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, 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" in Part I, Item 1A of this Form 10-K. 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 Securities and Exchange Commission 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 17, 2017. In addition, the forward-looking statements in this Form 10-K are made as of the date of this filing, 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.

PART I

ITEM 1. BUSINESS

Company Overview

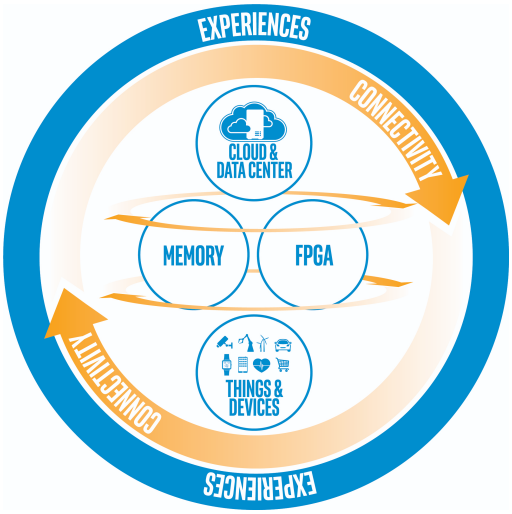
We are a world leader in the design and manufacturing of essential products and technologies that power the cloud and an increasingly smart, connected world. Intel delivers computer, networking, and communications platforms to a broad set of customers including original equipment manufacturers (OEMs), original design manufacturers (ODMs), cloud and communications service providers, as well as industrial, communications and automotive equipment manufacturers. We are expanding the boundaries of technology through our relentless pursuit of Moore's Law and computing breakthroughs that make amazing experiences possible. We were incorporated in California in 1968 and reincorporated in Delaware in 1989.

Company Strategy

Our vision is if it is smart and connected, it is best with Intel®. As a result, our strategy is to drive a "Virtuous Cycle of Growth" that enables the expansion of the data center as well as the proliferation of smart, connected things and devices, while continuing to fuel technology with the economics of Moore's Law.

People are experiencing a dramatic shift in their relationship to technology as things and devices become increasingly connected to each other and the cloud, merging the digital and physical worlds. Computing is becoming pervasive everywhere and in everything. The Virtuous Cycle of Growth leverages Intel's core assets to power the cloud and drive the increasingly smart and connected world.

Virtuous Cycle of Growth



Our businesses across the cloud and data center, through things and devices, are accelerated by memory and field-programmable gate array (FPGA) technologies—all of which are bound together by connectivity and enhanced by the economics of Moore's Law. We further transform these technologies to deliver compelling user experiences.

- *The Cloud and Data Center.* We believe that the most important trend shaping the future of the smart and connected world is the cloud. We design and optimize our products to deliver industry leading performance and best in class total cost of ownership for cloud workloads. Intel is adding new products and features to our portfolio to address emerging, high growth workloads such as artificial intelligence, media, and 5G.

- *Things and Devices.* Things and devices encompass all smart devices, including PCs, sensors, consoles, and other edge devices that are connected to the cloud. When a "thing" is connected to the cloud, the data it captures can be measured in real time and accessed virtually from anywhere. We will continue to deliver leadership, performance, and innovation in PCs. In our Internet of Things business, we focus our investments on areas where we see growth potential, such as the autonomous vehicle, industrial, and retail market segments.

- *Memory and Programmable Solutions.* Advancements in memory technology and programmable solutions, such as FPGAs, make possible entirely new classes of products for the data center and Internet of Things. The need for faster storage and greater memory capacity unlocks value in the cloud as the demand to automate and analyze exponential quantities of data increases. FPGAs can efficiently manage the changing workload demands of next-generation data centers and offer the flexibility for users to change their workloads real-time. FPGAs are also used in a wide range of other applications, such as machine learning and Advanced Driver Assistance Systems.

- *Connectivity.* As the connectivity technologies continue to evolve, more things and devices are able to connect with each other and the cloud. The ability to connect, and to derive actionable insights from massive amounts of data brings new experiences to our daily lives and transforms businesses.

- *Moore's Law.* Our co-founder Gordon Moore predicted, in what is known as Moore's Law, that transistor density on integrated circuits would double about every two years. Intel’s advancement of Moore’s Law has driven significant computing power growth and increasingly better economics and pricing. We will continue to harness the value of Moore's Law by enabling new devices with higher functionality and complexity while controlling power, cost, and size.

Leveraging our core assets enhances our strategy and provides us with the scale, capacity, and global reach to establish new technologies and respond to customers’ needs quickly. Our core assets include the following:

- *Silicon and Manufacturing Technology Leadership.* We have long been the leader in silicon manufacturing process technology and we aim to continue our lead through investment and innovation in this critical area. Unlike many other semiconductor companies, we primarily manufacture our products in our own manufacturing facilities, which enables us to optimize performance, shorten our time-to-market, and scale new products more rapidly. We believe this competitive advantage will be extended in the future as the costs to build leading-edge fabrication facilities increase over time.

- *Architecture and Platforms.* We are able to share intellectual property across our platforms and operating segments, which reduces our costs and provides a higher return on capital in our growth market segments. The combination of our shared intellectual property portfolio and our interchangeable manufacturing assets allows us to seamlessly shift our production capabilities to respond to market demand. We continue to invest in improving Intel architecture and product platforms to deliver increased value to our customers and expand the capabilities of the architecture in adjacent market segments.

- *Software and Services.* We offer software and services that provide solutions through a combination of hardware and software for consumer and corporate environments and that assist software developers in creating software applications that take advantage of our platforms.

- *Customer Orientation.* We focus on providing compelling user experiences by developing our next generation of products based on customer needs and expectations. In turn, our products help enable the design and development of new user experiences, form factors, and usage models. We offer platforms that incorporate various components and capabilities designed and configured to work together to provide an optimized solution that customers can easily integrate into their products.

- *Acquisitions and Strategic Investments.* We invest in companies around the world that we believe will further our strategic objectives, stimulate growth in the digital economy, create new business opportunities for Intel, and generate financial returns. Our investments take different forms, including acquisition of companies to further advance our strategic objectives, which is exemplified by our acquisition of Altera Corporation (Altera) in Q1 2016. Through the Altera acquisition, we are able to combine programmable solutions with our leading-edge products and manufacturing process to enable new classes of products for the data center and Internet of Things market segments.

- *Corporate Responsibility.* Throughout our history, Intel has expanded the reach, influence, and power of computing to improve people's everyday lives. We set ambitious goals and make strategic investments to drive improvements in environmental sustainability, supply chain responsibility, diversity and inclusion, and social impact that benefit the environment and society. We believe that our focus on corporate responsibility—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. To understand our performance and the progress we are making toward our corporate responsibility goals, refer to "Corporate Responsibility and Sustainability" below and our Corporate Responsibility Report on our website.

Business Organization

We manage our business through the following operating segments:

Client Computing Group (CCG)

Includes platforms designed for notebooks, 2 in 1 systems, desktops (including all-in-ones and high-end enthusiast PCs), tablets, phones, wireless and wired connectivity products, and mobile communication components.

Data Center Group (DCG)

Includes workload-optimized platforms and related products designed for enterprise, cloud, and communication infrastructure market segments.

Internet of Things Group (IOTG)

Includes platforms designed for Internet of Things market segments, including retail, transportation, industrial, video, buildings and smart cities, along with a broad range of other market segments.

Non-Volatile Memory Solutions Group (NSG)

Includes NAND flash memory products primarily used in solid-state drives.

Intel Security Group (ISecG)

Includes security software products designed to deliver innovative solutions that secure computers, mobile devices, and networks around the world.

Programmable Solutions Group (PSG)

Includes programmable semiconductors (primarily FPGAs) and related products for a broad range of market segments, including communications, data center, industrial, military, and automotive.

All Other

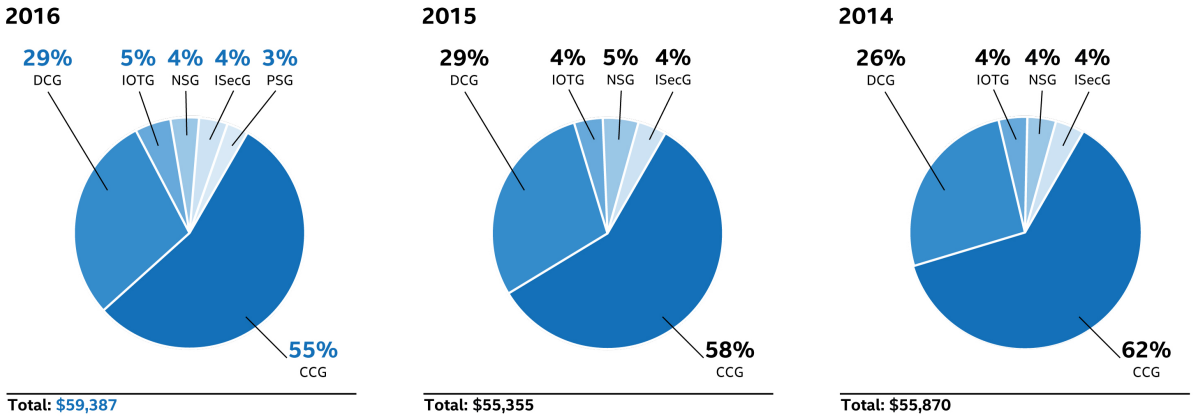
Includes results from our other non-reportable segment and corporate-related charges.

For additional information regarding our operating segments, including the planned divestiture of ISecG, see "Note 4: Operating Segments and Geographic Information" and "Note 10: Acquisitions and Divestitures" in Part II, Item 8 of this Form 10-K.

Revenue by Major Operating Segment

Net revenue for each of our reported operating segments is presented below.

Percentage of Revenue by Major Operating Segment
(Dollars in Millions)



Products

Platforms

We offer platforms that incorporate various components and technologies, including a microprocessor and chipset, a stand-alone System-on-Chip (SoC), or a multichip package. A platform may be enhanced by additional hardware, software, and services offered by Intel. Platforms are used in various form factors across our CCG, DCG, and IOTG operating segments. We derive a substantial majority of our revenue from platforms, which is our principal product.

A microprocessor—the central processing unit (CPU) of a computer system—processes system data and controls other devices in the system. We offer microprocessors with one or multiple processor cores. Multi-core microprocessors can enable improved multitasking and energy-efficient performance by distributing computing tasks across two or more cores. In addition, many of our processor families integrate graphics functionality onto the processor die. In 2016, we released our 7th generation Intel® Core™ processor, formerly code-named Kaby Lake as well as Intel® Xeon® processor E5 v4 family, formerly code-named Broadwell.

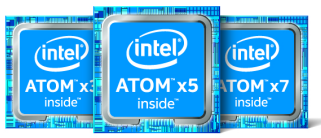
A chipset sends data between the microprocessor and input, display, and storage devices, such as the keyboard, mouse, monitor, hard drive or solid-state drive, and optical disc drives. Chipsets extend the audio, video, and other capabilities of many systems and perform essential logic functions, such as balancing the performance of the system and removing bottlenecks.

We offer and develop SoC and multichip packaging products that integrate our CPUs with other system components, such as graphics, audio, imaging, communication and connectivity, and video, onto a single product. SoC and multichip packaging products are designed to reduce total cost of ownership, provide improved performance due to higher integration and lower power consumption, and enable a variety of our form factors.

We offer a range of platforms based upon the following microprocessors:

Intel® Quark™ Processor

Designed with a level of integration for applications where lower power, size, and cost take priority including wearable technologies and the next generation of intelligent, connected devices



Intel® Atom™ Processor

Designed to deliver performance and mobility in tablets, and 2 in 1 systems, and smartphones as well as power-efficiency in microservers

Intel® Pentium® Processor

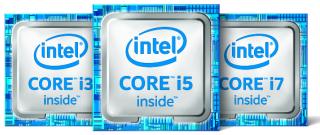
Designed to deliver quality, reliability, and performance for work and play

Intel® Celeron® Processor

Designed to deliver quality, reliability, and performance for work and play

Intel® Core™ m3 Processor

Designed to deliver performance and mobility in thin, sleek, fanless devices



Intel® Core™ i Processor

Designed to deliver maximum performance and built-in security for the most demanding applications

Intel® Xeon® Processor

Designed to deliver advanced performance and energy efficiency for cost effective solutions that scale to address diverse compute, network, and storage requirements

Intel® Xeon Phi™ Processor

Designed to deliver optimized performance for highly parallel workloads

Intel® Itanium® Processor

Designed to deliver mainframe reliability and enterprise performance on a platform that shares common characteristics of the rest of the data center

For additional product information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of this Form 10-K.

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 the lowest power and mobile devices to the most powerful data center servers. These platforms have integrated hardware and software and offer 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 traditional desktops and notebooks. 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 are a relatively recent provider of platforms for tablets and phones, and we face strong competition from vendors that use applications processors based on the ARM* architecture, feature low-power, 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, and 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 industrial, commercial, and consumer uses such as wearables. 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.

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 solid-state drives 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.

Our security business operates in highly competitive, fragmented, and rapidly changing market segments. We are a major provider of cybersecurity products and services to both businesses and consumers. For businesses, we compete with companies selling individual point security products and companies selling multiple security products. We offer businesses a portfolio of products that are integrated into a comprehensive security solution. For consumers, we primarily compete against other major security companies and providers of free security products. Our consumer offerings are designed to protect user data, identity, and devices across the compute continuum.

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 (ASICs), application-specific standard products (ASSPs), graphics processing units (GPUs), digital signal processors (DSPs), 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 price and integration might be among the most important factors for our products for tablets, phones, and other mobile devices.

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.
- *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. Our products utilizing our 14-nanometer (nm) process technology are in the market and we are continuing to work on the development of our next-generation 10nm 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 research and development (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.

Manufacturing and Assembly and Test

In 2016, the majority of our wafer manufacturing was conducted within the U.S. Manufacturing conducted within and outside the U.S. may be impacted by the timing of a facility's transition to a newer process technology, as well as a facility's capacity utilization.

We manufacture our products in facilities at the following locations:

As of December 31, 2016, our microprocessors were manufactured on 300mm wafers, with a substantial majority manufactured using our 14nm and 22nm process technologies. We continue to develop new generations of manufacturing process technology and realize the benefits which enable silicon designs with less space per transistor, reduced heat output from each transistor, and increased number of integrated features on each chip. These advancements make possible innovations of new products with higher functionality while controlling power, cost, and size. We incur factory start-up costs as we ramp our facilities for a new process technology. In 2017, we announced plans to complete our Arizona facility which is targeted for 7nm process technology.

We use third-party foundries to manufacture wafers for certain components, including communications, connectivity, networking, FPGA, and memory products. In addition, we primarily use subcontractors to manufacture board-level products and systems. We purchase certain communications and connectivity products from external vendors primarily in the Asia-Pacific region. In addition to the assembly and test facilities presented on the map, we use subcontractors to augment capacity to perform assembly and test of certain products, primarily chipsets and communications, FPGAs, connectivity, and memory products.

We utilize a multi-source strategy for our memory business to enable a robust and flexible supply chain. In 2016, we began ramping our facility in Dalian, China to produce leading-edge non-volatile memory. This expansion enables us to maintain a cost-effective strategy to best serve our customers in 3D NAND. In addition to our strategic investments to manufacture memory internally, we have a supplemental supply agreement with Micron Technology, Inc. (Micron), as well as capacity from the joint venture, IM Flash Technologies, LLC (IMFT) factory in Lehi, Utah. For further information on IMFT, see "Note 9: Investments" in Part II, Item 8 of this Form 10-K.

Our employment and operating practices are consistent with, and we expect our suppliers and subcontractors to abide by, local country law. Intel expects all suppliers to comply with the Intel Code of Conduct and the Electronic Industry Citizenship Coalition (EICC) Code of Conduct, both of which set standards that address the rights of workers to safe and healthy working conditions, environmental responsibility, compliance with privacy and data security obligations, and compliance with applicable laws. For more information about supply-chain responsibility, refer to "Corporate Responsibility and Sustainability" below and our Corporate Responsibility Report available on Intel's website.

We have thousands of suppliers, including subcontractors, fulfilling our various materials, equipment, and service needs. We set expectations for supplier performance and reinforce those expectations with periodic assessments and audits. We regularly communicate those expectations and work with our suppliers to implement improvements when necessary. Where possible, we seek to have several sources of supply for all materials and resources. However, we may rely on a single or limited number of suppliers, or upon suppliers in a single country. In those cases, we develop and implement plans and actions to reduce the exposure that would result from a disruption in supply. We have entered into long-term contracts with certain suppliers to help ensure a stable supply of silicon and semiconductor manufacturing tools.

Our products are typically manufactured at multiple Intel facilities around the world or by subcontractors. However, some products are manufactured in only one Intel or subcontractor facility, and we seek to reduce the exposure that would result from a disruption at any such facility.

Employees

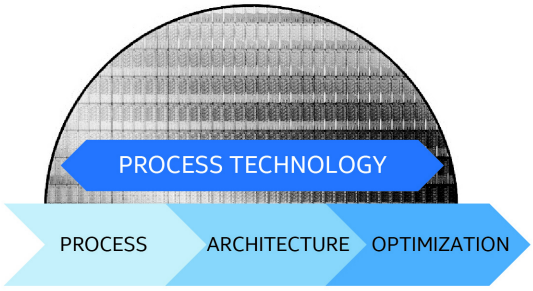
As of December 31, 2016, we had 106,000 employees worldwide, with approximately 50% of those employees located in the U.S.

Research and Development

We are committed to investing in world-class technology development, particularly in the design and manufacture of integrated circuits. R&D expenditures were $12.7 billion in 2016 ($12.1 billion in 2015 and $11.5 billion in 2014).

Our R&D activities are directed toward the delivery of solutions consisting of hardware and software platforms and supporting services across a wide range of computing devices. We are focused on developing the technology innovations that we believe will deliver our next generation of products, which will in turn enable new form factors and usage models for businesses and consumers. We focus our R&D efforts on advanced computing technologies, developing new microarchitectures, advancing our silicon manufacturing process technology, delivering the next generation of platforms, improving our platform initiatives, developing new solutions in emerging technologies (including memory and the Internet of Things), and developing software solutions and tools. Our R&D efforts are intended to enable new levels of performance and address areas such as energy efficiency, system-level integration, security, scalability for multi-core architectures, system manageability, and ease of use.

As part of our R&D efforts, we plan to introduce new microarchitectures for our various products on a regular cadence. We expect to lengthen the amount of time we will utilize our 14nm and our next-generation 10nm process technologies with multiple waves of product offerings, further optimizing our technologies while meeting the yearly market cadence for product introductions.



Advances in our silicon technology have enabled us to continue making Moore’s Law a reality. In 2014, we began manufacturing our 5th generation Intel Core processor family using our 14 nm process technology. In 2015, we released a new microarchitecture (our 6th generation Intel Core processor family), using our 14nm process technology. We enhanced the 14nm process on our 7th generation Intel Core processor family in 2016 and plan to further optimize our technologies with the upcoming 8th generation Intel Core processor family in 2017. We continue to make progress on developing our next-generation 10nm manufacturing process technology.

We have continued expanding on the advances anticipated by Moore's Law by bringing new capabilities into silicon and producing new products optimized for a wider variety of applications. We expect that these advances will result in a significant reduction in transistor leakage, lower active power, and an increase in transistor density. These advances in our process technologies will enable new classes of products, from smart and connected things and devices to high performance systems that power data centers. For instance, we offer the Intel® Atom™ processor-based Intel® Joule™ compute module, a high-performance system-on-module designed to enable developers and entrepreneurs to go from concept to prototype to production in less time and at lower cost than with traditional system development.

With our continued focus on silicon and manufacturing technology leadership, we entered into a series of agreements with ASML Holding N.V. (ASML) in 2012, certain of which were amended in 2014 to further define the commercial terms between the parties. These amended agreements, in which Intel agreed to provide R&D funding over five years, are intended to accelerate the development of extreme ultraviolet (EUV) lithography projects and deep ultraviolet immersion lithography projects, including generic developments applicable to both 300mm and 450mm.

Our R&D activities include initiatives that further enhance our platform solutions, for example:

- The development of multi-mode LTE* and 5G technology, which brings connectivity capability to smart and connected devices and will power the 5G network infrastructure;
- Memory technology innovation with 3D XPoint™ and 3D NAND technologies, which enables higher density and high performance storage and system memory solutions;
- Integration of FPGA technology, which enables new classes of products for the data center and Internet of Things market segments; and
- Other initiatives, such as leading-edge foundry platforms, ecosystem partner development, graphics, and high-performance computing.

Our R&D model is based on a global organization that emphasizes a collaborative approach to identifying and developing new technologies, leading standards initiatives, and influencing regulatory policies to accelerate the adoption of new technologies, including joint pathfinding conducted between researchers at Intel Labs and our business groups. We centrally manage key cross-business group product initiatives to align and prioritize our R&D activities across these groups. In addition, we may augment our R&D activities by investing in companies or entering into agreements with companies that have similar R&D focus areas, as well as directly purchasing or licensing technology applicable to our R&D initiatives. To drive innovation and gain efficiencies, we intend to utilize our investments in intellectual property and R&D across our market segments.

Sales and Marketing

Customers

We sell our products primarily to OEMs and 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 and Geographic Information" in Part II, Item 8 of this Form 10-K.

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 a program that allows 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, private-label branding, and other matters. 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, 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 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

Over time, our larger customers have generally moved to 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 Intel corporate brand that connects 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. 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.

Intellectual Property Rights and Licensing

Intel owns 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 purchase patents from third parties to supplement our patent portfolio. 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.

Corporate Responsibility and Sustainability

We have a long history of leadership in corporate responsibility and set ambitious goals and drive improvements in key focus areas of environmental sustainability, supply chain responsibility, diversity and inclusion, and social impact.

We are committed to environmental sustainability and take a leadership position in promoting voluntary environmental initiatives by working proactively with governments, environmental groups, and industry. To minimize the environmental impact of our global manufacturing operations, 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. For the past nine years, we have been the largest voluntary corporate purchaser of green power in the U.S. according to the U.S. Environmental Protection Agency, helping to stimulate the market for green power and reduce energy costs. We seek to reduce the environmental impact of our products through product ecology and e-waste initiatives and by designing products with improved energy-efficient performance, which helps us meet customer needs and identify market expansion opportunities. We believe that technology will be fundamental to finding solutions to the world's environmental challenges, and we are joining forces with others to find and promote ways that technology can be used as a tool to address climate change and water conservation.

We are committed to advancing supply chain responsibility, as we believe this creates value by reducing risk, improving product quality, and raising the overall performance of our suppliers. Our efforts are designed to protect vulnerable workers throughout the global supply chain and include setting clear supplier expectations, investing in assessments, audits, and capability-building programs, and collectively addressing issues through our leadership in the Electronic Industry Citizenship Coalition (EICC). We have also led the industry on the conflict minerals issue and have worked extensively since 2008 to put in place processes and systems to develop ethical sourcing of tin, tantalum, tungsten, and gold for Intel and to prevent profits from the sale of those minerals from funding conflict in the Democratic Republic of the Congo (DRC) and adjoining countries. Since 2013, we have manufactured microprocessors that are DRC conflict-free for tantalum, tin, tungsten, and gold. We continue our work to establish responsible mineral supply chains for our company as well as our industry.

Diversity and inclusion are integral parts of our corporate strategy and vision. We believe that investing in training, diversity, benefits programs, and education helps us to attract and retain a talented workforce. In 2015, Intel set a goal to achieve full representation of women and underrepresented minorities in our U.S. workforce by 2020, reflecting talent available in the marketplace. We plan to spend $300 million to support this goal and accelerate diversity and inclusion—not just at Intel, but across the technology industry at large.

We and the Intel Foundation, a charitable organization, advance social impact initiatives and collaborative engagements to empower the next generation of innovators and expand economic opportunity for young people around the world through programs that increase access to technology skills and provide hands-on innovation experiences. Our social impact initiatives build trust with key stakeholders, support our long-term talent and diversity objectives, and support expansion of future market opportunities.

For more information about our corporate responsibility efforts, refer to our Corporate Responsibility Report available on Intel's website.

Distribution of Company Information

Our Internet address is *www.intel.com*. 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, *www.intc.com,* 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 filings on our website the same day they are electronically filed with, or furnished to, the U.S. Securities and Exchange Commission (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 *www.intc.com/results.cfm*, 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, *www.sec.gov,* 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.

Executive Officers of the Registrant

Our executive officers are listed below:

Name	Age	Office(s)
Andy D. Bryant	66	Chairman of the Board
Brian M. Krzanich	56	Chief Executive Officer
Diane M. Bryant	54	Executive Vice President; General Manager, Data Center Group
Dr. Venkata S.M. ("Murthy") Renduchintala	51	Executive Vice President; President, Client and Internet of Things Businesses and System Architecture Group
Stacy J. Smith	54	Executive Vice President, Manufacturing, Operations and Sales
Robert H. Swan	56	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. 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 joined Intel in 1981. 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. 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 joined Intel in 1982. 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.

Diane M. Bryant has been General Manager of DCG since February 2012, and Executive Vice President since April 2016. In her current role, she manages strategy and product development for enterprise and government, cloud service providers, and communications service providers, spanning server, storage, and network solutions. From May 2008 to February 2012, Ms. Bryant was Corporate Vice President and Chief Information Officer, responsible for corporate-wide information technology solutions and services. Ms. Bryant also serves on the board of directors of United Technologies Corp.

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.

Stacy J. Smith has been Executive Vice President, Manufacturing, Operations and Sales of Intel since October 2016. In that role, Mr. Smith leads the global Technology and Manufacturing Group and worldwide sales organization. From November 2012 to October 2016, he served as Executive Vice President, Chief Financial Officer. Previously, Mr. Smith served as Senior Vice President, Chief Financial Officer from January 2010 to November 2012; Vice President, Chief Financial Officer from 2007 to 2010; and Vice President, Assistant Chief Financial Officer from 2006 to 2007. From 2004 to 2006, Mr. Smith served as Vice President, Finance and Enterprise Services and Chief Information Officer. Mr. Smith joined Intel in 1988. Mr. Smith also serves on the board of directors of Autodesk, Inc.

Robert 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—information technology, 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. Prior to General Atlantic, 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.

ITEM 1A. RISK FACTORS

The following risks could materially and adversely affect our business, financial condition, 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 "Management's Discussion and Analysis of Financial Condition and 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. Changes in the demand for our products may reduce our revenue, increase our costs, lower our gross margin percentage, or require us to write down the value of our assets. 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. Important factors that could lead to variation in the demand for our products include changes in:

- business conditions, including downturns in the computing industry, 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 product needs;
- market acceptance and industry support of our new and maturing products; and
- the technology supply chain, including supply constraints caused by natural disasters or other events.

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 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, our business focus has expanded and now includes the design and production of platforms and other products for the data center, Internet of Things, and memory market segments, including FPGA products, connectivity products, and a number of other products and services for a wide range of connected devices. 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. 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, 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 consumer and 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. Our R&D efforts are critical to our success and are aimed at solving complex problems, and we do not expect all of our projects to be successful. We may be unable to develop and market new products successfully, and the products we invest in and develop may not be well-received by customers. Our R&D investments may not generate significant operating income or contribute to our future operating results for several years, 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 increased costs and 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 harm our financial results. Our pricing and margins vary across our products and market segments due to differences in product features or manufacturing costs. For example, our platform product offerings range from lower-priced and entry-level platforms, such as those based on Intel Quark or Intel Atom processors, to higher-end platforms based on Intel Xeon processors. If demand shifts from our higher-priced to lower-priced platforms in any of our market segments, our gross margin and revenue would decrease. In addition, when products are introduced, they tend to have higher costs because of initial development costs and lower production volumes relative to the previous product generation, which can impact gross margin.

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 78% of our revenue for the fiscal year ended December 31, 2016. 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 local economic conditions;
- geopolitical and security issues, such as armed conflict and civil or military unrest, crime, 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;
- 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 normal standards and practices; and
- increased uncertainty regarding social, political, immigration and trade policies in the U.S. and abroad, such as recent U.S. legislation and policies and the United Kingdom's referendum to withdraw from the European Union ("Brexit").

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; anti-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. 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.

Catastrophic events or geopolitical conditions could have a material adverse effect on our operations and financial results. Our operations or systems could be disrupted by natural disasters; industrial accidents; geopolitical conditions; terrorist activity; 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.

Due to the variability in demand for our products and the complexity of our manufacturing operations, we may be unable to timely respond to fluctuations in demand. Our operations have high costs that are either fixed or difficult to reduce in the short term, including our costs related to manufacturing, such as 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. 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. Factory-planning decisions may shorten the useful lives of facilities and equipment and cause us to accelerate depreciation.

Conversely, if product demand increases, we may be unable to add capacity fast enough to meet market demand. Our revenue and gross margin can also be affected by the timing of our product introductions and related expenses, including marketing expenses.

We are subject to risks associated with the development and implementation of new manufacturing process technology. We may not be successful or efficient in developing or implementing new production processes. Production of integrated circuits is a complex process. We are continually engaged in the transition from our existing process to the next-generation process technology. This consistent innovation involves significant expense and carries inherent risks, including difficulties in designing and developing next-generation process technologies, development and 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 from operations.

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 for all of those materials. 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 adequate supplies of production materials or other supplies could disrupt our production processes or make it more difficult for us to implement our business strategy. Production could be disrupted by the unavailability of resources used in production, 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, mobile and 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 financial results.

In addition, there are regulatory and other requirements, restrictions, and requests from various constituencies regarding sourcing practices and supplier conduct, with a trend toward expanding the scope of materials and locations where materials originate, regulating supplier behaviors, and increasing the required disclosures regarding such matters by public companies. Increased regulation and public pressure in this area would cause our compliance costs to increase and could negatively affect our reputation 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 their procurement or employment practices.

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, markets, technologies, or applications through the Internet of Things, including wearables, drones and transportation, and 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 as a result of possible shortages of our components or for other reasons. 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 laws and 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;
- reputational challenges; 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 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 that may become increasingly vulnerable to 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 due the lack of available infrastructure.

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 the IP rights are invalid, not enforceable, or licensed to the opposing party. Our assertion of IP rights may result in the other 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 serve to 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. Companies in our industry 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, we might have to grant these 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 those who have acquired patent portfolios to assert claims against other companies. We are normally engaged in a number of litigation matters involving IP rights. Claims that our products or processes infringe the IP rights of others, whether or not meritorious, could cause us to incur large costs to respond to, defend, and resolve, and they may divert the efforts and attention of management and technical personnel. In addition, we may face claims based on the theft or unauthorized use or disclosure of third-party trade secrets and other confidential business 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. 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;
- 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 IP and/or implement industry standards, which 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 IP, or to use such 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" in Part II, Item 8 of this Form 10-K, 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, results of operations, financial position, and overall trends. In addition, regardless of the outcome, litigation 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 restricted stock units (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 cybersecurity and privacy risks.

Third parties 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 information technology (IT) systems. Additionally, malicious hackers 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 and the high profile of our commercial security products, we or our products and services 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. 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. In some instances, we, our customers, and the users of our products and services might be unaware of an incident or its magnitude and effects. 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 patches to our products and services, we remain potentially vulnerable to additional known or unknown threats. Such incidents, whether successful or unsuccessful, could result in our incurring significant costs related to, for example, rebuilding internal systems, reduced inventory value, providing modifications to our products and services, defending against litigation, responding to regulatory inquiries or actions, paying damages, 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. Publicity about vulnerabilities and attempted or successful incursions could damage our reputation with customers or users, and reduce demand for our products and services.

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 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 risks associated with 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 availability to the company of 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 transactions could fail to achieve strategic objectives, disrupt our ongoing business, and harm 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 transactions, such as joint ventures. Given that our resources are limited, 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 strategic objectives. In addition to opportunity costs, these transactions involve large challenges and risks, including risks that:

- the transaction may not advance our business strategy;
- we may be unable to identify opportunities on terms acceptable to us;
- we may not realize a satisfactory return;
- we may experience disruption of our ongoing operations;
- we may be unable to retain key personnel;
- we may experience difficulty in integrating new employees, business systems, and technology;
- acquired businesses may not have adequate controls, processes, and procedures to ensure compliance with laws and regulations, and our due diligence process may not identify compliance issues or other liabilities;
- we may have difficulty entering new market segments;
- we may be unable to retain the customers and partners of acquired businesses; and/or
- there may be unknown, underestimated, and/or undisclosed commitments or liabilities.

When we decide to sell assets or a business, we may have difficulty selling on acceptable terms in a timely manner, and the agreed-upon terms and financing arrangements could be renegotiated due to changes in business or market conditions. These circumstances could delay the achievement of our strategic objectives or cause us to incur additional expense, or we may sell a business at a price or on terms that are less favorable than we had anticipated, resulting in a loss on the transaction.

If we do enter into agreements with respect to acquisitions, divestitures, or other transactions, we may fail to complete them due to factors such as:

- failure to obtain regulatory or other approvals;
- IP disputes or other litigation; or
- difficulties obtaining financing for the transaction.

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, concentration, credit risk, 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 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 U.S. government business.

Our results of operations could vary as a result of the methods, estimates, and judgments that we use in applying accounting policies.

The methods, estimates, and judgments used in applying accounting policies are subject to significant risks, uncertainties, assumptions, and changes that could affect our financial position and results of operations. For more information, see "Critical Accounting Estimates" in Part II, Item 7 and "Note 2: Accounting Policies" in Part II, Item 8 of this Form 10-K.

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 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 U.S. generally accepted accounting principles; and
- our decision to repatriate non-U.S. earnings for which we have not previously provided for U.S. taxes.

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 and changes in tax laws.

Workforce restructuring actions may be disruptive to our operations and adversely affect our financial results.

In response to the business environment and to accomplish our strategic objectives, we have announced restructurings of our operations and have made other adjustments to our workforce. We may pursue similar actions in the future, and such workforce changes can result in restructuring charges in addition to those described in "Note 7: Restructuring and Other Charges" in Part II, Item 8 of this Form 10-K. Any such workforce changes can also temporarily reduce workforce productivity, which could be disruptive to our business and adversely affect our results of operations. In addition, if our restructurings are perceived negatively, our corporate reputation and ability to attract employees could suffer. Moreover, we may not achieve or sustain the expected cost savings or other benefits of our restructuring plans, or do so within the expected time frame.

Additional factors that could cause actual results to differ materially from our expectations with regard to our restructuring activity include:

- timing and execution of plans and programs that may be subject to local labor law requirements, including consultation with appropriate works councils;
- assumptions related to severance, post-retirement, and relocation costs;
- future acquisitions, dispositions, or investments;
- new business initiatives and changes in product roadmap, development, and manufacturing; and/or
- assumptions related to cost savings, product demand, and operating efficiencies.

There are inherent limitations on the effectiveness of our controls.

We do not expect that our disclosure controls 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 resource constraints exist, 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 due to changes in conditions or deterioration in the degree of compliance with policies or procedures. If our controls become inadequate, we could fail to meet our financial reporting obligations, our reputation may be adversely affected, our business and operating results could be harmed, and the market price of our stock could decline.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

As of December 31, 2016, our major facilities consisted of:

(Square Feet in Millions)	United States	Other Countries	Total
Owned facilities[1]	31.5	19.2	50.7
Leased facilities[2]	2.5	7.1	9.6
Total facilities	**34.0**	**26.3**	**60.3**

[1] *Leases and municipal grants on portions of the land used for these facilities expire on varying dates through 2109.*

[2] *Leases expire on varying dates through 2058 and generally include renewals at our option.*

Our principal executive offices are located in the U.S. and the majority of our wafer manufacturing activities in 2016 were also located in the U.S. One of our Arizona wafer fabrication facilities is currently on hold and held in a safe state, and we are reserving the building for additional capacity and future technologies. Incremental construction and equipment installation are required to ready the facility for its intended use. For more information on our wafer fabrication and our assembly and test facilities, see "Manufacturing and Assembly and Test" in Part I, Item 1 of this Form 10-K.

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. For information on net property, plant and equipment by country, see "Note 4: Operating Segments and Geographic Information" in Part II, Item 8 of this Form 10-K.

ITEM 3. LEGAL PROCEEDINGS

For a discussion of legal proceedings, see "Note 20: Commitments and Contingencies" in Part II, Item 8 of this Form 10-K.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.