

INTEL CORP
Form 10-K
February 01, 2019
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K
(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 29, 2018.

or
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission File Number 000-06217

INTEL CORPORATION
(Exact name of registrant as specified in its charter)
Delaware 94-1672743
State or other jurisdiction of (I.R.S. Employer
incorporation or organization Identification No.)

2200 Mission College Boulevard, Santa Clara, California 95054-1549
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (408) 765-8080

Securities registered pursuant to Section 12(b) of the Act:
Title of each class Name of each exchange on which registered
Common stock, \$0.001 par value The Nasdaq Global Select Market*

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every interactive data file required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No
Aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant as of June 29, 2018, based upon the closing price of the common stock as reported by the Nasdaq Global Select Market on such date, was \$229.2 billion. 4,497 million shares of common stock were outstanding as of January 26, 2019.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's proxy statement related to its 2019 Annual Stockholders' Meeting to be filed subsequently are incorporated by reference into Part III of this Annual Report on Form 10-K. Except as expressly incorporated by reference, the registrant's proxy statement shall not be deemed to be part of this report.

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ORGANIZATION OF OUR ANNUAL REPORT ON FORM 10-K

The order and presentation of content in our Annual Report on Form 10-K (Form 10-K) differs from the traditional U.S. Securities and Exchange Commission (SEC) Form 10-K format. We believe that our format improves readability and better presents how we organize and manage our business. See "Form 10-K Cross-Reference Index" within the Financial Statements and Supplemental Details for a cross-reference index to the traditional SEC Form 10-K format. The preparation of consolidated financial statements is in conformity with U.S. generally accepted accounting principles (GAAP). We have included key metrics that we use to measure our business, some of which are non-GAAP measures. See these "Non-GAAP Financial Measures" within Other Key Information.

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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,” “will,” “would,” “should,” “could,” and variations of such words and similar expressions are intended to identify such forward-looking statements. In addition, any statements that refer to projections of our future financial performance, our anticipated growth and trends in our businesses, projected growth and trends in markets relevant to our businesses, future products and the expected availability and benefits of such products, uncertain events or assumptions, including statements relating to total addressable market (TAM) or market opportunity, and other characterizations of future events or circumstances are forward-looking statements. Such statements are based on management’s expectations as of the date of this filing and involve many risks and uncertainties that could cause our actual results to differ materially from those expressed or implied in our forward-looking statements. Such risks and uncertainties include those described throughout this report and particularly in “Risk Factors” within Other Key Information. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. Readers are urged to carefully review and consider the various disclosures made in this Form 10-K and in other documents we file from time to time with the SEC that disclose risks and uncertainties that may affect our business. The forward-looking statements in this Form 10-K do not reflect the potential impact of any divestitures, mergers, acquisitions, or other business combinations that had not been completed as of the date of this filing. In addition, the forward-looking statements in this Form 10-K are made as of the date of this filing, including expectations based on third-party information and projections that management believes to be reputable, and Intel does not undertake, and expressly disclaims any duty, to update such statements, whether as a result of new information, new developments, or otherwise, except to the extent that disclosure may be required by law.

NOTE REGARDING THIRD-PARTY INFORMATION

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

INTEL UNIQUE TERMS

We use specific terms throughout this document to describe our business and results. Below are key terms and how we define them:

PLATFORM PRODUCTS	A microprocessor (processor or central processing unit (CPU)) and chipset, a stand-alone System-on-Chip (SoC), or a multichip package, based on Intel® architecture. Platform products are primarily used in solutions sold through the Client Computing Group (CCG), Data Center Group (DCG), and Internet of Things Group (IOTG) segments.
ADJACENT PRODUCTS	All of our non-platform products for CCG, DCG, and IOTG, such as modem, Ethernet and silicon photonics, as well as Non-Volatile Memory Solutions Group (NSG), Programmable Solutions Group (PSG), and Mobileye products. Combined with our platform products, adjacent products form comprehensive platform solutions to meet customer needs.
PC-CENTRIC BUSINESS	Our CCG business, including both platform and adjacent products.
DATA-CENTRIC BUSINESSES	Our DCG, IOTG, NSG, PSG, and all other businesses, including Mobileye.

* Other names and brands may be claimed as the property of others.

The Bluetooth® word mark and logos are registered trademarks owned by Bluetooth SIG, Inc. and any use of such marks by Intel Corporation is under license.

Intel, the Intel logo, 3D XPoint, Arria, Celeron, Intel Atom, Intel Core, Intel Inside, the Intel Inside logo, Intel Nervana, Intel Optane, Intel Xeon Phi, Itanium, Movidius, Myriad, OpenVINO, Pentium, Quark, Stratix, Thunderbolt, Xeon, and XMM are trademarks of Intel Corporation or its subsidiaries in the U.S. and/or other countries.

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INTRODUCTION TO OUR BUSINESS

We are a world leader in the design and manufacturing of essential technologies that power the cloud and an increasingly smart, connected world. We offer computing, networking, data storage, and communications solutions to a broad set of customers spanning multiple industries. In 1968, Intel was incorporated in California (reincorporated in Delaware in 1989), in what became known as Silicon Valley, and our technology has been at the heart of computing breakthroughs ever since.

We're now in the midst of a corporate transformation as we grow beyond our traditional PC and server businesses into data-rich markets addressing the explosive demands to process, analyze, store, and transfer data. The transformation is well underway, with our data-centric businesses representing an increasing share of our overall revenue.

Our vision is to build a smart and connected world that runs on Intel® solutions. This vision is supported by our commitment to corporate responsibility, our relentless pursuit of Moore's Law, and the talent of our amazing employees.

"Don't be encumbered by history. Go off and do something wonderful."

– Bob Noyce, Intel Co-Founder

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A YEAR IN REVIEW

Five years ago, we set out a strategy to transform from a PC-centric to a data-centric company. Our 2018 results serve as a strong proof point that our strategy is working and our transformation is well underway. We achieved record revenue and earnings per share (EPS), driven by strong business performance, continued operating leverage, and a lower tax rate. Revenue from our data-centric businesses collectively increased by double digits. Our PC-centric business grew above our expectations and continued to be a source of profit, cash flow, scale, and intellectual property (IP). While we have had delays in implementing our 10 nanometer (nm) manufacturing process technology, we have continued to innovate in our 14nm products, introducing leadership products that deliver more value to our customers. We've expanded beyond PC and server businesses with significant growth in adjacent products, and gained share in an expanded \$300 billion TAM¹. Our employees are executing to our strategy by developing compelling technology and delivering innovative products to our customers, enabling strong financial growth.

"The investments in technology and talent we have made in our transformation to a data-centric company position Intel to serve a broader set of customers in an expanded market for silicon."

—Bob Swan, Intel Chief Executive Officer

REVENUE		OPERATING INCOME		DILUTED EPS	
PC-CENTRIC \$B	DATA-CENTRIC \$B	GAAP \$B	NON-GAAP \$B	GAAP	NON-GAAP
\$70.8B	\$23.3B	\$24.5B	\$4.48	\$4.58	
GAAP	GAAP	non-GAAP ²	GAAP	non-GAAP ²	
Revenue up \$8.1B or 13% from 2017; data-centric up 18% and PC-centric up 9%	Operating income up \$5.3B or 29% from 2017	Operating income up \$4.9B or 25% from 2017	Diluted EPS up \$2.49 or 126% from 2017	Diluted EPS up \$1.11 or 32% from 2017	
Strong growth with record revenue across the business.	Top-line growth and continued operating margin leverage while investing in key opportunities such as artificial intelligence (AI) and autonomous driving.		Demand for high-performance products, adjacency growth, disciplined spending focus, and lower tax rate from Tax Reform ³ .		

GOAL	GOAL	GOAL
Achieve at least low	Grow non-GAAP operating	Grow non-GAAP diluted EPS

double-digit growth of data-centric businesses and limit PC-centric business decline to low single digits. faster than non-GAAP operating income.

RESULT ACHIEVED RESULT ACHIEVED RESULT ACHIEVED

Exceeded our goal on both fronts with 18% data-centric businesses growth and 9% PC-centric business growth. Total revenue was approximately \$6.0 billion higher than our expectation at the beginning of 2018. On a non-GAAP basis, operating income grew faster than revenue two years in a row. From 2017 to 2018, non-GAAP operating income grew 25%, compared to 13% revenue growth. On a non-GAAP basis, diluted EPS grew faster than operating income two years in a row. From 2017 to 2018, non-GAAP diluted EPS grew 32%, compared to 25% non-GAAP operating income growth.

¹ Source: Intel calculated 2022 TAM derived from industry analyst reports.
² See "Non-GAAP Financial Measures" within Other Key Information.
³ Tax Reform refers to the U.S. Tax Cuts and Jobs Act enacted in December 2017.

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DATA-CENTRIC
BUSINESSES
EXPAND
PC-CENTRIC BUSINESS THRIVES
WITH
NEW
OPPORTUNITIES

Our focus on product segmentation, innovation, and performance in PCs continued. To extend product leadership and data-centric value to customers, we launched our 9th generation Intel® Core™9 processors, which target the growing business market segment.

have
grown
significantly
over
the
last
two
years.
To
extend
the
momentum
of
this
growth,
we
continue
to
offer
innovative
new
products
that
provide
higher
performance
and
better
value
for
our
customers.
We
expect
that
our
leadership
products

such
as
the
second
generation
Intel® Xeon® Scalable
processors
and
Intel® Stratix®10
SX
FPGA
will
further
advance
our
opportunity
in
AI
and
help
our
customers
process
and
analyze
the
flood
of
data
implicit
in
big
bets.

BIG BETS MAKE PROGRESS

Our big bets are memory, autonomous driving, and 5G, and we have made progress on all fronts to expand and compete in the data-centric world. We are shipping Intel® Optane™ DC persistent memory for data centers. We also announced our first 5G new radio (NR) multi-mode modem for 2019 and our plan to commercialize Mobility-as-a-Service (MaaS) with autonomous vehicles through a joint venture starting 2019.

WE ARE PROUD OF OUR HERITAGE

Fifty years ago, Robert Noyce and Gordon Moore founded Intel. In honor of our golden anniversary, we are embracing Noyce's inspiring challenge, "Don't be encumbered by history. Go off and do something wonderful." We celebrated our heritage and the wonderful things we are doing to create a bright future for Intel and the world. Two years ahead of schedule, we announced that we have achieved our goal of a U.S. workforce that reflects the diversity of the available skilled labor market.

BOB SWAN OUR NEW CEO

On January 30, 2019, our Board of Directors appointed Bob Swan as our Chief Executive Officer, the seventh CEO in Intel's 50-year history. Mr. Swan joined Intel as our Chief Financial Officer in October 2016.

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OUR STRATEGY

We are in the midst of one of the most significant transformations in our corporate history. Over the last five years, we've made key investments and decisions to enter data-rich markets and deploy our IP and manufacturing technologies to redefine and expand our target market. We have evolved from a PC-centric company with a server business, to a data-centric company with an expanding portfolio of technology solutions that address customer needs across platform, storage, connectivity, and software. This transformation is evidenced by our 2018 revenue, of which roughly half was earned from data-centric businesses, and the expansion of our TAM, which we last estimated at more than \$300 billion¹.

Our customers are looking for solutions that can process, analyze, store, and transfer data—turning it into actionable insights, amazing experiences, and competitive advantages. The Intel® architecture platform provides the foundation for new solutions that take advantage of this growth of data.

MAKE THE WORLD'S BEST SEMICONDUCTORS

We make significant investments and innovations in our silicon manufacturing technologies and platforms. Our proprietary technologies make it possible to integrate products and platforms that address evolving customer needs and expand the markets we serve. Our innovation strategy includes investments in advanced manufacturing processes and packaging, architecture, interconnects, and embedded security features, as part of our efforts to be the leading end-to-end platform provider.

Realizing the economics of Moore's Law has been and will continue to be a strategic priority, making possible the innovation of new high-performance products and improving user experience at exponential rates while balancing performance, cost, and power to meet our customers' needs. Unlike many semiconductor companies, we primarily develop and manufacture our products in our own facilities using our proprietary process technologies. We have the scale and expertise necessary to enable deep engagement with our customers, which provides us with a competitive advantage. Our manufacturing capital enables us to optimize performance, shorten time-to-market for new product introduction, and control essential elements of our supply chain. Sharing architectural innovation and IP enables us to spread our investments over a large manufacturing base of products, which reduces our costs and increases our return on capital.

LEAD THE AI AND AUTONOMOUS REVOLUTION

We are positioned to be a driving force of the AI and autonomous revolution. By striving to build the world's best AI platform, our strategy is to meet the needs of our most innovative customers, to advance and accelerate the AI industry's open software stacks, to deliver the best AI products, and to seed and drive the AI ecosystem. Mobileye's EyeQ* family of SoCs is already the automobile industry's leading solution for advanced driver assistance systems (ADAS). Mobileye is building on that leadership as the industry pursues higher levels of autonomy, developing Road Experience Management for real-time crowdsourced mapping, and the Responsibility Sensitive Safety model for autonomous vehicle safety. Customers use Intel® Xeon® processors for workloads such as image recognition, enhanced public security, and natural language processing, the foundation of the AI revolution. Intel® Nervana™ Neural Network Processors and Intel® Movidius™ Myriad™ Vision Processing Units (VPUs) provide a comprehensive suite of hardware and software technologies that deliver broad capabilities and support diverse approaches for AI, enabling our customers to infuse AI into everything they do.

¹ Source: Intel calculated 2022 TAM derived from industry analyst reports and internal estimates.

FUNDAMENTALS OF OUR BUSINESS Our Strategy 6

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BE THE LEADING END-TO-END PLATFORM PROVIDER FOR THE NEW DATA WORLD

Growth in processing power and breakthroughs in connectivity, storage, memory, and algorithms have led to a new era of data-centric computing. We have an unparalleled product portfolio that spans the entire data-centric market and we are inventing new solutions in the highest growth areas by investing across six engineering pillars:

- advanced manufacturing processes and packaging;
- new architectures to speed up specialized tasks like AI and graphics;
- super-fast memory;
- interconnects;
- embedded security features; and
- common software to unify and simplify programming for developers across our compute roadmap.

We are making significant investments and pursuing innovations in these areas to drive leaps forward in technology and user experience, and meet our customers' data needs.

Enabling our customers to move faster, store more, and process everything is at the core of our strategy. Our customers' appetite for high-performance computing is greater than ever and, in response, we continue to make investments in optimizing our Intel® Xeon® processors. 5G connectivity will transform industries from all business sectors, initiating ripples of impact that spur market growth and the global economy. We are collaborating with ecosystem and vertical industry partners to define, prototype, test, and deliver 5G standards and solutions. We are also unveiling innovative memory and storage solutions, including Intel® QLC 3D NAND and Intel® Optane™ memory, and providing data center products that are optimized to deliver world-class performance and drive lower total cost of ownership for cloud workloads. Our advancements in programmable solutions, such as FPGAs, can efficiently manage the changing demands of next-generation data centers and accelerate the performance of emerging applications.

From end-to-end, our solutions help our customers stay ahead of their growing infrastructure demands by offering scale, innovation, and expertise from the edge to the cloud and back.

RELENTLESS FOCUS ON OPERATIONAL EXCELLENCE AND EFFICIENCY

Underlying our transformation to a data-centric company is a relentless focus on operational excellence and efficiency. This focus includes the elimination of lower growth investments and activities, and the simplification and automation of routine processes and activities. These improvements enable us to achieve scale in our core operations, providing a stable and cost-effective platform to support additional investments in the design, development, and production of products that delight our customers. Operational excellence helps us fund the expansion of our TAM through big-bet investments such as memory, 5G technology, and autonomous driving.

CONTINUE TO HIRE, DEVELOP AND RETAIN THE BEST, MOST DIVERSE AND INCLUSIVE TALENT

Andy Grove, former Intel CEO and Chairman, once said, "A corporation is a living organism; it has to continue to shed its skin. Methods have to change. Focus has to change. Values have to change. The sum total of those changes is transformation." At the core of our organization are highly skilled, diverse, and talented people capable of accelerating, as one team, in everything we do. Our rich and powerful culture sets a solid foundation based upon 50 years of invention; product leadership; purposeful leadership in corporate governance practices; and partnership with suppliers, customers, regulators, and local communities in the development and deployment of sustainable business practices. We are proud of our past and inspired by our employees who are rising to the challenge to transform our methods, focus, and values in a way that helps each person achieve their personal best in delighting our customers with compelling products, winning in dynamic and competitive markets, and making a positive impact on our communities.

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HOW WE ORGANIZE OUR BUSINESS

DATA-CENTRIC BUSINESSES¹

KEY PRODUCTS AND
MARKETS

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

KEY PRODUCTS AND
MARKETS

Includes Intel® Optane™ technology and 3D NAND flash memory, primarily used in solid-state drives (SSDs).

OF INTEL'S TOTAL REVENUE

OF INTEL'S TOTAL REVENUE

KEY PRODUCTS AND
MARKETS

Includes high-performance compute solutions for targeted verticals and embedded applications in market segments such as retail, manufacturing, health care, energy, automotive, and government.

KEY PRODUCTS AND
MARKETS

Includes programmable semiconductors, primarily field-programmable gate arrays (FPGAs), and related products for a broad range of markets, such as communications, data center, industrial, and military.

OF INTEL'S TOTAL REVENUE

OF INTEL'S TOTAL REVENUE

HIGHLIGHTS

Our data-centric businesses collectively grew 18% led by the growth in DCG, due in part to customer transition to Intel® Xeon® Scalable processors and higher demand across cloud and communication service providers. To extend the growth, we have new products, such as the Intel® Programmable Acceleration Card (Intel® PAC) with Intel® Stratix® 10 SX FPGA, and are now shipping the second generation Intel Xeon Scalable processor and Intel® Optane™ DC persistent memory, which combines the speed of traditional memory with the capacity and native persistence of storage. In addition, Mobileye continued to secure new design wins at major U.S. and global automakers and announced plans to commercialize MaaS.

OPPORTUNITIES

We have expanded our data-centric TAM to \$200 billion² with acquisitions and product innovations. Our broadened portfolio enables new opportunities for us and creates better synergistic value for our customers. For example, our product offerings for AI workloads reach from the cloud to the edge, and we are developing CPU, graphics processing unit (GPU), FPGA, and AI accelerator products to span inference and training AI workloads, while also pursuing ongoing software optimizations for AI.

CHALLENGES

Our 2018 revenue growth exceeded our expectation and put pressure on our factory network. We prioritized production on server and higher performance PC market segments, which consequently constrained supply in other areas, including IOTG. In addition, due to challenging market conditions, as well as continued investments in new memory products and in manufacturing capacity, the profitability of our memory business improved more slowly than expected in 2018. Our data center business was impacted by weakness in China demand and cloud market segment deceleration in Q4 2018.

PC-CENTRIC

KEY PRODUCTS AND
MARKETS

Includes platforms designed for end-user form factors, focusing on

HIGHLIGHTS

CCG had record revenue and

higher growth segments of 2-in-1, thin-and-light, commercial and gaming, and growing adjacencies such as WiFi and modem.

operating income with three years of growth in a row by executing to our strategy. We announced additions to our 8th generation Intel® Core™ mobile processors, the first Intel® Core™ i9 processor for laptops, and the first 9th generation Intel® Core™ processor, i9-9900K, targeting the growing gaming market segment.

OPPORTUNITIES

We are targeting an expanded \$60 billion revenue TAM², which is \$25 billion higher than our traditional CPU TAM. This expanded

OF INTEL'S TOTAL REVENUE

opportunity includes markets such as memory, graphics, and connectivity, and is in addition to a \$40 billion modem market where we are gaining share.

CHALLENGES

We are operating in an increasingly competitive environment and are focused on executing an annual cadence of leadership products. Strong demand across our product lines has resulted in tight supply, particularly

in the entry-level
PC market. We are
making additional
investments in our
14nm factory
network and
working with
customers to align
demand with
available supply.

¹ Data-centric businesses include DCG, IOTG, NSG, PSG, and all other businesses, including Mobileye.

² Source: Intel calculated 2022 TAM derived from industry analyst reports.

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OUR PRODUCTS

We are at the forefront of developing new technologies and new products as building blocks for the increasingly smart and connected world. These technologies and products are utilized as integrated solutions for a broad spectrum of markets.

PRODUCT
LEADERSHIP
CREATES
ESSENTIAL
VALUE FOR
OUR
CUSTOMERS

We focus on providing compelling user experiences by developing our next generation of products based on customer needs and expectations. We invest in product and process technologies to deliver higher performance and lower total cost of ownership by closely working with our customers and partners. By continuing to improve our products and expanding our product portfolio—including in adjacent products such as modem and memory, where we had significant growth this year—we were able to deliver more value to our customers.

WE HAVE A
BROAD
PRODUCT
PORTFOLIO

From processing to transferring, storing, and analyzing data, our broad product portfolio offers innovative solutions to a wide array of customers. These products, such as our gaming CPUs, may be sold directly to end consumers, or they may be further integrated by our customers into end products such as notebooks and storage servers. Combining some of these products—for example, integrating FPGA and memory with Intel Xeon® processors in a data-center solution—enables incremental synergistic value and performance.

OUR
PRODUCTS
PROVIDE
END-TO-END
SOLUTIONS

As the company transforms beyond a PC-centric company to address the needs of the new data-centric world, we have expanded our product offerings to provide end-to-end solutions, scaling from edge computing to the network, the cloud, and the emerging field of AI and autonomous driving. In 2018 we introduced the Intel® Neural Compute Stick 2 and new Mobileye EyeQ* SoC. Meanwhile, we continue to push the boundary of client computing with innovations, including new form factors (e.g., dual-screen 2-in-1s), new functionalities (e.g., cellular connectivities), and performance enhancements (e.g., Intel® Optane™ memory).

FUNDAMENTALS OF OUR BUSINESS Our Products 9

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OUR CAPITAL

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

Our commitment to corporate responsibility creates value for Intel and our stockholders by helping us mitigate risks, reduce costs, build brand value, and identify new market opportunities. We set ambitious goals for our company and make strategic investments to advance progress in the areas of environmental sustainability, supply chain responsibility, diversity and inclusion, and social impact that benefit the environment and society.

We empower and invest in attracting and retaining talented employees who enable the development of solutions and enhance our intellectual and manufactured capital. Our effective utilization of natural resources and focus on corporate responsibility result in trusted relationships that support the growth of our business. Through these activities, we strive to develop the world's best semiconductors, deliver great customer experiences, efficiently manage our supply chain, improve the communities in which we operate, and, ultimately, generate financial capital that is reinvested in our business and returned to stockholders.

DRIVERS	STRATEGY	VALUE
Cash flow and capital allocation strategy	Leverage financial capital to invest in the business, acquire and integrate strategic investments, and provide returns to stockholders in the forms of dividends and share repurchases.	<p>We strategically invest financial capital to create value for our stockholders. Over the last five years, we:</p> <ul style="list-style-type: none"> - Generated \$113 billion cash from operating activities - Generated \$59 billion in free cash flow¹ - Returned \$55 billion to stockholders.
Research and development (R&D) and IP rights	Invest significantly in R&D to ensure our process and product technologies compete successfully as we pursue our strategy to make the world's best semiconductors and realize new data-centric opportunities.	We develop IP for our platforms to enable next-generation products, create synergies across our businesses, provide a higher return as we expand into new markets, and establish and support our brands.
Capital assets and strategic supply chain investments	Invest timely and at a level sufficient to meet customer demand for current technologies and prepare for future technologies.	Our world-wide manufacturing scope and scale enable innovations to provide our customers and consumers with a broad range of leading-edge products in high volume.
Employees and culture	Develop the talent needed to keep the company at the forefront of innovation and create a diverse, inclusive, and safe workplace.	We attract and retain talented and engaged employees who can deliver their workplace best every day and who create the intellectual capital we rely on to develop and advance our technologies and manufacturing.
Supply chain responsibility and positive social impact	Build trusted relationships for both Intel and our stakeholders, including local communities, governments, suppliers, customers, and employees.	We collaborate on programs to empower underserved communities through education and technology, and on initiatives to advance accountability and capabilities across our global supply chain, including advancing respect for

human rights.

Resource efficiency Continually strive to reduce our environmental footprint through efficient and responsible use of natural resources and materials used to create our products.

Our proactive efforts help us mitigate climate and water risk, achieve efficiencies, lower costs, and position us to respond to the needs and expectations of our stakeholders.

¹ See "Non-GAAP Financial Measures" within Other Key Information.

FUNDAMENTALS OF OUR BUSINESS Our Capital¹⁰

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FINANCIAL CAPITAL

Our financial capital allocation strategy focuses on building stockholder value. We do this by first investing in ourselves and growing our capabilities. We then look to supplement and strengthen our capabilities through acquisitions and strategic investments. And finally, we provide the return realized by these investments to our stockholders.

CASH FROM OPERATING ACTIVITIES \$B

Capital Investment Free Cash Flow

OUR FINANCIAL CAPITAL ALLOCATION DECISIONS ARE DRIVEN BY THREE PRIORITIES

INVEST IN THE BUSINESS	ACQUIRE AND INTEGRATE	RETURN CASH TO STOCKHOLDERS	
<p>Our first priority is to invest in R&D and capital spending to strengthen our competitive position. We shifted our R&D focus as we transformed to a data-centric company, while efficiently maintaining our investment at approximately 20% of revenue. Our capital investment in logic (silicon wafer manufacturing of our platform products) and memory both increased in 2018 as we looked to improve supply of platform products and continued to ramp production capacity in our memory fab (Fab 68). We obtained customer prepayments of over \$1.6 billion in 2018 and \$1.1 billion in 2017, which helped to offset our investment in memory.</p>	<p>Our second financial capital allocation priority is to invest in companies around the world that will complement our strategic objectives and stimulate growth of data-centric opportunities. We look for acquisitions that further leverage and strengthen our capital and R&D investments. In 2018, we completed various small acquisitions, while leveraging Altera and Movidius to partner with customers and expand the markets we serve. Mobileye achieved record revenue, various design wins, and announced the ability to retrofit existing vehicles to deliver full autonomy. Intel Capital investments also support our strategic objectives.</p>	<p>Our third financial capital allocation priority is to return cash to stockholders. We achieve this through our dividend and share repurchase programs. During 2018, we paid \$5.5 billion in dividends and increased our quarterly cash dividends by 10% from 2017. We also repurchased \$10.7 billion in shares, up from 2017, and have reduced the level of diluted shares outstanding over time.</p>	<p>Diluted Shares Outstanding (In Millions)</p>
		Dividends Per Share	
		2018 \$1.20	4,701
		2017 \$1.0775 7%	4,835
		2016 \$1.04 CAGR	4,875

R&D AND CAPITAL INVESTMENTS \$B ACQUISITIONS CASH TO STOCKHOLDERS \$B

R&D Logic Memory— # of Acquisitions Total Spent \$B Buyback Dividend

¹ See "Non-GAAP Financial Measures" within Other Key Information.

FUNDAMENTALS OF OUR BUSINESS Our Capital ¹¹

Table of ContentsINTELLECTUAL CAPITAL
RESEARCH AND DEVELOPMENT

Every year we make a significant investment in R&D, as it is a critical factor in achieving our strategic objectives to make the world's best semiconductors, lead the AI and autonomous revolution, and provide leading end-to-end platform solutions. Successful R&D efforts can lead to new products and technologies, or improvements to existing ones, which we seek to protect through our IP rights. We may augment our R&D initiatives by investing in or acquiring companies or entering into R&D agreements with other companies, as well as by directly purchasing or licensing technology.

We have increased our investments in R&D in each of the last five years and intensified our focus on key priorities in product technology while exiting non-core businesses, such as our divestiture of Wind River Systems, Inc. (Wind River) during 2018.

PRODUCT TECHNOLOGY

We are focusing our R&D activities on six areas of engineering to advance our product capabilities. Our goal is to improve user experiences and value at the pace of Moore's Law through advances in performance, power, cost, connectivity, security features, form factor, and other features with each new generation of products.

Process technology. While development of next-generation manufacturing processes remains a critical and fundamental area of research, we are also pursuing innovations in packaging technology to enable new approaches to chip design. In 2018, we announced a new 3D packaging technology called "Foveros" that allows for stacking of logic chips, enabling products where input/output (I/O), static random-access memory (SRAM), and power delivery circuits can be fabricated in a base die and high-performance logic "chiplets" can be stacked on top. Together with our Embedded Multi-die Interconnect Bridge (EMIB) technology, advanced packaging allows for new hybrid chip designs that can "mix and match" different technology IP blocks, which may be manufactured on different process nodes, into a single system-in-package, enabling new design flexibility and new device form factors.

"Foveros" 3D
packaging
technology

Architecture. We are designing products for four major computing architectures—scalar (CPU products), vector (GPU products), matrix (AI accelerator products), and spatial (FPGA products)—as we move toward a model of providing multiple "xPU" compute platforms for a more diverse era of computing. In 2018, we announced "Sunny Cove," our next-generation CPU microarchitecture, with architectural extensions designed for special-purpose computing tasks such as AI and cryptography, among other features. We are also continuing development on our first discrete GPU.

Memory. With our Intel® 3D NAND and Intel® Optane™ technologies, we are developing products to disrupt the memory and storage hierarchy. We are shipping our Intel® Optane™ DC Persistent Memory, which combines memory-like performance with the larger capacity and persistence of storage, bringing more data closer to the CPU to help improve processing of big data sets like those used in AI and large databases. Our QLC 3D NAND technology allows users to move more data from hard disks to SSDs, giving them faster access to their data.

Interconnect. We have a broad portfolio of interconnect solutions, ranging from silicon to the data center to wireless. Our silicon photonics technology integrates lasers into silicon to create high-speed optical connections that can help remove networking bottlenecks in the data center. We are driving the 5G transition by offering products that communications service providers use to transform their networks for 5G, as well as through development of 5G modems.

Security technologies. We have made significant investments in security technologies, and built-in security features are integrated into our design process and roadmap. In the first half of 2018, we created the Intel Product Assurance and Security Group to serve as a center for security research across our products and businesses, not only to address the security issues of today, but also to monitor the evolving threat landscape and seek to continuously improve our product security in the years ahead.

Software. Software plays a critical role in unlocking the performance potential of our hardware products. Our vision is to unify our software abstractions across all of our xPU platforms. We are developing a project called OneAPI to simplify programming for developers across our CPU, GPU, FPGA, AI and other accelerator products, providing a

unified portfolio of developer tools for mapping software to the hardware that can best accelerate the code.

IP RIGHTS

We own and develop significant IP and related IP rights around the world that relate to our products, services, R&D, and other activities and assets. Our IP portfolio includes patents, copyrights, trade secrets, trademarks, maskwork, and other rights. We actively seek to protect our global IP rights and to deter unauthorized use of our IP and other assets. For a detailed discussion of our IP rights, see "Intellectual Property Rights and Licensing" within Other Key Information.

FUNDAMENTALS OF OUR BUSINESS Our Capital ¹²

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MANUFACTURED CAPITAL

We are an integrated device manufacturer (IDM). Unlike many other semiconductor companies, we primarily design and manufacture our products in our own manufacturing facilities. We see our in-house manufacturing as one of our most critical forms of capital and an important advantage.

MANUFACTURING PROCESS TECHNOLOGY

We continue to develop new generations of manufacturing process technology as we seek to realize the benefits from Moore's Law, a law of economics predicted by Intel's co-founder Gordon Moore more than 50 years ago. Realizing Moore's Law results in economic benefits as we are able to either reduce a chip's cost as we shrink its size or increase functionality and performance of a chip while maintaining the same cost with higher density. This makes possible the innovation of new products with higher performance while balancing power efficiency, cost, and size to meet customers' needs.

As of the end of 2018, our platform products were manufactured on 300mm wafers, with the majority manufactured using our 14nm process node, and we are currently ramping our next-generation 10nm process node. We have lengthened our utilization of our 14nm process to meet an annual cadence of product introductions while developing 10nm process technology. Over the course of our 14nm process generation, we have achieved significant product performance improvement. We expect the same trend of utilizing a process node for multiple waves of products to continue as we ramp 10nm.

With our 10nm process technology, we are striving for an aggressive density improvement target, beyond the density scaling we delivered with 14nm. We have experienced challenges associated with 10nm development and implementation, and announced in 2018 that volume production on our 10nm products would be delayed from the second half of 2018 into 2019. We have made good progress on improving 10nm yields in 2018, and we continue to expect volume client systems on retail shelves for the 2019 holiday season, with data center products to follow in 2020.

FACTORY NETWORK AND SUPPLY CHAIN

The map marks our manufacturing facilities and their primary functions, as well as the countries where we have a significant R&D or sales and marketing presence.

Approximately half of our wafer manufacturing is conducted within the U.S. We incur factory start-up costs as we ramp our facilities for new process technologies. We continued to ramp the 10nm process node in our Oregon and Israel locations and to expand our memory fab, Fab 68. Memory investments represented approximately 20% of total capital spending for 2018.

Our manufacturing facilities are primarily used for silicon wafer manufacturing of our platform and memory products. These facilities are built following a "copy exactly" methodology, whereby new process technologies are transferred identically from a central development fab to each manufacturing facility. This enables fast ramp of the operation as well as better quality control. These wafer fabs operate in a network of manufacturing facilities integrated as one factory to provide the most flexible supply capacity, allowing us to better analyze our production costs and adapt to changes in capacity needs.

We use a multi-source strategy for our memory business to enable a robust and flexible supply chain. Throughout 2018, we increased the memory capacity in Fab 68, where we ramped 3D NAND production. In addition, we have a supplemental supply agreement with Micron Technology, Inc. (Micron), as well as capacity from our joint venture, IM Flash Technologies, LLC (IMFT) factory in Lehi, Utah. In January 2019, Micron called our interest in IMFT. The IMFT agreement provides for supply for up to one year after the close of the transaction.

We use third-party foundries to manufacture wafers for certain components and leverage subcontractors to augment capacity to perform assembly and test in addition to our in-house manufacturing, primarily for chipsets and adjacent products.

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HUMAN CAPITAL

Given the highly technical nature of our business, our success depends on our ability to attract and retain talented and skilled employees to create the technology of the future and delight our customers. Our global workforce of 107,400 is highly educated, with approximately 85% of our people working in technical roles. We invest in creating a diverse, inclusive, and safe work environment where our employees can deliver their workplace best every day. This environment fosters a rich and powerful culture that allows us to make a profound impact on the world.

All employees are responsible for upholding the Intel Values, Intel Code of Conduct, and Intel Global Human Rights Principles, which form the foundation of our policies and practices. We also place value on providing a wide range of opportunities to support the ongoing career development of employees. For over a decade, we have tracked and publicly reported on key human capital metrics, including workforce demographics, diversity and inclusion data, turnover, and training data.

"In 2018, we met our U.S. diversity and inclusion goal—two years ahead of schedule. We are proud of our progress but not satisfied. We view diversity and inclusion as a business imperative that drives innovation and future growth. Every voice matters."

—Barbara Whye, Intel’s Chief Diversity and Inclusion Officer and Vice President of Human Resources

DIVERSITY AND INCLUSION

Building an inclusive workforce, industry, and ecosystem is critical to helping us drive our business forward. We committed \$300 million to advance diversity and inclusion in our workforce and in the technology industry, and met our goal to achieve full representation of women and underrepresented minorities in our U.S. workforce in 2018—two years ahead of schedule. We have a long-standing commitment to inclusive workplace policies. For example, to help ensure employee concerns are openly and transparently resolved, Intel does not seek arbitration of sexual harassment and other employment claims.

GROWTH AND DEVELOPMENT

We invest significant resources to develop the talent needed to keep the company at the forefront of innovation and make Intel an employer of choice. We deliver training annually and provide rotational assignment opportunities. During 2017 and 2018, we trained our managers in inclusive management practices. Over the past five years, our undesired voluntary turnover rate has been below 5%.

COMMUNICATION AND ENGAGEMENT

Our success depends on employees understanding how their work contributes to the company’s overall strategy. We use a variety of channels to facilitate open and direct communication, including open forums with executives; quarterly Organizational Health Polls; and engagement through more than 30 different employee resource groups, including the Women at Intel Network, the Network of Intel African American Employees, the Intel Latino Network, and others.

COMPENSATION AND BENEFITS

We strive to provide pay, benefits, and services that help meet the varying needs of our employees. Our generous total rewards package includes market-competitive pay, broad-based stock grants and bonuses, a popular Employee Stock Purchase Plan, healthcare and retirement benefits, paid time off, flexible work schedules, sabbaticals, fertility assistance, and on-site services. For more than a decade, we’ve performed an annual compensation analysis in the U.S. to ensure pay equity by gender and race/ethnicity. In 2018, we began globalizing our analytics and recently announced that we’ve achieved gender pay equity globally.

HEALTH, SAFETY, AND WELLNESS

Our ultimate goal is to achieve zero serious injuries through continued investment in and focus on our core safety programs and injury-reduction initiatives. We provide access to a variety of innovative, flexible, and convenient employee health and wellness programs, including on-site health centers.

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SOCIAL AND RELATIONSHIP CAPITAL

We are committed to operating with transparency, and through open and direct communication, we work to develop trusted relationships with all stakeholders, including employees, customers, suppliers, governments, and communities. We also empower our employees to give back to the communities where we operate and engage them in corporate responsibility and sustainability initiatives. Our commitment to stakeholder collaboration and investments in social impact initiatives, including support of the United Nations Sustainable Development Goals, has resulted in our reputation as a leading corporate citizen, which has created value for Intel in terms of social license to operate and a positive operating environment. Each year, we receive third-party recognitions for our corporate responsibility leadership and ethical business practices. In 2018, recognitions included the Fortune 2018 Change the World List, Ethisphere's World's Most Ethical Companies, and Forbes/Just Capital's America's Most "Just" Companies.

ECONOMIC

IMPACT

The health of our company and local economies depend on continued investments in innovation. We provide high-skill, high-paying jobs at Intel sites around the world and also impact economies through our R&D ecosystem spending, sourcing activities, consumer spending by our employees, and tax revenue. Many of these are manufacturing and R&D jobs located in our own domestic and international factories. In addition, we make sizable

capital
investments and
provide
leadership in
public-private
partnerships to
spur economic
growth and
innovation.

SOCIAL IMPACT

We are at the
forefront of new
technologies—such
as AI,
autonomous
driving, and 5G
wireless
broadband—that
are increasingly
being used to
empower
individuals,
companies, and
governments
around the
world to solve
major societal
challenges.
Simultaneously,
we are
empowering
people through
education and
advancing
social impact
initiatives,
helping us build
trust with key
external
stakeholders
and support the
interests of our
employees.
Through the
Intel® She Will
Connect
program, we
have
collaborated
with global and

local partners to empower millions of women and girls through technology skills training. Our employees actively share their expertise and skills through technology-related volunteer initiatives, and over the past 10 years have contributed more than 10 million hours of service in the communities where we operate. In celebration of our 50th anniversary, we set a goal to have 50,000 employees donate 1 million volunteer hours during 2018.

We exceeded the goal with more than 68,000 employees contributing approximately 1.5 million hours.

SUPPLY CHAIN RESPONSIBILITY

Actively managing our supply chain creates business value for Intel and our

customers by helping us reduce risks, improve product quality, achieve environmental and social goals, and raise the overall performance of our suppliers. Over the past five years, we have completed more than 500 supplier audits using the Responsible Business Alliance Code of Conduct standard and have expanded training and capacity-building programs with our suppliers. We actively collaborate with others and lead industry initiatives on key issues such as advancing responsible minerals sourcing, addressing risks of forced and bonded labor, and improving transparency around climate and water impacts in the global electronics supply chain. We also continue to work toward our

goal of reaching
\$1 billion in
annual spending
with
diverse-owned
suppliers by
2020, and are
investing in
programs to
create new
career pathways
into the
technology
industry.

FUNDAMENTALS OF OUR BUSINESS Our Capital¹⁵

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NATURAL CAPITAL

Driving to the lowest environmental footprint possible helps us achieve efficiency, lower costs, and respond to the needs of our customers and community stakeholders. We invest in conservation projects and set company-wide environmental targets, seeking to drive reductions in greenhouse gas emissions, energy use, water use, and waste generation. We focus on building energy efficiency into our products to help our customers lower their own emissions and energy costs. We also collaborate with policymakers and other stakeholders to identify opportunities to apply technology to environmental challenges such as climate change and water conservation.

CLIMATE AND ENERGY

We focus on reducing our own direct climate “footprint” and over the past two decades have reduced our direct emissions and electricity generated emissions. We also continue to be one of the largest voluntary corporate purchasers of green power. Since 2012, we have invested more than \$200 million in energy conservation projects in our global operations, resulting in cumulative savings of more than 4 billion kilowatt hours and cost savings of approximately \$500 million through the end of 2018. We also focus on increasing our “handprint”—the ways in which Intel technologies can help others reduce their footprints, and collaborate on shaping public policy responses to climate change, both at the international level and in the countries and

regions where we operate.

GREENER BUILDINGS

Our engineers have long incorporated green design standards and concepts into the new construction and renovation of our facilities. We continue to be on track to meet our goal to design all new buildings to a minimum Leadership in Energy and Environmental Design (LEED) Gold certification, and to date have achieved LEED certification for more than 17 million square feet, or approximately 26% of our total operational space. The Internet of Things is also expanding opportunities in the area of green buildings, including smart building energy management systems. Working with ecosystem partners, we are advancing solutions in this area, as well as incorporating these technologies into our own green building strategies. For example, one of our newest buildings, an office building in Bangalore, India that received LEED Platinum certification, is equipped with more

than 9,000 sensors and has 50% lower energy demand compared to most traditional office buildings in the area.

WASTE MANAGEMENT AND RECYCLING

In each of the past five years, we have recycled more than 84% of the non-hazardous waste generated in our global operations and continue to work toward our 2020 goals of recycling 90% of our non-hazardous waste and sending zero hazardous waste to landfills. Our aim is to continue to invest in reducing the amount of waste we generate while increasing the amount recycled.

WATER STEWARDSHIP

Water is essential to the semiconductor manufacturing process. We use ultrapure water to remove impurities from our silicon wafers, and we use industrial and reclaimed water to run our manufacturing facility systems. Over the last two decades, our sustainable water management efforts and partnerships have enabled us to conserve billions of gallons of water and

we return approximately 80% of our water back to our communities. In 2018, we continued to make progress toward our goal to restore 100% of our global water use by 2025 through funding collaborative community-based projects that will restore water in amounts equivalent to what our business consumes.

SUPPLIER ENVIRONMENTAL IMPACT

We also partner with our suppliers to manage their environmental impact, which in turn reduces our own environmental impact, lowers supply chain risk, and can decrease costs. In 2018, we again attained a Leadership “A” rating on Supplier Engagement from CDP (which evaluates global companies on their environmental disclosure) for our work to encourage our suppliers to increase the level of transparency on their climate and water footprints.

Table of Contents**STOCKHOLDER RETURN**

Through attention to constant improvement, we strive for our capital to work together in a manner consistent with our focus on long-term value creation. Long-term total stockholder return provides one measure of value creation, though we also consider other indicators of success for our deployment of capital, such as diversity advancement for our human capital. The stock performance graph and table that follow compare the cumulative total stockholder return on Intel's common stock with the cumulative total return of the Dow Jones U.S. Technology Index*, the Standard & Poor's 100 Stock Index (S&P 100 Index*), the Standard & Poor's 500 Stock Index (S&P 500 Index*), the Standard & Poor's 500 IT Stock Index (S&P 500 IT Index*), and the PHLX Semiconductor Sector Index (SOX Index*) for the five years ended December 29, 2018. The cumulative returns shown on the graph are based on Intel's fiscal year.

Comparison of Five-Year Cumulative Return for Intel,
the Dow Jones U.S. Technology Index, S&P 100 Index, S&P 500 Index, S&P 500 IT Index, and SOX Index

Years Ended	Dec 28, 2013	Dec 27, 2014	Dec 26, 2015	Dec 31, 2016	Dec 30, 2017	Dec 29, 2018
Intel Corporation	\$ 100	\$ 151	\$ 145	\$ 156	\$ 204	\$ 211
Dow Jones U.S. Technology Index	\$ 100	\$ 123	\$ 126	\$ 143	\$ 196	\$ 193
S&P 100 Index	\$ 100	\$ 114	\$ 117	\$ 129	\$ 157	\$ 150
S&P 500 Index	\$ 100	\$ 116	\$ 117	\$ 130	\$ 158	\$ 150
S&P 500 IT Index	\$ 100	\$ 123	\$ 128	\$ 145	\$ 201	\$ 199
SOX Index	\$ 100	\$ 133	\$ 131	\$ 179	\$ 252	\$ 235

The graph and table assume that \$100 was invested on the last day of trading for the fiscal year ended December 28, 2013 in Intel's common stock, the Dow Jones U.S. Technology Index, S&P 100 Index, S&P 500 Index, S&P 500 IT Index, and SOX Index, and that all dividends were reinvested. The Dow Jones U.S. Technology Index was presented as a comparison in the 2017 Form 10-K stock performance graph as a peer index. We have added three indices that we consider more representative than the Dow Jones U.S. Technology Index: the S&P 100 Index, which includes a more diversified group of companies across major industrial sectors; the S&P 500 IT Index, which represents large capitalization IT industry performance; and the SOX Index, which more precisely represents overall semiconductor industry performance.

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WHO MANAGES OUR BUSINESS

EXECUTIVE OFFICERS OF THE REGISTRANT

	AGE	OFFICE(S)
Andy D. Bryant	68	Chairman of the Board
Dr. Venkata S.M. Renduchintala	53	Group President, Technology, Systems Architecture and Client Group; Chief Engineering Officer
Steven R. Rodgers	53	Executive Vice President; General Counsel
Navin Shenoy	45	Executive Vice President; General Manager, Data Center Group
Robert H. Swan	58	Chief Executive Officer
Todd M. Underwood	49	Interim Chief Financial Officer; Vice President of Finance and Director, Corporate Planning and Reporting

Andy D. Bryant has been Chairman of our Board of Directors since May 2012. Mr. Bryant served as Vice Chairman of the Board of Directors of Intel from July 2011 to May 2012. From 2007 to 2012, Mr. Bryant served as Chief Administrative Officer. Mr. Bryant joined Intel in 1981 and served in a number of executive roles at the company. He was Executive Vice President, Technology, Manufacturing, and Enterprise Services from 2009 to 2012. Mr. Bryant previously served as Executive Vice President, Finance and Enterprise Services from 2007 to 2009; Executive Vice President, Chief Financial and Enterprise Services Officer from 2001 to 2007; Senior Vice President, Chief Financial and Enterprise Services Officer from 1999 to 2001; Senior Vice President, Chief Financial Officer from January 1999 to December 1999; and Vice President, Chief Financial Officer from 1994 to 1999. Mr. Bryant also serves on the board of directors of Columbia Sportswear Company and McKesson Corporation.

Dr. Venkata S.M. (“Murthy”) Renduchintala joined Intel in November 2015 and serves as Group President of our Technology, Systems Architecture and Client Group (TCSG) and Chief Engineering Officer. In this role, Dr. Renduchintala oversees Intel's labs, technology development, manufacturing, and systems architecture engineering teams, as well as our client computing and connectivity business. His TCSG organization is responsible for aligning technology, engineering, product design, and process development across all our businesses and for providing business and strategic direction for our client and connectivity offerings. Dr. Renduchintala joined Intel as Executive Vice President and President, Client and Internet of Things Businesses and System Architecture Group, which expanded into the TCSG organization in 2018, and was named Group President and Chief Engineering Officer in April 2017. From 2004 to 2015, Dr. Renduchintala held various senior positions at Qualcomm Incorporated, most recently as Co-President of Qualcomm CDMA Technologies from June 2012 to November 2015 and Executive Vice President of Qualcomm Technologies Inc. from October 2012 to November 2015. Before joining Qualcomm, Dr. Renduchintala served as Vice President and General Manager of the Cellular Systems Division of Skyworks Solutions Inc./Conexant Systems Inc. and he spent a decade with Philips Electronics, where he held various positions, including Vice President of Engineering for its consumer communications business. Dr. Renduchintala also serves on the board of directors of Accenture plc.

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

Navin Shenoy has been Executive Vice President and General Manager of the Data Center Group since May 2017. In this role, he oversees our Data Center Group, Internet of Things Group, and Programmable Solutions Group and leads strategy and product development for many of our data-centric offerings, including server, network, storage, AI, Internet of Things, and FPGA products, across a range of use cases that include cloud computing, virtualization of network infrastructure, and AI adoption. From May 2016 to May 2017, Mr. Shenoy was Senior Vice President and General Manager of the Client Computing Group. From April 2012 to April 2016, he served as General Manager of

the Mobility Client Platform Division, as Vice President from April 2012 until December 2014 and Corporate Vice President from January 2015 to May 2016. From October 2007 to April 2012, Mr. Shenoy served as Vice President and General Manager of our Asia-Pacific business. Mr. Shenoy joined Intel in 1995.

Robert ("Bob") H. Swan was appointed our Chief Executive Officer and a member of our Board of Directors on January 30, 2019. Mr. Swan had served as our interim Chief Executive Officer since June 2018 and has been our Executive Vice President, Chief Financial Officer since joining Intel in October 2016. As CFO, he oversees Intel's global finance organization—including finance, accounting and reporting, tax, treasury, internal audit, and investor relations—IT, Intel Capital, and our corporate strategy office. From September 2015 to September 2016, Mr. Swan served as an Operating Partner at General Atlantic LLC, a private equity firm. He served as Senior Vice President, Finance and Chief Financial Officer of eBay Inc. from March 2006 to July 2015. Previously, Mr. Swan served as Executive Vice President, Chief Financial Officer of Electronic Data Systems Corporation, Executive Vice President, Chief Financial Officer of TRW Inc., as well as Chief Financial Officer, Chief Operating Officer, and Chief Executive Officer of Webvan Group, Inc. Mr. Swan began his career in 1985 at General Electric, serving for 15 years in numerous senior finance roles. Mr. Swan also serves on the board of directors of eBay.

Todd M. Underwood was appointed our interim Chief Financial Officer as of January 31, 2019. Since August 2016, Mr. Underwood has been our Vice President of Finance and Director, Corporate Planning and Reporting, with responsibility for leading our financial planning processes, management reporting, and quarterly earnings process. From June 2015 to August 2016, he served as Vice President of Finance and Co-Executive-in-Residence with responsibility for integration activities of Intel's acquisition of Altera. Mr. Underwood served as Vice President of Finance for the Mobile and Communications Group from January 2012 to June 2015. Prior to that, he served as Director of Finance for Intel Capital from June 2008 to January 2012. Mr. Underwood joined Intel in 1992.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Five years ago, we set out a strategy to transform from a PC-centric to a data-centric company. Our 2018 results serve as a strong proof point that our strategy is working and our transformation is well underway. We achieved record revenue and earnings per share (EPS), driven by strong business performance, continued operating leverage, and a lower tax rate. Revenue from our data-centric businesses collectively increased by double digits. Our PC-centric business grew above our expectations and continued to be a source of profit, cash flow, scale, and intellectual property (IP). While we have had delays in implementing our 10 nanometer (nm) manufacturing process technology, we have continued to innovate in our 14nm products, introducing leadership products that deliver more value to our customers. We've expanded beyond PC and server businesses with significant growth in adjacent products, and gained share in an expanded \$300 billion TAM¹. Our employees are executing to our strategy by developing compelling technology and delivering innovative products to our customers, enabling strong financial growth. For key highlights of the results of our operations, see "A Year in Review" within Fundamentals of Our Business.

Years Ended (In Millions, Except Per Share Amounts)	December 29, 2018		December 30, 2017		December 31, 2016	
	Amount	% of Net Revenue	Amount	% of Net Revenue	Amount	% of Net Revenue
Net revenue	\$70,848	100.0 %	\$62,761	100.0 %	\$59,387	100.0 %
Cost of sales	27,111	38.3 %	23,663	37.7 %	23,154	39.0 %
Gross margin	43,737	61.7 %	39,098	62.3 %	36,233	61.0 %
Research and development	13,543	19.1 %	13,035	20.8 %	12,685	21.4 %
Marketing, general and administrative	6,750	9.5 %	7,452	11.9 %	8,377	14.1 %
Restructuring and other charges	(72)	(0.1)%	384	0.6 %	1,744	2.9 %
Amortization of acquisition-related intangibles	200	0.3 %	177	0.3 %	294	0.5 %
Operating income	23,316	32.9 %	18,050	28.8 %	13,133	22.1 %
Gains (losses) on equity investments, net	(125)	(0.2)%	2,651	4.2 %	506	0.9 %
Interest and other, net	126	0.2 %	(349)	(0.6)%	(703)	(1.2)%
Income before taxes	23,317	32.9 %	20,352	32.4 %	12,936	21.8 %
Provision for taxes	2,264	3.2 %	10,751	17.1 %	2,620	4.4 %
Net income	\$21,053	29.7 %	\$9,601	15.3 %	\$10,316	17.4 %
Earnings per share - Diluted	\$4.48		\$1.99		\$2.12	

¹ Source: Intel calculated 2022 TAM derived from industry analyst reports.

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REVENUE

We have achieved our third year in a row of record revenue, demonstrating that our strategy and transformation from a PC to a data-centric company is paying off. Our total revenue grew from \$55.9 billion in 2014 to \$70.8 billion in 2018, representing 6% compound annual growth rate (CAGR). Data-centric businesses collectively grew faster than Intel as a whole at 13% CAGR over the last five years and are approaching 50% of our revenue.

PC TO DATA-CENTRIC TRANSFORMATION OVER THE LAST 5 YEARS

PC-centric \$B Data-centric \$B — Data-centric as a % of total Intel revenue

SEGMENT REVENUE WALK \$B

2018 – 2017

In 2018, revenue was \$70.8 billion, up \$8.1 billion, or 13%, from 2017. The increase in revenue was primarily driven by strong performance across our data-centric businesses, which collectively grew 18% year over year and made up nearly half of our total revenue in 2018. Our recently acquired Mobileye business had revenue of \$698 million. Our PC-centric business grew 9%, above our expectations, due to PC TAM¹ growth and demand for our leadership products. The increase in 2018 revenue was partially offset by the loss of revenue from businesses that were divested, specifically \$534 million from the divestiture of the Intel Security Group (ISecG) and approximately \$165 million from the divestiture of Wind River.

2017 – 2016

2017 revenue of \$62.8 billion was up \$3.4 billion, or 6%, from 2016. After adjusting for the Q2 2017 divestiture of ISecG, revenue grew 9% from 2016. The increase in revenue was primarily driven by strong performance across our data-centric businesses, which collectively grew 16% year over year after adjusting for ISecG. We saw revenue growth across our DCG, IOTG, NSG, and PSG businesses, and 2017 revenue included \$210 million from our Mobileye business. The increase in 2017 revenue was partially offset by \$1.6 billion from the divestiture of ISecG and by approximately \$500 million from a change to the Intel Inside[®] program.

¹ Source: Intel calculated PC TAM derived from industry analyst reports.

Table of Contents**GROSS MARGIN**

We derived most of our overall gross margin dollars from the sale of platform products in the CCG and DCG operating segments. Our overall gross margin dollars in 2018 increased by \$4.6 billion, or 12%, compared to 2017, and in 2017 increased by \$2.9 billion, or 8%, compared to 2016. In 2018, our adjacent products continued to grow, primarily due to memory and modem products, which have a lower gross margin percentage than our overall average. Adjacent products represented a larger proportion of our overall business in 2018, which positively impacted our gross margin dollars but substantially offset the increase in gross margin percentage from platform products.

GROSS MARGIN \$B

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

(In	
Millions)	
\$43,737	2018 Gross Margin
5,810	Higher gross margin from platform revenue
(1,085)	Higher platform unit cost, primarily from increased mix of performance products
(86)	Other, primarily due to impact from divestitures, offset by higher gross margin from adjacent businesses
\$39,098	2017 Gross Margin
2,380	Higher gross margin from platform revenue
1,010	Lower platform unit cost, primarily on 14nm cost improvement
420	Lower Altera and other acquisition-related charges
315	Lower period charges associated with product warranty and IP agreements incurred in 2016
(535)	Higher factory start-up costs, primarily driven by the ramp of our 10nm process technology
(390)	Impact of the ISecG divestiture, offset by higher gross margin from adjacent businesses
(275)	Period charges primarily associated with engineering samples and higher initial production costs from our 10nm products
(60)	Other
\$36,233	2016 Gross Margin

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OPERATING EXPENSES

Total R&D and marketing, general and administrative (MG&A) expenses for 2018 were \$20.3 billion, down 1% from 2017. These expenses represented 28.6% of revenue for 2018 and 32.6% of revenue for 2017. In 2018, we met our goal to have annual R&D and MG&A be 30% of revenue, two years ahead of our 2020 target.

We continue to invest in R&D to accelerate our growth and profitability while driving operational efficiencies to reduce our MG&A spending.

RESEARCH AND DEVELOPMENT \$B	MARKETING, GENERAL AND ADMINISTRATIVE \$B
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(Percentages indicate expenses as a percentage of total revenue)

RESEARCH AND DEVELOPMENT

2018 – 2017

R&D spending increased by \$508 million, or 4%, driven by the following:

- +Investments in data-centric businesses
- + Investments in 10nm process technology
- +Profit-dependent compensation due to an increase in net income
- Lack of expenses due to the divestitures of ISecG in Q2 2017 and Wind River in Q2 2018

2017 – 2016

R&D spending increased by \$350 million, or 3%, driven by the following:

- +Investments in data-centric businesses, including the addition of Mobileye
- + Process development costs for our 7nm process technology
- +Profit-dependent compensation due to an increase in net income, excluding Tax Reform impacts
- Lack of expenses due to the 2017 divestiture of ISecG
- Cost savings from gained efficiencies

MARKETING, GENERAL AND ADMINISTRATIVE

2018 – 2017

MG&A expenses decreased by \$702 million, or 9%, driven by the following:

- Reduction in marketing programs in 2018
- Lack of acquisition costs due to our 2017 acquisition of Mobileye
- Lack of expenses due to the divestitures of ISecG in Q2 2017 and Wind River in Q2 2018
- Change to the Intel Inside program in 2017
- +Olympics sponsorship in 2018
- +Profit-dependent compensation due to an increase in net income

2017 – 2016

MG&A expenses decreased by \$925 million, or 11%, driven by the following:

- Lack of expenses due to the 2017 divestiture of ISecG
- Change to the Intel Inside program in 2017
- +Profit-dependent compensation due to an increase in net income, excluding Tax Reform impacts

OVERVIEW

CCG is our largest business unit, delivering 52% of our revenue. The PC market remains a critical facet of our business, providing an important source of IP, scale, and cash flow. CCG is dedicated to delivering client computing end-user solutions, focusing on higher growth segments of 2-in-1, thin-and-light, commercial, and gaming, as well as growing adjacencies such as WiFi and modem. CCG is the human touchpoint in a data-centric world. We deploy platforms that connect people to data and analytics, allowing each person to focus, create, and connect in ways that unlock their individual potential.

HIGHLIGHTS AND SEGMENT IMPERATIVES

Since 2014, the PC TAM has decreased by approximately 16%¹, while CCG profitability has improved by over 37%, with focus on higher growth segments and innovative form factors.

Delivering an annual cadence of leadership products is foundational to our business. In 2019 we will begin transitioning to 10nm products, which are expected to be on shelves for the 2019 holiday season.

Leveraging our engineering capabilities and working with our customers and partners, we drive innovation across key vectors of performance, battery life, connectivity (e.g., WiFi, 5G), graphics, form factors, and AI.

As a critical facet of Intel's business, CCG is transforming the PC into the platform that powers every person's greatest contribution and fundamentally supports Intel's data-centric vision of the future.

5-YEAR TRENDS

Revenue \$B— Year over Year Growth Op Income \$B— Year over Year Growth

¹ Source: Intel calculated TAM derived from industry analyst reports

"The PC is the human touchpoint of our data-centric strategy. We are committed to making the PC the platform that powers everyone's greatest contribution."

—Gregory Bryant, CCG General Manager

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