UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): April 28, 2022

INTEL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**000-06217**	**94-1672743**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

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

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

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

□ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

□ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

□ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

□ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, $0.001 par value	**INTC**	**Nasdaq Global Select Market**

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2).

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. ¨

Item 2.02 Results of Operations and Financial Condition.

On April 28, 2022, Intel Corporation (“Intel”) issued a press release announcing the financial results of its first quarter ended April 2, 2022 and forward-looking statements relating to its second quarter and full year 2022. A copy of this press release is attached hereto as Exhibit 99.1 and is incorporated by reference herein.

The attached press release includes non-GAAP financial measures relating to our operations and forecasted outlook. Certain of these non-GAAP measures will be used in Intel’s earnings conference for the first quarter of 2022. In addition, the attached press release includes reconciliations of these non-GAAP measures to GAAP measures, as well as an explanation of how management uses these non-GAAP measures and the reasons why management views these measures as providing useful information for investors. These non-GAAP financial measures should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and the financial results calculated in accordance with GAAP and reconciliations to these results should be carefully evaluated.

The information in Item 2.02 of this Report and the press release attached hereto as Exhibit 99.1 are furnished and shall not be treated as filed for purposes of the Securities Exchange Act of 1934, as amended.

Item 7.01 Regulation FD Disclosure.

We previously announced several organizational changes that would accelerate the execution and innovation of our Company by allowing us to capture growth in both large traditional markets and high-growth emerging markets. All prior-period segment results have been retrospectively adjusted to reflect the way we internally manage and monitor segment performance starting in fiscal year 2022.

We are furnishing Exhibit 99.2 to this Current Report on Form 8-K to facilitate comparisons of our current operating segments with prior periods. Exhibit 99.2 recasts certain historical operating segment financial information and related disclosures from our Annual Report on Form 10-K for the fiscal year ended December 25, 2021 (the "2021 Form 10-K") and filed with the Securities and Exchange Commission on January 27, 2022, to be consistent with the presentation of our new operating segments in our 2022 first quarter Form 10-Q.

Exhibit 99.2 should be read in conjunction with our 2021 Form 10-K which includes Key Terms on pages 111-112, and filings made subsequent to the date of the 2021 Form 10-K.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

The following exhibits are provided as part of this Report:

Exhibit Number	Description
99.1	Press Release issued by Intel entitled “Intel Reports First-Quarter 2022 Financial Results” dated April 28, 2022
99.2	Retrospective revisions to Item 7 of Intel Inc.'s Annual Report on Form 10-K "Management's Discussion and Analysis of Financial Condition and Results of Operations", for the year ended December 25, 2021, as originally filed with the SEC on January 27, 2022,.
104	Cover Page Interactive Data File, formatted in Inline XBRL and included as Exhibit 101.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

INTEL CORPORATION
(Registrant)

Date: April 28, 2022

By: /s/ DAVID ZINSNER
David Zinsner
Executive Vice President, Chief Financial Officer, Principal Financial Officer, and Principal Accounting Officer

Exhibit 99.1

Intel Corporation
2200 Mission College Blvd.
Santa Clara, CA 95054-1549

News Release

Intel Reports First-Quarter 2022 Financial Results

News Summary

- First-quarter GAAP revenue of $18.4 billion, down 7% year over year (YoY), and non-GAAP revenue of $18.4 billion, down 1% YoY, exceeded January guidance. Achieved record quarterly revenue in Intel's Network and Edge Group, Mobileye and Intel Foundry Services businesses.
- First-quarter GAAP earnings-per-share (EPS) was $1.98; non-GAAP EPS was $0.87, which exceeded January guidance by $0.07. Exceeded January guidance for EPS and gross margin.
- Reaffirming full-year 2022 revenue guidance.

SANTA CLARA, Calif., April 28, 2022 -- Intel Corporation today reported first-quarter 2022 financial results.

“Q1 was a strong start to the year, exceeding expectations on both the top- and bottom-line," said Pat Gelsinger, Intel CEO. "With a $1 trillion market opportunity ahead of us, we remain laser focused on our IDM 2.0 strategy. We executed well against that strategy in Q1, delivering key product and technology milestones and announcing plans to expand our manufacturing capacity in both the US and Europe to meet the continued demand for semiconductors and drive a more balanced, resilient global supply chain.”

“Intel delivered strong first-quarter financial results, and we are reaffirming our full-year revenue guidance," said David Zinsner, Intel CFO. "We remain committed to the financial framework we laid out at Intel's Investor Meeting, including diligently managing the business to drive both growth and profitability and create shareholder value."

Q1 2022 Financial Highlights

	GAAP			Non-GAAP		
	Q1 2022	**Q1 2021**	**vs. Q1 2021**	**Q1 2022**	**Q1 2021**	**vs. Q1 2021**
Revenue ($B)	$18.4	$19.7	down 7%	$18.4^	$18.6	down 1%
Gross Margin	50.4%	55.2%	down 4.8 ppt	53.1%	58.8%	down 5.7 ppt
R&D and MG&A ($B)	$6.1	$5.0	up 23%	$5.5	$4.4	up 25%
Operating Margin	23.7%	18.8%	up 4.9 ppt	23.1%	35.1%	down 12 ppt
Tax Rate	16.0%	14.0%	up 2.1 ppt	12.9%	13.8%	down 0.9 ppt
Net Income ($B)	$8.1	$3.4	up 141%	$3.6	$5.5	down 35%
Earnings Per Share	$1.98	$0.82	up 141%	$0.87	$1.34	down 35%

In the first quarter, the company generated $5.9 billion in cash from operations and paid dividends of $1.5 billion.

Note: 2021 non-GAAP results excludes the NAND memory business. We completed the first closing of the divestiture on December 29, 2021. Full reconciliations between GAAP and non-GAAP measures are provided below.

^ No adjustment on a non-GAAP basis

Business Unit Summary

Intel previously announced several organizational changes to accelerate its execution and innovation by allowing it to capture growth in both large traditional markets and high-growth emerging markets. This includes the reorganization of Intel's business units to capture this growth and provide increased transparency, focus and accountability. As a result, the company modified its segment reporting to align to the previously announced business reorganization. All prior-period segment data has been retrospectively adjusted to reflect the way the company internally manages and monitors operating segment performance starting in fiscal year 2022.

Key Business Unit Revenue and Trends	Q1 2022	vs. Q1 2021
Client Computing Group (CCG)	$9.3 billion	down 13%
Datacenter and AI Group (DCAI)	$6.0 billion	up 22%
Network and Edge Group (NEX)	$2.2 billion	up 23%
Accelerated Computing Systems and Graphics Group (AXG)	$219 million	up 21%
Mobileye	$394 million	up 5%
Intel Foundry Services (IFS)	$283 million	up 175%

Business Highlights

- During the quarter, CCG saw continued adoption of 12th generation Alder Lake, and the Alder Lake family now has more than 250 designs planned this year.
- DCAI began shipping initial SKUs of Sapphire Rapids on Intel 7 to select customers in the first quarter and unveiled its new dual-track roadmap that utilizes both Intel's performance and efficient cores to provide high density, ultra-efficient compute for the cloud.
- NEX introduced the newest Xeon® D processors and Open Vino toolkit which will continue to advance the software defined network and edge.
- AXG launched the Intel® Arc™ A-series GPUs for laptops. Alchemist, the first of these products, began shipping to customers this quarter.
- Mobileye demonstrated its True Redundancy sensing system operating hands-free, a significant milestone in preparation for the debut of its planned robotaxi services in Israel and Germany.
- IFS continued to make progress across technology, IP, and customer engagement and now has over 30 test chips committed to Intel 16 this year. In the quarter Intel announced its intent to acquire Tower Semiconductor which is expected to accelerate IFS' goal of becoming a globally diverse end-to-end foundry with one of the broadest portfolios of differentiated technology in the industry.

The company also made strides towards creating a balanced and resilient supply chain for semiconductor manufacturing with new investments announced in the U.S. and Europe, along with the opening of the latest leading-edge research and development factory in Oregon.

Intel VisiON 2022

As Intel continues to execute its strategy for long-term growth, it will be making a series of product and technology announcements at Intel VisiON 2022, taking place May 10-11, 2022, at the Gaylord Texan Resort and Convention Center in Texas. Intel VisiON is the second event in the Intel ON Series; it is dedicated to the future of business and technology and will feature executive keynotes, business insight panels, workshops, and an ecosystem showcase. More information about Intel VisiON 2022, including access to the live public website and replay, can be found at www.intel.com/vision.

Business Outlook

Intel's guidance for the second quarter and full year includes both GAAP and non-GAAP estimates. Reconciliations between GAAP and non-GAAP financial measures are included below.

Q2 2022	GAAP	Non-GAAP
	Approximately	Approximately
Revenue	$18.0 billion	$18.0 billion^
Gross Margin	48%	51%
Tax rate	4%	12%
Earnings per share	$0.50	$0.70

Full-Year 2022	GAAP	Non-GAAP
	Approximately	Approximately
Revenue	$76.0 billion	$76.0 billion^
Gross Margin	49%	52%
Tax rate	9%	12%
Earnings per share	$4.19	$3.60
Full-year net capital spending	$27 billion	$27 billion^
Adjusted free cash flow	N/A	($1-2 billion)

Actual results may differ materially from Intel’s Business Outlook as a result of, among other things, the factors described under “Forward-Looking Statements” below.

Earnings Webcast

Intel will hold a public webcast at 2 p.m. PDT today to discuss the results for its first quarter of 2022. The live public webcast can be accessed on Intel's Investor Relations website at www.intc.com. The Q1'22 Earnings Presentation, webcast replay, and audio download will also be available on the site.

^ No adjustment on a non-GAAP basis.

Forward-Looking Statements

Intel's Business Outlook and other statements in this release that refer to future plans and expectations are forward-looking statements that involve a number of risks and uncertainties. Words such as "achieve," "anticipates," "expects," "intends," "goals," "plans," "grow," "guidance," "believes," "seeks," "estimates," "continues," "committed," "on-track," "may," "will," "would," "should," "could," "accelerate," "ramp," "deliver," "path," "roadmap," "progress," "forecast," "likely," "future," "potential," "positioned," "increasing," "opportunity," "upcoming," "outlook," and variations of such words and similar expressions are intended to identify such forward-looking statements. Statements that refer to or are based on estimates, forecasts, projections, uncertain events or assumptions, including statements relating to Intel's strategy and its anticipated benefits, including updates to our reporting structure; manufacturing expansion, financing and investment plans, including the impacts of such plans such as our announced investments in the U.S. and abroad; plans and goals related to Intel's foundry business; future external foundry usage; projected costs and yield trends; supply expectations, including regarding industry shortages, constraints, limitations, pricing and sufficiency of future supply; pending transactions, including the pending acquisitions of Tower Semiconductor Ltd. and Granulate Cloud Solutions Ltd; the proposed initial public offering of Mobileye; total addressable market (TAM) and market opportunity; business plans and financial expectations; future macroeconomic and geopolitical conditions; future legislation, including any expectations regarding anticipated financial and other benefits or incentives thereunder; tax- and accounting-related expectations; future responses to and effects of the COVID-19 pandemic; future products, technology, and services, and the expected regulation, availability, production and benefits of such products, technology, and services, including product ramps, manufacturing goals, plans, timelines, and future progress, future process nodes and technologies including Intel 20A, RibbonFET, and PowerVia, process performance parity and leadership expectations, future product architectures, Alder Lake, Sapphire Rapids, and future GPU and IPU products; future business, social and environmental performance, goals, measures and strategies; expectations regarding customers, including with respect to designs, wins, orders, and partnerships; projections regarding competitors; and anticipated trends in our businesses or the markets relevant to them, including with respect to future demand and industry growth, also identify forward-looking statements. All forward-looking statements included in this release are based on management's expectations as of the date of this release and, except as required by law, Intel disclaims any obligation to update these forward-looking statements to reflect future events or circumstances. Unless specifically indicated otherwise, the forward-looking statements in this release do not reflect the potential impact of any divestitures, mergers, acquisitions, or other business combinations that have not been completed as of the date of this presentation. Forward-looking statements involve many risks and uncertainties that could cause actual results to differ materially from those expressed or implied in such statements. Intel presently considers the following to be among the important factors that can cause actual results to differ materially from the company's expectations.

- Demand for Intel's products is highly variable and can differ from expectations due to factors including changes in business and economic conditions; customer confidence or income levels, and the levels of customer capital spending; the introduction, availability, and market acceptance of Intel's products, products used together with Intel products, and competitors' products; competitive and pricing pressures, including actions taken by competitors; supply constraints and other disruptions affecting customers; changes in customer order patterns or forecasts including order cancellations; changes in customer needs and emerging technology trends; and changes in the level of inventory and computing capacity at customers.
- Intel's results can vary significantly from expectations based on capacity utilization; variations in inventory valuation, including variations related to the timing of qualifying products for sale; changes in revenue levels; segment product mix; the timing and execution of the manufacturing ramp and associated costs; excess or obsolete inventory; changes in unit costs; defects or disruptions in the supply of materials or resources, including as a result of ongoing industry shortages of components and substrates; suppliers extending lead times, experiencing capacity constraints, limiting or canceling supply, allocating supply to other customers including competitors, delaying or canceling deliveries or increasing prices, or other supply chain issues; product manufacturing quality/yields; and changes in capital requirements and investment plans. Variations in results can also be caused by the timing of Intel product introductions and related expenses, including marketing programs and Intel's ability to respond quickly to technological developments and to introduce new products or incorporate new features into existing products, as well as decisions to exit product lines or businesses, which can result in restructuring and asset impairment charges.

- Intel's results can be affected by adverse economic, social, political, regulatory, and physical/infrastructure conditions in countries where Intel, its customers or its suppliers operate, including recession or slowing growth, military conflict and other security risks, natural disasters, infrastructure disruptions, health concerns (including the COVID-19 pandemic), fluctuations in currency exchange rates, inflation, interest rate risks, sanctions and tariffs, political disputes, changes in government grants and incentives, and continuing uncertainty regarding social, political, immigration, and tax and trade policies in the U.S. and abroad. Results can also be affected by the formal or informal imposition by countries of new or revised export and/or import and doing-business regulations, including changes or uncertainty related to the U.S. government entity list and changes in the ability to obtain export licenses, which can be changed without prior notice. For example, in response to Russia's war with Ukraine, numerous countries and organizations have imposed financial and other sanctions and export controls against Russia and Belarus, while businesses, including the Company, have limited or suspended Russian operations. Russia has likewise imposed currency restrictions and regulations and may further take retaliatory trade or other actions, including the nationalization of foreign businesses.
- The COVID-19 pandemic has previously adversely affected significant portions of Intel's business and could have a material adverse effect on Intel's financial condition and results of operations. The pandemic has resulted in authorities imposing numerous measures to try to contain the virus, including manufacturing, transportation, and operational restrictions or disruptions, such as the recent Shanghai port shutdown. These measures have impacted and may further impact our workforce and operations, the operations of our customers, and those of our respective vendors, suppliers, and partners. Restrictions on our manufacturing or support operations or workforce, or similar limitations for our vendors and suppliers, can impact our ability to meet customer demand and could have a material adverse effect on us. Restrictions or disruptions of transportation, or disruptions in our customers' operations and supply chains, may adversely affect our results of operations. The pandemic has caused us to modify our business practices. There is no certainty that such measures will be sufficient to mitigate the risks posed by the virus, and illness and workforce disruptions could lead to unavailability of our key personnel and harm our ability to perform critical functions. The pandemic has significantly increased economic and demand uncertainty. Demand for our products could be materially harmed in the future. The pandemic could lead to increased disruption and volatility in capital markets and credit markets, which could adversely affect our liquidity and capital resources. The degree to which COVID-19 impacts our results will depend on future developments, which are highly uncertain. The impact of the pandemic can also exacerbate other risks discussed in this section.
- Intel operates in highly competitive industries and its operations have high costs that are either fixed or difficult to reduce in the short term. In addition, we have entered new areas and introduced adjacent products, such as our intention to become a major provider of foundry services, and we face new sources of competition and uncertain market demand or acceptance of our offerings with respect to these new areas and products, and they do not always grow as projected.
- Intel's expected tax rate is based on current tax law, including current interpretations of the Tax Cuts and Jobs Act of 2017 (TCJA), and current expected income and can be affected by changes in interpretations of TCJA and other laws; changes in the volume and mix of profits earned and location of assets across jurisdictions with varying tax rates; changes in the estimates of credits, benefits, and deductions; the resolution of issues arising from tax audits with various tax authorities, including payment of interest and penalties; and the ability to realize deferred tax assets.
- Intel's results can be affected by gains or losses from equity securities and interest and other, which can vary depending on gains or losses on the change in fair value, sale, exchange, or impairments of equity and debt investments, interest rates, cash balances, and changes in fair value of derivative instruments.
- Product defects or errata (deviations from published specifications) can adversely impact our expenses, revenues, and reputation.
- We or third parties regularly identify security vulnerabilities with respect to our processors and other products as well as the operating systems and workloads running on them. Security vulnerabilities and any limitations of, or adverse effects resulting from, mitigation techniques can adversely affect our results of operations, financial condition, customer relationships, prospects, and reputation in a number of ways, any of which may be material, including incurring significant costs related to developing and deploying updates and mitigations, writing down inventory value, a reduction in the competitiveness of our products, defending against product claims and litigation, responding to regulatory inquiries or actions, paying damages, addressing customer satisfaction considerations, or taking other remedial steps with respect to third parties. Adverse publicity about security vulnerabilities or mitigations could damage our reputation with customers or users and reduce demand for our products and services.

- Cybersecurity incidents, whether or not successful, can affect Intel's results by causing us to incur significant costs or disrupting our operations or those of our customers and suppliers, and can result in reputational harm.
- Intel's results can be affected by litigation or regulatory matters involving intellectual property, stockholder, consumer, antitrust, commercial, disclosure, and other issues, as well as by the impact and timing of settlements and dispute resolutions. For example, in the first quarter of 2022, the General Court in the European Commission (EC) competition matter annulled the EC's findings against Intel regarding rebates, as well as the fine previously imposed on and paid by Intel. $1.2 billion was returned to Intel in February, and the EC has appealed this decision to the Court of Justice.
- Intel's results can be affected by the impact and timing of closing of acquisitions, divestitures, and other significant transactions, such as the pending acquisitions of Tower Semiconductor Inc. and Granulate Cloud Solutions Ltd, and the proposed initial public offering of Mobileye. In addition, these transactions do not always achieve our financial or strategic objectives and can disrupt our ongoing business and adversely impact our results of operations. We may not realize the expected benefits of portfolio decisions due to numerous risks, including unfavorable prices and terms; changes in market conditions; limitations due to regulatory or governmental approvals, contractual terms, or other conditions; and potential continued financial obligations associated with such transactions. Risks and uncertainties relating to the sale of our NAND memory business to SK hynix are described in our Form 10-K filed with the SEC on January 22, 2021.

Detailed information regarding these and other factors that could affect Intel's business and results is included in Intel's SEC filings, including the company's most recent reports on Forms 10-K and 10-Q, particularly the "Risk Factors" sections of those reports. Copies of these filings may be obtained by visiting our Investor Relations website at www.intc.com or the SEC's website at www.sec.gov.

About Intel

Intel (Nasdaq: INTC) is an industry leader, creating world-changing technology that enables global progress and enriches lives. Inspired by Moore’s Law, we continuously work to advance the design and manufacturing of semiconductors to help address our customers’ greatest challenges. By embedding intelligence in the cloud, network, edge and every kind of computing device, we unleash the potential of data to transform business and society for the better. To learn more about Intel’s innovations, go to newsroom.intel.com and intel.com.

Intel Corporation
Consolidated Condensed Statements of Income and Other Information

(In Millions, Except Per Share Amounts; unaudited)	Three Months Ended Apr 2, 2022	Three Months Ended Mar 27, 2021
Net revenue	**$ 18,353**	**$ 19,673**
Cost of sales	9,109	8,819
Gross margin	**9,244**	**10,854**
Research and development	4,362	3,623
Marketing, general and administrative	1,752	1,328
Restructuring and other charges	(1,211)	2,209
Operating expenses	**4,903**	**7,160**
Operating income	**4,341**	**3,694**
Gains (losses) on equity investments, net	4,323	368
Interest and other, net	997	(156)
Income before taxes	**9,661**	**3,906**
Provision for taxes	1,548	545
Net income	**$ 8,113**	**$ 3,361**
Earnings per share—basic	**$ 1.99**	**$ 0.83**
Earnings per share—diluted	**$ 1.98**	**$ 0.82**
Weighted average shares of common stock outstanding:		
Basic	**4,079**	**4,056**
Diluted	**4,107**	**4,096**

(In Millions)	Three Months Ended Apr 2, 2022	Three Months Ended Mar 27, 2021
Earnings per share of common stock information:		
Weighted average shares of common stock outstanding—basic	**4,079**	**4,056**
Dilutive effect of employee equity incentive plans	28	40
Weighted average shares of common stock outstanding—diluted	**4,107**	**4,096**
Stock buyback:		
Shares repurchased	—	40
Cumulative shares repurchased (in billions)	5.8	5.8
Remaining dollars authorized for buyback (in billions)	$ 7.2	$ 7.2
Other information:		
Employees (in thousands)	122.9	111.3

Intel Corporation
Consolidated Condensed Balance Sheets

(In Millions)	Apr 2, 2022	Dec 25, 2021
Assets	(unaudited)	
Current assets:		
Cash and cash equivalents	$ 6,215	$ 4,827
Short-term investments	32,481	24,426
Accounts receivable	7,074	9,457
Inventories		
Raw materials	1,596	1,441
Work in process	6,928	6,656
Finished goods	3,411	2,679
	11,935	**10,776**
Assets held for sale	236	6,942
Other current assets	4,627	2,130
Total current assets	**62,568**	**58,558**
Property, plant and equipment, net	**66,718**	**63,245**
Equity investments	**6,036**	**6,298**
Goodwill	**27,011**	**26,963**
Identified intangible assets, net	**6,813**	**7,270**
Other long-term assets	**7,210**	**6,072**
Total assets	**$ 176,356**	**$ 168,406**
Liabilities		
Current liabilities		
Short-term debt	$ 4,459	$ 4,591
Accounts payable	7,210	5,747
Accrued compensation and benefits	2,731	4,535
Other accrued liabilities	14,922	12,589
Total current liabilities	**29,322**	**27,462**
Debt	**32,788**	**33,510**
Income taxes payable	**4,372**	**4,305**
Deferred income taxes	**1,547**	**2,667**
Other long-term liabilities	**5,191**	**5,071**
Stockholders' equity		
Common stock and capital in excess of par value, 4,089 issued and outstanding (4,070 issued and outstanding as of December 25, 2021)	29,244	28,006
Accumulated other comprehensive income (loss)	(1,002)	(880)
Retained earnings	74,894	68,265
Total stockholders' equity	**103,136**	**95,391**
Total liabilities and stockholders' equity	**$ 176,356**	**$ 168,406**

Intel Corporation
Consolidated Condensed Statements of Cash Flows

(In Millions; unaudited)	Three Months Ended Apr 2, 2022	Three Months Ended Mar 27, 2021
Cash and cash equivalents, beginning of period	**$ 4,827**	**$ 5,865**
Cash flows provided by (used for) operating activities:		
Net income	8,113	3,361
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,847	2,454
Share-based compensation	707	425
Restructuring and other charges	17	2,209
Amortization of intangibles	501	448
(Gains) losses on equity investments, net	(4,325)	(299)
(Gains) losses on divestitures	(1,121)	—
Changes in assets and liabilities:		
Accounts receivable	2,384	(426)
Inventories	(1,147)	180
Accounts payable	(128)	303
Accrued compensation and benefits	(1,884)	(1,283)
Prepaid customer supply agreements	(6)	(1,566)
Income taxes	1,219	383
Other assets and liabilities	(1,286)	(841)
Total adjustments	**(2,222)**	**1,987**
Net cash provided by operating activities	**5,891**	**5,348**
Cash flows provided by (used for) investing activities:		
Additions to property, plant and equipment	(4,604)	(3,972)
Additions to held for sale NAND property, plant and equipment	(193)	(416)
Purchases of short-term investments	(19,091)	(6,574)
Maturities and sales of short-term investments	10,490	8,009
Sales of equity investments	4,682	86
Proceeds from divestitures	6,544	—
Other investing	(468)	866
Net cash used for investing activities	**(2,640)**	**(2,001)**
Cash flows provided by (used for) financing activities:		
Payments on finance leases	(299)	—
Proceeds from sales of common stock through employee equity incentive plans	589	565
Repurchase of common stock	—	(2,301)
Payment of dividends to stockholders	(1,487)	(1,411)
Other financing	(666)	(873)
Net cash provided by (used for) financing activities	**(1,863)**	**(4,020)**
Net increase (decrease) in cash and cash equivalents	**1,388**	**(673)**
Cash and cash equivalents, end of period	**$ 6,215**	**$ 5,192**

Intel Corporation
Supplemental Operating Segment Results

(In Millions)	Three Months Ended Apr 2, 2022	Mar 27, 2021
Operating segment revenue:		
Client Computing		
Desktop	$ 2,641	$ 2,770
Notebook	5,959	6,956
Other	694	997
	9,294	**10,723**
Datacenter and AI	6,034	4,940
Network and Edge	2,213	1,799
Accelerated Computing Systems and Graphics	219	181
Mobileye	394	377
Intel Foundry Services	283	103
All other	67	1,724
Total operating segment revenue	**$ 18,504**	**$ 19,847**
Operating income (loss):		
Client Computing	**$ 2,827**	**$ 4,288**
Datacenter and AI	**1,686**	**1,706**
Network and Edge	**366**	**243**
Accelerated Computing Systems and Graphics	**(390)**	**(176)**
Mobileye	**148**	**171**
Intel Foundry Services	**(31)**	**(34)**
All other	**(265)**	**(2,504)**
Total operating income	**$ 4,341**	**$ 3,694**
The following table presents intersegment revenue before eliminations:		
Total operating segment revenue	**$ 18,504**	**$ 19,847**
Less: Accelerated Computing Systems and Graphics intersegment revenue	(151)	(174)
Total net revenue	**$ 18,353**	**$ 19,673**

We derive a substantial majority of our revenue from our principal products that incorporate various components and technologies, including a microprocessor and chipset, a stand-alone SoC, or a multichip package, which is based on Intel's architecture.

Revenue for our reportable and non-reportable operating segments is primarily related to the following product lines:

- CCG includes products designed for end-user form factors, focusing on higher growth segments of 2-in-1, thin-and-light, commercial and gaming, and growing other products such as connectivity and graphics.
- DCAI includes a broad portfolio of CPUs, domain specific accelerators, FPGAs and memory, designed to empower datacenter and hyperscale solutions for diverse computing needs.
- NEX includes programmable platforms and high-performance connectivity and compute solutions designed for market segments such as cloud networking, communications networks, retail, industrial, healthcare, and vision.
- AXG includes CPUs for high performance computing (HPC) and GPUs targeted for a range of workloads and platforms from gaming and content creation to HPC and AI in the data center.
- Mobileye includes the development and deployment of advanced driver assistance systems (ADAS) and autonomous driving technologies and solutions.
- IFS is a services provider offering a combination of leading-edge packaging and process technology, world-class differentiated internal IPs (ie: x86, graphics, AI), broad 3rd party ecosystem and silicon design support.

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

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

- historical results of operations from divested businesses;
- results of operations of start-up businesses that support our initiatives;
- amounts included within restructuring and other charges;
- employee benefits, compensation, and other expenses not allocated to the operating segments (beginning the first quarter of 2022, this includes all of our stock-based compensation); and
- acquisition-related costs, including amortization and any impairment of acquisition-related intangibles and goodwill.

Intel Corporation
Explanation of Non-GAAP Measures

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

Starting in the first quarter of 2022, we incrementally exclude from our non-GAAP results, share-based compensation and all gains and losses on equity investments. The adjustment for all gains and losses on equity investments includes the ongoing mark-to-market adjustments previously excluded from our non-GAAP results.

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

Non-GAAP adjustment or measure	Definition	Usefulness to management and investors
Acquisition-related adjustments	Amortization of acquisition-related intangible assets consists of amortization of intangible assets such as developed technology, brands, and customer relationships acquired in connection with business combinations. Charges related to the amortization of these intangibles are recorded within both cost of sales and MG&A in our US GAAP financial statements. Amortization charges are recorded over the estimated useful life of the related acquired intangible asset, and thus are generally recorded over multiple years.	We exclude amortization charges for our acquisition-related intangible assets for purposes of calculating certain non-GAAP measures because these charges are inconsistent in size and are significantly impacted by the timing and valuation of our acquisitions. These adjustments facilitate a useful evaluation of our current operating performance and comparison to our past operating performance and provide investors with additional means to evaluate cost and expense trends.
Restructuring and other charges	Restructuring charges are costs associated with a formal restructuring plan and are primarily related to employee severance and benefit arrangements. Other charges include a benefit in Q1 2022 related to the annulled EC fine, a charge in Q1 2021 related to the VLSI litigation, and periodic goodwill and asset impairments, pension charges, and costs associated with restructuring activity.	We exclude restructuring and other charges, including any adjustments to charges recorded in prior periods, for purposes of calculating certain non-GAAP measures because these costs do not reflect our core operating performance. These adjustments facilitate a useful evaluation of our core operating performance and comparisons to past operating results and provide investors with additional means to evaluate expense trends.
Share-based compensation	Share-based compensation consists of charges related to our employee equity incentive plans.	We exclude charges related to share-based compensation for purposes of calculating certain non-GAAP measures because we believe these adjustments provide better comparability to peer company results and because these charges are not viewed by management as part of our core operating performance. We believe these adjustments provide investors with a useful view, through the eyes of management, of the company’s core business model, how management currently evaluates core operational performance, and additional means to evaluate expense trends, including in comparison to other peer companies.

Non-GAAP adjustment or measure	Definition	Usefulness to management and investors
Gains (losses) from divestiture	Gains or losses are recognized at the close of a divestiture, or over a specified deferral period when deferred consideration is received at the time of closing. Based on our ongoing obligation under the NAND wafer manufacturing and sale agreement entered into in connection with the first closing of the sale of our NAND memory business on December 29, 2021, a portion of the initial closing consideration was deferred and will be recognized between first and second closing.	We exclude gains or losses resulting from divestitures for purposes of calculating certain non-GAAP measures because they do not reflect our current operating performance. These adjustments facilitate a useful evaluation of our current operating performance and comparisons to past operating results.
(Gains) losses on equity investments, net	(Gains) losses on equity investments, net consists of ongoing mark-to-market adjustments on marketable equity securities, observable price adjustments on non-marketable equity securities, impairment charges, and sale of equity investments and other.	We exclude these non-operating earnings for better comparability between periods. The exclusion reflects how management evaluates the core operations of the business.
NAND memory business	We completed the first closing of the divestiture of our NAND memory business to SK hynix on December 29, 2021 and fully deconsolidated our ongoing interests in the NAND OpCo Business in the first quarter of 2022.	We exclude the impact of our NAND memory business in certain non-GAAP measures. While the second closing of the sale is still pending and subject to closing conditions, management does not view the historical results of the business as part of the company's core operations. We believe these adjustments provide investors with a useful view, through the eyes of management, of the company's core business model and how management currently evaluates core operational performance. In making these adjustments, we have not made any changes to our methods for measuring and calculating revenue or other financial statement amounts.
Tax Reform	Adjustments for Tax Reform reflect the impact of a change in tax law from 2017 Tax Reform related to the capitalization of R&D costs.	We exclude the impacts of this 2022 change in U.S. tax treatment of R&D costs for purposes of calculating certain non-GAAP measures as we believe these adjustments facilitate a better evaluation of our current operating performance and comparison to past operating results.
Adjusted free cash flow	We reference a non-GAAP financial measure of adjusted free cash flow, which is used by management when assessing our sources of liquidity, capital resources, and quality of earnings. Adjusted free cash flow is operating cash flow adjusted to exclude 1) additions to property, plant and equipment, net of proceeds from capital grants received, 2) payments on finance leases, and 3) proceeds from the McAfee equity sale.	This non-GAAP financial measure is helpful in understanding our capital requirements and sources of liquidity by providing an additional means to evaluate the cash flow trends of our business. Since the 2017 divestiture, McAfee equity distributions and sales have contributed to operating and free cash flow, and while the McAfee equity sale in Q1 2022 would typically be excluded from adjusted free cash flow as an equity sale, we believe including the sale proceeds in adjusted free cash flow facilitate a better, more consistent comparison to past presentations of liquidity.

Intel Corporation
Supplemental Reconciliations of GAAP Actuals to Non-GAAP Actuals

Set forth below are reconciliations of the non-GAAP financial measure to the most directly comparable U.S. GAAP financial measure. These non-GAAP financial measures should not be considered a substitute for, or superior to, financial measures calculated in accordance with U.S. GAAP, and the reconciliations from U.S. GAAP to Non-GAAP actuals should be carefully evaluated. Please refer to "Explanation of Non-GAAP Measures" in this document for a detailed explanation of the adjustments made to the comparable U.S. GAAP measures, the ways management uses the non-GAAP measures, and the reasons why management believes the non-GAAP measures provide useful information for investors.

	Three Months Ended	
(In Millions, Except Per Share Amounts)	**Apr 2, 2022**	**Mar 27, 2021**
GAAP net revenue	**$ 18,353**	**$ 19,673**
NAND memory business	—	(1,107)
Non-GAAP net revenue	**$ 18,353**	**$ 18,566**
GAAP gross margin	**$ 9,244**	**$ 10,854**
Acquisition-related adjustments	353	312
Share-based compensation	148	71
NAND memory business	—	(317)
Non-GAAP gross margin	**$ 9,745**	**$ 10,920**
GAAP gross margin percentage	**50.4 %**	**55.2 %**
Acquisition-related adjustments	1.9 %	1.6 %
Share-based compensation	0.8 %	0.4 %
NAND memory business	— %	1.7 %
Non-GAAP gross margin percentage[1]	**53.1 %**	**58.8 %**
GAAP R&D and MG&A	**$ 6,114**	**$ 4,951**
Acquisition-related adjustments	(51)	(52)
Share-based compensation	(559)	(353)
NAND memory business	—	(146)
Non-GAAP R&D and MG&A	**$ 5,504**	**$ 4,400**
GAAP operating income	**$ 4,341**	**$ 3,694**
Acquisition-related adjustments	404	364
Restructuring and other charges	(1,211)	2,209
Share-based compensation	707	425
NAND memory business	—	(171)
Non-GAAP operating income	**$ 4,241**	**$ 6,521**
GAAP operating margin	**23.7 %**	**18.8 %**
Acquisition-related adjustments	2.2 %	1.9 %
Restructuring and other charges	(6.6)%	11.2 %
Share-based compensation	3.9 %	2.2 %
NAND memory business	— %	1.0 %
Non-GAAP operating margin[1]	**23.1 %**	**35.1 %**
GAAP tax rate	**16.0 %**	**14.0 %**
Tax Reform	1.1 %	— %
Income tax effects	(4.2)%	(0.2)%
Non-GAAP tax rate	**12.9 %**	**13.8 %**

[1] Our reconciliations of GAAP to non-GAAP prior year gross margin and operating margin percentage reflect the exclusion of our NAND memory business from net revenue.

(In Millions, Except Per Share Amounts)	Three Months Ended Apr 2, 2022	Three Months Ended Mar 27, 2021
GAAP net income	**$ 8,113**	**$ 3,361**
Acquisition-related adjustments	404	364
Restructuring and other charges	(1,211)	2,209
Share-based compensation	707	425
(Gains) losses from divestiture	(1,121)	—
(Gains) losses on equity investments, net	(4,323)	(368)
NAND memory business	—	(171)
Tax Reform	(374)	—
Income tax effects	1,391	(331)
Non-GAAP net income	**$ 3,586**	**$ 5,489**
GAAP earnings per share—diluted	**$ 1.98**	**$ 0.82**
Acquisition-related adjustments	0.10	0.09
Restructuring and other charges	(0.30)	0.54
Share-based compensation	0.17	0.10
(Gains) losses from divestiture	(0.27)	—
(Gains) losses on equity investments, net	(1.05)	(0.09)
NAND memory business	—	(0.04)
Tax Reform	(0.09)	—
Income tax effects	0.33	(0.08)
Non-GAAP earnings per share—diluted	**$ 0.87**	**$ 1.34**

(In Millions)	Three Months Ended Apr 2, 2022
GAAP cash from operations	**$ 5,891**
Net additions to property, plant and equipment	(4,604)
Payments on finance leases	(299)
Sale of equity investment	4,561
Adjusted free cash flow	**$ 5,549**
GAAP cash used for investing activities	**$ (2,640)**
GAAP cash provided by (used for) financing activities	**$ (1,863)**

Intel Corporation
Supplemental Reconciliations of GAAP Outlook to Non-GAAP Outlook

Set forth below are reconciliations of the non-GAAP financial measure to the most directly comparable U.S. GAAP financial measure. These non-GAAP financial measures should not be considered a substitute for, or superior to, financial measures calculated in accordance with U.S. GAAP, and the financial outlook prepared in accordance with U.S. GAAP and the reconciliations from this Business Outlook should be carefully evaluated.

Please refer to "Explanation of Non-GAAP Measures" in this document for a detailed explanation of the adjustments made to the comparable U.S. GAAP measures, the ways management uses the non-GAAP measures, and the reasons why management believes the non-GAAP measures provide useful information for investors.

(In Billions, Except Per Share Amounts)	Q2 2022 Outlook	Full-Year 2022
	Approximately	Approximately
GAAP gross margin	**48.1 %**	**49.3 %**
Amortization of acquisition-related intangible assets	1.8 %	1.8 %
Share-based compensation	1.1 %	0.9 %
Non-GAAP gross margin[1]	**51.0 %**	**52.0 %**
GAAP tax rate	**4 %**	**9 %**
Tax reform	3 %	9 %
Income tax effects	5 %	(6)%
Non-GAAP tax rate	**12 %**	**12 %**
GAAP earnings per share—diluted	**$ 0.50**	**$ 4.19**
Acquisition-related adjustments	0.09	0.36
Restructuring and other charges	0.01	(0.27)
Share-based compensation	0.23	0.82
(Gains) losses from divestiture	(0.01)	(0.30)
(Gains) losses on equity investments, net	(0.05)	(1.12)
Tax Reform	(0.03)	(0.22)
Income tax effects	(0.04)	0.14
Non-GAAP earnings per share—diluted	**$ 0.70**	**$ 3.60**

(In Billions)	Full-Year 2022
GAAP cash from operations	**$ 21.3**
Net additions to property, plant and equipment	(27.0)
Payments on finance leases	(0.4)
Sale of equity investment	4.6
Adjusted free cash flow	**$ (1.5)**

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

How We Organize Our Business

We previously announced several organizational changes that would accelerate the execution and innovation of our Company by allowing us to capture growth in both large traditional markets and high-growth emerging markets. This includes the reorganization of our business units to capture this growth and to provide increased transparency, focus and accountability. As a result, we modified our segment reporting to align to the previously announced business reorganization. All prior-period segment data has been retrospectively adjusted to reflect the way we internally manage and monitor segment performance starting in fiscal year 2022.

We now manage our business through the following primary operating segments:

- Client Computing (CCG) - historical CCG business plus Workstation revenue
- Datacenter and AI (DCAI) - datacenter CPU products plus our PSG business
- Network and Edge (NEX) - IOTG business plus our networking focused products previously included in DCG
- Accelerated Computing Systems and Graphics (AXG) - all discrete graphics products
- Mobileye - unchanged
- Intel Foundry Services (IFS) - revenue from our wafer and packaging

We derive a substantial majority of our revenue from our principal products that incorporate various components and technologies, including a microprocessor and chipset, a stand-alone SoC (system-on-a-chip), or a multichip package, which is based on Intel® architecture.

CCG, DCAI and NEX are our reportable operating segments. AXG, Mobileye, and IFS do not meet the quantitative thresholds to qualify as reportable operating segments; however, we have elected to disclose the results of these non-reportable operating segments. AXG revenue includes integrated graphics royalties from our CCG and NEX operating segments and are recorded as if the sales or transfers were to third parties at prices that approximate market-based selling prices. When we enter into federal contracts, they are aligned to the sponsoring operating segment.

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

Years Ended (In Millions)	Dec 25, 2021	Dec 26, 2020	Dec 28, 2019
Operating segment revenue:			
Client Computing			
Desktop	$ 12,437	$ 11,179	$ 12,619
Notebook	25,443	24,897	20,773
Other	3,187	4,459	4,546
	41,067	**40,535**	**37,938**
Datacenter and AI	**22,691**	**23,413**	**21,696**
Network and Edge	**7,976**	**7,132**	**6,829**
Accelerated Computing Systems and Graphics	**774**	**651**	**606**
Mobileye	**1,386**	**967**	**879**
Intel Foundry Services	**786**	**715**	**461**
All other	**5,019**	**5,091**	**4,150**
Total operating segment revenue	**$ 79,699**	**$ 78,504**	**$ 72,559**
Operating income (loss):			
Client Computing	**$ 15,704**	**$ 15,800**	**$ 16,160**
Datacenter and AI	**8,439**	**11,076**	**9,927**
Network and Edge	**1,711**	**846**	**1,739**
Accelerated Computing Systems and Graphics	**(1,207)**	**(403)**	**(353)**
Mobileye	**554**	**323**	**318**
Intel Foundry Services	**(23)**	**45**	**(213)**
All other	**(5,722)**	**(4,009)**	**(5,543)**
Total operating income	**$ 19,456**	**$ 23,678**	**$ 22,035**
The following table presents intersegment revenue before eliminations:			
Total operating segment revenue	**$ 79,699**	**$ 78,504**	**$ 72,559**
Less: Accelerated Computing Systems and Graphics intersegment revenue	(675)	(637)	(594)
Total net revenue	**$ 79,024**	**$ 77,867**	**$ 71,965**

Client Computing

Market and Business Overview

Overview

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

Market Trends and Strategy

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

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

Products and Competition

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

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

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

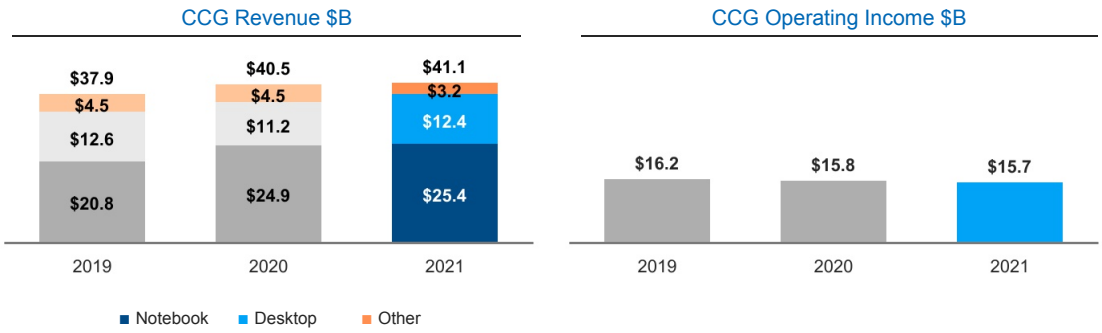
Unique to Intel, we innovate beyond the CPU to deliver premium PC experiences with Intel Evo™ and Intel vPro® platforms. More than 100 advanced laptop designs have been built on the Intel Evo platform, which signals they are tested and verified in Intel labs. This ensures they deliver key experience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

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

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

[1] Source: Intel calculated 2022 TAM derived from industry analyst reports.
[2] Source: Intel calculated the volume of devices over four years old from industry analyst reports and internal data.

Financial Performance



Revenue Summary

2021 vs. 2020

- Notebook revenue increased $546 million. Notebook unit sales increased 8% driven by consumer and commercial recovery from COVID-19 lows offset by 6% lower ASPs due to strength in consumer and education market segments.
- Desktop revenue increased $1.3 billion. Desktop unit sales increased 8% driven by recovery in desktop demand driven by consumer and commercial recovery from COVID-19 lows and ASP increased 3% driven by commercial recovery from COVID-19.
- Other revenue decreased $1.3 billion primarily driven by the continued ramp down from the exit of our 5G smartphone modem and Home and Gateway Platform businesses, partially offset by strength in wireless and connectivity.

2020 vs. 2019

- Notebook revenue increased $4.1 billion. Notebook unit sales increased 28% driven by strength in notebook demand, partially offset by 6% lower ASPs resulting from higher demand for consumer education PCs.
- Desktop revenue decreased $1.4 billion. Desktop unit sales decreased 12% due to lower desktop demand while ASP was flat.
- Other revenue decreased $87 million primarily driven by volume decline in our 5G smartphone modem and Home and Gateway Platform businesses, partially offset by strength in wireless and connectivity.

Operating Income Summary

Operating income decreased 1% year over year, and operating margin was 38% in 2021.

(In Millions)	
$ 15,704	**2021 Operating Income**
(840)	Higher period charges primarily associated with ramp up of Intel 4 and subsequent ramp down of 14nm
(675)	Higher operating expenses driven by increased investment in leadership products
(290)	Lower gross margin from notebook revenue
(140)	Higher period charges driven by less sell-through of reserves on products in 2021 as compared to in 2020, and additional reserves taken in 2021
1,080	Higher gross margin from desktop revenue
660	Lower unit cost primarily due to cost improvements in 10nm SuperFin
165	Lower period charges primarily driven by an decrease in engineering samples
(56)	Other
$ 15,800	**2020 Operating Income**
(3,020)	Higher unit cost primarily from increased mix of 10nm products
(1,160)	Lower gross margin from desktop revenue
2,605	Higher gross margin from notebook revenue
670	Lower operating expenses
325	Lower period charges due to lower start-up cost associated with 10nm products and sell-through of previously reserved platform products related to our 10nm process technology, partially offset by increased logistics expenses due to COVID-19
300	Higher gross margin from other CCG product revenue
(80)	Other
$ 16,160	**2019 Operating Income**

Datacenter and AI

Market and Business Overview

Overview

DCAI delivers workload-optimized platforms to empower datacenter and hyperscale solutions for diverse computing needs. We are focused on delivering the hardware and software portfolio our customers need to support the increased demand for high performance computing and processing of increasingly complex algorithms. DCAI offers a portfolio of leadership products, including CPUs, FPGAs, and AI accelerators, and Intel® persistent memory together with a broad portfolio of software and solutions that enable our hardware's differentiated features to deliver performance to customers. Our customers and partners include hyperscale customers, OEM/ODMs, enterprises, independent software vendors, system integrators, communications service providers, and governments.

Market Trends and Strategy

Data is a significant force in society and is being generated at an unprecedented pace. We expect growth in the demand for and application of data, and the desire to harness insights and develop new business models. For example, AI is quickly becoming pervasive in all applications, creating intelligence everywhere, and enabling powerful new uses of compute across all market segments. The installed base of Intel® Xeon® processors combined with integrated AI acceleration platform capabilities and AI Accelerators such as Habana Gaudi, position Intel to lead in this high growth area. Intel continues its growth in AI through deep investments in the AI ecosystem, developer tools, frameworks, technologies, and open standards to drive a scalable path forward.

We take a system level approach to accelerating computing, developing silicon products, and producing the necessary supporting software to optimize products' accessibility and performance. This is enabled through an unmatched and comprehensive product portfolio, solutions at scale, and an expansive partner ecosystem of OEMs, ODMs, commercial software vendors and open-source communities that are built upon and optimized for the Intel Xeon platform. We partner with the ecosystem to help our customers to lower development costs, decrease time to market, and reduce their total cost of ownership.

Our technology is differentiated at the system level and in high-growth workloads based on our integrated hardware acceleration engines and software. For example, architected into our Xeon processors are Intel® Deep Learning Boost (Intel® DL Boost) for AI acceleration, Intel® Software Guard Extensions (Intel® SGX) providing enclaves of protected memory to deliver enhanced security for sensitive data, and Intel® Crypto Acceleration that delivers breakthrough performance across a host of important cryptographic algorithms. This is the type of acceleration and differentiated performance that we expect will continue to drive our growth across our customer base.

Products and Competition

We offer customers a broad portfolio of silicon and software designed to provide workload-optimized performance. Our hardware portfolio is composed of CPUs, domain specific accelerators, FPGAs and memory. Each of these has been constituted to support the performance, agility, and security that our customers demand. Our hardware portfolio strategy and investment in software enables users to execute their workloads with low latency and on the most appropriate hardware.

As a leading provider of data center platforms, we have competitors such as AMD, providers of GPU products such as NVIDIA Corporation (NVIDIA), companies using ARM architecture, and new entrants developing products customized for specific data center workloads. We expect the competitive environment to continue.

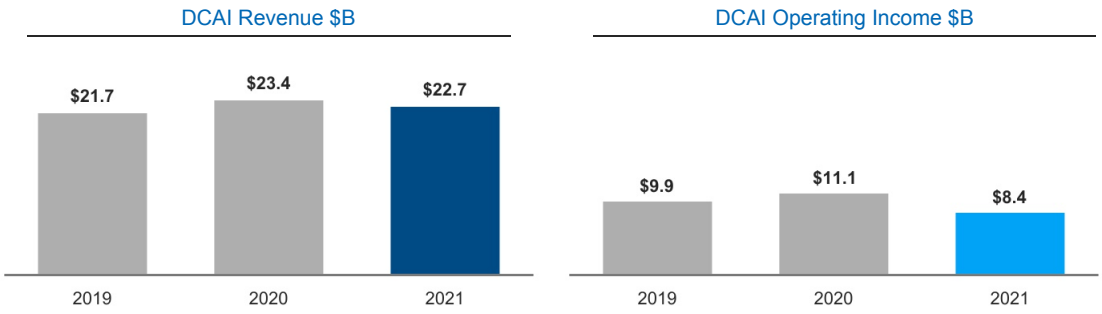
In 2021, we launched our 3rd Gen Intel Xeon Scalable processors (Ice Lake), and we shipped 1 million units faster than the previous Xeon generations. All of our OEM partners are currently shipping 3rd Gen Intel Xeon enabled systems. In addition, all major hyperscale customers have deployed services using 3rd Gen Intel Xeon processors. The Intel Xeon Scalable processor family delivers advanced CPUs for the datacenter, the network and edge, driving industry-leading performance, manageability, and security with differentiated features and capabilities.

Intel's Habana Gaudi AI training accelerator was launched in late 2020 after acquiring Habana Labs in December 2019 and is at the forefront of AI solutions for data centers. In 2021, Amazon Web Services launched the EC2 DL1 instance featuring Habana Gaudi in Amazon Elastic Compute Cloud for training deep learning models, delivering up to 40% better price-performance than current GPU-based instances.

Our FPGA and structured ASIC portfolio enhance Intel's ability to meet the needs of customers in the data center, across the network and at the edge. We are shipping our Intel® Agilex™ FPGA family, featuring industry-leading FPGA fabric performance, power efficiency, and transceiver performance. In 2021, we released our Intel® eASIC™ N5X device family (Diamond Mesa) for low latency 5G network acceleration, hyperscale acceleration, and storage, AI, and edge applications. We also introduced an FPGA-based IPU (Oak Springs Canyon) that enables superior security capabilities and allows our hyperscale customers to isolate the infrastructure from the tenant workloads running on Xeon.

The persistent memory portfolio for storage and for new memory structures enable greater execution speeds while minimizing transfers of large data sets. In 2021, we introduced the Intel Optane Persistent Memory 200 Series and Intel Optane SSD P5800X.

Financial Performance



Revenue Summary

2021 vs. 2020

Revenue was $22.7 billion, down $722 million primarily due to lower server revenue, partially offset by increased revenue from other DCAI products. Server volume decreased 4% driven by an increasingly competitive environment, partially offset by recovery in government and broader market products.

2020 vs. 2019

Revenue was $23.4 billion, up $1.7 billion primarily due to higher server revenue. Server unit sales increased 10% driven by growth in hyperscale capacity to serve demand over the first three quarters of 2020, before entering a capacity digestion cycle in the fourth quarter. Demand for government and broader market products declined in the second half of the year on COVID-related macroeconomic weakness.

Operating Income Summary

Operating income decreased 24% year over year, and operating margin was 37% in 2021.

(In Millions)	
$ 8,439	**2021 Operating Income**
(1,050)	Higher DCAI server unit cost primarily from increased mix of 10nm SuperFin products
(820)	Higher period charges primarily driven by ramp up of Intel 4 and subsequent ramp down of 14nm
(725)	Lower gross margin from server revenue
(475)	Higher operating expenses driven by investment in leadership products
(65)	Higher period charges driven by increased engineering samples
375	Higher gross margin from other DCAI product revenue
130	Lower period charges driven by absence of reserves taken in 2020, partially offset by reserves recorded in 2021
(7)	Other
$ 11,076	**2020 Operating Income**
1,475	Higher gross margin from server revenue
185	Lower period charges due to lower factory start-up costs associated with the initial ramp of 10nm
50	Lower server unit cost
(295)	Higher period charges due to product reserves taken as well as increased logistic expenses due to COVID-19
(145)	Higher operating expenses
(125)	Lower gross margin from non-server related revenue
4	Other
$ 9,927	**2019 Operating Income**

Network & Edge

Market and Business Overview

Overview

NEX lifts the world's networks and edge systems from fixed function hardware into open software running on programmable hardware. We work with partners and customers to deliver and deploy intelligent edge platforms that allow software developers to continuously evolve, improve, and tailor systems to gain more control, security, and flexibility. We have a broad portfolio of hardware and software platforms, tools and ecosystem partnerships for the rapid digital transformation happening from edge to cloud. We are leveraging our core strengths in process, manufacturing at scale, and software, to grow traditional markets and to accelerate entry into emerging ones.

Market Trends and Strategy

The internet is undergoing a shift toward a cloud-to-edge infrastructure, combining unrivaled scale and capacity in the cloud with faster response times at nearby edges. As AI inference is transforming and automating every industry—factories, smart cities, and hospitals—the demand for high-performance computing at the edge has expanded exponentially. Networks are moving towards software, becoming more programmable and flexible.

NEX network solutions aim to 1) move the world's networks to run in software on Intel technologies at the core of cloud data centers, the public Internet, and public and private 5G/6G networks; 2) deploy and run software that monitors and controls factories, cities, commerce, energy and healthcare on Intel technologies; and 3) run every workload at the edge, between the cloud and the end-user, whether deployed by a cloud service provider (CSP) or an alternative service provider.

Products and Competition

With a greater emphasis on systems and solutions designed to harness the growth of data processed at the edge to yield insights, our competitive landscape has shifted beyond application-specific standard product (ASSP) vendors to include cloud, network, and AI computing platform providers.

Today, we speed the deployment of network and edge computing solutions based on our open software frameworks and broad silicon portfolio to address a broad range of applications in many markets.

Cloud networking requires uncompromised data center network performance and reliability. Intel® Intelligent Fabric allows customers to program network behavior from end to end, from one Xeon server—through Intel® Ethernet NICs, IPUs, P4-programmable Intel® Tofino™ 3 Intelligent Fabric Processors and Ethernet Switch ASICs—to the next Xeon server. This control gives customers the ability to advance and differentiate their cloud infrastructure based on the unique needs of their business. The IPU, a new class of product introduced by Intel, is an open and programmable compute platform that frees up more compute cycles for customers by running infrastructure workloads in a separate, secure, and isolated set of CPU cores. Our Intel® Silicon Photonics Optical Transceivers are the backbone of the data center network, building reliable optical links on one of the industry’s best manufacturing processes.

We helped lead the world's shift to running networking workloads in software and created network function virtualization (NFV) providing customers with more efficient, cost effective and programmable platforms. Now we are helping to lead the first wave of 5G core network deployments and demonstrating that 5G base stations can be almost entirely built from software running on Xeon processors with vRAN.

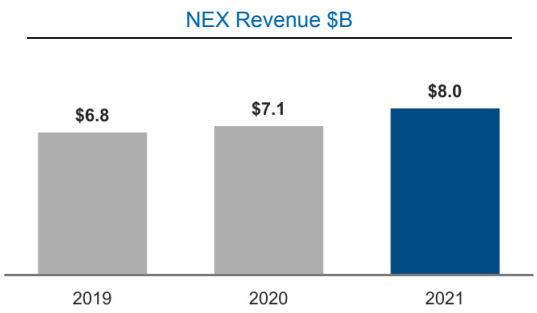
Our growth comes from moving fixed function networks onto Intel Xeon-SP and Intel Xeon D processors running our FlexCore and Intel® FlexRAN™ software. Our customers are primarily tier-one global communication service providers and their equipment suppliers. Our software-based cloud RAN platform is designed to allow operators to deploy the fastest cloud-native 5G infrastructure quickly and efficiently at scale to meet the needs of their end customers.

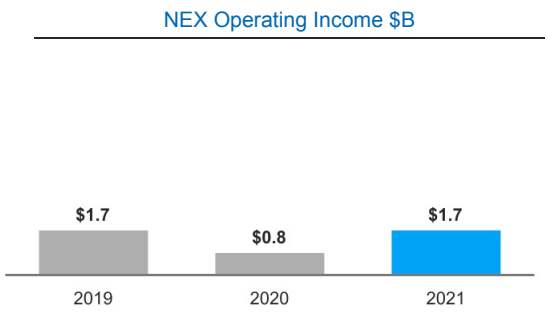
In addition to providing silicon, on-premises edge partners with companies to design and deliver solutions to help a wide range of customers transform their businesses and take advantage of the rapidly increasing number of connected devices and customers. We develop high-performance compute platforms to solve for technology and business use cases that scale across vertical industries and embedded markets such as retail, banking, hospitality, education, manufacturing, energy, healthcare and medical.

A common architecture from intelligent edge platforms based on our Xeon, Core, Atom® and VPU silicon portfolio reduces complexity in the ecosystem and helps our customers create, store and process data at the edge, analyzing it faster and acting on it sooner. Software frameworks like OpenVINO™ enable software developers to deploy new automation solutions on Intel hardware, particularly for those running AI inference workloads.

Our customers’ need for flexibility, programmability, and versatility drives workloads toward software and away from fixed-function hardware. As networking in the cloud, core network, 5G, and private networks move to software, and as our edge customers increasingly deploy AI inference applications, we aim to ease innovation on Intel hardware. We support our customers with open, containerized software frameworks, such as Intel® Smart Edge, OpenVINO, and Infrastructure Programmer Developer Kit (IPDK), enabling the network to continue to improve and evolve without locking customers into a single solution.

Financial Performance





Revenue Summary

2021 vs. 2020

NEX revenue was $8.0 billion, up $844 million, primarily driven by higher demand for edge products amid recovery from the economic impacts of COVID-19 as well as a recovery in cloud networking revenue. These increases were partially offset by a reduction in the 5G networking volume from elevated levels in 2020.

2020 vs. 2019

NEX revenue was $7.1 billion, up $303 million, primarily driven by 5G networking deployment largely offset by a decline in edge product revenue as a result of economic impacts from COVID-19, with lower ASPs on weaker core mix and weaker demand for edge products. Revenue related to edge products was also negatively affected by considerations related to the U.S. government Entity List.

Operating Income Summary

Operating income increased 102% year over year, and operating margin was 21% in 2021.

(In Millions)	
$ 1,711	**2021 Operating Income**
895	Lower NEX unit cost due to cost improvements in 10nm SuperFin process
285	Lower period charges due to reserve sell through and a decrease in engineering samples
215	Higher gross margin from NEX revenue, primarily driven by cloud networking and the edge
(300)	Higher operating expenses primarily due to roadmap investments
(220)	Higher period charges primarily associated with the ramp of Intel 4
(10)	Other
$ 846	**2020 Operating Income**
(1,510)	Higher NEX unit cost
(110)	Higher operating expenses primarily due to investing activities
420	Lower period charges due to reserve sell through and a decrease in investments
240	Higher gross margin from NEX revenue
67	Other
$ 1,739	**2019 Operating Income**

Accelerated Computing Systems and Graphics

Market and Business Overview

Overview

AXG delivers products and technologies designed to help our customers solve the toughest computational problems. Our vision is to enable persistent and immersive computing, at scale, and accessible by billions of people within milliseconds, which drives an incredible demand for compute - from endpoints to data centers.

Our portfolio includes CPUs for high performance computing and GPUs targeted for a range of workloads and platforms from gaming and content creation on client devices to delivering media and gaming in the cloud, and the most demanding HPC and AI workload on supercomputers. To address new market opportunities and emerging workloads, we also develop custom accelerators with blockchain acceleration, as an example.

Market Trends and Strategy

We are surrounded by immersive and visual content. Technology has made great advances in computer graphics, gaming and media to AI supercomputing technologies that have enabled us to push towards simulating everything. The pursuit of simulating everything is driving the demand for accelerated computing. To address the opportunity, we are developing products that cover gaming, content creation, and that can enable consumers to experience immersive, photo-realistic virtual worlds. Our high-performance computing products are intended to power supercomputers that simulate our world from sub-micron levels to the entire galaxy. We are also building tailored products and have custom design services that we believe will unlock additional market opportunities.

We leverage Intel's expansive portfolio of IPs and technologies from our process and packaging to our x86 architecture and a rich set of open software tools, libraries, drivers and operating systems. We build upon the core foundation and combine our scalable Xe architecture and acceleration IPs to address the accelerated computing market. Our IDM 2.0 investments provide us with a flexible manufacturing strategy so that we can combine the power of our internal IP portfolio with the breadth of the external ecosystem.

Products and Competition

We operate in a very competitive market. NVIDIA is a competitor in the GPU and CPU market for high-performance computing and AI as well as graphics solutions for content creation and gaming. AMD is also a competitor in the client as well as server segments with their line of GPUs and CPUs. CSPs are both customers and indirect competitors as they integrate vertically.

Our advanced and groundbreaking Xe architecture excels at rendering content and accelerating computing that scales from the client to the data center. We empower the industry with open and scalable toolkits and software libraries that enable heterogeneous compute through our oneAPI programming model. Intel Arc™ Graphics is our high-performance graphics for gaming, content creation, and emerging opportunities to enable persistent and immersive computing. To provide a valuable user experience and bring Intel Arc graphics to market, we work with hundreds of software partners to deliver games and applications that work seamlessly with our products. We also collaborate with the ecosystem to integrate new functionality and features that take advantage of both our hardware and software technologies to boost performance and enable high-quality rendering and fluid frame rates.

High-performance computing takes advantage of our CPUs and GPUs to power supercomputers that tackle the most computationally challenging problems of our increasingly complex world. Today, many of the world's supercomputers are based on Intel Xeon processors. Our CPU roadmap strategy is to build upon this foundation and extend to higher compute and memory bandwidth for workloads with increasingly large datasets.

Our flagship data center GPU, Ponte Vecchio, is designed to take on the most demanding AI and HPC workloads. Combining Ponte Vecchio with Intel Xeon processors can supercharge a platform's compute density. Our oneAPI cross architecture programming model is architected to leverage the broad software ecosystem of Intel Xeon processors so that software developers can work across a range of CPUs and accelerators with a single code base.

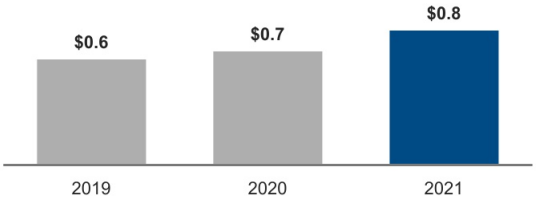
With a rich portfolio and a strong roadmap for leadership in visual computing, supercomputing, and custom computing, we have a unique opportunity to define the future of computing and accelerate growth for Intel.

Financial Performance

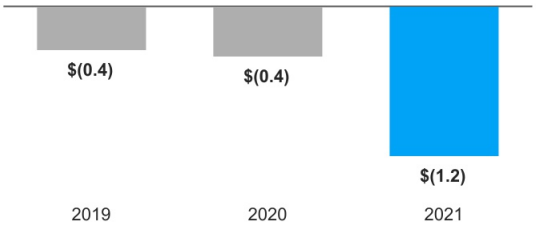
AXG revenue increased primarily due to the integrated graphics royalties generated from the increased sale of certain products from our CCG and NEX operating segments.

In 2021, high performance compute incurred a charge on a federal contract of $333 million that generated revenue of $71 million. The remaining loss in 2021 reflects ongoing investments in the business, which we expect to continue through 2022.

AXG Revenue $B



AXG Operating Income (Loss) $B



Mobileye

Market and Business Overview

Overview

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

Market Trends and Strategy

While the vehicle industry shows recovery from the COVID-19 pandemic with approximately 2%[1] growth year over year, production is still roughly 15% below 2019 levels. We expect ADAS volume to overcome the COVID-19 effects faster than overall global vehicle production, given the significant growth shown in 2021. We anticipate long-term ADAS growth from a strong build-up in L1-L2 ADAS fitment rates, increasing the number of vehicles that will have basic ADAS features from the factory. In addition, we expect increased demand for new generations of cloud-enhanced ADAS as OEMs continue to look to boost current L2 solutions by improving system fidelity, availability, and performance. A crucial building block for L4 autonomy, our REM high-definition maps with constant updates, global coverage, and crowd-based semantics provide a unique value proposition for enhanced L2 systems. We see great traction from leading OEMs (including VW and Ford, as recently announced) as REM-based enhancements can be achieved based on economical configuration.

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

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

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

Products and Competition

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

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

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

[1] Source: IHS Markit.

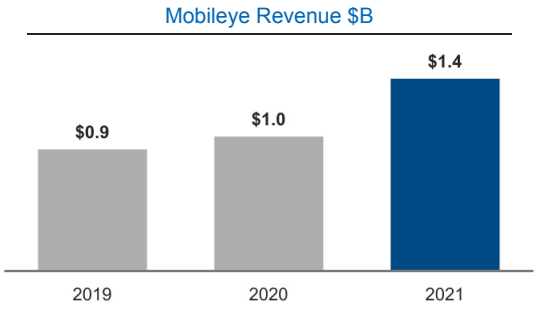
The next significant building block in our complete offering is REM mapping technology, which compiles crowdsourced mapping data from EyeQ SoC-equipped vehicles. Together with our OEM partners, we are utilizing our strong presence in ADAS to gain crowd knowledge that is required for building AV maps.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

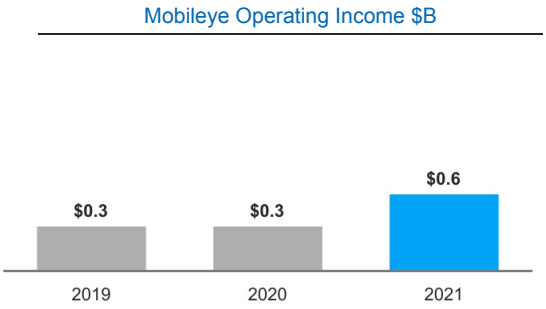
The third building block in our full stack offering is our unique formal model for AV safety (RSS). At its core, RSS is a pragmatic method to design and then efficiently validate the safety of an AV, serving as the governing safety layer for the decision-making system. RSS formalizes human decision making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

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

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

Financial Performance





Revenue Summary

2021 vs. 2020

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

2020 vs. 2019

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

Operating Income Summary

2021 vs. 2020

Mobileye operating income increased $231 million, due to higher revenue driven by improvement in global vehicle production, recovery from the economic impacts of COVID-19, and increasing adoption of ADAS compared to 2020.

2020 vs. 2019

Mobileye operating income was $323 million, up $5 million, due to higher spending primarily driven by the Moovit acquisition, partially offset by growth in revenue.

Intel Foundry Services

Market and Business Overview

Overview

IFS seeks to empower our customers by delivering industry-leading silicon and packaging with a differentiated IP portfolio via a secure and sustainable supply of semiconductors. We intend to leverage our decades-long investment in advancing Moore's Law to spark innovation and customization for our customers on leading edge nodes and mature specialty processes, through support of an open multi-Intel System Architecture (ISA) ecosystem. Our early customers include traditional fabless customers, cloud service providers, automotive customers and aerospace firms. We offer a combination of leading-edge packaging and process technology, world-class differentiated internal IPs (ex. x86, graphics, AI), broad third party ecosystem and silicon design support. Additionally, our offerings include mask-making equipment for advanced lithography used by most of the world's leading-edge foundries.

Market Trends and Strategy

Strong demand from the high-performance compute and mobile segments is leading to capacity shortages for key market segments worldwide. Automotive markets served mostly by mature technologies are also experiencing shortages. Components like power-management and display-driver integrated circuits manufactured with older 200mm equipment are also in short supply, leading to a gradual transition to 300mm manufacturing. Market analysts expect the supply constraints to persist at least through 2022 if not longer, creating a favorable environment for us to scale IFS.

The COVID-19 pandemic highlighted the world's dependence on semiconductors and the vulnerable supply chain that underpins the industry. We seek to secure the global supply chain for all semiconductor needs and rebalance the supply of silicon to provide assured and secure supply of semiconductors. We are the only U.S. headquartered foundry with leading and trailing manufacturing capabilities and we intend to be a key partner for securing the national supply of critical silicon components. Our business is expected to help countries and companies access a reliable silicon supply chain that will withstand geopolitical, economic, security, and climate challenges.

We aim to win the foundry market growth segments of this decade, including Mobile, Compute, and Automotive, with our unique ability to combine open compute platform with customer IP, customized chiplets, x86 cores and advanced 3D packaging. The IFS Automotive group will provide an Auto grade open compute foundry platform combined with Mobileye solutions, specialty silicon, Intel LiDAR, and innovation through the IFS Accelerator program.

Products and Competition

The semiconductor foundry services market is primarily served by five major manufacturers: Taiwan Semiconductor Manufacturing Company (TSMC), Samsung, GlobalFoundries, UMC and SMIC - all of which are pure-play foundries except Samsung, which is an IDM and a foundry. TSMC and UMC are headquartered in Taiwan, Samsung in Korea, GlobalFoundries in the USA, and SMIC in China. TSMC is the market leader with more than 50% market share, followed by Samsung. Only TSMC and Samsung are investing in leading edge foundry technologies smaller than 10nm, allowing IFS a great opportunity to capitalize as markets transition from older nodes to leading edge technologies.

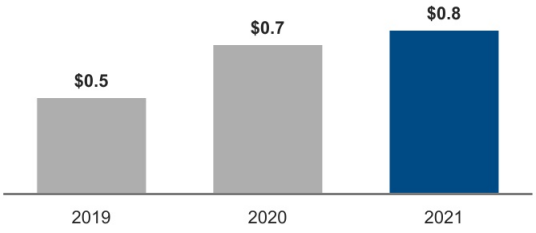
We are building towards differentiated foundry service offerings based on a comprehensive portfolio of distinguished technology solutions designed to enable customers to win in their markets with leadership products. This portfolio includes process technology spanning from leading-edge up to half micron advanced 3D packaging, ISA support beyond x86 with ARM & RISC-V, broad vibrant IP, EDA and design services ecosystem. As part of the broader technology offering scope, we are also selling Multi-Beam Mask Writer (MBMW) tools, a key technology for the semiconductor industry.

We are working to accelerate IFS growth and are making good progress. We have defined a competitive technology, IP and leadership packaging roadmap, grown the organization with key leaders internally and from the industry, engaged with marquee customers on Intel 18A, built a strong pipeline of customers on Intel 16, established early business success in packaging with customers like Amazon Web Services (AWS) and are engaged with CSPs as well as compute-intensive automotive customers using Intel's x86 IP on Intel foundry.

Financial Performance

IFS revenue increased primarily due to our automotive group in 2021 and custom ASIC in 2020, with operating income reflecting ongoing investments in the business.

IFS Revenue $B



IFS Operating Income (Loss) $B