Comments from CEO Lip-Bu Tan and CFO Dave Zinsner

Intel's chief executive officer and chief financial officer offer comments after the company released its second-quarter 2025 earnings.

The following are the prepared remarks provided on Intel's second-quarter 2025 earnings conference call held at 2 p.m. PDT on July 24, 2025. These remarks include forward-looking statements that are based on the environment as seen by the company as of the time of the call and, as such, are subject to various risks and uncertainties. They also contain references to non-GAAP financial measures that the company believes provide useful information to investors. Refer to the company's earnings release for the second-quarter 2025, most recent annual report on Form 10-K and other filings with the SEC for more information on the risk factors that could cause actual results to differ materially from the company's expectations and additional information on non-GAAP financial measures, including reconciliations where appropriate to the corresponding GAAP financial measures.

July 24,2025 – Lip-Bu Tan, chief executive officer of Intel (bio):

We had a solid Q2, with revenue above the high-end of our guidance. This reflects strong demand across our business and good execution by the team. As expected, headline profitability was impacted by several one-time items and impairments, but I am pleased by the underlying operating performance in the quarter, even as we have more work to do. Dave will go through our detailed financials shortly.

Today, I want to provide you with updates on four major initiatives where we have started to make progress and will continue to focus in coming quarters: Our organization and culture, our foundry strategy, our core x86 franchise, and our AI strategy.

First, on organization and culture. Over the last 3 months, I have completed a systematic review of every organization and function reporting into the CEO. These reviews included detailed analysis of headcount, skill sets, spending, site distribution, executive population and restructuring plans. We have much work to do in building a clean and streamlined organization, which we have started in earnest, and it will remain an area of focus for me during Q3. Our goal is to reduce inefficiencies and redundancies and increase accountability at every level of the company. As mentioned in our Q1 earnings call, we need to right-size and scale back the company, while ensuring that we are retaining our best internal talent and hiring the best external talent from industry and universities.

During Q2, we completed the majority of the actions needed to achieve our year-end target of 75,000 employees. These were hard but necessary decisions, and we reduced management layers by approximately 50% in the process. We are on track to implement our return-to-office mandate starting in September. These actions are necessary not just to reduce our operating expenses, but to make the company more agile, collaborative and vibrant, to simplify our business, and to improve our product and process execution.

Next, on our foundry strategy. I continue to believe that our heritage and expertise in semiconductor technology development and manufacturing remains a very valuable and vital asset, and I also fully appreciate the strategic importance of U.S.-domiciled semiconductor manufacturing.

Transforming this unique asset into a robust foundry business requires us to take a systematic approach and act from the position of strength. The foundry business is a service business that relies on foundational principle of trust. We need to demonstrate to our customers that we can deliver wafers on time with high quality, reliability and yield – that we can manufacture their products at-scale. We need to have process and packaging technology that is not only competitive, but, more importantly, is designed to meet the needs of customers. In addition, we also need to develop a rich and diverse ecosystem of IP (intellectual property) and EDA (electronic design automation) partners who will enable our customers to seamlessly design chips using our process. And finally, perhaps most importantly, we need to build capacity smartly and carefully, on a schedule that meets the needs of our customers and supports the economics of our business.

This approach is fundamentally different than the path we have been on for the last four years. Unfortunately, the capacity investments we made over the last several years were well ahead of demand, and were unwise and excessive. Our factory footprint has become needlessly fragmented. Going forward, we will grow our capacity based solely on volume commitments and deploy CapEx (capital expenditures) lockstep with tangible milestones and not before.

As part of this financial discipline, we have decided not to continue our projects in Germany and Poland. We also plan to consolidate our assembly and test operation in Costa Rica into larger existing sites in Vietnam and Malaysia. We will further slow the pace of construction in Ohio to ensure our spending is aligned with market demand. Importantly, based on the progress we have already made in Ohio, we have flexibility to accelerate work as needed to meet customer needs.

Turning specifically to process technology development. On 18A, we continue to make steady progress on yield and performance targets. Intel 18A is the foundation of at least the next three generations of Intel client and server products, and we remain committed to ramping this technology to scale. Intel 18A and Intel 18A-P are critical nodes for Intel Products and will drive meaningful wafer volumes well into the next decade.

Our foundry and product teams remain focused on enabling Panther Lake to launch this year. Once we get our own product ramping in high volume, we will be in a better position to attract external customers to this technology. The Intel 18A family is also important as we continue to advance our work for the U.S. government within the Secure Enclave Program, as well as for other initial committed customers.

On Intel 14A, the foundry technology team is continuing to focus on the basic building blocks – technology definitions and transistor architecture, process flow, design enablement, PDKs, foundational IPs and test chips to validate and improve performance and defect density. Designing 14A at its inception as a foundry node from the ground up better positions us to meet specific customer requirements and address a broader segment of the market. This work is being driven and informed by direct input from large external customers and from our own internal product teams.

A key aspect of prudently pursuing our foundry ambition is also making sure we maintain sensible optionality for our internal product teams. They will continue to work closely with both internal and external foundry partners. They will do their homework and make process and supplier decisions based on what is best for our end customers against criteria of performance, cost, yield and time to market.

Our external foundry strategy has always been rooted in the economic reality of semiconductor manufacturing. Up to and through Intel 18A, we could generate a reasonable return on our

investment by supporting only Intel Products. The increase in capital costs at Intel 14A makes it clear that we need both Intel Products and a meaningful external customer to drive acceptable returns on our deployed capital, and I will only invest when I am confident those returns exist.

I am intimately familiar with the foundry and fabless ecosystem, having helped create it over the last two decades. I am using that experience to put Intel Foundry on a more solid footing for the future. I will do so while being prudent with our capital and ensure we can deliver attractive returns on the investment we make. I do not subscribe to the belief that, "If you build it, they will come." Under my leadership, we will build what customers need, when they need it, and earn their trust through consistent execution.

Next, on to our core x86 franchise. In client, our top priority is delivering our first Panther Lake SKU by year-end, followed by additional SKUs in the first half of 2026. The successful launch of Panther Lake will solidify our strong share in the notebook market across consumer and enterprise. We still have gaps to close in the high-end desktop market, but I'm encouraged by our unmatched go-to-market reach, our x86 ecosystem and the progress we are making on Nova Lake, due out at the end of 2026.

In traditional servers, we continue to have a solid position in AI host nodes and storage, where our single-threaded performance has been optimized for those workloads. Granite Rapids is ramping as planned and we continue to see good demand for our more-established server products, but sustainable share improvement in this market will take time. Specifically, we need to improve in broader hyperscale workloads where performance per watt is a key differentiator. I have also taken steps to correct past mistakes regarding multi-threading capabilities on our P-cores (Performance-cores). I am also making progress on bringing in new leadership in our data center business and look forward to being able to announce these changes next quarter.

Longer term, my directive to our silicon and platform teams is to define products with clean and simple architecture, a better cost structure, to simplify our SKU stack – all while enabling a path to robust product margin. I am also instituting a policy where every major chip design need to be personally reviewed and approved by me before tape-out. I have already begun this process. This discipline will improve our execution speed and move us towards a "first-time right" mindset while also saving development costs.

Finally, turning to AI. In the past, we approached AI with a traditional silicon- and training-centric mindset without a cohesive silicon, system, software stack and strategy. While we do need to build and consolidate upon our silicon franchise, based upon our x86 CPUs and our X^e GPUs, we recognize the need to move up the abstraction stack into system and software. This is an area where Intel has traditionally been weak or entirely absent, but we intend to incubate and grow these important skill sets and capabilities under my leadership. This will take time, but it will be vital for Intel to stay relevant in the next wave of computing.

In addition, we see the AI market continuing to evolve, and we are concentrating our efforts on areas we believe we can disrupt and differentiate like inference and agentic AI. We need to start by first understanding emerging and real AI workloads – then work backwards to design software, systems and silicon to enable the best outcomes for those particular workloads. We will strive to become the compute platform of choice. But we will also work towards a full-stack AI solution. And I look forward to sharing more on our strategy in the coming months.

Underpinning all of these efforts is a strong focus on improving our balance sheet. We continue to maintain solid liquidity. But despite meaningful capital spending offsets, our last full fiscal year of

positive adjusted free cash flow was 2021. This is completely unacceptable. How we allocate our owners' capital and the returns we generate for them are of paramount importance to me.

We have several major levers to generate better cash flow including driving operating leverage and managing our capital outlays. I discussed earlier the actions we have taken to reduce operating expenses and improve execution, and I'm very confident in our ability to hit our operating expense targets for 2025 and 2026, respectively.

We have already lowered our CapEx guidance from the beginning of the year by roughly $5 billion year to date. While purchasing commitments make further reduction in 2025 difficult, we will continue to work to reduce capital spending in 2026.

Lastly, as it relates to our non-core assets, we successfully monetized a portion of our ownership of Mobileye earlier this month, and we look forward to closing the Altera transaction with Silverlake this quarter. I will evaluate other opportunities as we continue to sharpen our focus around our core business and strategy.

I believe the actions we have taken during my first few months are steering us in the right direction. That said, I also know that turning the company around will take time and require patience. We have a lot to fix in order to move the company forward. And I am determined to drive the changes necessary to improve our performance. I am equally optimistic that as we execute we will rebuild this company and have a bright future. I will now turn it over to Dave to go into more detail on the financials.

Dave Zinsner, chief financial officer of Intel (bio):

I'll start by characterizing the prevailing market conditions in Q2. On our Q1 earnings call, we signaled the economic landscape had become increasingly uncertain driven by shifting trade policies, persistent inflation concerns and increased regulatory risk. Fortunately, markets largely functioned normally in Q2, enabling the fundamental demand drivers underpinning our core markets to manifest.

In client, we saw continued solid demand driven by the end of service for Windows 10 and the aging COVID-era installed base. In addition, AI PCs continued to grow as a percentage of our mix. On the traditional server side, we saw hyperscalers and enterprises continue to refresh their CPU-installed base to take advantage of our newer products with better performance within a lower power envelope. Both dynamics underscore the durable demand within our two largest markets and the enduring strength of the x86 ecosystem.

Second quarter revenue was $12.9 billion, coming in above the high end of our guidance range, driven by strength across client and data center. Similar to comments we made in Q4 and Q1, we think it is likely Q2 revenue benefited from customer purchasing behavior to mitigate tariff uncertainty, although it continues to be difficult to quantify.

Turning to non-GAAP gross margin and EPS (earnings per share). Last quarter we indicated that incremental costs associated with our spending reduction plan would likely impact non-GAAP gross margin, but since those costs were not yet calculated, they were not included in our Q2 gross margin and EPS guidance of 36.5% and break-even, respectively. As such, we recognized approximately $800 million of non-cash impairment and accelerated depreciation charges related to excess prior-generation tools for which we couldn't find re-use and approximately $200 million of one-time period costs. These charges resulted in Q2 gross margin of 29.7% and EPS of minus 10 cents. Excluding these charges, our second quarter non-GAAP gross margin would have

been 37.5% and non-GAAP EPS would have been 10 cents – both results ahead of our Q2 guidance.

Beyond those costs, we also were impacted by $1.9 billion of charges that are excluded from our non-GAAP results. The large majority of those charges are associated with the severance for a headcount reduction aligned with our restructuring plan. We expect the principal cash cost associated with the restructuring charges to land in Q3 2025. While difficult, these decisions have us firmly on track to meet our calendar year 2025 and calendar year 2026 OpEx targets of $17 billion and $16 billion, respectively.

Q2 operating cash flow was $2.1 billion with gross CapEx of $4.5 billion in the quarter, and net CapEx of $3.1 billion resulting in adjusted free cash flow of negative $1.1 billion. We have $21.2 billion of cash and short-term investments and remain focused on beginning the process of de-levering this year as cash from operations continues to improve.

Moving to segment results for Q2.

Intel Products revenue was $11.8 billion, up slightly sequentially and above our expectations across client and server. I was pleased by the team's ability to support revenue upside in the quarter as capacity for Intel 7 remains very tight.

CCG (Client Computing Group) revenue was up 3% quarter-over-quarter and above our expectation with continued PC refresh demand and upside in edge deployments. Within the quarter, CCG launched a number of AI PCs with key OEM (original equipment manufacturers) partners, announced the expansion of its Arc™ GPUs for AI use cases tailored to inference and professional workstations, and made its open edge platform code available to the developer community. All in support of the growing opportunity for us to compete as AI inference moves to the edge.

DCAI (Data Center and AI Group) revenue was down 5% sequentially but above expectations, driven by variability in hyperscale demand partially offset by continued strength in host CPUs for AI servers and storage compute. In addition, we saw upside to plan on the continued ramp of Xeon® 6, code-named Granite Rapids. In Q2, DCAI launched three new Xeon 6 processors with Priority Core Turbo technology to boost AI workloads. One of these Xeon 6 SKUs was selected as the host node for NVIDIA DGX B300 AI-accelerated systems, and the Imperial College London chose Xeon 6 to power its latest HPC (high performance computing) supercomputer, demonstrating Xeon remains the CPU of choice for AI workloads.

Operating profit for Intel Products was $2.7 billion, 23% of revenue, and down $250 million quarter-over-quarter, principally driven by the period costs I highlighted earlier.

Intel Foundry delivered revenue of $4.4 billion, down 5% sequentially and above expectations on better-than-forecasted output of Intel 7 wafers and increased advanced packaging services. In Q2, 18A reached a key milestone with the start of production wafers in Arizona ahead of Intel Products' Q4 launch of its next-generation client product code-named Panther Lake. Intel Foundry released an early version of Intel 14A's PDK (process design kit) to lead external customers, and at Direct Connect in April announced an EMIB (embedded multi-die interconnect bridge) advanced packaging partnership with Amkor.

Intel Foundry operating loss in Q2 was $3.2 billion, down $848 million sequentially, materially driven by the $800 million impairment charges I discussed earlier.

Turning to All Other. Revenue came in at $1.1 billion and was up 12% sequentially and above expectations. The three primary components of All Other are Mobileye, Altera and IMS. Collectively, the category delivered $69 million of operating profit.

Now turning to guidance. Historically, sequential growth in Q3 has been up high single digits. However, we've seen three quarters of revenue growth above our expectations, which we attribute, at least in part, to customers hedging against tariff uncertainty. As such, while we believe the underlying fundamentals of our core markets support growth, we feel it prudent to continue to plan for a below-seasonal second half of 2025.

As such, for Q3, we're forecasting a revenue range of $12.6 billion to $13.6 billion, down 2% to up 6% sequentially. Within Intel Products, we expect more strength in CCG. We expect Intel Foundry revenue down slightly quarter-over-quarter due to capacity constraints in Intel 7, which we expect to persist through the second half of the year, and reduced expectations for external advanced packaging revenue. For All Other, we expect revenue for the sum of those parts to be roughly flat sequentially.

At the midpoint of $13.1 billion, we expect a gross margin of approximately 36% on an increased mix of outsourced products, the early ramp of Panther Lake and increased costs associated with tariffs. We forecast a tax rate of 12% and break-even EPS, all on a non-GAAP basis.

We're forecasting 2025 OpEx of $17 billion with a 2026 OpEx target of $16 billion. We expect non-controlled income, or NCI, to be approximately $250 million to $300 million in both Q3 and Q4, on a GAAP basis. NCI is still expected to grow meaningfully in fiscal year 2026.

In Q2, we took tangible steps to increase focus on our core business while leveraging non-core assets to shore up the balance sheet. We raised approximately $900 million through the Mobileye offering, and we are on track to complete the stake sale of Altera in Q3. Our guidance includes Altera for the full quarter, but we will deconsolidate at deal close. Once the deconsolidation is complete, we will recognize our remaining Altera investment within equity investments on the balance sheet. On the income statement, we will recognize our proportional share of Altera's net income on a one-quarter lag through gains and losses on equity investments, net, which is excluded from our non-GAAP results. As a result, it is likely our Q3 non-GAAP results will reflect only a portion of the financial results for Altera.

Moving to CapEx. We anticipate 2025 gross capital investment will be approximately $18 billion and forecast $8 billion to $11 billion for net CapEx. Better utilization of our construction-in-progress will allow us to deploy more overall CapEx in 2025 than in 2024, and we expect the improved utilization to continue in 2026, resulting in lower gross and net CapEx next year. Beginning the process of de-levering our balance sheet in 2025 remains a top priority for us.

I'll wrap up by saying Q2, operationally, was the third consecutive solid quarter reflecting our commitment to maintain a high say/do ratio, closely manage what's in our control and react quickly as the environment evolves. I have confidence that the strategic priorities we have established are the right ones, and I am optimistic about our ability to execute on them while acknowledging there are no quick fixes.

Closing – Lip-Bu Tan, chief executive officer:

Thank you all for joining us today.

I must say I have been pleased with the team and the progress we've made transitioning to a financially disciplined foundry, resetting how we engage with our customers and our partners, and to simplify our operations. I look forward to discussing our continued progress with you next quarter.

About Intel

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