

2024 INTC Annual Stockholder Meeting Q&A

Event: May 7, 2024

Intel is committed to advancing virtual meeting best practices and transparency with our stockholders. Below is a summary of the questions we received both ahead of and during the Annual Stockholder's Meeting, including answers to questions that were not covered during the live Q&A session due to time constraints. We have omitted from the summary questions that were not in compliance with the meeting rules and certain questions on business topics already covered by our existing public disclosures.

Responses to these questions, including any forward-looking statements in this document, reflect management's views as of May 7, 2024. Intel does not undertake, and expressly disclaims any duty, to update any such statement whether as a result of new information, new developments or otherwise, except to the extent that disclosure may be required by law. Forward-looking statements are subject to many risks and uncertainties that could cause actual results to differ materially from those expressed or implied in these forward-looking statements, which factors are discussed in Intel's SEC filings, including the company's most recent reports on Forms 10-K and 10-Q, copies of which may be obtained by visiting our Investor Relations website at www.intc.com or the SEC's website at www.sec.gov.

Board Composition

We received a few questions relating to Board composition. Can you address the Board's process to ensure that it has the necessary skills and qualifications, along with an appropriate mix of backgrounds and diverse perspectives to fulfill its responsibilities?

As Frank Yeary shared during the Annual Stockholders Meeting on May 7, 2024:

Well, this is a great question. Board composition is a very important topic for the Board and the Governance Committee. We regularly evaluate existing and future Board needs and Board member skill sets in light of the company's evolving strategy and feedback received from stockholder engagement and other inputs. This process has resulted in the addition of four new directors in the past three years. As part of each search, the Board generates a candidate pool with diverse perspectives, expertise, experience, and backgrounds important to supporting Intel's needs.

As you would expect, we spend a lot of time on this topic as part of our annual nomination process, which we described further in our proxy statement. That disclosure also contains an outline of the skills we consider important and other relevant information on our directors.

Please see pages 12-13, 18-21, 22-25, and 25-31 of our 2024 Proxy Statement for additional information regarding Board members' qualifications and Board composition, including selection of candidates and diversity.

AI Strategy and Board Qualifications

We received multiple questions regarding Intel's AI strategy, and the Board's qualifications to oversee this strategic priority. Can you speak to the Board's views and qualifications with respect to Intel's strategy to capture the significant opportunity around AI and other emerging technologies?

As Frank Yeary and Pat Gelsinger shared during the Annual Stockholders Meeting on May 7, 2024:

Frank: Given how integral AI is to the company's strategy, this has been a regular topic at our Board meetings over the last couple years. As part of this focus, the Board worked closely with senior management in evaluating and refining our AI strategy, and this close collaboration continues as the AI market evolves.

More than half of our independent directors have deep technical backgrounds, including many with direct experience in AI, giving the Board the right mix of skills and experiences to oversee emerging technologies. We highlight the experiences of our directors in our proxy statement. AI is a favorite topic for Pat, so perhaps I'll turn it over to him to offer a few words on the company's AI strategy.

Pat: Thank you, Frank, and happy to offer a brief summary. AI workload is the driving workload of over a \$1 trillion TAM that we expect by 2030 for semiconductors. And our strategy at the Intel level is what we simply call, "bringing AI everywhere." Integrating AI into all of our products, and we're the only company with a portfolio that truly spans that breadth, the IP opportunities, the ecosystem to empower our customers from cloud, network, enterprise, and to the client edge. We're defining and leading the AI PC category. And our core ultra-product, we expect to ship over 40 million units this year. And we have [a] leadership position with our Xeon product line. We recently demonstrated a 70 billion parameter models running on our next generation Xeon six processor, Granite Rapids.

We recently launched our Gaudi 3 accelerator product, a strong offering with leadership TCO capabilities that will be ramping in the second half of the year. And importantly, the Intel Foundry strategy gives us the opportunity to participate not just with our products, but everybody building AI products. And as we move to a leadership position on Aetna and our advanced packaging technologies, we see a large opportunity to truly participate in AI everywhere. So the combination of products and foundry, we see ourselves as the only company that has the opportunity to participate truly in 100% of the AI logic, Silicon TAM in the world.

Please see pages 12-13, 18-21, and 25-31 of our 2024 Proxy Statement for additional information.

Committee Composition and Qualifications

We received a question on committee composition, including whether the Audit & Finance Committee has sufficient financial expertise and cybersecurity / information security expertise.

The Corporate Governance and Nominating Committee (the “Governance Committee”) annually evaluates the composition of the Board committees. When new directors are appointed to the Board, such as with Stacy J. Smith, the committee uses the opportunity to reevaluate whether the composition of the Board committees should evolve as well to ensure the appropriate depth of skills and experiences, to be prepared for and plan for any future director succession, and to reflect new and diverse perspectives.

Given that Board committees have a variety of responsibilities—for example, the Audit & Finance Committee oversees not just financial reporting and cybersecurity matters but also treasury, finance, enterprise risk, and compliance matters—the Governance Committee and Board have to balance a variety of considerations when evaluating Board committee composition. The Governance Committee and Board, though, feel that the Board committees have the right mix and depth of skills and experiences and that each Board committee member is qualified to serve on the committee to which they have been appointed—e.g., each Audit & Finance Committee member is sufficiently proficient in reading and understanding the company’s financial statements to serve on such committee.

Please see pages 33-35 of our 2024 Proxy Statement for information with respect to Board committee composition, qualifications, and rotation.

Capital Allocation

In the past, Intel has repurchased stock at higher share prices. What is your strategy for stock repurchases and more broadly speaking, for capital allocation?

As Frank Yeary shared during the Annual Stockholders Meeting on May 7, 2024:

The company has not repurchased shares since the first quarter of 2021. The company’s strategy with regard to capital allocation has shifted significantly since then.

The Board embarked upon our IDM 2.0 strategy with the joining of Pat as CEO in 2021, and that strategy is focused on regaining process and product leadership and investing our capital to build leading edge manufacturing capacity to serve both internal and external customers.

The Board is confident this is the best path to creating long term value for our stockholders and we are focused on ensuring management executes effectively to that strategy.

We received a question regarding management’s expectations with respect to future dividends.

Frank Yeary addressed our dividend policy during the May 11, 2023 Annual Stockholders Meeting:

The Board understands clearly that capital allocation strategy is a critical Board function, and we remain committed to being disciplined and thoughtful allocators of our owners’ capital.

The Board evaluates our capital allocation priorities on a consistent basis monitoring macro environment, customer demand, and many other factors to inform capital allocation among R&D, other internal investments, dividends, M&A, debt repayment, and other uses.

As it specifically relates to the dividend, the Board recognized some time ago that the investments necessary to regain process and product leadership would be substantial and could create an environment that would cause us to revisit the dividend.

In early 2023, we focused our capital on manufacturing and product leadership aligned to the IDM 2.0 strategy. This decision is consistent with our deliberate approach to capital allocation and designed to best position the company to create long term value.

We will continue to evaluate the dividend level and payout ratio relative to net income and free cash flow generation.

Audit Matters

We received questions on our rationale for retaining EY as our independent auditor and the increase in audit fees from \$18.7 million to \$24 million (28% increase) between 2022 and 2023, including whether we believe them to be competitive and efficient

The Audit & Finance Committee evaluates the selection of independent auditors each year considering the factors outlined beginning on page 48 of our 2024 Proxy Statement. In accordance with applicable rules on partner rotation, Ernst & Young LLP’s lead partner is subject to rotation every five years, and our lead partner was changed in 2020. In evaluating the selection of the lead partner, Intel’s Audit & Finance Committee oversees a rigorous selection process that culminates in a decision on a lead partner that has the qualifications, competency and experience required to serve Intel.

Along with all other work performed by external contractors and consultants, we regularly benchmark and scrutinize our fee structures. In the case of our audit fees, this benchmarking is done as part of our Audit & Finance Committee’s oversight of our independent auditor. Our 2023 audit fees were impacted by market rate adjustments to fees reflecting inflation and labor cost increases and corporate reorganization efforts and other developments in 2023.

Equity Awards to Executives and Directors

We received questions on the use of equity awards to executives and directors and the dilution that results from such awards.

Equity awards are a form of compensation that allows us to closely tie our executives' and directors' compensation opportunity to the performance of the company and the long-term interests of our stockholders. Additionally, as disclosed on page 44 of our 2024 Proxy Statement, we maintain robust stock ownership guidelines that require each of our directors and executive officers to hold a certain amount of Intel stock to demonstrate their long-term commitment to Intel. We believe our practices in terms of the use of equity awards in our compensation programs are generally consistent with prevailing market practices and important to the competitiveness of our overall compensation programs as we seek to attract and retain talent. To the extent there is dilution that results from these practices, we believe that the benefits that accrue to stockholders from our having a competitive compensation program with equity compensation that provides important incentives and alignment with stockholder interests outweigh the limited dilution that results. Please also see our answer in the Capital Allocation section for additional information on our efforts to be responsible stewards of our owners' capital.

Accountability for Business and Stock Performance

We received questions on how the Board is holding senior management accountable for the operational and stock price challenges that Intel has experienced and continues to experience?

The Board is focused on enabling the company's transformation in full alignment with stockholders' interests. In this effort, Board members, individually and collectively, are deeply engaged with Intel management overseeing the execution of the company's strategy. Directors regularly hold in-depth discussions with Intel's executive team and key business leaders and conduct ongoing reviews of progress across initiatives including five nodes in four years, Intel Foundry, and AI strategy. In addition, the Board remains focused on capital allocation, liquidity and capital expenditure, and other investment plans, including the ongoing evaluation of potential transactions to unlock value.

While we achieved important milestones and delivered on our commitments for the year, we have much more work to do. In 2024, we are focused on delivering leadership products and meeting our financial targets while continuing to transform Intel across every category and segment in which we compete.

In addition, management's accountability for performance is measured in part through the design of our short-term and long-term incentive compensation plans that emphasize pay-for-performance. Depending on how the company performs, our management team receives corresponding payouts under our incentive compensation plans. For example, and illustrating this accountability / pay-for-performance, for 2022 and 2023 management received zero or below target payouts under our incentive compensation plans, as set out on pages 91 through 94 of our 2023 Proxy Statement and page 74 of our 2024 Proxy Statement.

Human Capital Management

We received a question on Intel headcount, noting that certain peer companies are able to deliver profitable revenues with employee headcount less than 50% of Intel's and asking about plans to reduce headcount and achieve company performance on par with those competitors?

As market segments core to our business moved into a cyclical correction in 2023, we took numerous actions to improve profitability, including a reduction in headcount, company-wide austerity measures and refinement of our product portfolio, all contributing to a year-over-year reduction in GAAP operating expenses of nearly \$3 billion. We also took the critical next step in our transformation by implementing our new operating model, separating the internal financial reporting structure between Intel Foundry and Intel Products. This will provide transparency, accountability, and the proper incentives to allow both groups to make better decisions to optimize their own cost structures and support our ambition of achieving our long-term profitability targets of 60% non-GAAP gross margin and 40% non-GAAP operating margin by the end of the decade.

Intel is an Independent Device Manufacturer (IDM), operating both a Products and Foundry business within a single company. Nearly all of our peers and competitors are either one or the other, but not both. Being an IDM provides Intel with unique opportunities versus the industry, but inherently makes a headcount comparison against any one peer company challenging.

We received a question on company culture, noting that the culture of Intel was once a major pillar of value for the company and asking how that culture is being protected as Intel continues to struggle operationally.

Our people are at the heart of our transformation journey—building our technology, unlocking new business opportunities, and working with our stakeholders to create world-changing technology to improve the lives of every person on the planet.

Over the past three years, we have worked to build a strong foundation for repeatable, sustainable talent investments that support our efforts to have the right talent to deliver on our IDM 2.0 transformation strategy. Our human capital philosophy includes three pillars we believe are needed to position our talent strategy as a competitive advantage:

- Hire and retain the best talent: We refreshed and expanded our Employee Value Proposition, the promise we make employees and candidates for their work in support of Intel's purpose. We also embrace the future of work with a flexible, hybrid-first approach that differentiates Intel from competition.
- Develop our talent to their full potential: We have updated roles and careers to better enable mobility and help top talent work on the highest priorities.
- Create a winning culture: We have reignited Intel's results-driven, performance culture.

We invest significant resources to develop the talent needed to remain at the forefront of innovation and make Intel an employer of choice. We offer extensive training programs and provide rotational assignment opportunities and are working to update our job architecture to help employees create custom learning curricula for building skills and owning their careers.

Our success is supported by employees understanding how their work contributes to the company's overall strategy. We continue to use a variety of channels to facilitate open and direct communication, including online forums, open forums with executives, employee experience surveys, and engagement through 47 Employee Resource Groups, Affinity Groups, and Leadership Councils.

We seek to create an inclusive workplace where the world's best engineers and technologists can fulfill their dreams and create technology that improves the life of every person on the planet. We invest in our highly skilled workforce by creating practices, programs, and benefits that support the evolving world of work and our employees' needs.

Business Strategy & Operations

We received questions about whether the Board is evaluating splitting up the company to enhance stockholder value and enable Intel Foundry to better attract third-party customers, by eliminating the appearance of a conflict of interest with Intel products. What is the Board's view on this?

As Frank Yeary shared during the Annual Stockholders Meeting on May 7, 2024:

The Board takes value creation seriously and regularly looks at all options to enhance long-term stockholder value. The company's actions with Mobileye and IMS, as well as our announced intentions with Altera, reflect this view.

Splitting off the Foundry business is not a novel idea, especially within our industry. However, there are significant advantages today to being an IDM with both Products and Foundry businesses within one company. Further, the businesses as they exist today are interdependent.

Earlier this year, we took another step in our transformation by implementing greater separation between the Product and Foundry sides of our business, resulting in improved independence, transparency and accountability. This structure is key to creating the right incentives and driving changes through both organizations, while also providing foundry customers and stockholders with greater visibility as we execute those changes.

We received a question on the Intel's plans to secure company assets and information from the increasing number of sophisticated cyber attacks by state and non-state actors, especially in light of the near-term ability of AI to automate such attacks with increasing precision, and plans to protect relevant personnel from coercion, espionage and cyber attacks that compromise their access to company materials.

To address the evolving threat landscape, Intel must continuously adapt our security measures and invest in robust defenses to mitigate risks and safeguard our assets. To secure our company against these threats, including AI-automated threats, we have implemented a comprehensive multi-layered cybersecurity strategy. Key components include advanced, automated threat detection, conditional access architecture, continuous employee training, robust identity and access management (IAM), regular security audits, and detailed incident response plans.

To protect relevant personnel from coercion, espionage, and cyberattacks, we provide enhanced physical and cybersecurity measures, targeted security awareness programs, thorough background checks (where required), stringent access control, and strong data loss prevention / detection.

This integrated approach ensures a robust and adaptive security framework, safeguarding our assets, information, and personnel against evolving threats.

We received a question on the decline in Intel market share in the data center segment over the last two years, asking what actions have been taken to improve the product design capabilities to regain this market share over time.

Data Center CPU market share losses have been caused by both losing manufacturing process leadership and previous poor product execution. Since Pat Gelsinger's return to the company in Q1 2021, the company has taken substantive actions to address both shortcomings, with significant progress. We are nearing the completion of five manufacturing nodes in four years and a return to process leadership with Intel 18A expected to begin ramping in 2025. The two most recent Data Center CPUs, Emerald Rapids and Sierra Forrest, achieved production release ahead of committed schedules, and our next flagship CPU, Granite Rapids, is expected to be released in the third quarter of this year.

We received questions on the wars in Ukraine or Gaza, including whether there have been any material impacts on the company, including disruptions at the company's facilities in Israel.

Our thoughts are with everyone who has been impacted by these crises. Our number one priority has been the safety and wellbeing of our employees and their families in affected regions. In Israel, the resilience of our teams has kept our operations running and our factory expansion progressing. We're confident that we have resilience in our core business model that gives us flexibility to assure supply and continued operation across the globe.

Risks and uncertainties that could result in our actual results to differ materially from those expressed or implied are described in our most recent Annual Report on Form 10-K. These include macroeconomic conditions and geopolitical tensions and conflicts that have exposed the company to additional uncertainty and risks regarding increases to supply, commodity, and other costs, damage to our reputation, and cyberattacks; and may increase the likelihood, or amplify the impacts, of other risks, including those highlighted in these risk factors and throughout our most recent Annual Report on Form 10-K.

We received questions on Intel's consideration of risks of doing business in and with Israel given the conflict in Gaza and human rights concerns regarding Israel's actions in that conflict.

The continued violence in the region has been heartbreaking to watch. Since the Oct 7 attack, our number one priority has been the safety and wellbeing of our employees and their families. The Intel Foundation has also provided humanitarian assistance to communities in Israel and Gaza. We will continue to support our employees, customers and partners through this incredibly difficult time.

For additional information about general risk factors, please see our Form 10-K on intc.com, which addresses risks including global and regional factors that periodically occur, including tensions and conflict affecting Israel.