a small number of customers will continue to account for a significant portion of our revenue in the foreseeable future. If one of our key customers stops purchasing from us, materially reduces its demand for our products, or delays its orders for our products, we may experience a reduction in revenue, which could harm our results of operations and financial condition. For more information about our customers, including customers who accounted for greater than 10% of our net consolidated revenue, see "Note 4: Operating Segments" within the Consolidated Financial Statements.

We face risks related to business transactions with U.S. government entities. We receive proceeds from services and products we provide to the U.S. government. U.S. government demand and payment may be affected by public sector budgetary cycles and funding authorizations. U.S. government contracts are subject to oversight, including special rules on accounting, IP rights, expenses, reviews, information handling, and security. Failure to comply with these rules could result in civil and criminal

penalties and sanctions, including termination of contracts, fines, and suspensions, or debarment from future business with the U.S. government.

#### CHANGES IN OUR EFFECTIVE TAX RATE MAY REDUCE OUR NET INCOME.

A number of factors may increase our effective tax rates, which could reduce our net income, including:

- changes in jurisdictions in which our profits are determined to be earned and taxed;
- the resolution of issues arising from tax audits;
- changes in the valuation of our deferred tax assets and liabilities, and in deferred tax valuation allowances;
- adjustments to income taxes upon finalization of tax returns;
- increases in expenses not deductible for tax purposes, including impairments of goodwill;
- changes in available tax credits;
- changes in our ability to secure new or renew existing tax holidays and incentives;
- changes in U.S. federal, state, or foreign tax laws or their interpretation, including changes in the U.S. to the taxation of manufacturing enterprises and of non-U.S. income and expenses;
- changes in accounting standards; and
- our decision to repatriate non-U.S. earnings for which we have not previously provided for local country withholding taxes incurred upon repatriation.

## WE MAY HAVE FLUCTUATIONS IN THE AMOUNT AND FREQUENCY OF OUR STOCK REPURCHASES.

The amount, timing, and execution of our stock repurchase program may fluctuate based on our priorities for the use of cash for other purposes—such as investing in our business, including operational spending, capital spending, and acquisitions, and returning cash to our stockholders as dividend payments—and because of changes in cash flows, tax laws, and the market price of our common stock.

### non-GAAP Financial Measures

In addition to disclosing financial results in accordance with GAAP, this document contains references to the non-GAAP financial measures described below. We believe these non-GAAP financial measures provide investors with useful supplemental information about the financial performance of our business, enable comparison of financial results between periods where certain items may vary independent of business performance, and allow for greater transparency with respect to key metrics used by management in operating our business and measuring our performance.

Our non-GAAP operating income and diluted earnings per share reflect adjustments for the following items, as well as the related income tax effects. Income tax effects have been calculated using an appropriate tax rate for each adjustment.

#### **Acquisition-related adjustments:**

The non-GAAP financial measures disclosed by the company exclude certain business combination accounting adjustments and certain expenses related to acquisitions as follow:

• Revenue and gross margin: Non-GAAP financial measures exclude the impact of the deferred revenue write-down, amortization of acquisition-related intangible assets that impact cost of sales, and the inventory valuation adjustment.

- Deferred revenue write-down: Sales to distributors are made under agreements allowing for subsequent price adjustments and returns, and are deferred until the products are resold by the distributor. Business combination accounting principles require us to write down to fair value the deferred revenue assumed in our acquisitions as we have limited performance obligations associated with this deferred revenue. Our GAAP revenues and related cost of sales for the subsequent reselling by distributors to end customers after an acquisition do not reflect the full amounts that would have been reported if the acquired deferred revenue was not written down to fair value. The non-GAAP adjustments made in Q1 2016 eliminate the effect of the deferred revenue write-down associated with our acquisition of Altera. We believe these adjustments are useful to investors as an additional means to reflect revenue and gross margin trends of our business.
- Inventory valuation adjustment: Business combination accounting principles require us to measure acquired inventory at fair value. The fair value of inventory reflects the acquired company's cost of manufacturing plus a portion of the expected profit margin. The non-GAAP adjustments to our cost of sales exclude the expected profit margin component that is recorded under business combination accounting principles associated with our acquisitions of Mobileye and Altera. We believe the adjustments are useful to investors as an additional means to reflect cost of sales and gross margin trends of our business.
- Amortization of acquisition-related intangible assets: Amortization of acquisition-related intangible assets consists of amortization of intangible assets such as developed technology, brands, and customer relationships acquired in connection with business combinations. We record charges related to the amortization of these intangibles within both cost of sales and operating expenses in our GAAP financial statements. Amortization charges for our acquisition-related intangible assets are inconsistent in size and are significantly impacted by the timing and valuation of our acquisitions. Consequently, our non-GAAP adjustments exclude these charges to facilitate an evaluation of our current operating performance and comparisons to our past operating performance.
- Other acquisition-related charges: Other acquisition-related charges exclude the impact of
  other charges associated with the acquisitions of Mobileye and Altera. These charges
  primarily include bankers' fees, compensation-related costs, and valuation charges for stockbased compensation incurred related to the acquisitions. We believe these adjustments are
  useful to investors as an additional means to reflect the spending trends of our business.

#### **Restructuring and other charges:**

Restructuring charges are costs associated with a formal restructuring plan and are primarily related to employee severance and benefit arrangements. Other charges include asset impairments, pension charges, and costs associated with the ISecG divestiture. We exclude restructuring and other charges, including any adjustments to charges recorded in prior periods, for purposes of calculating certain non-GAAP measures. We believe that these costs do not reflect our current operating performance. Consequently, our non-GAAP adjustments exclude these charges to facilitate an evaluation of our current operating performance and comparisons to our past operating performance.

#### **Gains or losses from divestiture:**

We recognized a gain in Q2 2017 as a result of our divestiture of ISecG. We have excluded this gain for purposes of calculating certain non-GAAP measures. We believe making these adjustments facilitates a better evaluation of our current operating performance and comparisons to past operating results.

#### **Tax Reform:**

We recognized a higher income tax expense in Q4 2017 as a result of Tax Reform. We have excluded the one-time tax adjustment relating to the transition tax on our previously untaxed foreign earnings and the remeasurement of our deferred income taxes to the new U.S. statutory tax rate for purposes of calculating certain non-GAAP measures. We believe making these adjustments facilitates a better evaluation of our current operating performance and comparisons to past operating results.

Following are the reconciliations of our most comparable GAAP measures to our non-GAAP measures presented:

(In Millions)	Dec 30, 2017	Dec 31, 2016	Dec 26, 2015
Operating income	\$ 17,936	\$ 12,874	\$ 14,002
Deferred revenue write-down, net of cost of sales	_	64	_
Inventory valuation	55	387	_
Amortization of acquisition-related intangibles	1,089	1,231	608
Restructuring and other charges	384	1,886	354
Other acquisition-related charges	 113	 100	
Non-GAAP operating income	\$ 19,577	\$ 16,542	\$ 14,964

	ec 30, 2017	ec 31, 2016	D	ec 26, 2015
Earnings per share - Diluted	\$ 1.99	\$ 2.12	\$	2.33
Deferred revenue write-down, net of cost of sales	_	0.01		_
Inventory valuation	0.01	0.08		_
Amortization of acquisition-related intangibles	0.22	0.25		0.13
Restructuring and other charges	0.08	0.39		0.07
Other acquisition-related charges	0.02	0.02		_
(Gains)/Losses from divestiture	(0.08)	_		_
Tax Reform	1.13	_		_
Income tax effect	0.09	(0.15)		(0.04)
Non-GAAP Earnings per share - Diluted	\$ 3.46	\$ 2.72	\$	2.49

### **PROPERTIES**

As of December 30, 2017, our major facilities consisted of:

(Square Feet in Millions)	United States	Other Countries	Total
Owned facilities	31.3	17.9	49.2
Leased facilities	1.6	6.3	7.9
Total facilities	32.9	24.2	57.1

Our principal executive offices are located in the U.S. and the majority of our wafer manufacturing activities in 2017 were also located in the U.S. In 2017, we restarted construction on one of our Arizona wafer fabrication facilities that was previously on hold and held in a safe state. For more information on our wafer fabrication and our assembly and test facilities, see "Research and Development (R&D) and Manufacturing" within Fundamentals of Our Business.

We believe that the facilities described above are suitable and adequate for our present purposes and that the productive capacity in our facilities is substantially being utilized or we have plans to utilize it.

We do not identify or allocate assets by operating segment as they are interchangeable in nature and used by multiple operating segments. For information on net property, plant and equipment by country, see "Note 6: Other Financial Statement Details" within the Consolidated Financial Statements.

# MARKET FOR REGISTRANT'S COMMON EQUITY

The principal U.S. market on which Intel's common stock (symbol INTC) is traded is the Nasdaq Global Select Market. For information regarding the market price range of Intel common stock and dividend information, see "Financial Information by Quarter (Unaudited)" within the Consolidated Financial Statements.

As of February 7, 2018, there were approximately 120,000 registered holders of record of Intel's common stock. A substantially greater number of holders of Intel common stock are "street name" or beneficial holders, whose shares of record are held by banks, brokers, and other financial institutions.

#### **ISSUER PURCHASES OF EQUITY SECURITIES**

We have an ongoing authorization, originally approved by our Board of Directors in 2005, and subsequently amended, to repurchase shares of our common stock in open market or negotiated transactions. As of December 30, 2017, we were authorized to repurchase up to \$75.0 billion, of which \$13.2 billion remained available. This amount includes an increase of \$10.0 billion in the authorization limit approved by our Board of Directors in April 2017.

OTHER KEY INFORMATION

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Common stock repurchase activity under our publicly announced stock repurchase plan during each quarter of 2017 was as follows:

Period	Total Number of Shares Purchased (In Millions)	Average Price Paid Per Share	Dollar Value of Shares That May Yet Be Purchased Under the Plans (In Millions)		
January 1, 2017 - April 1, 2017	35.1	\$ 35.94	\$	5,538	
April 2, 2017 - July 1, 2017	37.6	\$ 35.66	\$	14,198	
July 2, 2017 - September 30, 2017	28.6	\$ 35.19	\$	13,191	
October 1, 2017 - December 30, 2017	_	\$ _	\$	13,191	
Total	101.3				

We issue RSUs as part of our equity incentive plans. In our consolidated financial statements, we treat shares of common stock withheld for tax purposes on behalf of our employees in connection with the vesting of RSUs as common stock repurchases because they reduce the number of shares that would have been issued upon vesting. These withheld shares of common stock are not considered common stock repurchases under our authorized common stock repurchase plan, and accordingly are not included in the common stock repurchase totals in the preceding table.

# **Availability of Company Information**

Our Internet address is <u>www.intel.com</u>. We publish voluntary reports on our website that outline our performance with respect to corporate responsibility, including environmental, health, and safety compliance.

We use our Investor Relations website, <a href="www.intc.com">www.intc.com</a>, as a routine channel for distribution of important information, including news releases, analyst presentations, financial information, corporate governance practices, and corporate responsibility information. We post our filings at <a href="www.intc.com/sec">www.intc.com/sec</a> the same day they are electronically filed with, or furnished to, the SEC, including our annual and quarterly reports on Forms 10-K and 10-Q and current reports on Form 8-K; our proxy statements; and any amendments to those reports or statements. We post our quarterly and annual earnings results at <a href="www.intc.com/results.cfm">www.intc.com/results.cfm</a>, and do not distribute our financial results via a news wire service. All such postings and filings are available on our Investor Relations website free of charge. In addition, our Investor Relations website allows interested persons to sign up to automatically receive e-mail alerts when we post financial information. The SEC's website, <a href="www.sec.gov">www.sec.gov</a>, contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The content on any website referred to in this Form 10-K is not incorporated by reference in this Form 10-K unless expressly noted.

# Financial statements and supplemental DETAILS

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# report of independent registered public accounting firm

# To the stockholders and The Board of Directors of Intel Corporation

#### **OPINION ON THE FINANCIAL STATEMENTS**

We have audited the accompanying consolidated balance sheets of Intel Corporation (the Company) as of December 30, 2017 and December 31, 2016, the related consolidated statements of income, comprehensive income, cash flows and stockholders' equity for each of the three years in the period ended December 30, 2017, and the related notes and Schedule II - Valuation and Qualifying Accounts (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 30, 2017 and December 31, 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 30, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 30, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 16, 2018 expressed an unqualified opinion thereon.

#### **BASIS FOR OPINION**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

s/ Ernst & Young LLP

We have served as the Company's auditor since 1968.

San Jose, California

AUDITOR'S REPORT 58

# report of independent registered public accounting firm

# To the stockholders and The Board of Directors of Intel Corporation

#### **OPINION ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

We have audited Intel Corporation's internal control over financial reporting as of December 30, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Intel Corporation (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 30, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2017 consolidated financial statements of the Company and our report dated February 16, 2018 expressed an unqualified opinion thereon.

#### **BASIS FOR OPINION**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

# DEFINITION AND LIMITATIONS OF INTERNAL CONTROL OVER FINANCIAL REPORTING

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

s/ Ernst & Young LLP

San Jose, California February 16, 2018

AUDITOR'S REPORT 59

# intel corporation consolidated statements of income

Years Ended (In Millions, Except Per Share Amounts)	١	Dec 30, 2017	 Dec 31, 2016	-	Dec 26, 2015
Net revenue	\$	62,761	\$ 59,387	\$	55,355
Cost of sales		23,692	23,196		20,676
Gross margin		39,069	36,191		34,679
Research and development		13,098	12,740		12,128
Marketing, general and administrative		7,474	8,397		7,930
Restructuring and other charges		384	1,886		354
Amortization of acquisition-related intangibles		177	 294		265
Operating expenses		21,133	23,317		20,677
Operating income		17,936	12,874		14,002
Gains (losses) on equity investments, net		2,651	506		315
Interest and other, net		(235)	 (444)		(105)
Income before taxes		20,352	12,936		14,212
Provision for taxes		10,751	 2,620		2,792
Net income	\$	9,601	\$ 10,316	\$	11,420
Earnings per share - Basic	\$	2.04	\$ 2.18	\$	2.41
Earnings per share - Diluted	\$	1.99	\$ 2.12	\$	2.33
Weighted average shares of common stock outstanding:					
Basic		4,701	 4,730		4,742
Diluted		4,835	4,875		4,894

See accompanying notes.

Consolidated Statements of Income 60

# Intel corporation consolidated statements of comprehensive income

Years Ended (In Millions)	Dec 30, 2017		,			Dec 26, 2015
Net income	\$	9,601	\$ 10,316		\$	11,420
Changes in other comprehensive income, net of tax:						
Net unrealized holding gains (losses) on available-for- sale investments		(436)		415		(710)
Deferred tax asset valuation allowance		_		(8)		(18)
Net unrealized holding gains (losses) on derivatives		365		7		157
Actuarial valuation and other pension expenses		317		(364)		135
Net foreign currency translation adjustment		510		(4)		(170)
Other comprehensive income (loss)		756		46		(606)
Total comprehensive income	\$	10,357	\$	10,362	\$	10,814

See accompanying notes.

Consolidated Statements of Comprehensive
Income 61

## intel corporation Consolidated balance sheets

(In Millions, Except Par Value)	_	Dec 30, 2017		Dec 31, 2016
Assets				
Current assets:				
Cash and cash equivalents	\$	3,433	\$	5,560
Short-term investments		1,814		3,225
Trading assets		8,755		8,314
Accounts receivable, net of allowance for doubtful accounts of \$25 (\$37 in 2016)		5,607		4,690
Inventories		6,983		5,553
Assets held for sale		_		5,210
Other current assets		2,908		2,956
Total current assets		29,500		35,508
Property, plant and equipment, net		41,109		36,171
Marketable equity securities		4,192		6,180
Other long-term investments		3,712		4,716
Goodwill		24,389		14,099
Identified intangible assets, net		12,745		9,494
Other long-term assets		7,602		7,159
Total assets	\$	123,249	\$	113,327
Liabilities, temporary equity, and stockholders' equity				
Current liabilities:	_	4 776	_	4.624
Short-term debt	\$	1,776	\$	4,634
Accounts payable		2,928		2,475
Accrued compensation and benefits		3,526		3,465
Deferred income Liabilities held for sale		1,656		1,718
Other accrued liabilities		7 525		1,920
Total current liabilities		7,535		6,090
Total current habilities		17,421		20,302
Long-term debt		25,037		20,649
Long-term deferred tax liabilities		3,046		1,730
Other long-term liabilities		7,860		3,538
Commitments and Contingencies (Note 20)				
Temporary equity		866		882
Stockholders' equity:				
Preferred stock, \$0.001 par value, 50 shares authorized; none issued		_		_
Common stock, \$0.001 par value, 10,000 shares authorized; 4,687 shares issued and outstanding (4,730 issued and outstanding in				
2016) and capital in excess of par value		26,074		25,373
Accumulated other comprehensive income (loss)		862		106

Retained earnings	42,083	40,747
Total stockholders' equity	69,019	66,226
Total liabilities, temporary equity, and stockholders' equity	\$ 123,249	\$ 113,327

See accompanying notes.

FINANCIAL STATEMENTS

Consolidated Balance Sheets

## intel corporation consolidated statements of cash flows

Years Ended (In Millions)	Dec 30, 2017		ا	Dec 31, 2016	I	Dec 26, 2015
Cash and cash equivalents, beginning of period	\$	5,560	\$	15,308	\$	2,561
Cash flows provided by (used for) operating activities:						
Net income		9,601		10,316		11,420
Adjustments to reconcile net income to net cash provided by operating activities:						
Depreciation		6,752		6,266		7,821
Share-based compensation		1,358		1,444		1,305
Restructuring and other charges		384		1,886		354
Amortization of intangibles		1,377		1,524		890
(Gains) losses on equity investments, net		(2,583)		(432)		(263)
Loss on debt conversion and extinguishment		476		_		_
(Gains) losses on divestitures		(387)		_		_
Deferred taxes		1,548		257		(1,270)
Changes in assets and liabilities:1						
Accounts receivable		(781)		65		(355)
Inventories		(1,300)		119		(764)
Accounts payable		191		182		(312)
Accrued compensation and benefits		(73)		(1,595)		(711)
Income taxes payable and receivable		5,230		1,382		386
Other assets and liabilities		317		394		517
Total adjustments		12,509		11,492		7,598
Net cash provided by operating activities		22,110		21,808		19,018
Cash flows provided by (used for) investing activities:						
Additions to property, plant and equipment		(11,778)		(9,625)		(7,326)
Acquisitions, net of cash acquired		(14,499)		(15,470)		(913)
Purchases of available-for-sale investments		(2,764)		(9,269)		(8,259)
Sales of available-for-sale investments		6,978		3,852		2,090
Maturities of available-for-sale investments		3,687		5,654		6,168
Purchases of trading assets		(13,700)		(12,237)		(11,485)
Maturities and sales of trading assets		13,975		10,907		13,372
Investments in non-marketable equity investments		(1,601)		(963)		(2,011)
Proceeds from divestitures		3,124		_		_
Other investing		816		1,334		181
Net cash used for investing activities		(15,762)		(25,817)		(8,183)
Cash flows provided by (used for) financing activities:						
Issuance of long-term debt, net of issuance costs		7,716		2,734		9,476
Repayment of debt and debt conversion		(8,080)		(1,500)		_
Proceeds from sales of common stock through employee equity incentive plans		770		1,108		866

Repurchase of common stock	(3,615)	(2,587)	(3,001)
Payment of dividends to stockholders	(5,072)	(4,925)	(4,556)
Other financing	 (194)	(569)	(873)
Net cash provided by (used for) financing activities	(8,475)	(5,739)	1,912
Net increase (decrease) in cash and cash equivalents	(2,127)	(9,748)	12,747
Cash and cash equivalents, end of period	\$ 3,433	\$ 5,560	\$ 15,308
Supplemental disclosures:			· ·
Acquisition of property, plant and equipment included in accounts payable and accrued liabilities	\$ 1,417	\$ 979	\$ 392
Non-marketable equity investment in McAfee from divestiture	\$ 1,078	\$ _	\$ _
Cash paid during the year for:			
Interest, net of capitalized interest and interest rate swap payments/receipts	\$ 624	\$ 682	\$ 186
Income taxes, net of refunds	\$ 3,824	\$ 877	\$ 3,439

<sup>1</sup> The impact of assets and liabilities reclassified as held for sale was not considered in the changes in assets and liabilities within cash flows from operating activities. See "Note 10: Acquisitions and Divestitures" for additional information.

See accompanying notes.

	Consolidated Statements of Cash	
FINANCIAL STATEMENTS	Flows	63

# intel corporation consolidated statements of stockholders' equity

	Common S in Exces Va		Accumulated Other		
(In Millions, Except Per Share Amounts)	Number of Shares	Amount	Comprehens Income (Loss)	Retained Earnings	Total
Balance as of December 27, 2014	4,748	\$ 21,781	\$ 666	\$ 33,418	\$ 55,865
Components of comprehensive income, net of tax:					
Net income	_	_	_	11,420	11,420
Other comprehensive income (loss)	_	_	(606)	_	(606)
Total comprehensive income					10,814
Proceeds from sales of common stock through employee equity incentive plans, net tax benefit, and other	87	1,091	_	_	1,091
Share-based compensation	_	1,314	_	_	1,314
Repurchase of common stock	(96)	(453)	_	(2,548)	(3,001)
Restricted stock unit withholdings	(14)	(322)	_	(120)	(442)
Cash dividends declared (\$0.96 per share of common stock)	_	_	_	(4,556)	(4,556)
Balance as of December 26, 2015	4,725	23,411	60	37,614	61,085
Components of comprehensive income, net of tax:					
Net income	_	_	_	10,316	10,316
Other comprehensive income (loss)	_	_	46	_	46
Total comprehensive income					10,362
Proceeds from sales of common stock through employee equity incentive plans, net excess tax benefit, and other	101	1,322	_	_	1,322
Share-based compensation	_	1,438	_	_	1,438
Repurchase of common stock	(81)	(412)	_	(2,180)	(2,592)
Restricted stock unit withholdings	(15)	(386)	_	(78)	(464)
Cash dividends declared (\$1.04 per share of common stock)	_	_	_	(4,925)	(4,925)
Balance as of December 31, 2016	4,730	25,373	106	40,747	66,226
Components of comprehensive income, net of tax:					
Net income	_	_	_	9,601	9,601

Other comprehensive income (loss)	_	_	756	_	756
Total comprehensive income					10,357
Proceeds from sales of common stock through employee equity incentive plans, net excess tax benefit, and other <sup>1</sup>	70	1 172		(1)	1 171
,	70	1,172	_	(1)	1,171
Share-based compensation	_	1,296	_	_	1,296
Convertible debt	_	(894)	_	_	(894)
Repurchase of common stock	(101)	(552)	_	(3,057)	(3,609)
Restricted stock unit withholdings	(12)	(321)	_	(135)	(456)
Cash dividends declared (\$1.0775 per share of common stock)	_	_	_	(5,072)	(5,072)
Balance as of December 30, 2017	4,687	\$ 26,074	\$ 862	\$ 42,083	\$ 69,019

<sup>1</sup> Includes approximately \$375 million of noncontrolling interest activity due to our acquisition of Mobileye. See accompanying notes.

	Consolidated Statements of	
FINANCIAL STATEMENTS	Stockholders' Equity	64

# intel corporation notes to consolidated financial statements

### **Note 1: Basis of Presentation**

We have a 52- or 53-week fiscal year that ends on the last Saturday in December. Fiscal year 2017 was a 52-week fiscal year, while fiscal year 2016 was a 53-week fiscal year with the first quarter of 2016 being a 14-week quarter. Fiscal year 2015 was a 52-week year. Our consolidated financial statements include the accounts of Intel Corporation (Intel) and our subsidiaries. We have eliminated intercompany accounts and transactions. We have reclassified certain prior period amounts to conform to current period presentation.

#### **USE OF ESTIMATES**

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires us to make estimates and judgments that affect the amounts reported in our consolidated financial statements and the accompanying notes. The actual results that we experience may differ materially from our estimates.

During our 2015 annual assessment of the useful lives of our property, plant and equipment, we determined that the estimated useful lives of machinery and equipment in our wafer fabrication facilities should be increased from 4 to 5 years because the lengthening of the process technology cadence resulted in longer node transitions on both 14 nanometer (nm) and 10nm products. We have also increased the re-use of machinery and tools across each generation of process technology. This change in estimate was applied prospectively, effective at the beginning of 2016. During 2016, this change increased our operating income by approximately \$1.3 billion, our net income by approximately \$950 million, and our diluted earnings per share by approximately \$0.19.

## **Note 2: Accounting Policies**

#### **REVENUE RECOGNITION**

We recognize net product revenue when the earnings process is complete and the risks and rewards of product ownership have transferred to our customers, as evidenced by the existence of an agreement, delivery having occurred, pricing being deemed fixed, and collection being considered probable. We record pricing allowances, including discounts based on contractual arrangements with customers, when we recognize revenue as a reduction to both accounts receivable and net revenue. On sales made to distributors that allow for price protections or right of return until the distributor sells through the merchandise, we defer product revenue, and related costs of sales, due to sales price reductions and rapid technology obsolescence in our industry. The right of return granted generally consists of a stock rotation program in which distributors are able to exchange certain products based on the number of qualified purchases made by the distributor. Under the price protection program, we give distributors credits for the difference between the original price paid and the current price that we offer. We include shipping charges billed to customers in net revenue, and include the related shipping costs in cost of sales.

We make payments to our customers through cooperative advertising programs, such as our Intel Inside® program, for marketing activities for certain of our products. We accrue cooperative advertising obligations and record the costs at the same time that the related revenue is recognized. We record cooperative advertising costs as marketing, general and administrative (MG&A) expenses to the extent that an advertising benefit separate from the revenue transaction can be identified and the

fair value of that advertising benefit received is determinable. We record any excess in cash paid to customers over the fair value of the advertising benefit we receive as a reduction in revenue.

During the first half of 2017, our cooperative advertising costs under the Intel Inside program met the criteria to be recorded as MG&A. During the second half of 2017, we transitioned customers from previous offerings under the Intel Inside program to cooperative advertising offerings more tailored to customers and their marketing audiences. In the second half of 2017, cooperative advertising costs were recorded as a reduction of revenue, as we no longer met the criteria for recording these expenses within MG&A.

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#### **INVENTORIES**

We compute inventory cost on a first-in, first-out basis. Our process and product development life cycle corresponds with substantive engineering milestones. These engineering milestones are regularly and consistently applied in assessing the point at which our activities, and associated costs, change in nature from research and development (R&D) to cost of sales and when cost of sales can be capitalized as inventory.

For a product to be manufactured in high volumes and sold to our customers under our standard warranty, it must meet our rigorous technical quality specifications. This milestone is known as product release qualification (PRQ). We have identified PRQ as the point at which the costs incurred to manufacture our products are included in the valuation of inventory. Prior to PRQ, costs that do not meet the criteria for R&D are included in cost of sales in the period incurred. If the point at which we estimate that inventory meets PRQ criteria changes in the future, the timing and recognition of costs would shift between inventory, and R&D and costs of sales. A single PRQ has previously ranged up to \$770 million and is dependent on product type.

The valuation of inventory includes determining which fixed production overhead costs can be included in inventory based on the normal capacity of our manufacturing and assembly and test facilities. We apply our historical loadings compared to our total available capacity in a statistical model to determine our normal capacity level. If the factory loadings are below the established normal capacity level, a portion of our fixed production overhead costs would not be included in the cost of inventory; instead, it would be recognized as cost of sales in that period. We refer to these costs as excess capacity charges. Excess capacity charges are insignificant in the years presented, charges in certain prior years have ranged from \$46 million to \$1.1 billion. The high end of the range would be \$540 million when excluding the \$1.1 billion charge taken in connection with the 2009 economic recession.

Inventory is valued at the lower of cost or net realizable value, based upon assumptions about future demand and market conditions. Product-specific facts and circumstances reviewed in the inventory valuation process include a review of our customer base, the stage of the product life cycle, and an assessment of selling price in relation to product cost. Inventory reserves increased by approximately \$185 million in 2017 compared to 2016.

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

#### PROPERTY, PLANT AND EQUIPMENT

We compute depreciation using the straight-line method over the estimated useful life of assets. We also capitalize interest on borrowings related to eligible capital expenditures. Capitalized interest is added to the cost of qualified assets and depreciated together with that asset cost. We record capital-related government grants earned as a reduction to property, plant and equipment.

Annually, we evaluate the period over which we expect to recover the economic value of our property, plant and equipment, considering factors such as the process technology cadence between node transitions, changes in machinery and equipment technology, and re-use of machinery and tools across each generation of process technology. As we make manufacturing process conversions and other factory planning decisions, we use assumptions involving the use of management judgments regarding the remaining useful lives of assets, primarily process-specific semiconductor manufacturing tools and building improvements. When we determine that the useful lives of assets are shorter or longer than we had originally estimated, we adjust the rate of depreciation to reflect the assets' revised useful lives.

We assess property, plant and equipment for impairment when events or changes in circumstances indicate that the carrying value of the assets or the asset grouping may not be recoverable. Factors that we consider in deciding when to perform an impairment review include significant underperformance of a business or product line in relation to expectations, significant negative industry or economic trends, and significant changes or planned changes in our use of the assets. We measure the

recoverability of assets that we will continue to use in our operations by comparing the carrying value of the asset grouping to our estimate of the related total future undiscounted net cash flows arising from the use of that asset grouping. If an asset grouping carrying value is not recoverable through the related undiscounted cash flows, the asset grouping is considered to be impaired. We measure the impairment by comparing the difference between the asset grouping carrying value and its fair value.

We may have certain facilities, included within construction in progress, being held in a safe state and not currently in use that we plan to place into service at a future date. The time at which these assets are placed into service depends on our existing manufacturing capacity, market demand for our products, and where we are in the transition of products on our roadmap. Management makes judgments about the timing of when these facilities will be readied for their intended use and placed into service for the manufacturing of our products. Depreciation is not recognized on these assets and they are not eligible for capitalized interest when construction is on hold.

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#### **FAIR VALUE**

When determining fair value, we consider the principal or most advantageous market in which we would transact, as well as assumptions that market participants would use when pricing the asset or liability. Our financial assets are measured and recorded at fair value, except for cost method investments, cost method loans receivable, equity method investments, grants receivable, and reverse repurchase agreements with original maturities greater than three months.

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

- Level 1. Quoted prices in active markets for identical assets or liabilities. We evaluate security-specific market data when determining whether a market is active.
- Level 2. Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in less active markets, or model-derived valuations. All significant inputs used in our valuations, such as discounted cash flows, are observable or can be derived principally from or corroborated with observable market data for substantially the full term of the assets or liabilities. We use LIBOR-based yield curves, currency spot and forward rates, and credit ratings as significant inputs in our valuations. Level 2 inputs also include non-binding market consensus prices as well as quoted prices that were adjusted for security-specific restrictions. When we use non-binding market consensus prices, we corroborate them with quoted market prices for similar instruments or compare them to output from internally developed pricing models such as discounted cash flow models.
- Level 3. Unobservable inputs to the valuation methodology that are significant to the
  measurement of the fair value of assets or liabilities. We monitor and review the inputs and
  results of these valuation models to help ensure the fair value measurements are reasonable and
  consistent with market experience in similar asset classes. Level 3 inputs also include nonbinding market consensus prices or non-binding broker quotes that we were unable to
  corroborate with observable market data.

#### **CASH EQUIVALENTS**

We consider all highly liquid debt investments with original maturities from the date of purchase of three months or less as cash equivalents. Cash equivalents can include investments such as corporate debt, financial institution instruments, government debt, and reverse repurchase agreements.

#### TRADING ASSETS

Marketable debt instruments are generally designated as trading assets when a market risk is economically hedged at inception with a related derivative instrument, or when the marketable debt instrument itself is used to economically hedge currency exchange rate risk from remeasurement. Investments designated as trading assets are reported at fair value. The gains or losses on these investments arising from changes in fair value due to interest rate and currency market fluctuations and credit market volatility, largely offset by losses or gains on the related derivative instruments and balance sheet remeasurement, are recorded in interest and other, net.

#### **AVAILABLE-FOR-SALE INVESTMENTS**

Available-for-sale investments are classified within cash and cash equivalents, short-term investments, marketable equity securities, or long-term investments based on the remaining maturity of the investment.

Investments designated as available-for-sale are reported at fair value, with unrealized gains or losses, net of tax, recorded in accumulated other comprehensive income (loss), except as noted in our other-than-temporary impairment policy. We determine the cost of the investment sold based on an average cost basis at the individual security level. Our available-for-sale investments include:

- Marketable debt instruments when the interest rate and foreign currency risks are not hedged at
  the inception of the investment or when our criteria for designation as trading assets are not met.
  We record the interest income and realized gains or losses on the sale of these instruments in
  interest and other, net.
- Marketable equity securities when there is no plan to sell or hedge the investment at the time of
  original classification. We acquire these equity securities to promote business and strategic
  objectives. We record the realized gains or losses on the sale or exchange of marketable equity
  securities in gains (losses) on equity investments, net.

#### **NON-MARKETABLE AND EQUITY METHOD INVESTMENTS**

We regularly invest in non-marketable equity instruments of private companies. We account for marketable and non-marketable equity securities as equity method investments when we have the ability to exercise significant influence but do not have control over the investee. Our proportionate share of the income or loss from equity method investments is recognized on a one-quarter lag and is recorded in gains (losses) on equity investments, net. Non-marketable equity investments over which we cannot exercise significant influence are accounted for as cost method investments.

The carrying value of our non-marketable equity investment portfolio totaled \$4.5 billion as of December 30, 2017 (\$4.4 billion as of December 31, 2016), and is included in other long-term assets.

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Our quarterly impairment analysis considers both qualitative and quantitative factors that may have a significant impact on the investee's fair value. Qualitative factors considered include industry and market conditions, the financial performance and near-term prospects of the investee, and other relevant events and factors affecting the investee. We prepare quarterly quantitative assessments of the fair value of our non-marketable equity investments using both the market and income approaches, which require judgment and the use of estimates, including discount rates, investee revenues and costs, and comparable market data of private and public companies, among others.

#### OTHER-THAN-TEMPORARY IMPAIRMENT

Our available-for-sale debt securities, marketable equity securities, and non-marketable equity investments are subject to periodic impairment reviews.

- For available-for-sale debt securities, we consider whether it is more likely than not that we will be required to sell the security before recovery of its amortized cost basis, or whether recovery of the entire amortized cost basis of the security is unlikely because a credit loss exists. When we do not expect to recover the entire amortized cost basis of the security, we separate other-than-temporary impairments into amounts representing credit losses, which are recognized in interest and other, net, and amounts not related to credit losses, which are recognized in other comprehensive income (loss).
- For marketable equity securities, we consider the severity and duration of the decline in fair value below cost and our ability and intent to hold the security for a sufficient period of time to allow for recovery of value in the foreseeable future based on the financial health of, and business outlook for, the investee.
- For non-marketable equity investments, we consider the severity and duration of the impairment, the investee's financial condition and business outlook, industry and sector performance, market for technology, operational and financing cash flow factors, and changes in the investee's credit rating, among other qualitative and quantitative criteria. Impairments of non-marketable equity investments were \$555 million in 2017 (\$184 million in 2016 and \$166 million in 2015).

We record other-than-temporary impairments for marketable equity securities, non-marketable cost method investments, and equity method investments in gains (losses) on equity investments, net.

#### **DERIVATIVE FINANCIAL INSTRUMENTS**

Our primary objective for holding derivative financial instruments is to manage currency exchange rate risk and interest rate risk, and, to a lesser extent, equity market risk, commodity price risk, and credit risk. We enter into master netting arrangements to mitigate credit risk in derivative transactions by permitting net settlement of transactions with the same counterparty. A master netting arrangement allows counterparties to net settle amounts owed to each other as a result of multiple, separate derivative transactions. We also enter into collateral security arrangements with certain of our counterparties to exchange cash collateral when the net fair value of certain derivative instruments fluctuates from contractually established thresholds. We record the collateral within current other assets and long-term other assets with a corresponding liability. For presentation on our consolidated balance sheets, we do not offset fair value amounts recognized for derivative instruments under master netting arrangements. Our derivative financial instruments are presented at fair value on a gross basis and are included in other current assets, other long-term assets, other accrued liabilities, or other long-term liabilities.

#### **Cash Flow Hedges**

We use foreign currency contracts, such as currency forwards and currency interest rate swaps, to hedge exposures for the following items:

- Variability in the U.S.-dollar equivalent of non-U.S.-dollar-denominated cash flows associated with our forecasted operating and capital purchases spending; and
- Coupon and principal payments for our non-U.S.-dollar-denominated indebtedness.

The after-tax gains or losses from the effective portion of a cash flow hedge is reported as a component of accumulated other comprehensive income (loss) and reclassified into earnings in the same period or periods in which the hedged transaction affects earnings, and in the same line item on the consolidated statements of income as the impact of the hedge transaction. For foreign currency contracts hedging our capital purchases, forward points are excluded from the hedge effectiveness assessment. Ineffective portions of cash flow hedges, as well as amounts excluded from the hedge effectiveness assessment, are recognized in earnings in interest and other, net. If the cash flow hedge transactions become probable not to occur, the corresponding amounts deferred in accumulated other comprehensive income (loss) would be immediately reclassified to interest and other, net. These derivatives are classified in the consolidated statements of cash flows in the same section as the underlying item.

#### **Fair Value Hedges**

We use interest rate contracts, such as interest rate swaps, to hedge against changes in the fair value on certain of our fixed-rate indebtedness attributable to changes in the benchmark interest rate. The gains or losses on these hedges, as well as the offsetting losses or gains related to the changes in the fair value of the underlying hedged item attributable to the hedged risk, are recognized in earnings in the current period, primarily in interest and other, net. These derivatives are classified in the consolidated statements of cash flows in the same section as the underlying item, primarily within cash flows from financing activities.

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#### **Non-Designated Hedges**

We use foreign currency contracts to economically hedge the functional currency equivalent cash flows of recognized monetary assets and liabilities, non-U.S.-dollar-denominated debt instruments classified as trading assets, and non-U.S.-dollar-denominated loans receivables recognized at fair value. We also use interest rate contracts to hedge interest rate risk related to our U.S.-dollar-denominated fixed-rate debt instruments classified as trading assets.

The change in fair value of these derivatives is recorded through earnings in the line item on the consolidated statements of income to which the derivatives most closely relate, primarily in interest and other, net. Changes in the fair value of the underlying assets and liabilities associated with the hedged risk are generally offset by the changes in the fair value of the related derivatives.

#### **LOANS RECEIVABLE**

We elect the fair value option when the interest rate or foreign currency exchange rate risk is economically hedged at the inception of the loan with a related derivative instrument. When the fair value option is not elected, the loans are carried at amortized cost. We measure interest income for all loans receivable using the interest method, which is based on the effective yield of the loans rather than the stated coupon rate. We classify our loans within other current and long-term assets.

#### **CREDIT RISK**

Financial instruments that potentially subject us to concentrations of credit risk consist principally of investments in debt instruments, derivative financial instruments, loans receivable, reverse repurchase agreements, and trade receivables. We enter into master netting arrangements to mitigate credit risk in derivative transactions by permitting net settlement of transactions with the same counterparty.

We generally place investments with high-credit-quality counterparties and, by policy, we limit the amount of credit exposure to any one counterparty based on our analysis of that counterparty's relative credit standing. As required per our investment policy, substantially all of our investments in debt instruments and financing receivables are in investment-grade instruments. Credit-rating criteria for derivative instruments are similar to those for other investments. Due to master netting arrangements, the amounts subject to credit risk related to derivative instruments are generally limited to the amounts, if any, by which the counterparty's obligations exceed our obligations with that counterparty. As of December 30, 2017, our total credit exposure to any single counterparty, excluding money market funds invested in U.S. treasury and U.S. agency securities and reverse repurchase agreements collateralized by treasury and agency securities, did not exceed \$800 million. To further reduce credit risk, we obtain and secure available collateral from counterparties against obligations, including securities lending transactions, when we deem it appropriate.

A substantial majority of our trade receivables are derived from sales to original equipment manufacturers and original design manufacturers. We also have accounts receivable derived from sales to industrial and communications equipment manufacturers in the computing and communications industries. We believe that the net accounts receivable balances from our three largest customers (36% in 2017) do not represent a significant credit risk, based on cash flow forecasts, balance sheet analysis, and past collection experience. For more information about the customers that represent our accounts receivable balance, see "Note 4: Operating Segments."

We have adopted credit policies and standards intended to accommodate industry growth and inherent risk. We believe that credit risks are moderated by the financial stability of our major customers. We assess credit risk through quantitative and qualitative analysis. From this analysis, we establish shipping and credit limits, and determine whether we will seek to use one or more credit support protection devices, such as obtaining a parent guarantee, standby letter of credit, or credit insurance.

#### **BUSINESS COMBINATIONS**

We allocate the purchase price paid for assets acquired and liabilities assumed in connection with our acquisitions based on their estimated fair values at the time of acquisition. This allocation involves a number of assumptions, estimates, and judgments that could materially affect the timing or amounts recognized in our financial statements. The most subjective areas include determining the fair value of the following:

intangible assets, including the valuation methodology, estimations of future cash flows, discount rates, market segment growth rates, our assumed market segment share, as well as the estimated useful life of intangible assets;

- deferred tax assets and liabilities, uncertain tax positions, and tax-related valuation allowances, which are initially estimated as of the acquisition date;
- inventory; property, plant and equipment; pre-existing liabilities or legal claims; deferred revenue; and contingent consideration, each as may be applicable; and
- goodwill as measured as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed.

Our assumptions and estimates are based upon comparable market data and information obtained from our management and the management of the acquired companies. We allocate goodwill to the reporting units of the business that are expected to benefit from the business combination.

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#### **GOODWILL**

We perform an annual impairment assessment of goodwill at the reporting unit level in the fourth quarter of each year, or more frequently if indicators of potential impairment exist. The analysis may include both qualitative and quantitative factors to assess the likelihood of an impairment. The reporting unit's carrying value used in an impairment test represents the assignment of various assets and liabilities, excluding certain corporate assets and liabilities, such as cash, investments, and debt.

Qualitative factors include industry and market considerations, overall financial performance, and other relevant events and factors affecting the reporting unit. Additionally, as part of this assessment, we may perform a quantitative analysis to support the qualitative factors above by applying sensitivities to assumptions and inputs used in measuring a reporting unit's fair value.

Our quantitative impairment test considers both the income approach and the market approach to estimate a reporting unit's fair value. Significant estimates include market segment growth rates, our assumed market segment share, estimated costs, and discount rates based on a reporting unit's weighted average cost of capital.

We test the reasonableness of the inputs and outcomes of our discounted cash flow analysis against available market data. In the current year the fair value for all of our reporting units substantially exceeds their carrying value, and our annual qualitative assessment did not indicate that a more detailed quantitative analysis was necessary.

#### **IDENTIFIED INTANGIBLE ASSETS**

We amortize acquisition-related intangible assets that are subject to amortization over their estimated useful life. Acquisition-related in-process R&D assets represent the fair value of incomplete R&D projects that had not reached technological feasibility as of the date of acquisition; initially, these are classified as in-process R&D and are not subject to amortization. Once these R&D projects are completed, the asset balances are transferred from in-process R&D to acquisition-related developed technology and are subject to amortization from this point forward. The asset balances relating to projects that are abandoned after acquisition are impaired and expensed to R&D.

We perform a quarterly review of significant finite-lived identified intangible assets to determine whether facts and circumstances indicate that the carrying amount may not be recoverable. These reviews can be affected by various factors, including external factors such as industry and economic trends, and internal factors such as changes in our business strategy and our forecasts for specific product lines.

#### **EMPLOYEE EQUITY INCENTIVE PLANS**

We use the straight-line amortization method to recognize share-based compensation over the service period of the award net of estimated forfeitures. Upon exercise, cancellation, forfeiture, or expiration of stock options, or upon vesting or forfeiture of restricted stock units (RSUs), we eliminate deferred tax assets for options and RSUs with multiple vesting dates for each vesting period on a first-in, first-out basis as if each vesting period were a separate award.

#### **INCOME TAXES**

We compute the provision for income taxes using the asset and liability method, under which deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and for operating losses and tax credit carryforwards. We measure deferred tax assets and liabilities using the currently enacted tax rates that apply to taxable income in effect for the years in which those tax assets are expected to be realized or settled.

We assess the likelihood that we will be able to recover our deferred tax assets. If recovery is not likely, we must increase our provision for taxes by recording a valuation allowance against the deferred tax assets that we estimate will not ultimately be recoverable. We believe that we will ultimately recover the deferred tax assets recorded on our consolidated balance sheets. Recovery of a portion of our deferred tax assets is affected by management's plans with respect to holding or disposing of certain investments; therefore, such changes could also affect our future provision for taxes.

We recognize tax benefits from uncertain tax positions only if (based on the technical merits of the position) it is more likely than not that the tax positions will be sustained on examination by the tax authority. The tax benefits recognized in the financial statements from such positions are measured based on the largest amount that is more than 50% likely to be realized upon ultimate settlement. We recognize interest and penalties related to unrecognized tax benefits within the provision for taxes on the consolidated statements of income.

We have recorded provisional estimates associated with the December 22, 2017 enactment of the U.S. Tax Cuts and Jobs Act (Tax Reform). The SEC has provided accounting and reporting guidance that allows us to report provisional amounts within a measurement period up to one year due to the complexities inherent in adopting the changes. We consider both the recognition of the transition tax and the remeasurement of deferred income taxes incomplete. New guidance from regulators, interpretation of the law, and refinement of our estimates from ongoing analysis of data and tax positions may change the provisional amounts.

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The transition tax is based on our total post-1986 foreign earnings and profits that were previously deferred from U.S. taxation. We have not yet completed our substantiation of the underlying data and therefore our taxable base estimates may change. Our estimates of foreign tax credits may also change as we substantiate tax credits claimed. Further, the transition tax is based in part on the amount of foreign earnings held in cash and other liquid assets. The transition tax may change as we more precisely calculate amounts held in liquid and illiquid assets at the various measurement dates. If the final tax outcome of these matters is different than provisional amounts, its will impact the provision for income taxes and the effective tax rate in the period recorded. For more information about Tax Reform impacts, see "Note 8: Income Taxes."

We recognize the tax impact of including certain foreign earnings in U.S. taxable income as a period cost. We have not recognized deferred income taxes for local country income and withholding taxes that could be incurred on distributions of certain non-U.S. earnings or for outside basis differences in our subsidiaries, because we plan to indefinitely reinvest such earnings and basis differences. Remittances of non-U.S. earnings are based on estimates and judgments of projected cash flow needs, as well as the working capital and investment requirements of our non-U.S. and U.S. operations. Material changes in our estimates of cash, working capital, and investment needs in various jurisdictions could require repatriation of indefinitely reinvested non-U.S. earnings, which could be subject to applicable non-U.S. income and withholding taxes.

#### LOSS CONTINGENCIES

We are subject to loss contingencies, including various legal and regulatory proceedings, asserted and potential claims, liabilities related to repair or replacement of parts in connection with product defects, as well as product warranties and potential asset impairments that arise in the ordinary course of business. An estimated loss from such contingencies is recognized as a charge to income if it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated.

## **Note 3: Recent Accounting Standards**

#### **ACCOUNTING STANDARDS ADOPTED**

**Effective Date and** 

Standard/Description	Adoption Considerations	Effect on Financial Statements or Other Significant Matters
and Other - Simplifying addithe Test for Goodwill sta		We expect the adoption of this update to simplify our annual goodwill impairment testing process, by eliminating the need to estimate the implied fair value of a reporting unit's goodwill, if its respective carrying value exceeds fair value.

#### **ACCOUNTING STANDARDS NOT YET ADOPTED**

# Effective Date and Adoption Considerations

### Effect on Financial Statements or Other Significant Matters

#### **Standard/Description**

Revenue Recognition -Contracts with Customers. This standard was issued to achieve a consistent application of revenue recognition within the U.S., resulting in a single revenue model to be applied by all companies. Under the new model, recognition of revenue occurs when a customer obtains control of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, the new standard requires that companies disclose the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

Effective in the first quarter of 2018.

We plan to adopt the standard retrospectively with the cumulative effect of initially applying it recognized at the date of initial application ("modified retrospective" approach).

Our assessment has identified a change in revenue recognition timing on our component sales made to distributors. We expect to recognize revenue when we deliver to the distributor rather than deferring recognition until the distributor sells the components.

On the date of initial application, we will remove the deferred income and related receivables on component sales made to distributors through a cumulative adjustment to retained earnings. We expect the revenue deferral, historically recognized in the following period, to be offset by the acceleration of revenue recognition as control of the product transfers to our customer.

Our assessment has also identified a change in expense recognition timing related to payments we make to our customers for distinct services they perform as part of cooperative advertising programs, which were previously recorded as operating expenses. We expect to recognize the expense for cooperative advertising in the period the marketing activities occur. We currently recognize the expense in the period the customer is entitled to participate in the program, which coincides with the period of sale. On the date of initial adoption, we will capitalize the expense of cooperative advertising not performed through a cumulative adjustment to retained earnings.

We have completed our assessment and implemented policies, processes, and controls to support the standards measurement and disclosure requirements. Refer to the table below, which summarizes the anticipated impacts of the changes discussed above to Intel's financial statements. This will be an adjustment to opening balances for the fiscal year beginning December 31, 2017.

Financial Instruments - Recognition and Measurement. Requires changes to the accounting for financial instruments that primarily affect equity investments, financial liabilities measured using the fair value option, and the presentation and disclosure requirements for such instruments.

Effective in the first quarter of 2018.

Changes to our marketable equity securities are required to be adopted using a modified retrospective approach through a cumulative effect adjustment to retained earnings for the fiscal year beginning December 31, 2017.

Since management has elected to apply the measurement alternative to non-

Marketable equity securities previously classified as available-for-sale equity investments will be measured and recorded at fair value with changes in fair value recorded through the income statement.

All non-marketable equity securities formerly classified as cost method investments will be measured and recorded using the measurement alternative upon adoption. Equity securities measured and recorded using the measurement alternative are recorded at cost minus impairment, if any, plus or minus changes resulting from qualifying observable price changes. Adjustments resulting from impairments and observable price changes will be recorded in the income statement.

Beginning in the first quarter of 2018, in accordance with the standard, fair value

marketable equity securities, changes to these securities are being adopted prospectively.

disclosures will no longer be provided for equity securities measured using the measurement alternative. In addition, the existing impairment model will be replaced with a new one-step qualitative impairment model. No initial adoption adjustment will be recorded for these instruments since the standard is required to be applied prospectively for securities measured using the measurement alternative.

We have completed our assessment and implemented policies, processes, and controls to support the standard's measurement and disclosure requirements. Refer to the table below, which summarizes the anticipated impacts, net of tax, of the changes discussed above to Intel's financial statements. This will be an adjustment to opening balances for the fiscal year beginning December 31, 2017.

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#### **ACCOUNTING STANDARDS NOT YET ADOPTED**

# Effective Date and Adoption Considerations

Effective in the first

#### Effect on Financial Statements or Other Significant Matters

Standard/Description Compensation -Retirement Benefits -Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. This amended standard was issued to provide additional guidance on the presentation of net benefit cost in the income statement and on the components eligible for capitalization in assets. The service cost component of the net periodic benefit cost will continue to be reported within operating income on the consolidated income statement. All other non-service components are required to be presented separately outside operating income, and only service costs will be eligible for inventory capitalization.

quarter of 2018. Changes to the presentation of benefit costs are required to be adopted retrospectively, while changes to the capitalization of service costs into inventories are required to be adopted prospectively. The standard permits, as a practical expedient, use of the amounts disclosed in the Retirement Benefit Plans footnote for the prior comparative periods as the estimation basis for applying the retrospective presentation requirement.

We expect the adoption of the amended standard to result in the reclassification of approximately \$115 million from non-service components above the subtotal of operating income to interest and other, net, for the year ended December 30, 2017 (\$260 million for the year ended December 31, 2016).

Leases. This new lease accounting standard requires that we recognize leased assets and corresponding liabilities on the balance sheet and provide enhanced disclosure of lease activity.

Effective in the first quarter of 2019.

We plan to adopt the new standard using a modified retrospective transition approach. We expect the valuation of our right-of-use assets and lease liabilities, previously described as operating leases, to approximate the present value of our forecasted future lease commitments. We are currently implementing process and system changes in order to comply with the measurement and disclosure requirements.

The following table summarizes the effects of adopting *Revenue Recognition - Contracts with Customers* and *Financial Instruments - Recognition and Measurement* on our financial statements for the fiscal year beginning December 31, 2017 as an adjustment to the opening balance:

				<b>Adjustments from</b>						
Fiscal Year Beginning (In Millions)		Dec 30, 2017		Revenue Standard		Financial Instrument Update		Dec 31, 2017 As djusted		
Assets:										
Accounts receivable, net	\$	5,607	\$	(530)	\$	_	\$	5,077		
Inventories	\$	6,983	\$	47	\$	_	\$	7,030		
Other current assets	\$	2,908	\$	64	\$	_	\$	2,972		

Equity investments	\$	_	\$ _	\$ 8,579	\$ 8,579
Marketable equity securities	\$	4,192	\$ _	\$ (4,192)	\$ _
Other long-term assets	\$	7,602	\$ _	\$ (4,387)	\$ 3,215
Liabilities:					
Accounts payable	\$	2,928	\$ 55	\$ _	\$ 2,983
Deferred income	\$	1,656	\$ (1,356)	\$ _	\$ 300
Other accrued liabilities	\$	7,535	\$ 26	\$ _	\$ 7,561
Long-term deferred tax liabilities	\$	3,046	\$ 191	\$ _	\$ 3,237
Stockholders' equity:					
Accumulated other comprehensive income					
(loss)	\$	862	\$ _	\$ (1,745)	\$ (883)
Retained earnings	\$	42,083	\$ 665	\$ 1,745	\$ 44,493
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## **Note 4: Operating Segments**

We manage our business through the following operating segments:

- Client Computing Group (CCG)
- Data Center Group (DCG)
- Internet of Things Group (IOTG)
- Non-Volatile Memory Solutions Group (NSG)
- Programmable Solutions Group (PSG)
- All other

In the third quarter of 2017, we completed our tender offer for the outstanding ordinary shares of Mobileye B.V. (Mobileye), formerly known as Mobileye N.V. In the second quarter of 2017, we completed the planned divestiture of the Intel Security Group (ISecG). The results for both are reported within the "all other" category. For further information, see "Note 10: Acquisitions and Divestitures."

The Chief Operating Decision Maker (CODM) is our Chief Executive Officer (CEO). The CODM allocates resources to and assesses the performance of each operating segment using information about its revenue and operating income (loss).

We offer platform products that incorporate various components and technologies, including a microprocessor and chipset, a stand-alone System-on-Chip (SoC), or a multichip package. A platform product may be enhanced by additional hardware, software, and services offered by Intel. Platform products are used in various form factors across our CCG, DCG, and IOTG operating segments. We derive a substantial majority of our revenue from platform products, which are our principal products and considered as one class of product.

CCG and DCG are our reportable operating segments. IOTG, NSG, and PSG do not meet the quantitative thresholds to qualify as reportable operating segments; however, we have elected to disclose the results of these non-reportable operating segments.

We have sales and marketing, manufacturing, engineering, finance, and administration groups. Expenses for these groups are generally allocated to the operating segments.

The "all other" category includes revenue and expenses such as:

- results of operations from non-reportable segments not otherwise presented;
- historical results of operations from divested businesses;
- results of operations of start-up businesses that support our initiatives, including our foundry business;
- amounts included within restructuring and other charges;
- a portion of employee benefits, compensation, and other expenses not allocated to the operating segments; and
- acquisition-related costs, including amortization and any impairment of acquisition-related intangibles and goodwill.

The CODM does not evaluate operating segments using discrete asset information and we do not identify or allocate assets by operating segments. Based on the interchangeable nature of our manufacturing and assembly and test assets, most of the related depreciation expense is not directly identifiable within our operating segments, as it is included in overhead cost pools and subsequently absorbed into inventory as each product passes through our manufacturing process. As our products are then sold across multiple operating segments, it is impracticable to determine the total depreciation expense included as a component of each operating segment's operating income (loss)

results. Operating segments do not record inter-segment revenue. We do not allocate gains and losses from equity investments, interest and other income, or taxes to operating segments. Although the CODM uses operating income to evaluate the segments, operating costs included in one segment may benefit other segments. Except for these differences, the accounting policies for segment reporting are the same as for Intel as a whole.

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Net revenue and operating income (loss) for each period were as follows:

Years Ended (In Millions)	Dec 30, 2017		-		Dec 31, D	
Net revenue:						
Client Computing Group						
Platform	\$	31,226	\$	30,751	\$	30,680
Adjacent		2,777		2,157		1,539
		34,003		32,908		32,219
Data Center Group						
Platform		17,439		15,895		14,856
Adjacent		1,625		1,341		1,125
		19,064		17,236		15,981
Internet of Things Group						
Platform		2,645		2,290		1,976
Adjacent		524		348		322
		3,169		2,638		2,298
Non-Volatile Memory Solutions Group		3,520		2,576		2,597
Programmable Solutions Group		1,902		1,669		_
All other		1,103		2,360		2,260
Total net revenue	\$	62,761	\$	59,387	\$	55,355
Operating income (loss):						
Client Computing Group	\$	12,919	\$	10,646	\$	8,166
Data Center Group		8,395	·	7,520	·	7,847
Internet of Things Group		650		585		515
Non-Volatile Memory Solutions Group		(260)		(544)		239
Programmable Solutions Group		458		(104)	, ,	
All other		(4,226)		(5,229)		(2,765)
Total operating income	\$	17,936	\$	12,874	\$	14,002
Disaggregated net revenue for each period was as follows:						
Years Ended (In Millions)		Dec 30, 2017	I	Dec 31, 2016		Dec 26, 2015
Platform revenue						
Desktop platform	\$	11,647	\$	12,371	\$	12,754
Notebook platform		19,414		18,203		17,945
DCG platform		17,439		15,895		14,856
Other platform <sup>1</sup>		2,810		2,467		1,957
		51,310		48,936		47,512
Adjacent revenue <sup>2</sup>		10,917		8,290		5,858
ISecG divested business	_	534		2,161		1,985
Total revenue	\$	62,761	\$	59,387	\$	55,355

<sup>1</sup> Includes our tablet, phone, service provider, and IOTG platform revenue.

In 2017, our three largest customers accounted for 40% of our net revenue (38% in 2016), with Dell Inc. (Dell) accounting for 16% (15% in 2016), Lenovo Group Limited (Lenovo) accounting for 13%

<sup>&</sup>lt;sup>2</sup> Includes all of our non-platform products for CCG, DCG, and IOTG like modem, ethernet, and silicon photonic, as well as NSG, PSG, and Mobileye products.

(13% in 2016), and HP Inc. accounting for 11% (10% in 2016). These three customers accounted for 36% of our accounts receivable as of December 30, 2017 (31% as of December 31, 2016). The Hewlett-Packard Company, HP Inc., and Hewlett Packard Enterprise Company collectively accounted for 18% in 2015, Dell accounted for 15% in 2015, and Lenovo accounted for 13% in 2015. Substantially all of the revenue from these customers was from the sale of platforms and other components by the CCG and DCG operating segments.

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Net revenue by country as presented below is based on the billing location of the customer. Revenue from unaffiliated customers for each period was as follows:

Years Ended (In Millions)	Dec 30, 2017		,		, ,		Dec 26, 2015	
China (including Hong Kong)	\$	14,796	\$	13,977	\$	11,679		
Singapore		14,285		12,780		11,544		
United States		12,543		12,957		11,121		
Taiwan		10,518		9,953		10,661		
Other countries		10,619		9,720		10,350		
Total net revenue	\$	62,761	\$	59,387	\$	55,355		

## **Note 5: Earnings Per Share**

We computed basic earnings per share of common stock based on the weighted average number of shares of common stock outstanding during the period. We computed diluted earnings per share of common stock based on the weighted average number of shares of common stock outstanding plus potentially dilutive shares of common stock outstanding during the period.

Years Ended (In Millions, Except Per Share Amounts)	Dec 30, 2017		, Dec 31, 2016			Dec 26, 2015											
Net income available to common stockholders	\$	9,601	\$ 9,601		\$ 9,601		\$ 9,601		\$ 9,601		9,601		9,601		10,316	\$	11,420
Weighted average shares of common stock outstanding—basic		4,701		4,730		4,742											
Dilutive effect of employee incentive plans		47		53		64											
Dilutive effect of convertible debt		87		92		88											
Weighted average shares of common stock outstanding—diluted		4,835		4,875		4,894											
Earnings per share - Basic	\$	2.04	\$	2.18	\$	2.41											
Earnings per share - Diluted	\$	1.99	\$	2.12	\$	2.33											

Potentially dilutive shares of common stock from employee incentive plans are determined by applying the treasury stock method to the assumed exercise of outstanding stock options, the assumed vesting of outstanding RSUs, and the assumed issuance of common stock under the stock purchase plan. Potentially dilutive shares of common stock for our junior subordinated convertible debentures due 2035 (2005 convertible) debentures are determined by applying the if-converted method. In December 2017, we paid cash to convert our 2035 debentures which we excluded from our diluted earnings per share computation in the fourth quarter and are no longer dilutive. For information on the conversion of the 2035 debentures, see "Note 14: Borrowings." Our junior subordinated convertible debentures due 2039 (2009 debentures) require settlement of the principal amount of the debt in cash upon conversion, with the conversion premium paid in cash or stock at our option, potentially dilutive shares of common stock are determined by applying the treasury stock method.

In all years presented, potentially dilutive securities that would have been antidilutive are insignificant and are excluded from the computation of diluted earnings per share. In all years presented, we included our 2009 debentures in the calculation of diluted earnings per share of common stock because the average market price was above the conversion price. We could potentially exclude the 2009 debentures in the future if the average market price is below the conversion price.

# **Note 6: Other Financial Statement Details**

**INVENTORIES** 

(In Millions)	Dec 30, 2017	D	Dec 31, 2016		
Raw materials	\$ 1,098	\$	695		
Work in process	3,893		3,190		
Finished goods	1,992		1,668		
Total inventories	\$ 6,983	\$	5,553		
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#### PROPERTY, PLANT AND EQUIPMENT

(In Millions)	Dec 30, 2017		,	
Land and buildings	\$	27,391	\$	26,627
Machinery and equipment		57,192		52,608
Construction in progress		15,812		10,870
Total property, plant and equipment, gross		100,395		90,105
Less: accumulated depreciation		59,286		53,934
Total property, plant and equipment, net	\$	\$ 41,109		36,171

Substantially all of our depreciable property, plant and equipment assets were depreciated over the following estimated useful lives: machinery and equipment, 2 to 5 years, and buildings, 10 to 25 years. There are no construction in progress assets held in safe state as of December 30, 2017 (approximately \$2.2 billion as of December 31, 2016).

Net property, plant and equipment by country at the end of each period was as follows:

(In Millions)		Dec 30, 2017		, ,		,	Dec 26 2015	
United States	\$	24,459	\$	23,598	\$	22,611		
Israel		6,501		3,923		1,661		
China		4,275		2,306		537		
Ireland		3,938		4,865		5,789		
Other countries		1,936		1,479		1,260		
Total property, plant and equipment, net	\$	41,109	\$	36,171	\$	31,858		

#### **DEFERRED INCOME**

(In Millions)	Dec 30, 2017		Dec 31, 2016	
Deferred income on shipments of components to distributors	\$	1,320	\$	1,475
Deferred income from software, services, and other		336		243
Current deferred income	\$	1,656	\$	1,718

#### OTHER ACCRUED LIABILITIES

Other accrued liabilities include deferred compensation liabilities of \$1.7 billion as of December 30, 2017 (\$1.5 billion as of December 31, 2016).

#### **ADVERTISING**

Advertising costs, including direct marketing costs, recorded within MG&A expenses were \$1.4 billion in 2017 (\$1.8 billion in 2016 and \$1.8 billion in 2015).

#### **GAINS (LOSSES) ON EQUITY INVESTMENTS, NET**

The components of gains (losses) on equity investments, net for each period were as follows:

Years Ended (In Millions)	Dec 30, 2017		ec 31, 2016	ec 26, 2015
Share of equity method investee losses, net	\$ (232)	\$	(38)	\$ (95)
Impairments	(833)		(187)	(185)
Gains on sales, net	3,499		562	145
Dividends	68		74	52

Total gains (losses) on equity investments, net	\$ 2,651	\$ 506	\$ 315

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Other, net

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#### **INTEREST AND OTHER, NET**

The components of interest and other, net for each period were as follows:

Years Ended (In Millions)		Dec 30, 2017		,		,		,		, ,		,		Dec 26, 2015	
Interest income	\$	441	\$	222	\$	124									
Interest expense		(646)		(733)		(337)									
Other, net		(30)		67		108									
Total interest and other, net	\$	(235)	\$	(444)	\$	(105)									

Interest expense in the preceding table is net of \$313 million of interest capitalized in 2017 (\$135 million in 2016 and \$258 million in 2015).

# **Note 7: Restructuring and Other Charges**

Years Ended (In Millions)	Dec 30, 2017		,		ec 31, 2016	ec 26, 2015
2016 Restructuring Program	\$	135	\$ 1,823	\$ _		
2015 and 2013 Restructuring Programs		_	_	354		
ISecG separation costs and other charges		249	 63			
Total restructuring and other charges	\$	384	\$ 1,886	\$ 354		

#### **2016 RESTRUCTURING PROGRAM**

In the second quarter of 2016, management approved and commenced the 2016 Restructuring Program to accelerate our transformation from a PC company to one that powers the cloud and billions of smart, connected computing devices. Under this program, we closed certain facilities and reduced headcount globally to align our operations with evolving business needs by investing in our growth businesses and improving efficiencies. This program was completed in 2017.

Restructuring and other charges by type for the 2016 Restructuring Program were as follows:

Years Ended (In Millions)		Dec 30, 2017		,		, ,		,
Employee severance and benefit arrangements	\$	70	\$	1,737				
Pension settlement charges		25		57				
Asset impairment and other charges		40		29				
Total restructuring and other charges	\$	135	\$	1,823				

Restructuring and other activity for the 2016 Restructuring Program were as follows:

(In Millions)	Employee Severance and Benefits		Asset Impairments and Other		s Total	
Accrued restructuring balance as of December 26, 2015	\$ —	\$	_	\$	_	
Additional accruals	1,556		29		1,585	
Adjustments	92		_		92	
Cash payments	(1,063)		3) —		(1,063)	
Non-cash settlements			(19)		(19)	

Accrued restructuring balance as of December 31, 2016	585	10	595
Additional accruals	_	40	40
Adjustments	70	_	70
Cash payments	(352)	(25)	(377)
Non-cash settlements		(3)	(3)
Accrued restructuring balance as of December 30, 2017	\$ 303 \$	s 22	\$ 325

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We recorded the additional accruals as restructuring and other charges in the consolidated statements of income and within the "all other" operating segments category. A substantial majority of the accrued restructuring balance as of December 30, 2017 is expected to be paid within the next 12 months, and was recorded within accrued compensation and benefits on the consolidated balance sheets. Restructuring actions related to this program, which were approved in 2016, impacted approximately 16,000 employees.

#### 2015 AND 2013 RESTRUCTURING PROGRAMS

During 2015 and 2013, management approved and commenced implementation of restructuring actions, including targeted workforce reductions and the exit of certain businesses and facilities, as we adjusted resources from areas of disinvestment to areas of investment. The 2013 restructuring program included the wind down of our 200mm wafer fabrication facility in Massachusetts and the closure of our assembly and test facility in Costa Rica. Both programs were completed in 2015.

### **Note 8: Income Taxes**

Tax Reform was enacted in December 2017 and reduced the U.S. federal corporate tax rate from 35.0% to 21.0% starting in 2018, assessed a one-time transition tax on earnings of non-U.S. subsidiaries that have not been taxed previously in the U.S., and created new taxes on certain future foreign sourced earnings. We recorded a provisional income tax expense of \$5.4 billion, net within our 2017 results related to Tax Reform. Our provisional estimates will be refined throughout 2018 from our ongoing analysis of data and tax positions along with new guidance from regulators and interpretation of the law. The components of the provisional income tax expense are as follows:

- Recognition of the transition tax imposed on undistributed earnings from non-U.S. subsidiaries. We have previously asserted an intent to indefinitely reinvest our earnings and other basis differences in operations outside the U.S., and have not recognized U.S. deferred income taxes. Tax Reform imposes a one-time transition tax on all of our previously untaxed historical non-U.S. earnings and profits at various tax rates. We recognized a provisional tax expense of \$6.1 billion in the fourth quarter of 2017. The move to a participation exemption system allows us to make distributions of non-U.S. earnings to the U.S. without incurring additional U.S. tax, however these distributions may be subject to applicable non-U.S. taxation.
- Remeasurement of deferred income taxes using the newly enacted statutory tax rate of 21.0%. The new statutory U.S. federal income tax rate is effective for the 2018 tax year. We remeasured our deferred tax assets and liabilities, including associated valuation allowances, with the new tax rate. We have recognized a provisional tax benefit of \$676 million in the fourth quarter of 2017.

#### **INCOME TAX PROVISION**

Income before taxes and the provision for taxes consisted of the following:

Years Ended (In Millions)	Dec 30, 2017	Dec 31, 2016	Dec 26, 2015	
Income before taxes:				
U.S.	\$ 11,141	\$ 6,957	\$ 8,800	
Non-U.S.	9,211	5,979	5,412	
Total income before taxes	20,352	12,936	14,212	
Provision for taxes:				
Current:				
Federal	10,207	1,319	2,828	
State	27	13	40	
Non-U.S.	899	756	842	
Total current provision for taxes	11,133	2,088	3,710	

Deferred:			
Federal	(220)	658	(862)
Other	(162)	(126)	(56)
Total deferred provision for taxes	(382)	532	(918)
Total provision for taxes	\$ 10,751	\$ 2,620	\$ 2,792
Effective tax rate	52.8%	20.3 %	19.6 %

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The difference between the tax provision at the statutory federal income tax rate and the tax provision as a percentage of income before income taxes (effective tax rate) for each period was as follows:

Years Ended	Dec 30, 2017	Dec 31, 2016	Dec 26, 2015
Statutory federal income tax rate	35.0 %	35.0 %	35.0 %
Increase (reduction) in rate resulting from:			
Non-U.S. income taxed at different rates	(7.6)	(11.7)	(7.9)
Research and development tax credits	(2.3)	(2.3)	(1.7)
Domestic manufacturing deduction benefit	(1.3)	(1.4)	(2.0)
Settlements, effective settlements, and related remeasurements	_	(0.1)	(2.9)
Tax Reform	26.8	_	_
ISecG divestiture	3.3	_	_
Other	(1.1)	0.8	(0.9)
Effective tax rate	52.8 %	20.3 %	19.6 %

Substantially all of the increase in our effective tax rate in 2017 compared to 2016 was driven by the one-time provisional impacts from the Tax Reform enacted on December 22, 2017, the 2017 ISecG divestiture, and a higher proportion of our income in higher tax rate jurisdictions.

The majority of the increase in our effective tax rate in 2016 compared to 2015 was driven by one-time items and our 2015 decision to indefinitely reinvest some of our prior years' non-U.S. earnings, partially offset by a higher proportion of our income in lower tax jurisdictions.

We derive the effective tax rate benefit attributed to non-U.S. income taxed at different rates primarily from our operations in China, Hong Kong, Ireland, and Israel. The statutory tax rates in these jurisdictions range from 12.5% to 25.0%. In addition, we are subject to reduced tax rates in China and Israel as long as we conduct certain eligible activities and make certain capital investments. These conditional reduced tax rates expire at various dates through 2026 and we expect to apply for renewals upon expiration.

### **DEFERRED AND CURRENT INCOME TAXES**

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for income tax purposes. Significant components of our deferred tax assets and liabilities at the end of each period were as follows:

(In Millions)	Dec 30, 2017		Dec 31, 2016	
Deferred tax assets:				
Accrued compensation and other benefits	\$	711	\$ 1,182	
Share-based compensation		241	373	
Deferred income		211	596	
Inventory		675	1,044	
State credits and net operating losses		1,081	846	
Other, net		887	 1,187	
Gross deferred tax assets		3,806	5,228	
Valuation allowance		(1,171)	(953)	
Total deferred tax assets	-	2,635	4,275	
Deferred tax liabilities:				
Property, plant and equipment		(943)	(1,574)	
Licenses and intangibles		(881)	(1,036)	
Convertible debt		(374)	(1,098)	
Unrealized gains on investments and derivatives		(421)	(940)	
Transition tax		(1,850)	_	
Other, net		(373)	(450)	
Total deferred tax liabilities		(4,842)	(5,098)	
Net deferred tax assets (liabilities)		(2,207)	(823)	
Reported as:				
Deferred tax assets		840	907	
Deferred tax liabilities		(3,046)	(1,730)	
Net deferred tax assets (liabilities)	\$	(2,207)	\$ (823)	

Deferred tax assets are included within other long-term assets on the consolidated balance sheets.

The valuation allowance as of December 30, 2017 included allowances related to unrealized state credit carryforwards of \$1.1 billion and matters related to our non-U.S. subsidiaries of \$99 million.

As of December 30, 2017, our federal, state, and non-U.S. net operating loss carryforwards for income tax purposes were \$264 million, \$149 million, and \$431 million, respectively. The majority of the non-U.S. net operating loss carryforwards have no expiration date. The remaining non-U.S. and U.S. federal and state net operating loss carryforwards expire at various dates through 2036. A significant amount of the net operating loss carryforwards in the U.S. relates to acquisitions and, as a result, is limited in the amount that can be recognized in any one year. The non-U.S. net operating loss carryforwards include \$249 million that is not likely to be recovered and has been reduced by a valuation allowance.

As of December 30, 2017, we have not recognized deferred income tax on certain outside basis differences in our subsidiaries, because we have the intent and ability to indefinitely reinvest these basis differences. Determining the unrecognized deferred tax liability for these outside basis differences is not practicable.

Current income taxes receivable of \$71 million as of December 30, 2017 (\$86 million as of December 31, 2016) are included in other current assets. Current income taxes payable of \$1.4 billion

as of December 30, 2017 (\$329 million as of December 31, 2016) are included in other accrued liabilities.

Long-term income taxes payable of \$4.1 billion as of December 30, 2017 (\$125 million as of December 31, 2016) are included in other long-term liabilities, and include uncertain tax positions, reduced by the associated federal deduction for state taxes and non-U.S. tax credits, and may also include other long-term tax liabilities that are not uncertain but have not yet been paid, including the substantial majority of the transition tax from the Tax Reform, which is payable over the next eight years. The Tax Reform transition tax drove most of the increase in long-term income taxes payable from 2016.

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### **UNCERTAIN TAX POSITIONS**

Unrecognized tax benefits were \$211 million as of December 30, 2017 (\$154 million as of December 31, 2016 and \$101 million as of December 26, 2015). If the remaining balance of unrecognized tax benefits were recognized in a future period, it would result in a tax benefit of \$139 million as of December 30, 2017 (\$87 million as of December 31, 2016) and a reduction in the effective tax rate. The related tax benefit for settlements, effective settlements, and remeasurements was insignificant for 2017 (insignificant in 2016 and \$419 million in 2015). Interest, penalties, and accrued interest related to unrecognized tax benefits were insignificant in the periods presented.

We comply with the laws, regulations, and filing requirements of all jurisdictions in which we conduct business. We regularly engage in discussions and negotiations with tax authorities regarding tax matters in various jurisdictions. Although the timing of the resolutions and/or closures of audits is highly uncertain, it is reasonably possible that certain U.S. federal and non-U.S. tax audits may be concluded within the next 12 months, which could significantly increase or decrease the balance of our gross unrecognized tax benefits. However, the estimated impact on income tax expense and net income is not expected to be significant.

We file federal, state, and non-U.S. tax returns. For non-U.S. tax returns, we are generally no longer subject to tax examinations for years prior to 2004. For U.S. federal and state tax returns, we are no longer subject to tax examination for years prior to 2004. We have filed petitions before the U.S. Tax Court relating to the treatment of stock-based compensation expense in an inter-company cost-sharing transaction for certain pre-acquisition Altera Corporation (Altera) tax years. The U.S. Tax Court ruled in favor of Altera and the U.S. Internal Revenue Service appealed the ruling to the U.S. Court of Appeals for the Ninth Circuit. During 2017, the U.S. Court of Appeals heard oral arguments and the outcome of those appeals is pending.

### **Note 9: Investments**

### **AVAILABLE-FOR-SALE INVESTMENTS**

		Decembe	er 30	, 2017		December 31, 2016						
(In Millions)	Adjuste Cost	Gross d Unrealize Gains	edJni	ross realized sses	l Fair Value	Adjusted Cost	Gross I Unrealize Gains	Gross dUnrealized Losses	Fair Value			
Corporate debt	\$ 2,294	\$ 4	\$	(13)	\$ 2,285	\$ 3,847	\$ 4	\$ (14)	\$ 3,837			
Financial institution instruments	3,387	3		(9)	3,381	6,098	5	(11)	6,092			
Government debt	961	_		(6)	955	1,581	_	(8)	1,573			
Marketable equity securities	1,507	2,686		(1)	4,192	2,818	3,363	(1)	6,180			
Total available- for-sale investments	\$8,149	\$ 2,693	\$	(29)	\$10,813	\$14,344	\$ 3,372	\$ (34)	\$ 17,682			

Government debt includes instruments such as non-U.S. government bonds and U.S. agency securities. Financial institution instruments include instruments issued or managed by financial institutions in various forms, such as commercial paper, fixed- and floating-rate bonds, money market fund deposits, and time deposits. Substantially all time deposits were issued by institutions outside the U.S. as of December 30, 2017. Most time deposits were issued by institutions outside of the U.S. as of December 31, 2016.

During 2017, we sold available-for-sale investments for proceeds of \$7.1 billion, (\$4.1 billion in 2016 and \$2.2 billion in 2015). The gross realized gains on sales of available-for-sale investments were \$3.5 billion in 2017 (\$538 million in 2016 and \$133 million in 2015).

On April 28, 2017, Cloudera, Inc. (Cloudera) completed its initial public offering and we designated our previous equity and cost method investments in Cloudera as available-for-sale. During 2017, we determined we had an other-than-temporary decline in the fair value of our investment and recognized an impairment charge of \$278 million. We recognized the impairment due to the duration and severity of the decline in the investment's fair value, which we determined was below cost based upon observable market prices after the initial public offering.

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The fair values of available-for-sale debt investments, by contractual maturity, as of December 30, 2017 were as follows:

(In Millions)	Fa	ir Value
Due in 1 year or less	\$	2,573
Due in 1–2 years		1,776
Due in 2–5 years		1,866
Due after 5 years		71
Instruments not due at a single maturity date		335
Total	\$	6,621

### **EQUITY METHOD INVESTMENTS**

Equity method investments, classified within other long-term assets, at the end of each period were as follows:

	ecembe	r 30, 2017	December 31, 2016			
(Dollars In Millions)		arrying Value	Ownership Percentage	Carrying Value	Ownership Percentage	
IM Flash Technologies, LLC	\$	1,505	49 % :	\$ 849	49 %	
McAfee		153	49 %	n/a	n/a	
Cloudera, Inc.		n/a	n/a	225	16 %	
Other equity method investments		229		254		
Total	\$	1,887		\$ 1,328		

#### **IM Flash Technologies, LLC**

Since the inception of IM Flash Technologies, LLC (IMFT) in 2006, Micron Technology, Inc. (Micron) and Intel have jointly developed NAND flash memory and 3D XPoint technology products. Intel also purchases jointly developed products directly from Micron under certain supply agreements.

The IMFT operating agreement continues through 2024 unless terminated earlier, and provides for certain buy-sell rights of the joint venture. Intel has the right to cause Micron to buy our interest in IMFT and, if exercised, Micron could elect to receive financing from us for one to two years. Commencing in January 2019, Micron has the right to call our interest in IMFT with the closing date to be effective within one year.

IMFT is a variable interest entity, and all costs of IMFT are passed on to Micron and Intel through sale of products or services in proportional share of ownership. Our portion of IMFT costs was approximately \$415 million in 2017 (approximately \$400 million in 2016 and \$400 million in 2015). In the event that IMFT has excess cash, IMFT will make payments to Micron and Intel in the form of dividends.

IMFT depends on Micron and Intel for any additional cash. In addition to making capital contributions throughout the year, during the fourth quarter of 2017, we extended \$650 million in member debt financing (MDF) to IMFT to fund the ramp of 3D XPoint technology. The MDF balance may be converted to a capital contribution at our request, or may be repaid upon availability of funds. Our known maximum exposure to loss approximated the carrying value of our investment balance (which included the \$650 million of MDF as of December 30, 2017). Our potential future losses could be higher than the carrying amount of our investment, as Intel and Micron are liable for other future operating costs or obligations of IMFT and future cash calls. In addition, because we are currently committed to purchasing 49% of IMFT's production output and production-related services, we may be required to purchase products at a cost in excess of realizable value.

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

#### **McAfee**

During the second quarter of 2017, we closed our divestiture of the ISecG business and retained a 49% interest in McAfee as partial consideration. Our investment is accounted for under the equity method of accounting and is classified within other long-term assets. During the third quarter of 2017, we received a \$735 million dividend from McAfee. For further information related to the divestiture of the ISecG business, see "Note 10: Acquisitions and Divestitures."

### **NON-MARKETABLE COST METHOD INVESTMENTS**

The carrying value of our non-marketable cost method investments was \$2.6 billion as of December 30, 2017 (\$3.1 billion as of December 31, 2016). In 2017, we recognized impairments of \$548 million on non-marketable cost method investments (\$178 million in 2016 and \$164 million in 2015).

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### **Beijing UniSpreadtrum Technology Ltd. (UniSpreadtrum)**

During 2014, we entered into a series of agreements with Tsinghua Unigroup Ltd. (Tsinghua Unigroup), an operating subsidiary of Tsinghua Holdings Co. Ltd., to, among other things, jointly develop Intel architecture- and communications-based solutions for phones. During 2017, we reduced our expectation of the future operating performance for Beijing UniSpreadtrum Technology Ltd. (UniSpreadtrum) due to competitive pressures, which resulted in other-than-temporary impairment charges of \$308 million. The carrying value of our investment was \$658 million as of December 30, 2017 (\$966 million as of December 31, 2016).

### TRADING ASSETS

Net gains related to trading assets still held at the reporting date were \$414 million in 2017 (net losses of \$295 million in 2016 and \$152 million in 2015). Net losses on the related derivatives were \$422 million in 2017 (net gains of \$300 million in 2016 and \$137 million in 2015).

## Note 10: Acquisitions and Divestitures

### **2017 ACQUISITIONS**

### **Mobileye**

On August 21, 2017, we completed our tender offer for all of the outstanding ordinary shares of Mobileye, a global leader in the development of computer vision and machine learning, data analysis, localization, and mapping for advanced driver assistance systems and autonomous driving. This acquisition combines Mobileye's leading computer vision expertise with Intel's high-performance computing and connectivity expertise to create automated driving solutions from car to cloud. The combination is expected to accelerate innovation for the automotive industry and position Intel as a leading technology provider in the fast-growing market for highly and fully autonomous vehicles. The transaction also extends Intel's strategy to invest in data-intensive market opportunities that build on our strengths in computing and connectivity from the cloud, through the network, to the device.

As of the completion of the tender offer, we acquired substantially all of the outstanding ordinary shares of Mobileye. We acquired 84.4% of the outstanding shares on August 8, 2017 and 97.3% as of August 21, 2017, and we intend to acquire all remaining outstanding shares. We have reflected the acquisition of the additional outstanding shares and reduction to the noncontrolling interest by \$1.8 billion in the tables below.

Total consideration to acquire Mobileye was \$14.5 billion (net of \$366 million of cash and cash equivalents acquired).

The preliminary fair values of the assets acquired and liabilities assumed in the acquisition of Mobileye, by major class, were recognized as follows:

#### (In Millions)

(======================================	
Short-term investments and marketable securities	\$ 370
Tangible assets	227
Goodwill	10,278
Identified intangible assets	4,482
Current liabilities	(69)
Deferred tax liabilities and other	(418)
Noncontrolling interest	(375)
Total	\$ 14,495

We assumed outstanding unvested Mobileye stock options and RSUs granted under two Mobileye equity plans. We will not grant additional equity awards under these two Mobileye equity plans. In connection with the acquisition, we recognized share-based compensation expense of \$71 million for cash-settled awards.

The preliminary allocation of the purchase price was based upon estimates and assumptions that are subject to change within the one-year measurement period. The primary areas of the purchase price allocation that are not yet finalized are certain tax matters, identification of contingencies, and goodwill.

The fair value of the non-controlling interest was determined based on the quoted share price of Mobileye as of August 8, 2017, and the remaining outstanding shares that constitute the non-controlling interest. We recorded the non-controlling interest as a component of equity.

Goodwill of \$10.3 billion arising from the acquisition is attributed to the expected synergies and other benefits that will be generated from the combination of Intel and Mobileye. Substantially all of the goodwill recognized is not expected to be deductible for tax purposes. The goodwill recognized from the acquisition is included within "all other."

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The identified intangible assets assumed in the acquisition of Mobileye were recognized as follows:

	 ir Value Millions)	Weighted Average Estimated Useful Life (In Years)
Developed technology	\$ 2,346	9
Customer relationships	713	12
Brands	 64	10
Identified intangible assets subject to amortization	3,123	
In-process research and development	1,359	
Identified intangible assets not subject to amortization	1,359	
Total identified intangible assets	\$ 4,482	

### **2016 ACQUISITIONS**

#### **Altera Corporation**

On December 28, 2015, we completed the acquisition of Altera, a global semiconductor company that designs and sells programmable semiconductors and related products. We acquired all outstanding shares of Altera common stock and, subject to certain exceptions, each share of Altera common stock underlying vested stock option awards, RSUs, and performance-based RSU awards in exchange for cash. The acquired company operates as PSG and continues to design and sell programmable logic devices (PLDs), which incorporate field-programmable gate arrays (FPGAs) and complex programmable logic devices, and highly integrated SoC devices. This acquisition is expected to expand our reach within the compute continuum, as the combination of our leading-edge products and manufacturing process with Altera's leading FPGA technology enables new classes of platforms that meet customer needs in the data center and Internet of Things market segments. As we develop future platforms, the integration of PLDs into our platform solutions is expected to improve the overall performance and lower the cost of ownership for our customers. For further information, see "Note 4: Operating Segments."

Total consideration to acquire Altera was \$14.5 billion (net of \$2.0 billion of cash and cash equivalents acquired).

The fair values of the assets acquired and liabilities assumed in the acquisition of Altera, by major class, were recognized as follows:

### (In Millions)

Short-term investments	\$ 182
Receivables	368
Inventory	555
Other current assets	123
Property, plant and equipment	312
Goodwill	5,448
Identified intangible assets	7,566
Other long-term investments and assets	2,515
Deferred income	(351)
Other liabilities	(283)
Long-term debt	(1,535)
Deferred tax liabilities	(449)
Total	\$ 14,451

The goodwill of \$5.4 billion arising from the acquisition is attributed to the expected benefit and other benefits that will be generated by combining Intel and Altera. Substantially all of the goodwill

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The identified intangible assets assumed in the acquisition of Altera were recognized as follows based upon their fair values as of December 28, 2015:

	 r Value (In Ilions)	Weighted Average Estimated Useful Life (In Years)
Developed technology	\$ 5,757	9
Customer relationships	1,121	12
Brands	 87	6
Identified intangible assets subject to amortization	6,965	
In-process research and development	601	
Identified intangible assets not subject to amortization	 601	
Total identified intangible assets	\$ 7,566	

### **OTHER ACQUISITIONS**

During 2017, in addition to the Mobileye acquisition, we completed two acquisitions qualifying as business combinations that were not material to Intel's operations.

In addition to the Altera acquisition, we completed 11 acquisitions qualifying as business combinations in 2016 and eight in 2015 for aggregate consideration of \$1.1 billion and \$1.0 billion, respectively. Consideration paid primarily consisted of cash and was net of cash acquired. For both periods, substantially all of the consideration was allocated to goodwill and identifiable intangible assets.

Other acquisitions completed in 2017, 2016, and 2015, both individually and in the aggregate, were not significant to our results of operations. For information on the assignment of goodwill to our operating segments, see "Note 11: Goodwill," and for information on the classification of intangible assets, see "Note 12: Identified Intangible Assets."

#### **DIVESTITURE OF INTEL SECURITY GROUP**

On April 3, 2017, we closed the transaction with TPG VII Manta Holdings, L.P., now known as Manta Holdings, L.P. (TPG), transferring certain assets and liabilities relating to ISecG to a newly formed, jointly owned, separate cybersecurity company called McAfee.

Total consideration received was \$4.2 billion, consisting of \$924 million in cash proceeds, \$1.1 billion in the form of equity representing a 49% ownership interest in McAfee, and \$2.2 billion in the form of promissory notes issued by McAfee and TPG. During the third quarter of 2017, McAfee and TPG repaid the \$2.2 billion of promissory notes, which are included within proceeds from divestiture.

The carrying amounts of the major classes of ISecG assets and liabilities as of the transaction close date included the following:

(In Millions)	Apr 1, 2017
Accounts receivable	\$ 317
Goodwill	3,601
Identified intangible assets	965
Other assets	 276
Total assets	\$ 5,159
Deferred income	\$ 1,553
Other liabilities	 276
Total liabilities	\$ 1,829

As of the transaction close date, we recognized a pre-tax gain of \$387 million within "Interest and other, net," which is net of \$507 million of currency translation adjustment losses reclassified from accumulated other comprehensive income (loss) associated with currency charges on the carrying values of ISecG goodwill and identified intangible assets. In addition, we recognized a tax expense of \$822 million.

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### **Note 11: Goodwill**

Goodwill activity for each period was as follows:

(In Millions)	 Dec 31, 2016 Acquisition ransfers Other				Dec 30, 2017		
Client Computing Group	\$ 4,356	\$	_	\$	_	\$ _	\$ 4,356
Data Center Group	5,412		9		_	_	5,421
Internet of Things Group	1,123		3		_	_	1,126
Programmable Solutions Group	2,490		_		_	_	2,490
All other	 718	10,2	78_				10,996
Total	\$ 14,099	\$ 10,2	90	\$	_	\$ _	\$ 24,389

(In Millions)	Dec 26, 2015	A	quisitio	n <b>₹</b> r	ansfers	s	Other	Dec 31, 2016
Client Computing Group	\$ 4,078	\$	65	\$	213	\$	_	\$ 4,356
Data Center Group	2,404		2,831		177		_	5,412
Internet of Things Group	428		659		36		_	1,123
Intel Security Group	3,599		_		_		(3,599)	_
Software and Services Group	441		_		(441)		_	_
Programmable Solutions Group	_		2,490		_		_	2,490
All other	 382		321		15			718
Total	\$ 11,332	\$	6,366	\$		\$	(3,599)	\$ 14,099

During the third quarter of 2016, ISecG goodwill was reclassified to assets held for sale. This reclassification of goodwill is presented within the "Other" column in the preceding table. For further information, see "Note 10: Acquisitions and Divestitures."

During the fourth quarters of 2017, 2016, and 2015, we completed our annual impairment assessments and we concluded that goodwill was not impaired in any of these years. The accumulated impairment losses as of December 30, 2017 were \$719 million: \$365 million associated with CCG, \$275 million associated with DCG, and \$79 million associated with IOTG.

### **Note 12: Identified Intangible Assets**

We recorded \$4.5 billion of identified intangible assets from our acquisition of Mobileye during the third quarter of 2017. For further information about these acquired identified intangible assets, see "Note 10: Acquisitions and Divestitures."

	December 30, 2017							
(In Millions)		Gross Assets		cumulated nortization	Net			
Acquisition-related developed technology	\$	8,912	\$	(1,922) \$	6,990			
Acquisition-related customer relationships		2,052		(313)	1,739			
Acquisition-related brands		143		(29)	114			
Licensed technology and patents		3,104		(1,370)	1,734			
Identified intangible assets subject to amortization		14,211		(3,634)	10,577			
In-process research and development		2,168		_	2,168			
Identified intangible assets not subject to amortization		2,168		_	2,168			
Total identified intangible assets	\$	16,379	\$	(3,634) \$	12,745			

	December 31, 2016						
(In Millions)		Gross Assets		cumulated nortization	=		
Acquisition-related developed technology	\$	7,405	\$	(1,836)	\$ 5,569		
Acquisition-related customer relationships		1,449		(260)	1,189		
Acquisition-related brands		87		(21)	66		
Licensed technology and patents		3,285		(1,423)	1,862		
Identified intangible assets subject to amortization		12,226		(3,540)	8,686		
In-process research and development		808		_	808		
Identified intangible assets not subject to amortization		808		_	808		
Total identified intangible assets	\$	13,034	\$	(3,540)	\$ 9,494		

Identified intangible assets recorded for each period and their respective estimated weighted average useful lives were as follows:

	D	ecembe	r 30, 2017	December 31, 2016				
	A	Gross Assets (In illions)	Estimated Useful Life (In Years)	1	Gross Assets (In illions)	Estimated Useful Life (In Years)		
Acquisition-related developed technology	\$	2,346	9	\$	5,842	9		
Acquisition-related customer relationships	\$	713	12	\$	1,148	12		
Acquisition-related brands	\$	64	10	\$	87	6		
Licensed technology and patents	\$	162	7	\$	342	12		

During 2017, we acquired in-process R&D assets of \$1.4 billion that were not subject to amortization.

The estimated useful life ranges for identified intangible assets that are subject to amortization were as follows:

**Estimated** 

		Useful Life Range
Acquisition-related develo	ped technology	5 – 9
Acquisition-related custor	ner relationships	7 - 12
Acquisition-related brands	5	6 - 10
Licensed technology and	patents	2 - 17
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Amortization expenses recorded in the consolidated statements of income for each period were as follows:

Years Ended (In Millions)	Location	ec 30, 2017	Dec 31, 2016		ec 26, 2015
Acquisition-related developed technology	Cost of sales	\$ 912	\$	937	\$ 343
Acquisition-related customer relationships	Amortization of acquisition- related intangibles	161		270	258
Acquisition-related brands	Amortization of acquisition- related intangibles	16		24	7
Licensed technology and patents	Cost of sales	288		293	 282
Total amortization expenses		\$ 1,377	\$	1,524	\$ 890

We expect future amortization expense for the next five years to be as follows:

(In Millions)	2018	2019	2020 2021		2021		2022	
Acquisition-related developed technology	\$ 1,045	\$ 1,043	\$	1,011	\$	976	\$ 937	
Acquisition-related customer relationships	181	180		179		179	171	
Acquisition-related brands	20	20		20		20	6	
Licensed technology and patents	256	243		211		195	190	
Total future amortization expenses	\$ 1,502	\$ 1,486	\$	1,421	\$	1,370	\$ 1,304	

### **Note 13: Other Long-Term Assets**

(In Millions)	ec 30, 2017	ec 31, 2016
Equity method investments	\$ 1,887	\$ 1,328
Non-marketable cost method investments	2,613	3,098
Non-current deferred tax assets	840	907
Pre-payments for property, plant and equipment	714	347
Loans receivable	860	236
Other	688	1,243
Total other long-term assets	\$ 7,602	\$ 7,159

### **Note 14: Borrowings**

### **SHORT-TERM DEBT**

(In Millions)	Dec 30, 2017			Dec 31, 2016		
Drafts payable	\$	37	\$	25		
Current portion of long-term debt		1,739		4,609		
Total short-term debt	\$	\$ 1,776		1,776 \$		4,634

Our current portion of long-term debt includes our 2009 junior subordinated convertible debentures due 2039, as well as debt classified as short-term based on contractual maturity.

We have an ongoing authorization from our Board of Directors to borrow up to \$10.0 billion under our commercial paper program. This amount includes an increase of \$5.0 billion in the authorization limit approved by our Board of Directors in April 2017.

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### **LONG-TERM DEBT**

	Decembe	er 30, 2017	December 31, 2016
(In Millions)	Effective Interest Rate	Amount	Amount
Floating-rate senior notes:			
Three-month LIBOR plus 0.08%, due May 2020	1.40%	\$ 700	\$ —
Three-month LIBOR plus 0.35%, due May 2022	1.66%	800	_
Fixed-rate senior notes:			
1.75%, due May 2017	n/a	_	500
1.35%, due December 2017	n/a	_	3,000
2.50%, due November 2018	2.14%	600	600
3.25%, due December 2019 <sup>1</sup>	2.19%	194	180
1.85%, due May 2020	1.90%	1,000	_
2.45%, due July 2020	2.50%	1,750	1,750
1.70%, due May 2021	1.78%	500	500
3.30%, due October 2021	2.69%	2,000	2,000
2.35%, due May 2022	1.86%	750	_
3.10%, due July 2022	2.50%	1,000	1,000
4.00%, due December 2022 <sup>1</sup>	2.98%	428	396
2.70%, due December 2022	2.08%	1,500	1,500
4.10%, due November 2023	3.23%	400	400
2.88%, due May 2024	2.36%	1,250	_
2.70%, due June 2024	2.12%	600	_
3.70%, due July 2025	3.20%	2,250	2,250
2.60%, due May 2026	1.66%	1,000	1,000
3.15%, due May 2027	2.82%	1,000	_
4.00%, due December 2032	4.10%	750	750
4.80%, due October 2041	4.86%	802	1,500
4.25%, due December 2042	4.39%	567	925
4.90%, due July 2045	4.92%	772	2,000
4.90%, due August 2045	n/a	_	1,007
4.70%, due December 2045	2.49%	915	915
4.10%, due May 2046	4.12%	1,250	1,250
4.10%, due May 2047	4.13%	1,000	_
4.10%, due August 2047	2.15%	640	_
3.73%, due December 2047	3.74%	1,967	_
Junior subordinated convertible debentures:			
2.95%, due December 2035	n/a	_	1,600
3.25%, due August 2039 <sup>2</sup>	4.03%	2,000	2,000
Total senior notes and other borrowings		28,385	27,023
Unamortized premium/discount and issuance costs		(1,357)	(1,581)
Hedge accounting fair value adjustments		(252)	(184)
Long-term debt		26,776	25,258
Current portion of long-term debt		(1,739)	(4,609)
Total long-term debt		\$ 25,037	\$ 20,649

- 1 To manage foreign currency risk associated with the Australian-dollar-denominated notes issued in 2015, we entered into currency interest rate swaps with an aggregate notional amount of \$577 million, which effectively converted these notes to U.S.-dollar-denominated notes. For further discussion on our currency interest rate swaps, see "Note 17: Derivative Financial Instruments." Principal and unamortized discount/ issuance costs for the Australian-dollar-denominated notes in the table above were calculated using foreign currency exchange rates as of December 30, 2017 and December 31, 2016.
- 2 Effective interest rate for the year ended December 31, 2016 was 4.01%.

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In 2017, we began assessing fair value hierarchy levels for our short-term and long-term debt based on the underlying instrument type. The fair value of our convertible debentures is determined using discounted cash flow models with observable market inputs, and takes into consideration variables such as interest rate changes, comparable instruments, subordination discount, and credit-rating changes. As of December 30, 2017 and December 31, 2016, the fair value of short-term debt (excluding drafts payable) was \$2.4 billion and \$5.1 billion, respectively, and the fair value of long-term debt, excluding the current portion of long-term debt, was \$27.0 billion and \$22.0 billion, respectively. These liabilities are classified as Level 2 within the fair value hierarchy based on the nature of the fair value inputs.

#### **Senior Notes**

During 2017, we issued a total of \$7.7 billion aggregate principal amount of senior notes, which excludes the private placement of \$2.0 billion of senior notes issued in December 2017 as discussed in the following paragraph. We used the net proceeds from the offerings of the notes for general corporate purposes, which included refinancing of outstanding debt and repurchase of shares of our common stock. Additionally, we redeemed our \$1.0 billion, 4.90% senior notes due August 2045.

In December 2017, we completed exchange and cash offers for our outstanding 4.80% senior notes due 2041, 4.25% senior notes due 2042, and 4.90% senior notes due 2045 (Old Notes). As a result of the exchange offer, we issued in a private placement \$2.0 billion principal amount of 3.73% senior notes due 2047 and paid \$293 million cash in exchange for \$1.9 billion aggregate principal amount of the Old Notes. As a result of the cash offer, we paid \$518 million to repurchase \$425 million aggregate principal amount and recognized a \$93 million loss on the extinguishment of the Old Notes.

During 2016, we issued a total of \$2.8 billion aggregate principal amount of senior unsecured notes to refinance existing indebtedness, including our 1.95% senior notes due 2016 and a portion of our 1.35% senior notes due 2017. In connection with our completed acquisition of Altera, in the first quarter of 2016, we acquired a total of \$1.5 billion aggregate principal amount of senior unsecured notes.

Our senior floating-rate notes pay interest quarterly and our senior fixed-rate notes pay interest semiannually. We may redeem the fixed-rate notes prior to their maturity at our option at specified redemption prices and subject to certain restrictions. The obligations under the notes rank equally in right of payment with all of our other existing and future senior unsecured indebtedness and will effectively rank junior to all liabilities of our subsidiaries.

#### **Convertible Debentures**

In December 2017, we paid \$2.8 billion to convert our \$1.6 billion 2.95% junior subordinated convertible debentures due 2035. We recognized a loss of \$385 million in interest and other, net and \$1.4 billion as a reduction to stockholders' equity related to the conversion feature.

In 2009, we issued junior subordinated convertible debentures due 2039 (2009 debentures), which pay a fixed rate of interest semiannually. The 2009 debentures have a contingent interest component that requires us to pay interest based on certain thresholds or for certain events, commencing on August 1, 2019. After such date, if the 10-day average trading price of \$1,000 principal amount of the bond immediately preceding any six-month interest period is less than or equal to \$650 or greater than or equal to \$1,500, we are required to pay contingent 0.25% or 0.50% annual interest, respectively.

The 2009 debentures are convertible, subject to certain conditions. Holders can surrender the 2009 debentures for conversion if the closing price of Intel common stock has been at least 130% of the conversion price then in effect for at least 20 trading days during the 30 consecutive trading-day period ending on the last trading day of the preceding fiscal quarter. We will settle any conversion of the 2009 debentures in cash up to the face value, and any amount in excess of face value will be settled in cash or stock at our option. On or after August 5, 2019, we can redeem, for cash, all or part of the 2009 debentures for the principal amount, plus any accrued and unpaid interest, if the closing price of Intel common stock has been at least 150% of the conversion price then in effect for at least 20 trading days during any 30 consecutive trading-day period. In addition, if certain events occur in the future, the indenture governing the 2009 debentures provides that each holder of the debentures can, for a pre-defined period of time, require us to repurchase the holder's debentures for the principal amount plus any accrued and unpaid interest. The 2009 debentures are subordinated in right of payment to any existing and future senior debt and to the other liabilities of our subsidiaries. We have concluded that the 2009 debentures are not conventional convertible debt instruments and that the embedded

stock conversion options qualify as derivatives. In addition, we have concluded that the embedded conversion options would be classified in stockholders' equity if they were freestanding derivative instruments and are not accounted for separately as derivative liabilities.

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During the fourth quarter of 2017, the closing stock price conversion right condition of the 2009 debentures continued to be met and the debentures will be convertible at the option of the holders during the first quarter of 2018. As a result, the \$1.1 billion carrying amount of the 2009 debentures was classified as short-term debt on our consolidated balance sheet as of December 30, 2017 (\$1.1 billion as of December 31, 2016). The excess of the amount of cash payable if converted over the carrying amount of the 2009 debentures of \$866 million has been classified as temporary equity on our consolidated balance sheet as of December 30, 2017 (\$882 million as of December 31, 2016). In future periods, if the closing stock price conversion right condition is no longer met, all outstanding 2009 debentures would be reclassified to long-term debt and the temporary equity would be reclassified to stockholders' equity on our consolidated balance sheet.

	2009 Debentures						
(In Millions, Except Per Share Amounts)	Dec 30, 2017		Dec 31, 2016				
Outstanding principal	\$	2,000	\$	2,000			
Equity component (including temporary equity) carrying amount	\$	613	\$	613			
Unamortized discount <sup>1</sup>	\$	866	\$	882			
Net debt carrying amount	\$	1,134	\$	1,118			
Conversion rate (shares of common stock per \$1,000 principal amount of debentures)		48.37		47.72			
Effective conversion price (per share of common stock)	\$	20.68	\$	20.95			

<sup>1</sup> The unamortized discounts for the 2009 debentures are amortized over the remaining life of the debt.

The conversion rate adjusts for certain events outlined in the indentures governing the 2009 debentures, such as quarterly dividend distributions in excess of \$0.14 per share, but it does not adjust for accrued interest. In addition, the conversion rate will increase for a holder of the 2009 debentures who elects to convert the debentures in connection with certain share exchanges, mergers, or consolidations involving Intel.

#### **Debt Maturities**

Our aggregate debt maturities based on outstanding principal as of December 30, 2017, by year payable, were as follows:

	2018	2019	2020	2021	2022	2	<b>023</b> and	Total
(In Millions)						th	ereafter	
	\$600	\$194	\$3,450	\$2,500	\$4,478	\$	17,163	\$ 28,385

In the preceding table, the 2009 debentures are classified based on their stated maturity date, regardless of their classification on the consolidated balance sheet.

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### **Note 15: Fair Value**

### ASSETS AND LIABILITIES MEASURED AND RECORDED AT FAIR VALUE ON A RECURRING BASIS

		December	30, 201	7	December 31, 2016						
	Record	ue Measu led at Rep Date Using	orting		Recor	lue Meası ded at Re Date Usin	porting				
(In Millions)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total			
Assets											
Cash equivalents:											
Corporate debt	\$ <b>—</b>	\$ 30	\$ <b>—</b>	\$ 30	\$ <b>—</b>	\$ 498	\$ <b>—</b>	\$ 498			
Financial institution instruments <sup>1</sup>	335	640	_	975	1,920	811	_	2,731			
Government debt <sup>2</sup>	_	90	_	90	_	332	_	332			
Reverse repurchase agreements	_	1,399	_	1,399	_	768	_	768			
Short-term investments:											
Corporate debt	_	672	3	675	_	1,332	6	1,338			
Financial institution instruments <sup>1</sup>	_	1,009	_	1,009	_	1,603	_	1,603			
Government debt <sup>2</sup>	_	130	_	130	_	284	_	284			
Trading assets:											
Asset-backed securities	_	2	_	2	_	87	_	87			
Corporate debt	_	2,842	_	2,842	_	2,847	_	2,847			
Financial institution instruments <sup>1</sup>	59	1,064	_	1,123	36	1,608	_	1,644			
Government debt <sup>2</sup>	30	4,758	_	4,788	32	3,704	_	3,736			
Other current assets:		•		•		,		·			
Derivative assets	2	277	_	279	_	382	_	382			
Loans receivable	_	30	_	30	_	326	_	326			
Marketable equity securities	4,148	44	_	4,192	6,180	_	_	6,180			
Other long-term investments:											
Corporate debt	_	1,576	4	1,580	_	1,995	6	2,001			
Financial institution instruments <sup>1</sup>	_	1,397	_	1,397	_	1,758	_	1,758			
Government debt <sup>2</sup>	_	735	_	735	_	957	_	957			
Other long-term assets:											
Derivative assets	_	77	7	84	_	31	9	40			
Loans receivable		610		610		236		236			
Total assets measured and recorded at fair											
value	4,574	17,382	14	21,970	8,168	19,559	21	27,748			
Liabilities		. —									

Other accrued liabilities:

Derivative liabilities	_	454	_	454	_	371	_	371
Other long-term liabilities:								
Derivative liabilities	_	297	6	303	_	179	33	212
Total liabilities measured and recorded at fair value	\$ _	\$ 751	\$ 6	\$ 757	\$ _	\$ 550	\$ 33	\$ 583

<sup>1</sup> Level 1 investments consist of money market funds. Level 2 investments consist primarily of commercial paper, certificates of deposit, time deposits, and notes and bonds issued by financial institutions.

In the second quarter of 2017, we began assigning fair value hierarchy levels based on the underlying instrument type for our fixed-income portfolio. We have reclassified prior period amounts to conform to the current period presentation.

### FAIR VALUE OPTION FOR LOANS RECEIVABLE

The fair value of our loans receivable for which we elected the fair value option did not significantly differ from the contractual principal balance as of December 30, 2017 and December 31, 2016.

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<sup>2</sup> Level 1 investments consist primarily of U.S. Treasury securities. Level 2 investments consist primarily of U.S. Agency notes and non-U.S. government debt.

### ASSETS MEASURED AND RECORDED AT FAIR VALUE ON A NON-RECURRING BASIS

Our non-marketable equity investments, marketable equity method investments, and non-financial assets—such as intangible assets and property, plant and equipment—are recorded at fair value only if an impairment is recognized.

We classified non-marketable equity investments as Level 3. Impairments recognized on non-marketable equity investments held as of December 30, 2017 were \$537 million (\$153 million held as of December 31, 2016 and \$160 million held as of December 26, 2015).

### FINANCIAL INSTRUMENTS NOT RECORDED AT FAIR VALUE ON A RECURRING BASIS

Financial instruments not recorded at fair value on a recurring basis include non-marketable cost method investments, grants receivable, loans receivable, reverse repurchase agreements, and our short-term and long-term debt.

As of December 30, 2017, the carrying amount and fair value of our non-marketable cost method investments was \$2.6 billion and \$3.6 billion, respectively (\$3.1 billion and \$3.9 billion as of December 31, 2016, respectively). These measures are classified as Level 3 within the fair value hierarchy based on the nature of the fair value inputs.

As of December 30, 2017, the aggregate carrying value of grants receivable, loans receivable, and reverse repurchase agreements was \$935 million (the aggregate carrying amount as of December 31, 2016 was \$876 million). The estimated fair value of these financial instruments approximates their carrying value and is categorized as Level 2 within the fair value hierarchy based on the nature of the fair value inputs.

For information related to the fair value of our short-term and long-term debt, see "Note 14: Borrowings."

# Note 16: Other Comprehensive Income (Loss)

The changes in accumulated other comprehensive income (loss) by component and related tax effects for each period were as follows:

(In Millions)		nrealized lolding Gains Losses) on vailable- or-Sale	De Va	eferred Tax Asset aluation lowance	JnrealizedActuarial Holding Valuation Gains and (Losses) Other on Pension DerivativeExpenses			Cı	oreign urrency ranslation djustment	Total	
December 26, 2015	\$	1,749	\$	8	\$	(266)	9	(916)	\$	(515) \$	60
Other comprehensive income (loss) before reclassifications		1,170		_		(26)		(680)		(4)	460
Amounts reclassified out of accumulated other		(520)				20		170			(222)
comprehensive income (loss)		(530)		_		38		170		_	(322)
Tax effects		(225)		(8)		(5)		146			(92)
Other comprehensive income (loss)		415		(8)		7		(364)		(4)	46
December 31, 2016		2,164				(259)		(1,280)		(519)	106

December 30, 2017	<b>\$ 1,728</b>	<b>\$</b> —	<b>\$ 106</b>	\$ (963)	(9)	\$ 862
Other comprehensive income (loss)	(436)	_	365	317	510	756
Tax effects	235		(171)	(61)		3
Amounts reclassified out of accumulated other comprehensive income (loss)	(3,431)	_	(69)	103	507	(2,890)
Other comprehensive income (loss) before reclassifications	2,760	_	605	275	3	3,643

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The amounts reclassified out of accumulated other comprehensive income (loss) into the consolidated statements of income for each period were as follows:

	]	Income Before Taxes Impact for Years Ended (In Millions)								
Comprehensive Income Components	Location	D	ec 30, 2017		ec 31, 2016		ec 26, 2015			
Unrealized holding gains (losses) <sup>1</sup> on available-for-sale investments:										
	Gains (losses) on equity investments, net	¢	3,431	\$	530	\$	93			
	net	\$		<del>P</del>		<del>-</del>				
Unrealized holding gains (losses) on derivatives:			3,431		530		93			
Foreign currency contracts	Cost of sales		(65)		(65)		(290)			
	Research and development		45		7		(177)			
	Marketing, general and administrative		7		5		(46)			
	Gains (losses) on equity investments, net		57		11		_			
	Interest and other, net		25		4		(9)			
			69		(38)		(522)			
Amortization of pension and postretirement benefit components:										
Actuarial valuation and other pension expenses			(103)		(170)		(77)			
pension expenses			(103)		(170)		(77)			
Currency translation adjustment	Interest and other, net		(507)	-	_		_			
Total amounts reclassified out of accumulated other comprehensive income (loss)		\$	2,890	\$	322	\$	(506)			

<sup>1</sup> We determine the cost of the investment sold based on an average cost basis at the individual security level.

The amortization of pension and postretirement benefit components is included in the computation of net periodic benefit cost. For more information, see "Note 18: Retirement Benefit Plans."

We estimate that we will reclassify approximately \$108 million (before taxes) of net derivative gains included in accumulated other comprehensive income (loss) into earnings within the next 12 months.

During the second quarter of 2017, we reclassified \$507 million (before taxes) of currency translation adjustment losses included in accumulated other comprehensive income (loss) into earnings as a result of our divestiture of ISecG. For more information, see "Note 10: Acquisitions and Divestitures."

# **Note 17: Derivative Financial Instruments**

### **VOLUME OF DERIVATIVE ACTIVITY**

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

(In Millions)	 Dec 30, 2017		Dec 31, 2016	 Dec 26, 2015
Foreign currency contracts	\$ 19,958	\$	17,960	\$ 16,721
Interest rate contracts	16,823		14,228	8,812
Other	 1,636		1,340	1,122
Total	\$ \$ 38,417		33,528	\$ 26,655

During the periods presented, we entered into \$4.8 billion, \$4.7 billion, and \$4.4 billion, respectively, of interest rate swaps to hedge against changes in the fair value attributable to the benchmark interest rates related to our outstanding senior notes. These hedges were designated as fair value hedges. During 2015, we entered into \$577 million of currency interest rate swaps to hedge against the variability in the U.S.-dollar equivalent of coupon and principal payments associated with our non-U.S.-dollar-denominated indebtedness. These hedges were designated as cash flow hedges.

During 2015, we discontinued cash flow hedge accounting treatment for \$478 million of forward contracts related to our anticipated equity funding of the UniSpreadtrum investment since we could no longer assert that funding is probable to occur within the initially specified time frame. Hedge losses accumulated in other comprehensive income and subsequently released to interest and other, net, related to these de-designated forward contracts were insignificant.

### FAIR VALUE OF DERIVATIVE INSTRUMENTS IN THE CONSOLIDATED BALANCE SHEETS

	De	ecembe	r 30,	2017	December 31, 2016				
(In Millions)	As	ssets1	Liabilities <sup>2</sup>		Assets <sup>1</sup>		Lial	oilities <sup>2</sup>	
Derivatives designated as hedging instruments									
Foreign currency contracts <sup>3</sup>	\$	283	\$	32	\$	21	\$	252	
Interest rate contracts		1		254		3		187	
Total derivatives designated as hedging instruments		284		286		24		439	
Derivatives not designated as hedging instruments									
Foreign currency contracts <sup>3</sup>		52		447		374		114	
Interest rate contracts		18		24		15		30	
Other		9		_		9		_	
Total derivatives not designated as hedging instruments		79		471		398		144	
Total derivatives	\$	363	\$	757	\$	422	\$	583	

- 1 Derivative assets are recorded as other assets, current and non-current.
- 2 Derivative liabilities are recorded as other liabilities, current and non-current.
- 3 The majority of these instruments mature within 12 months.

### **AMOUNTS OFFSET IN THE CONSOLIDATED BALANCE SHEETS**

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

under sach agreements at th			. ро			ecembei	- 30	2017				
						cember	Gı	ross Am fset in t		Balance		
(In Millions)		Gross nounts cognize	Gross Amounts Offset in the Balance d Sheet		Net Amounts Presented in the Balance Sheet			nancial strumen	Co	nsh and Non- Cash ollateral eceived or ledged	_	let ount
Assets:												
Derivative assets subject to master netting arrangements	\$	350	\$	_	\$	350	\$	(206)	\$	(130)	\$	14
Reverse repurchase agreements		1,649				1,649				(1,649)		
Total assets		1,999				1,999		(206)		(1,779)		14
Liabilities:												
Derivative liabilities subject to master netting arrangements		745		_		745		(206)		(504)		35
Total liabilities	\$	745	\$	_	\$	745	\$	(206)	\$	(504)	\$	35
					De	ecembei	Gı	ross Am fset in t	-	Balance		
(Tr. Milliana)	Ar	Gross mounts	Ame Offs t Bal	ross ounts set in the	Pre i Ba	Net nounts esented n the		nancial	Co	nsh and Non- Cash Ollateral eceived or		let
(In Millions)	Ke	cognize	u 51	ieet		heet	Ins	strumen	its	ieagea	Am	ount
Assets:  Derivative assets subject to master netting arrangements	\$	433	\$	_	\$	433	\$	(368)	\$	(42)	\$	23
Reverse repurchase agreements		1,018		_		1,018		_		(1,018)		_
Total assets		1,451				1,451		(368)		(1,060)		23
Liabilities:												
Derivative liabilities subject to master netting arrangements		588		_		588		(368)		(201)		19
Total liabilities	\$	588	\$		\$	588	\$	(368)	\$	(201)	\$	19
. Juli madilities	7		т′				т	()		\/	т	

We obtain and secure available collateral from counterparties against obligations, including securities lending transactions and reverse repurchase agreements, when we deem it appropriate.

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### **DERIVATIVES IN CASH FLOW HEDGING RELATIONSHIPS**

The before-tax net gains or losses attributed to the effective portion of cash flow hedges, recognized in other comprehensive income (loss), were \$605 million net gains in 2017 (\$26 million net losses in 2016 and \$298 million net losses in 2015). Substantially all of our cash flow hedges are foreign currency contracts for all periods presented.

Hedge ineffectiveness and amounts excluded from effectiveness testing were insignificant during all periods presented.

For information on the unrealized holding gains (losses) on derivatives reclassified out of accumulated other comprehensive income into the consolidated statements of income, see "Note 16: Other Comprehensive Income (Loss)."

### **DERIVATIVES IN FAIR VALUE HEDGING RELATIONSHIPS**

The effects of derivative instruments designated as fair value hedges, recognized in interest and other, net for each period were as follows:

Years Ended (In Millions)			nized Ind	s (Losses in State come on rivatives	-	of
	D	ec 30, 2017		ec 31, 2016		ec 26, 2015
Interest rate contracts	\$	(68)	\$	\$ (171)		(13)
Hedged items		68		171		13
Total	\$	_	\$		\$	_

There was no ineffectiveness during all periods presented in the preceding table.

The amounts recorded on the consolidated balance sheet related to cumulative basis adjustments for fair value hedges for each period were as follows:

Line Item in the Consolidated Balance Sheet in Which the Hedged Item Is Included		arrying An Hedged It (Liabi	em	Asset/	Cumulative Amount Fair Value Hedging Adjustment Include in the Carrying Amount Assets/ (Liabilities)					
Years Ended (In Millions)	ı	Dec 30, 2017	ı	Dec 31, 2016		c 30, 2017		c 31, 016		
Long-Term Debt	\$	(12,653)	\$	(8,879)	\$	252	\$	184		

As of December 30, 2017 and December 31, 2016, the total notional amount of pay variable/receive fixed-interest rate swaps was \$12.9 billion and \$9.1 billion, respectively.

### **DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS**

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

Years Ended (In Millions)	Location of Gains (Losses) Recognized in Income on Derivatives	Dec 30, 2017		Dec 31, 2016		Dec 26, 2015	
Foreign currency contracts	Interest and other, net	\$	(547)	\$	388	\$	296
Interest rate contracts	Interest and other, net		9		8		(8)
Other	Various		203		113		(38)
Total		\$	(335)	\$	509	\$	250

### **Note 18: Retirement Benefit Plans**

#### **DEFINED CONTRIBUTION PLANS**

We provide tax-qualified defined contribution plans for the benefit of eligible employees, former employees, and retirees in the U.S. and certain other countries. The plans are designed to provide employees with an accumulation of funds for retirement on a tax-deferred basis. For the benefit of eligible U.S. employees, we also provide an unfunded non-tax-qualified supplemental deferred compensation plan for certain highly compensated employees.

We expensed \$346 million for discretionary contributions to the U.S. qualified defined contribution and non-qualified deferred compensation plans in 2017 (\$326 million in 2016 and \$337 million in 2015).

#### **U.S. POSTRETIREMENT MEDICAL BENEFITS PLAN**

Upon retirement, we provide benefits to eligible U.S. employees who were hired prior to 2014 under the U.S. Postretirement Medical Benefits Plan. The benefits can be used to pay all or a portion of the cost to purchase eligible coverage in a medical plan.

As of December 30, 2017 and December 31, 2016, the projected benefit obligation was \$567 million and \$588 million, respectively, which used the discount rate of 3.8% and 4.2%, respectively. The December 30, 2017 and December 31, 2016 corresponding fair value of plan assets was \$563 million and \$409 million, respectively.

The investment strategy for U.S. Postretirement Medical Benefits Plan assets is to invest primarily in liquid assets, due to the level of expected future benefit payments. The assets are invested solely in a tax-aware global equity portfolio, which is actively managed by an external investment manager. The tax-aware global equity portfolio is composed of a diversified mix of equities in developed countries. For 2018, the expected long-term rate of return for the U.S. Postretirement Medical Benefits Plan assets is 5.9%. As of December 30, 2017, substantially all of the U.S. Postretirement Medical Benefits Plan assets were invested in exchange-traded equity securities and were measured at fair value using Level 1 inputs.

The estimated benefit payments for this plan over the next 10 fiscal years are as follows:

(In Millions)	20	018 2019		019	2020		2021		2022		2023-2027	
Postretirement Medical												
Benefits	\$	28	\$	29	\$	30	\$	31	\$	32	\$	179

#### **PENSION BENEFIT PLANS**

We provide defined-benefit pension plans in certain countries, most significantly the U.S., Ireland, Germany, and Israel. The majority of the plans' benefits have been frozen.

### BENEFIT OBLIGATION AND PLAN ASSETS FOR PENSION BENEFITS PLANS

The vested benefit obligation for a defined-benefit pension plan is the actuarial present value of the vested benefits to which the employee is currently entitled based on the employee's expected date of separation or retirement.

(In Millions)	Dec 30, 2017			ec 31, 2016	
Changes in projected benefit obligation:					
Beginning projected benefit obligation	\$	3,640	\$	3,130	
Service cost		84		130	
Interest cost		117		106	
Actuarial (gain) loss		24		575	
Currency exchange rate changes		281		(80)	
Plan curtailments		(162)		17	
Plan settlements		(101)		(202)	
Other		(41)		(36)	
Ending projected benefit obligation <sup>1</sup>		3,842		3,640	
Changes in fair value of plan assets:					
Beginning fair value of plan assets		1,696		1,638	
Actual return on plan assets		136		81	
Employer contributions		471		416	
Currency exchange rate changes		124		(26)	
Plan settlements		(101)		(202)	
Benefits paid to plan participants		(42)		(84)	
Other		3		(127)	
Ending fair value of plan assets <sup>2</sup>		2,287		1,696	
Amounts recognized in the consolidated balance sheet <sup>3</sup>	\$	1,555	\$	1,944	
Accumulated other comprehensive loss (income), before tax <sup>4</sup>	\$	1,257	\$_	1,603	
Accumulated benefit obligation <sup>5</sup>	\$	3,423	\$	2,976	

- 1 The split between U.S. and non-U.S. in the projected benefit obligation was 38% and 62%, respectively, as of December 30, 2017 and December 31, 2016.
- <sup>2</sup> The split between the U.S. and non-U.S. in the fair value of plan assets was 49% and 51%, respectively, as of December 30, 2017 and 46% and 54%, respectively, as of December 31, 2016.
- 3 Substantially all amounts recognized in the consolidated balance sheet are recorded in other long-term liabilities for all periods presented.
- 4 The split between U.S. and non-U.S. in the accumulated other comprehensive loss (income), before tax, was 38% and 62%, respectively, as of December 30, 2017 and 34% and 66%, respectively, as of December 31, 2016. Substantially all amounts recognized in accumulated other comprehensive loss (income) are attributable to net actuarial gain or loss.
- 5 All plans had accumulated benefit obligations and projected benefit obligations in excess of plan assets for all periods presented.

We use the corridor approach to amortize actuarial gains and losses. Under this approach, net actuarial gains or losses in excess of 10% of the larger of the projected benefit obligation or the fair value of plan assets are amortized on a straight-line basis.

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#### **ASSUMPTIONS FOR PENSION BENEFIT PLANS**

	Dec 30, 2017	Dec 31, 2016
Weighted average actuarial assumptions used to determine benefit obligations		
Discount rate	3.0 %	3.2%
Rate of compensation increase	3.3 %	3.6 %

	2017	2016	2015
Weighted average actuarial assumptions used to determine costs			
Discount rate	3.2%	3.3%	3.1%
Expected long-term rate of return on plan assets	4.6%	5.5%	5.9 %
Rate of compensation increase	3.6%	3.8%	3.9 %

We establish the discount rate for each pension plan by analyzing current market long-term bond rates and matching the bond maturity with the average duration of the pension liabilities.

We establish the long-term expected rate of return by developing a forward-looking, long-term return assumption for each pension fund asset class, taking into account factors such as the expected real return for the specific asset class and inflation. A single, long-term rate of return is then calculated as the weighted average of the target asset allocation percentages and the long-term return assumption for each asset class.

#### **FUNDING**

Policy. Our practice is to fund the various pension plans in amounts sufficient to meet the minimum requirements of applicable local laws and regulations. Additional funding may be provided as deemed appropriate. Funding for the U.S. Postretirement Medical Benefits Plan is discretionary under applicable laws and regulations; additional funding may be provided as deemed appropriate.

Funding Status. On a worldwide basis, our pension and postretirement benefit plans were 65% funded as of December 30, 2017. The U.S. Intel Minimum Pension Plan, which accounts for 33% of the worldwide pension and postretirement benefit obligations, was 77% funded. Funded status is not indicative of our ability to pay ongoing pension benefits or of our obligation to fund retirement trusts. Required pension funding for U.S. retirement plans is determined in accordance with the Employee Retirement Income Security Act (ERISA), which sets required minimum contributions. Cumulative company funding to the U.S. Intel Minimum Pension Plan currently exceeds the minimum ERISA funding requirements.

#### **NET PERIODIC BENEFIT COST**

The net periodic benefit cost for pension benefits and U.S. postretirement medical benefits was \$243 million in 2017, (\$415 million in 2016 and \$250 million in 2015). The service cost component of the corresponding net periodic benefit cost was \$104 million in 2017 (\$156 million in 2016 and \$176 million in 2015).

The increase in the net periodic pension benefit cost in 2016 compared to 2015 was primarily attributed to plan settlements and remeasurement in conjunction with our 2016 Restructuring Program. For more information on the 2016 Restructuring Program, see "Note 7: Restructuring and Other Charges."

#### **PENSION PLAN ASSETS**

December 30, 2017	Dec 31, 2016
Fair Value Measured at Reporting Date Using	

(In Millions)	Le	vel 1	Le	evel 2	Le	vel 3	Total		Total
Equity securities	\$	451	\$	_	\$	22	\$ 473	\$	328
Fixed income		45		326		94	465		304
Other investments		19		_		_	19		
Assets measured by fair value hierarchy	\$	515	\$	326	\$	116	\$ 957	\$	632
Assets measured at net asset value							1,208		1,044
Cash and cash equivalents							122		20
Total pension plan assets at fair value							\$ 2,287	\$	1,696

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#### **U.S. Plan Assets**

The investment strategy for U.S. Intel Minimum Pension Plan assets is to maximize risk-adjusted returns, taking into consideration the investment horizon and expected volatility to help ensure that sufficient assets are available to pay pension benefits as they come due. The allocation to each asset class will fluctuate with market conditions, such as volatility and liquidity concerns, and will typically be rebalanced when outside the target ranges, which were 45% fixed income, 30% hedge funds, and 25% equity investments in 2017. For 2018, the expected long-term rate of return for the U.S. Intel Minimum Pension Plan assets is 5.1%.

Substantially all of the fixed-income investments in the U.S. plan assets are asset-backed securities, corporate debt, and government debt. Government debt includes instruments such as non-U.S. government securities, U.S. agency securities, and U.S. treasury securities.

The assets measured at net asset value are invested in common collective trust funds, limited partnerships, and limited liability companies.

#### Non-U.S. Plan Assets

The investments of the non-U.S. plans are managed by insurance companies, pension funds, or third-party trustees, consistent with regulations or market practice of the country where the assets are invested. The investment manager makes investment decisions within the guidelines set by Intel or local regulations. Investments managed by qualified insurance companies or pension funds under standard contracts follow local regulations, and we are not actively involved in their investment strategies. For the assets that we have discretion to set investment guidelines, the assets are invested in developed country equity investments and fixed-income investments, either through index funds or direct investment. In general, the investment strategy is designed to accumulate a diversified portfolio among markets, asset classes, or individual securities to reduce market risk and to help ensure that the pension assets are available to pay benefits as they come due. The target allocation of the non-U.S. plan assets that we have control over is approximately 45% equity, 35% fixed-income, and 20% hedge fund investments. For 2018, the average expected long-term rate of return for the non-U.S. plan assets is 4.2%.

Most of the equity investments in the non-U.S. plan assets are invested in a diversified mix of equities of developed countries, including the U.S., and emerging markets throughout the world.

We have control over the investment strategy related to the majority of the assets measured at net asset value, which are invested in hedge funds, bond index, and equity index funds.

### ESTIMATED FUTURE BENEFIT PAYMENTS FOR PENSION BENEFIT PLANS

Estimated benefit payments over the next 10 fiscal years are as follows:

(In Millions)	2018	2019	2020	2021	2	2022	202	23-2027
Pension benefits	\$ 125	\$ 117	\$ 115	\$ 121	\$	124	\$	673

### **Note 19: Employee Equity Incentive Plans**

Our equity incentive plans are broad-based, long-term programs intended to attract and retain talented employees and align stockholder and employee interests. Our plans include our 2006 Equity Incentive Plan (the 2006 Plan) and our 2006 Stock Purchase Plan.

In May 2017, our stockholders approved an extension of the expiration date of the 2006 Plan to June 2020 and authorized an additional 33 million shares for issuance under the plan. Under the 2006 Plan, 786 million shares of common stock have been authorized for issuance as equity awards to employees and non-employee directors through June 2020. As of December 30, 2017, 215 million shares of common stock remained available for future grants.

Under the 2006 Plan, we grant RSUs and previously granted stock options. We grant RSUs with a service condition, as well as RSUs with both a market condition and a service condition (market-based RSUs), which we call outperformance stock units (OSUs), and which are granted to a group of senior officers, employees, and non-employee directors. For OSUs granted in 2017, the number of shares of our common stock to be received at vesting will range from 0% to 200% of the target grant amount, based on total stockholder return (TSR) of our common stock measured against the benchmark TSR of the S&P 500 IT Sector Index over a three-year period. TSR is a measure of stock price appreciation plus any dividends paid in this performance period. As of December 30, 2017, 9.2 million OSUs were outstanding. These OSUs generally vest three years and one month from the grant date, and OSUs granted prior to 2017 accrue dividend equivalents. Other RSU awards and option awards generally vest over four years from the grant date. Stock options generally expire seven years from the date of grant.

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#### SHARE-BASED COMPENSATION

Share-based compensation recognized in 2017 was \$1.4 billion (\$1.4 billion in 2016 and \$1.3 billion in 2015), which includes \$71 million of cash-settled awards in connection with the Mobileye acquisition.

The total share-based compensation cost capitalized as part of inventory as of December 30, 2017 was \$49 million (\$44 million as of December 31, 2016 and \$49 million as of December 26, 2015). During 2017, the tax benefit that we realized for the tax deduction from share-based awards totaled \$520 million (\$616 million in 2016 and \$533 million in 2015).

We estimate the fair value of RSUs with a service condition using the value of our common stock on the date of grant, reduced by the present value of dividends expected to be paid on our shares of common stock prior to vesting. We estimate the fair value of OSUs using a Monte Carlo simulation model on the date of grant.

We use the Black-Scholes option pricing model to estimate the fair value of rights to acquire shares of common stock granted under the 2006 Stock Purchase Plan on the date of grant. We based the weighted average estimated value of RSU and OSU grants, and rights granted under the 2006 Stock Purchase Plan, on the weighted average assumptions for each period as follows:

		R	SU	s and OSI	Js			Sto	Pla	Plan		
	Dec 30, 2017		Dec 31, 2016		Dec 26, 2015		Dec 30, 2017		Dec 31, 2016		Dec 26, 2015	
Estimated values	\$	35.30	\$	29.76	\$	31.63	\$	7.20	\$	6.70	\$	6.56
Risk-free interest rate		1.4%		0.9%		0.6%		1.0 %		0.5%		0.1%
Dividend yield		2.9 %		3.3 %		2.9 %		2.9 %		3.2 %		3.1%
Volatility		23 %		23 %		27 %		19 %		22 %		25 %
Expected life (in years)		n/a		n/a		n/a		0.5		0.5		0.5

We base the expected volatility for rights granted under the 2006 Stock Purchase Plan on implied volatility. We base expected volatility for OSUs on historical volatility.

#### **RESTRICTED STOCK UNIT AWARDS**

RSU activity in 2017 was as follows:

	Number of RSUs (In Millions)	Weighted Average Grant- Date Fair Value			
December 31, 2016	106.8	\$	28.99		
Granted	45.2	\$	35.30		
Assumed in acquisition	1.1	\$	34.90		
Vested	(40.5)	\$	27.52		
Forfeited	(12.2)	\$	30.08		
December 30, 2017	100.4	\$	32.36		
Expected to vest as of December 30, 2017	96.5	\$	32.36		

The aggregate fair value of awards that vested in 2017 was \$1.6 billion (\$1.6 billion in 2016 and \$1.5 billion in 2015), which represents the market value of our common stock on the date that the RSUs vested. The grant-date fair value of awards that vested in 2017 was \$1.1 billion (\$1.3 billion in 2016 and \$1.1 billion in 2015). The number of RSUs vested includes shares of common stock that we withheld on behalf of employees to satisfy the minimum statutory tax withholding requirements. RSUs that are expected to vest are net of estimated future forfeitures.

As of December 30, 2017, unrecognized compensation costs related to RSUs granted under our equity incentive plans were \$2.0 billion. We expect to recognize those costs over a weighted average period of 1.3 years.

#### **STOCK PURCHASE PLAN**

The 2006 Stock Purchase Plan allows eligible employees to purchase shares of our common stock at 85% of the value of our common stock on specific dates. Under the 2006 Stock Purchase Plan, 373 million shares of common stock are authorized for issuance through August 2021. As of December 30, 2017, 150 million shares of common stock remained available for issuance.

Employees purchased 14.5 million shares of common stock in 2017 for \$432 million under the 2006 Stock Purchase Plan (16.5 million shares of common stock for \$415 million in 2016 and 15.8 million shares of common stock for \$421 million in 2015). As of December 30, 2017, unrecognized share-based compensation costs related to rights to acquire shares of common stock under our 2006 Stock Purchase Plan totaled \$13 million. We expect to recognize those costs over a period of approximately two months.

FINANCIAL STATEMENTS

Notes to Financial Statements

# **Note 20: Commitments and Contingencies**

#### **COMMITMENTS**

#### Leases

Portions of our real property and equipment are under operating leases that expire at various dates through 2058. Rental expense was \$264 million in 2017 (\$282 million in 2016 and \$253 million in 2015).

(In Millions)	2	2018	2	2019	2	2020	2	2021	2	2022	2023 and ereaft	ter Total
Minimum rental commitments under all non-cancelable leases <sup>1</sup>	\$	215	\$	186	\$	162	\$	136	\$	105	\$ 441	\$ 1,245

<sup>1</sup> Includes leases with initial term in excess of one year.

#### **Other Commitments**

Commitments for construction or purchase of property, plant and equipment totaled \$12.1 billion as of December 30, 2017 (\$7.5 billion as of December 31, 2016), a substantial majority of which will be due within the next 12 months. Other purchase obligations and commitments totaled approximately \$2.7 billion as of December 30, 2017 (approximately \$3.0 billion as of December 31, 2016). Other purchase obligations and commitments include payments due under various types of licenses and agreements to purchase goods or services, as well as payments due under non-contingent funding obligations. In addition, we have various contractual commitments with IMFT. For further information on these contractual commitments, see "Note 9: Investments."

#### LEGAL PROCEEDINGS

We are a party to various legal proceedings, including those noted in this section. Although management at present believes that the ultimate outcome of these proceedings, individually and in the aggregate, will not materially harm our financial position, results of operations, cash flows, or overall trends, legal proceedings and related government investigations are subject to inherent uncertainties, and unfavorable rulings or other events could occur. Unfavorable resolutions could include substantial monetary damages. In addition, in matters for which injunctive relief or other conduct remedies are sought, unfavorable resolutions could include an injunction or other order prohibiting us from selling one or more products at all or in particular ways, precluding particular business practices, or requiring other remedies. An unfavorable outcome may result in a material adverse impact on our business, results of operations, financial position, and overall trends. We might also conclude that settling one or more such matters is in the best interests of our stockholders, employees, and customers, and any such settlement could include substantial payments. Except as specifically described below, we have not concluded that settlement of any of the legal proceedings noted in this section is appropriate at this time.

#### **European Commission Competition Matter**

In 2001, the European Commission (EC) commenced an investigation regarding claims by Advanced Micro Devices, Inc. (AMD) that we used unfair business practices to persuade customers to buy our microprocessors. We received numerous requests for information and documents from the EC and we responded to each of those requests. The EC issued a Statement of Objections in July 2007 and held a hearing on that Statement in March 2008. The EC issued a Supplemental Statement of Objections in July 2008. In May 2009, the EC issued a decision finding that we had violated Article 82 of the EC Treaty and Article 54 of the European Economic Area Agreement. In general, the EC found that we violated Article 82 (later renumbered as Article 102 by a new treaty) by offering alleged "conditional rebates and payments" that required our customers to purchase all or most of their x86 microprocessors from us. The EC also found that we violated Article 82 by making alleged "payments to prevent sales of specific rival products." The EC imposed a fine in the amount of €1.1 billion (\$1.4

billion as of May 2009), which we subsequently paid during the third quarter of 2009, and ordered us to "immediately bring to an end the infringement referred to in" the EC decision.

The EC decision contained no specific direction on whether or how we should modify our business practices. Instead, the decision stated that we should "cease and desist" from further conduct that, in the EC's opinion, would violate applicable law. We took steps, which are subject to the EC's ongoing review, to comply with that decision pending appeal. We had discussions with the EC to better understand the decision and to explain changes to our business practices.

FINANCIAL STATEMENTS

Notes to Financial Statements

We appealed the EC decision to the Court of First Instance (which has been renamed the General Court) in July 2009. The hearing of our appeal took place in July 2012. In June 2014, the General Court rejected our appeal in its entirety. In August 2014, we filed an appeal with the European Court of Justice. In November 2014, Intervener Association for Competitive Technologies filed comments in support of Intel's grounds of appeal. The EC and interveners filed briefs in November 2014, we filed a reply in February 2015, and the EC filed a rejoinder in April 2015. The Court of Justice held oral argument in June 2016. In October 2016, Advocate General Wahl, an advisor to the Court of Justice, issued a non-binding advisory opinion that favored Intel on a number of grounds. The Court of Justice issued its decision in September 2017, setting aside the judgment of the General Court and sending the case back to the General Court to examine whether the rebates at issue were capable of restricting competition. The General Court has appointed a panel of five judges to consider our appeal of the EC's 2009 decision in light of the Court of Justice's clarifications of the law. In November 2017, the parties filed initial "Observations" about the Court of Justice's decision and the appeal, and have been invited by the General Court to offer supplemental comments to each other's "Observations" by March 2018. Pending the final decision in this matter, the fine paid by Intel has been placed by the EC in commercial bank accounts where it accrues interest.

### **Shareholder Derivative Litigation regarding In re High Tech Employee Antitrust Litigation**

In March 2014, the Police Retirement System of St. Louis (PRSSL) filed a shareholder derivative action in the Superior Court of California in Santa Clara County against Intel, certain current and former members of our Board of Directors, and former officers. The complaint alleges that the defendants breached their duties to the company by participating in, or allowing, purported antitrust violations that were alleged in a now-settled antitrust class action lawsuit captioned *In re High Tech Employee Antitrust Litigation* claiming that Intel, Adobe Systems Incorporated, Apple Inc., Google Inc., Intuit Inc., Lucasfilm Ltd., and Pixar conspired to suppress their employees' compensation. In March 2014, a second plaintiff, Barbara Templeton, filed a substantially similar derivative suit in the same court. In May 2014, a third shareholder, Robert Achermann, filed a substantially similar derivative action in the same court. The court consolidated the three actions into one, which is captioned *In re Intel Corporation Shareholder Derivative Litigation*. Plaintiffs filed a consolidated complaint in July 2014. In August 2015, the court granted our motion to dismiss the consolidated complaint. The plaintiffs thereafter filed a motion for reconsideration and a motion for new trial, both of which the court denied in October 2015. In November 2015, plaintiffs PRSSL and Templeton appealed the court's decision. The appeal is fully briefed, and we are waiting on a hearing date from the appellate court.

In June 2015, the International Brotherhood of Electrical Workers (IBEW) filed a shareholder derivative action in the Chancery Court in Delaware against Intel, certain current and former members of our Board of Directors, and former officers. The lawsuit makes allegations substantially similar to those in the California shareholder derivative litigation described above, but additionally alleges breach of the duty of disclosure with respect to *In re High Tech Employee Antitrust Litigation* and that Intel's 2013 and 2014 proxy statements misrepresented the effectiveness of the Board's oversight of compliance issues at Intel and the Board's compliance with Intel's Code of Conduct and Board of Director Guidelines on Significant Corporate Governance Issues. In October 2015, the court stayed the IBEW lawsuit for six months pending further developments in the California case. In March 2016, Intel and IBEW entered into a stipulated dismissal pursuant to which IBEW dismissed its complaint but may refile upon the withdrawal or final resolution of the appeal in the PRSSL California shareholder derivative litigation.

In April 2016, John Esposito filed a shareholder derivative action in the Superior Court of California in Santa Clara County against Intel, current members of our Board of Directors, and certain former officers and employees. Esposito made a demand on our Board in 2013 to investigate whether our officers or directors should be sued for their participation in the events described in *In re High Tech Employee Antitrust Litigation*. In November 2015, our Board decided not to take further action on Esposito's demand based on the recommendation of the Audit Committee of the Board after its investigation of relevant facts and circumstances. Esposito seeks to set aside such decision, and alleges that the Board was not disinterested in making that decision and that the investigation was inadequate. In November 2016, the court granted Intel's motion to dismiss the case, without leave to amend. In March 2017, plaintiff filed a motion for fees. The court denied plaintiff's fee motion in May 2017, and entered final judgment in this matter in June 2017. In August 2017, Esposito appealed the final judgment.

#### McAfee, Inc. Shareholder Litigation

On August 19, 2010, we announced that we had agreed to acquire all of the common stock of McAfee, Inc. (McAfee) for \$48.00 per share. Four McAfee shareholders filed putative class-action lawsuits in Santa Clara County, California Superior Court challenging the proposed transaction. The cases were ordered consolidated in September 2010. Plaintiffs filed an amended complaint that named former McAfee board members, McAfee, and Intel as defendants, and alleged that the McAfee board members breached their fiduciary duties and that McAfee and Intel aided and abetted those breaches of duty. The complaint requested rescission of the merger agreement, such other equitable relief as the court may deem proper, and an award of damages in an unspecified amount. In June 2012, the plaintiffs' damages expert asserted that the value of a McAfee share for the purposes of assessing damages should be \$62.08.

FINANCIAL STATEMENTS

Notes to Financial Statements

In January 2012, the court certified the action as a class action, appointed the Central Pension Laborers' Fund to act as the class representative, and scheduled trial to begin in January 2013. In March 2012, defendants filed a petition with the California Court of Appeal for a writ of mandate to reverse the class certification order; the petition was denied in June 2012. In March 2012, at defendants' request, the court held that plaintiffs were not entitled to a jury trial and ordered a bench trial. In April 2012, plaintiffs filed a petition with the California Court of Appeal for a writ of mandate to reverse that order, which the court of appeal denied in July 2012. In August 2012, defendants filed a motion for summary judgment. The trial court granted that motion in November 2012, and entered final judgment in the case in February 2013. In April 2013, plaintiffs appealed the final judgment. The California Court of Appeal heard oral argument in October 2017, and in November 2017, affirmed the judgment as to McAfee's nine outside directors, reversed the judgment as to former McAfee director and chief executive officer David DeWalt, Intel, and McAfee, and affirmed the trial court's ruling that the plaintiffs are not entitled to a jury trial. No bench trial date has been set. Because the resolution of pretrial motions may materially impact the scope and nature of the proceeding, and because of uncertainties regarding theories that may be asserted at trial following the appellate court's remand of only certain claims in the proceeding and the extent of Intel's responsibility, if any, with respect to such claims, we are unable to make a reasonable estimate of the potential loss or range of losses, if any, arising from this matter. We dispute the class-action claims and intend to continue to defend the lawsuit vigorously.

#### **Litigation related to Security Vulnerabilities**

In June 2017, a Google research team notified us and other companies that it had identified security vulnerabilities (now commonly referred to as "Spectre" and "Meltdown") that affect many types of microprocessors, including our products. As is standard when findings like these are presented, we worked together with other companies in the industry to verify the research and develop and validate software and firmware updates for impacted technologies. On January 3, 2018, information on the security vulnerabilities was publicly reported, before software and firmware updates to address the vulnerabilities were made widely available. Numerous lawsuits have been filed against Intel and, in certain cases, our executives and directors, in U.S. federal and state courts and in certain courts in other countries relating to the Spectre and Meltdown security vulnerabilities.

As of February 15, 2018, 30 customer class action lawsuits and two securities class action lawsuits have been filed. The customer class action plaintiffs, who purport to represent various classes of end users of our products, generally claim to have been harmed by Intel's actions and/or omissions in connection with the security vulnerabilities and assert a variety of common law and statutory claims seeking monetary damages and equitable relief. The securities class action plaintiffs, who purport to represent classes of acquirers of Intel stock between July 27, 2017 and January 4, 2018, generally allege that Intel and certain officers violated securities laws by making statements about Intel's products and internal controls that were revealed to be false or misleading by the disclosure of the security vulnerabilities. Additional lawsuits and claims may be asserted on behalf of customers and shareholders seeking monetary damages or other related relief. We dispute the claims described above and intend to defend the lawsuits vigorously. Given the procedural posture and the nature of these cases, including that the proceedings are in the early stages, that alleged damages have not been specified, that uncertainty exists as to the likelihood of a class or classes being certified or the ultimate size of any class or classes if certified, and that there are significant factual and legal issues to be resolved, we are unable to make a reasonable estimate of the potential loss or range of losses, if any, that might arise from these matters.

In addition to these lawsuits, in January 2018, Joseph Tola, Joanne Bicknese, and Michael Kellogg each filed a shareholder derivative action in the Superior Court of the State of California in San Mateo County against certain members of our Board of Directors and certain officers. The complaints allege that the defendants breached their duties to Intel in connection with the disclosure of the security vulnerabilities and the failure to take action in relation to alleged insider trading. The complaints seek to recover damages from the defendants on behalf of Intel.

# Intel Corporation Financial Information by Quarter (unaudited)

2017 for Quarter Ended (In Millions, Except Per Share Amounts)	De	cember 30	September 30			July 1		April 1
Net revenue	\$	17,053	\$	16,149	\$	14,763	\$	14,796
Gross margin	\$	10,767	\$	10,057	\$	9,098	\$	9,147
Net income (loss) <sup>1</sup>	\$	(687)	\$	4,516	\$	2,808	\$	2,964
Earnings per share - Basic	\$	(0.15)	\$	0.96	\$	0.60	\$	0.63
Earnings per share - Diluted	\$	(0.15)	\$	0.94	\$	0.58	\$	0.61
Dividends per share of common stock:								
Declared	\$	_	\$	0.5450	\$	_	\$	0.5325
Paid	\$	0.2725	\$	0.2725	\$	0.2725	\$	0.2600
Market price range common stock <sup>2</sup> :								
High	\$	47.56	\$	38.08	\$	37.43	\$	37.98
Low	\$	39.04	\$	33.46	\$	33.54	\$	35.04
2016 for Quarter Ended	D	ecember						
2016 for Quarter Ended (In Millions, Except Per Share Amounts)	D 	ecember 31		ctober 1		July 2		April 2
_	- <del>-</del> \$			<b>ctober 1</b> 15,778	\$	<b>July 2</b> 13,533	\$	<b>April 2</b> 13,702
(In Millions, Except Per Share Amounts)		31	0		\$ \$			
(In Millions, Except Per Share Amounts)  Net revenue	<del>-</del> \$	<b>31</b> 16,374	\$	15,778		13,533	\$	13,702
(In Millions, Except Per Share Amounts) Net revenue Gross margin	\$ \$	31 16,374 10,105	\$ \$	15,778 9,983	\$	13,533 7,973	\$ \$	13,702 8,130
(In Millions, Except Per Share Amounts)  Net revenue  Gross margin  Net income	\$ \$ \$	31 16,374 10,105 3,562	\$ \$ \$	15,778 9,983 3,378	\$	13,533 7,973 1,330	\$ \$ \$	13,702 8,130 2,046
(In Millions, Except Per Share Amounts)  Net revenue  Gross margin  Net income  Basic earnings per share of common stock	\$ \$ \$ \$	31 16,374 10,105 3,562 0.75	\$ \$ \$ \$	15,778 9,983 3,378 0.71	\$ \$ \$	13,533 7,973 1,330 0.28	\$ \$ \$	13,702 8,130 2,046 0.43
(In Millions, Except Per Share Amounts)  Net revenue Gross margin Net income Basic earnings per share of common stock Diluted earnings per share of common stock	\$ \$ \$ \$	31 16,374 10,105 3,562 0.75	\$ \$ \$ \$	15,778 9,983 3,378 0.71	\$ \$ \$	13,533 7,973 1,330 0.28	\$ \$ \$	13,702 8,130 2,046 0.43
(In Millions, Except Per Share Amounts)  Net revenue Gross margin Net income Basic earnings per share of common stock Diluted earnings per share of common stock Dividends per share of common stock:	\$ \$ \$ \$	31 16,374 10,105 3,562 0.75	\$ \$ \$ \$	15,778 9,983 3,378 0.71 0.69	\$ \$ \$	13,533 7,973 1,330 0.28	\$ \$ \$ \$ \$ \$	13,702 8,130 2,046 0.43 0.42
(In Millions, Except Per Share Amounts)  Net revenue Gross margin Net income Basic earnings per share of common stock Diluted earnings per share of common stock Dividends per share of common stock: Declared	\$ \$ \$ \$ \$ \$ \$	31 16,374 10,105 3,562 0.75 0.73	\$ \$ \$ \$ \$	15,778 9,983 3,378 0.71 0.69	\$ \$ \$	13,533 7,973 1,330 0.28 0.27	\$ \$ \$ \$	13,702 8,130 2,046 0.43 0.42
(In Millions, Except Per Share Amounts)  Net revenue Gross margin Net income Basic earnings per share of common stock Diluted earnings per share of common stock Dividends per share of common stock: Declared Paid	\$ \$ \$ \$ \$ \$ \$	31 16,374 10,105 3,562 0.75 0.73	\$ \$ \$ \$ \$	15,778 9,983 3,378 0.71 0.69	\$ \$ \$	13,533 7,973 1,330 0.28 0.27	\$ \$ \$ \$	13,702 8,130 2,046 0.43 0.42

<sup>1</sup> In Q4 2017, we recognized a \$5.4 billion higher income tax expense as a result of one-time impacts from Tax Reform.

<sup>2</sup> All stock prices are closing prices per the Nasdaq Global Select Market.

### controls and procedures

## **Evaluation of Disclosure Controls and Procedures**

Based on management's evaluation (with the participation of our CEO and Chief Financial Officer (CFO)), as of the end of the period covered by this report, our CEO and CFO have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)), are effective to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in U.S. Securities and Exchange Commission (SEC) rules and forms, and is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

# Changes in Internal Control Over Financial Reporting

There were no changes to our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended December 30, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

# Management Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of consolidated financial statements for external purposes in accordance with U.S. GAAP.

Management assessed our internal control over financial reporting as of December 30, 2017. Management based its assessment on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Management's assessment included evaluation of elements such as the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies, and our overall control environment.

Based on this assessment, management has concluded that our internal control over financial reporting was effective as of the end of the fiscal year to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external reporting purposes in accordance with U.S. GAAP. We reviewed the results of management's assessment with the Audit Committee of our Board of Directors.

Our independent registered public accounting firm, Ernst & Young LLP, independently assessed the effectiveness of the company's internal control over financial reporting, as stated in the firm's attestation report, which is included within the Consolidated Financial Statements.

## **Inherent Limitations on Effectiveness of Controls**

Our management, including the CEO and CFO, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well-designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of the effectiveness of controls to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

# exhibits and financial statement schedules

- 1. Financial Statements: See "Index to Consolidated Financial Statements" within the Consolidated Financial Statements.
- 2. Financial Statement Schedule: See "Schedule II—Valuation and Qualifying Accounts" in this section of this Form 10-K.
- 3. Exhibits: The exhibits listed in the accompanying index to exhibits are filed, furnished, or incorporated by reference as part of this Form 10-K.

Certain of the agreements filed as exhibits to this Form 10-K contain representations and warranties by the parties to the agreements that have been made solely for the benefit of the parties to the agreement. These representations and warranties:

- may have been qualified by disclosures that were made to the other parties in connection with the negotiation of the agreements, which disclosures are not necessarily reflected in the agreements;
- may apply standards of materiality that differ from those of a reasonable investor; and
- were made only as of specified dates contained in the agreements and are subject to subsequent developments and changed circumstances.

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date that these representations and warranties were made or at any other time. Investors should not rely on them as statements of fact.

# SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS

Years Ended (In Millions)	Beg	ince at inning Year	Ch to E	ditions arged xpenses ther counts	(De	Net ductions) overies	Balance at End of Year		
Valuation allowance for deferred tax assets									
December 30, 2017	\$	953	\$	237	\$	(19)	\$	1,171	
December 31, 2016	\$	701	\$	261	\$	(9)	\$	953	
December 26, 2015	\$	595	\$	190	\$	(84)	\$	701	
SUPPLEMENTAL DETAILS								110	

### **Exhibit index**

		1	Filed or			
Exhibit Number	Exhibit Description	Form	File Number	Exhibit	Filing Date	Furnished Herewith
2.1†	Agreement and Plan of Merger among Intel Corporation, 615 Corporation and Altera Corporation, dated as of May 31, 2015	8-K	000-06217	2.1	6/1/2015	
2.2†	Purchase Agreement, dated as of March 12, 2017, by and among Intel Corporation, Cyclops Holdings, Inc. and Mobileye N.V.	8-K	000-06217	2.1	3/13/2017	
3.1	Intel Corporation Third Restated Certificate of Incorporation of Intel Corporation dated May 17, 2006	8-K	000-06217	3.1	5/22/2006	
3.2	Intel Corporation Bylaws, as amended and restated on January 21, 2016	8-K	000-06217	3.2	1/26/2016	
4.2.1	Indenture dated as of March 29, 2006 between Intel Corporation and Wells Fargo Bank, National Association (as successor to Citibank N.A.) (the "Open- Ended Indenture")	S-3ASR	333-132865	4.4	3/30/2006	
4.2.2	First Supplemental Indenture to Open-Ended Indenture, dated as of December 3, 2007	10-K	000-06217	4.2.4	2/20/2008	
4.2.3	Indenture for the Registrant's 3.25% Junior Subordinated Convertible Debentures due 2039 between Intel Corporation and Wells Fargo Bank, National Association, dated as of July 27, 2009	10-Q	000-06217	4.1	11/2/2009	
4.2.4	Second Supplemental Indenture to Open-Ended Indenture for the Registrant's 1.95% Senior Notes due 2016, 3.30% Senior Notes due 2021, and 4.80% Senior Notes due 2041, dated as of September 19, 2011	8-K	000-06217	4.01	9/19/2011	
4.2.5	Third Supplemental Indenture to Open-Ended Indenture for the Registrant's 1.35% Senior Notes due 2017, 2.70% Senior Notes due 2022, 4.00% Senior Notes due 2032, and 4.25% Senior Notes due 2042, dated as of December 11, 2012	8-K	000-06217	4.01	12/11/2012	
4.2.6	Fourth Supplemental Indenture to Open-Ended Indenture for the Registrant's 4.25% Senior	8-K	000-06217	4.01	12/14/2012	

	Notes due 2042, dated as of December 14, 2012				
4.2.7	Fifth Supplemental Indenture to Open-Ended Indenture, dated as of July 29, 2015, between Intel Corporation and Wells Fargo Bank, National Association, as successor trustee	8-K	000-06217	4.1	7/29/2015
4.2.8	Seventh Supplemental Indenture to Open-Ended Indenture, dated as of December 14, 2015, among Intel Corporation, Wells Fargo Bank, National Association, as successor trustee, and Elavon Financial Services Limited, UK Branch, as paying agent	8-K	000-06217	4.1	12/14/2015
4.2.9	Eighth Supplemental Indenture to Open-Ended Indenture, dated as of May 19, 2016, between Intel Corporation and Wells Fargo Bank, National Association, as successor trustee	8-K	000-06217	4.1	5/19/2016
4.2.10	Ninth Supplemental Indenture to Open-Ended Indenture, dated as of May 11, 2017, between Intel Corporation and Wells Fargo Bank, National Association, as successor trustee	8-K	000-06217	4.1	5/11/2017
4.2.11	Tenth Supplemental Indenture to Open-Ended Indenture, dated as of June 16, 2017, between Intel Corporation and Wells Fargo Bank, National Association, as successor trustee	8-K	000-06217	4.1	6/16/2017
4.2.12	Eleventh Supplemental Indenture to Open-Ended Indenture, dated as of August 14, 2017, among Intel Corporation, Wells Fargo Bank, National Association, as successor trustee, and Elavon Financial Services DAC, UK Branch, as paying agent	8-K	000-06217	4.1	8/14/2017

			Incorporated	by Refe	rence	File
Exhibit Number	Exhibit Description	Form	File Number		Filing Date	Furni Here
4.2.13	Twelfth Supplemental Indenture to Open-Ended Indenture, dated as of December 8, 2017, between Intel Corporation and Wells Fargo Bank, National Association, as successor trustee					×
4.2.14	Guarantee dated December 28, 2015 by Intel Corporation in favor of U.S. Bank, National Association, as Trustee for the holders of Altera's 1.750% Senior Notes due 2017, 2.500% Senior Notes due 2018 and 4.100% Senior Notes due 2023	8-K	000-06217	99.2	12/28/2015	
	Certain instruments defining the rights of holders of long-term debt of Intel Corporation are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. Intel Corporation hereby agrees to furnish to the Securities and Exchange Commission, upon request, copies of such instruments.					
10.1 <sup>††</sup>	<u>Intel Corporation 2006 Equity Incentive Plan, as</u> amended and restated, effective May 18, 2017	10-Q	000-06217	10.1	7/27/2017	
10.1.2††	Form of Notice of Grant - Restricted Stock Units	10-Q	000-06217	10.3	8/3/2009	
10.1.3 <sup>††</sup>	Intel Corporation 2006 Equity Incentive Plan Standard Terms and Conditions Relating to Restricted Stock Units Granted on or after April 22, 2014 (under the Non-Management Committee Member Restricted Stock Unit Program)					Х
10.1.4††	Intel Corporation Restricted Stock Unit Agreement under the 2006 Equity Incentive Plan (for RSUs granted on or after January 23, 2015 under the Executive RSU program)	10-Q	000-06217	10.3	4/27/2015	
10.1.5††	Intel Corporation Restricted Stock Unit Agreement under the 2006 Equity Incentive Plan (for RSUs granted to executives with annual vesting over 3 years)	10-K	000-06217	10.1.27	2/17/2017	
10.1.6††	Intel Corporation Restricted Stock Unit Agreement under the 2006 Equity Incentive Plan (for RSUs granted to executives with quarterly vesting over 2 years)					X
10.1.7††	Intel Corporation Restricted Stock Unit Agreement under the 2006 Equity Incentive Plan (for RSUs granted on or after January 23, 2015 under the Executive OSU program)	10-Q	000-06217	10.4	4/27/2015	
10.1.8††	Intel Corporation Restricted Stock Unit Agreement under the 2006 Equity Incentive Plan (for RSUs granted on or after February 1, 2017 under the Executive OSU program)	10-Q	000-06217	10.1	4/27/2017	
10.1.9 <sup>††</sup>	Intel Corporation Non-Employee Director Restricted Stock Unit Agreement under the 2006 Equity Incentive Plan (for RSUs granted on or after January 23, 2015 under the Director RSU program)	10-Q	000-06217	10.1	4/27/2015	
10.1.10††	<u>Intel Corporation Non-Employee Director</u> <u>Restricted Stock Unit Agreement under the 2006</u>	10-Q	000-06217	10.2	4/27/2015	

	Equity Incentive Plan (for RSUs granted on or after January 23, 2015 under the Director OSU program)				
10.1.11††	Intel Corporation Non-Employee Director Restricted Stock Unit Agreement under the 2006 Equity Incentive Plan (for RSUs granted on or after February 1, 2017 under the Director OSU program)	10-Q	000-06217	10.2	4/27/2017
10.2††	Intel Corporation 2006 Stock Purchase Plan, as amended and restated, effective January 1, 2017	10-K	000-06217	10.7.5	2/17/2017
10.3 <sup>††</sup>	Intel Corporation 2014 Annual Performance Bonus Plan (amended and restated, effective January 1, 2014)	10-K	000-06217	10.9.2	2/14/2014
10.4††	Form of Indemnification Agreement with Directors and Executive Officers	10-К	000-06217	10.15	2/22/2005
SUPPLEMEN	ITAL DETAILS				112

			Incorporated	by Refer	ence	Filed or
Exhibit Number	Exhibit Description	Form	File Number	Exhibit	Filing Date	Furnished Herewith
10.5††	Form of Indemnification Agreement with Directors and Executive Officers (for Directors and Executive Officers who joined Intel after July 1, 2016)	10-Q	000-06217	10.2	10/31/2016	
10.6††	Intel Corporation Sheltered Employee Retirement Plan Plus, as amended and restated, effective January 1, 2009	S-8	333-172024	99.1	2/2/2011	
10.7 <sup>††</sup>	Intel Corporation 2006 Deferral Plan for Outside Directors, effective November 15, 2006	10-K	000-06217	10.41	2/26/2007	
10.8	Settlement Agreement Between Advanced Micro Devices, Inc. and Intel Corporation, dated November 11, 2009	8-K	000-06217	10.1	11/12/2009	
10.9†††	Patent Cross License Agreement between NVIDIA Corporation and Intel Corporation, dated January 10, 2011	8-K	000-06217	10.1	1/10/2011	
10.10 <sup>††</sup>	Offer Letter by and between Intel Corporation and Dr. Venkata S.M. "Murthy" Renduchintala dated November 17, 2015	10-K	000-06217	10.14	2/12/2016	
10.11††	Offer Letter by and between Intel Corporation and Robert H. Swan dated September 15, 2016	10-Q	000-06217	10.1	10/31/2016	
10.12 <sup>††</sup>	Confidential Retirement Agreement and General Release of Claims between Intel Corporation and Diane M. Bryant dated November 29, 2017					X
10.13 <sup>††</sup>	Retention Letter between Intel Corporation and Navin Shenoy dated December 12, 2017					Χ
12.1	Statement Setting Forth the Computation of Ratios of Earnings to Fixed Charges					Χ
21.1	Intel Corporation Subsidiaries					X
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm					Χ
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended (the Exchange Act)					X
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act					Χ
32.1	Certification of the Chief Executive Officer and the Chief Financial Officer pursuant to Rule 13a-14(b) of the Exchange Act					X

	and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	
99.1	Supplement to Present Required Information in Searchable Format	X
101.INS	XBRL Instance Document	X
101.SCH	XBRL Taxonomy Extension Schema Document	X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	X

<sup>&</sup>lt;sup>†</sup> Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. Intel agrees to furnish supplementally a copy of any such schedule or exhibit to the SEC upon request.

<sup>&</sup>lt;sup>††</sup> Management contracts or compensation plans or arrangements in which directors or executive officers are eligible to participate.

ttt Portions of this exhibit have been omitted pursuant to an order granting confidential treatment.

# **FORM 10-k cross-reference** index

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	Narrative description of business	Pages 3-15, 19-33, 43-45, 74-76
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Item 11.	<b>Executive Compensation</b>	(c)
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	(d)
Item 13.	Certain Relationships and Related Transactions, and Director Independence	(e)

Part IV

Item 15.Exhibits and Financial Statement SchedulesPages 109-113Item 16.Form 10-K SummaryNot applicable

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(a) As of December 30, 2017, we did not have any significant off-balance-sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

- (b) Incorporated by reference to "Proposal 1: Election of Directors," "Corporate Governance," "Code of Conduct," and "Other Matters-Section 16(a) Beneficial Ownership Reporting Compliance" in the 2018 Proxy Statement. The information under the heading "Executive Officers of the Registrant" within Fundamentals of Our Business is also incorporated by reference in this section.
- (c) Incorporated by reference to "Director Compensation," "Compensation Discussion and Analysis," "Report of the Compensation Committee," and "Executive Compensation" in the 2018 Proxy Statement.
- (d) Incorporated by reference to "Security Ownership of Certain Beneficial Owners and Management" and "Equity Compensation Plan Information" in the 2018 Proxy Statement.
- (e) Incorporated by reference to "Corporate Governance" and "Certain Relationships and Related Transactions" in the 2018 Proxy Statement.
- (f) Incorporated by reference to "Report of the Audit Committee" and "Proposal 2: Ratification of Selection of Independent Registered Public Accounting Firm" in the 2018 Proxy Statement.

### 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.

INTEL CORPORATION Registrant

By: /s/ ROBERT H. SWAN

Robert H. Swan

Executive Vice President, Chief Financial Officer and Principal Financial

Officer

February 16, 2018

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.

/s/ BRIAN M. KRZANICH	/s/ ROBERT H. SWAN
Brian M. Krzanich	Robert H. Swan
Chief Executive Officer, Director and Principal Executive Officer	Executive Vice President, Chief Financial Officer and Principal Financial Officer
February 16, 2018	February 16, 2018
/s/ KEVIN T. MCBRIDE	
Kevin T. McBride	
Vice President of Finance, Corporate Controller and Principal Accounting Officer	
February 16, 2018	
/s/ CHARLENE BARSHEFSKY	/s/ DAVID S. POTTRUCK
Charlene Barshefsky	David S. Pottruck
Director	Director
February 16, 2018	February 16, 2018
/s/ ANEEL BHUSRI	/s/ GREGORY D. SMITH
Aneel Bhusri	Gregory D. Smith
Director	Director
February 16, 2018	February 16, 2018
/s/ ANDY D. BRYANT	/s/ ANDREW WILSON
Andy D. Bryant	Andrew Wilson
Chairman of the Board and Director	Director
February 16, 2018	February 16, 2018
/s/ REED E. HUNDT	/s/ FRANK D. YEARY
Reed E. Hundt	Frank D. Yeary
Director	Director
February 16, 2018	February 16, 2018

/s/ OMAR ISHRAK /s/ DAVID B. YOFFIE

Omar Ishrak David B. Yoffie

Director Director

February 16, 2018 February 16, 2018

/s/ DR. TSU-JAE KING LIU

Dr. Tsu-Jae King Liu

Director

February 16, 2018