

# Key Messages and Q&A

## Strategic Actions Key Messages and Q&A

Last updated: September 16, 2024

Details At-a-Glance	
Background	<p>As we drive greater efficiency, improve our profitability and enhance our market competitiveness, Intel announced the following key business updates on Monday, Sept. 16:</p> <ol style="list-style-type: none"><li>Plans to establish Intel Foundry an independent subsidiary and separate operating entity inside Intel</li><li>An expanded, strategic collaboration with AWS including:<ol style="list-style-type: none"><li>A custom chip AI fabric chip on Intel 18A, and</li><li>A custom Xeon 6 chip on Intel 3.</li><li>The companies will also reiterate their commitment to creating an AI ecosystem in Ohio</li></ol></li><li>Streamlined portfolio for Intel Products and refocus on x86</li></ol>
Document guidance	<b>This document is intended for grade 12+ executive internal use only. Not for distribution beyond executives.</b>
Employee communications guidance	<ul style="list-style-type: none"><li>Directly address employee concerns with transparency, while emphasizing our collective journey towards a sustainable future and the long-term opportunities for Intel.</li><li>Utilize the key messages provided in this document and refer to the reactive FAQ on the <a href="#">Cost Reduction Resources site</a> to verbally address employee questions and concerns.</li></ul>
External communications guidance	<ul style="list-style-type: none"><li><b>Do not engage media or analysts.</b> Should you receive any inquiries, promptly refer them to the designated external communications contact below.</li><li>Social media: Avoid discussing company financials or operational strategies.</li></ul>
Contacts	<ul style="list-style-type: none"><li>Employee Communications: Karlin Keller, <a href="mailto:Karlin.keller@intel.com">Karlin.keller@intel.com</a></li><li>External Communications: Jeff Dahncke, <a href="mailto:jeff.dahncke@intel.com">jeff.dahncke@intel.com</a></li></ul>

## Key Messages

- Delivering progress on plan to unlock value and deliver a competitive cost structure
  - Productive and supportive Board meeting
  - Tangible progress toward meeting \$10B target; >50% of 15k workforce reduction done; reducing or exiting ~2/3 of real estate globally; streamlining product portfolio, rationalizing CapEx

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- Continued focus on driving efficiency, improving profitability, and enhancing market competitiveness
- **Expanding strategic collaboration with AWS, reflecting strong customer interest in 18A**
  - Announced a multi-year, multi-billion-dollar framework covering product and wafers from Intel
  - Intel Foundry will produce an AI fabric chip for AWS on Intel 18A; will also produce a customer Xeon 6 product on Intel 3
  - Reflects the power of our “better together” strategy, anchored on our integrated portfolio across foundry services, infrastructure and x86 products
  - Also underscores our commitment to growing a vibrant AI ecosystem in Ohio and expanding U.S. semi manufacturing overall
- **Receiving up to \$3B in direct funding as part of Secure Enclave program**
  - Only American company that designs & manufactures leading-edge logic chips – deeply committed to securing domestic chip supply
  - Will expand the trusted manufacturing of leading-edge semiconductors for the U.S. government
  - This award + the AWS news reflects continued progress of Intel Foundry
- **Advancing our Foundry strategy and driving greater capital efficiency**
  - Plan to establish Intel Foundry as an independent subsidiary inside of Intel:
    - Governance structure will complete process initiated with separate P/Ls earlier this year
    - Provides external foundry customers and suppliers with clearer separation and independence from the rest of Intel
    - Creates greater transparency within IF while further optimizing systems and processes across the business
    - Importantly, also gives IF and IP future flexibility to evaluate independent sources of funding and optimize capital structures
  - Shifting from period of accelerated upfront investment to more normalized cadence to improve our capital efficiency:
    - Doubling down on Smart Capital approach to maximize financial flexibility & agility
    - Pausing planned projects in Germany, Poland, and Malaysia under the company’s ongoing Smart Capital approach
    - Remain committed to our US projects and well-positioned to scale up production around the world based on market demand
- **Refocusing on x86 franchise as key driver of AI strategy while streamlining product portfolio**
  - Taking deliberate steps to drive focus, speed, and efficiency across Intel Products

- Top priority is maximizing value of x86 franchise across client, edge, and data center – including custom offerings such as AWS announcement
- AI investments will leverage and complement x86 franchise with focus on enterprise, cost-efficient inferencing
- Simplifying overall portfolio to unlock efficiency, accelerate innovation and deliver more integrated solutions:
  - Moving Edge and Automotive to CCG to leverage core client and AI PC leadership
  - Focusing NEX on networking and Telco
  - Moving Silicon Photonics into DCAI to drive more focused R&D plan
  - Integrating Software and Incubation business into core business units
- **Managing cash while meaningfully improving balance sheet and liquidity. Continued actions to reduce costs, simplify portfolio and rationalize CapEx will improve profitability and market competitiveness to create shareholder value.**

## Questions and Answers

**General questions** (available to Employees on [Circuit](#)):

**Q: Why is Intel taking these actions?**

**A:** Intel is taking these actions to advance its strategic priorities, unlock value and efficiency across the business, streamline its product portfolio, and drive the next phase of the company's transformation. These actions further expedite the significant progress already made on Intel's previously announced \$10B cost action plan.

**Q: What criteria was used to make the product portfolio decisions?**

**A:** We completed a comprehensive review of our portfolio and identified clear opportunities to drive speed and efficiency, including a simplified product portfolio.

**Q: Are these actions final or are more portfolio and organization changes planned?**

**A:** These are critical steps forward as we act with urgency to build a leaner, simpler and more efficient Intel. We will continue to review our portfolio and operating model and share updates as decisions are made.

**Q: What's the status of Intel's CHIPS funding?**

**A:** We remain committed to our U.S. manufacturing investments and are moving forward with our buildouts in Arizona, Oregon, New Mexico and Ohio. We will continue to pace each project appropriately to best align with market conditions.

We have already met many of the milestones outlined in our preliminary terms agreement with the U.S. Department of Commerce and continue to work closely with the CHIPS program office to expedite the distribution of funds. The

Department has said they expect to start distributing CHIPS funds by the end of this year.

**Intel Foundry:**

**Q: How will these investment decisions affect employees?**

A: These investment decisions are in line with our other cost reduction measures, including headcount reductions, to ensure Intel remains competitive and is sized appropriately for expected demand and market conditions.

**Q: What value does establishing a separate subsidiary for Intel Foundry mean for Foundry customers? Is this a step toward breaking up the company?**

A: No. Plans to establish Intel Foundry as a separate, independent subsidiary provides external foundry customers and suppliers with separation from Intel Products while maintaining clear 'better together' synergies between the two businesses. The structure also allows each business to evaluate independent sources of funding and further optimize their capital structures.

Intel Foundry and Intel Products will continue to closely collaborate and co-engineer products as they pursue the outsized growth opportunities in the AI-era. Intel Products will benefit from partnering with a more focused and efficient Foundry while Foundry will gain a stronger fabless design customer.

**Q: Is this the start of spinning off Intel Foundry?**

A: Plans to establish Intel Foundry as an independent subsidiary provides external foundry customers and suppliers with clearer independence from Intel Products while maintaining synergies between the two companies. The structure allows Intel to consider various mechanisms to optimize Intel Foundry's capital structure over time.

**Intel Products:**

**Q: Which product lines will go to CCG vs. DCAI?**

A: We are moving our Edge and Automotive businesses into CCG, where we have a big opportunity to leverage our core client business and extend our leadership in the AI PC category to a wide range of vertical edge solutions. We are moving Integrated Photonics Solutions into DCAI as we focus on driving a more focused R&D plan that's fully aligned with our top business priorities.

**Q: Is Intel truly committed to x86?**

A: Yes. Our top priority is to maximize the value of our x86 franchise across client, edge and data center markets, including with a broader range of custom chiplets and other customized offerings that meet emerging customer needs, as demonstrated by today's AWS announcement

Our AI investments – including continued leadership of the AI PC, as well as its Gaudi accelerator portfolio for the data center – will complement Intel's x86 franchise with a focus on enterprise, cost efficient inferencing. It also plans to

further expand its x86 ecosystem through a broader range of custom chiplets that meet emerging customer needs.

**Q: When will additional CCG and DCAI portfolio decisions be made?**

A: Our announcement today marks critical steps forward as we act with urgency to build a leaner, simpler and more efficient Intel that's positioned to compete and win. We will continue to share updates as we take additional actions to achieve our goals.

**Reactive questions (for GL12+ only):**

**Q: Are there plans to replace Pat as CEO?**

A: No, there are no plans to replace Pat as CEO.

**Q: Are there any expected executive changes as a result of these announcements?**

A: We are not announcing any executive changes.

**Q: Will Intel exit any businesses?**

A: While we continuously review our portfolio and opportunities to maximize value creation, we do not have anything additional to share at this time.

**Q: How much is Intel saving by making these decisions?**

A: The company is on track to reduce OpEx to approx. \$20B in 2024 and approx. \$17.5B in 2025 along with further savings in COGS and OCOS. The announced headcount reductions are expected to be completed early in the fourth quarter of this year.

**Q: What is Intel Products' strategy for growth? How do these BU changes help further that strategy?**

A: Intel is making important changes to create stronger organizational alignment, accelerate innovation and enable us to deliver better solutions for customers. This move is intended to help us make faster progress towards our business goals and is critical to the overall shift towards a leaner, more efficient Intel.

**Q: Will we continue with the same business strategies when the teams move into DCAI and CCG?**

A: Leaders will integrate the business into their strategy and continue to evaluate opportunities to reduce complexity and drive efficiency.

**Q: Why is Edge integrating into CCG?**

A: This shift will streamline innovation by aligning edge development with our client-focused strategy, allowing us to further extend Intel's core x86 franchise and enhance our leadership in AI PC and edge.

**Q: With Edge moving into CCG, what is NEX's focus?**

A: With the move of the Edge business, NEX will now concentrate on networking and telco. It will continue to build products that leverage our core ethernet IP and

combine it flexibly with compute and accelerator IP to deliver differentiated offerings for enterprise, cloud, and AI.

**Q: Who will lead the Edge business in CCG? Will our team be split across other teams that already exist in CCG?**

A: Details about the new Networking/Telco and Edge organizations, including both leadership teams, will be announced in the next couple of weeks. Changes will be effective early to mid-October.

**Q: Are we still committed to the same vertical edge strategies?**

A: We have an opportunity to extend our leadership in the AI PC category to a wide range of vertical edge solutions.

**Q: Are we still committed to commercial software?**

A: Yes, integrating software directly into our product groups will accelerate innovation and enable us to deliver better solutions for customers.

**Q: Are we still committed to growth and incubation?**

A: These changes are intended to accelerate innovation and are critical to the overall shift towards a leaner, more efficient Intel.

**Q: Why should employees stay at Intel, if moved to a different project?**

A: These changes are critical steps forward as we act with urgency to build a leaner, simpler and more efficient Intel that's positioned to compete and win. We understand you may have difficult and important choices to make for yourselves and your families, and we thank you for your commitment and service to Intel.

**Q: Why were portfolio decisions made before teams move into new business units? Shouldn't the new leaders make those decisions?**

A: Leaders completed a comprehensive review of our portfolio and decisions were approved by the Board of Directors. This simplified BU structure will go into effect immediately, and leaders of the affected organizations are working to ensure a smooth transition.

**Q: How will we maintain customer confidence in Intel if we're eliminating products they're counting on for their own roadmaps?**

A: The actions we are taking will simplify our business, eliminate complexity and reduce operational and capital costs, enabling us to best serve our customers.

**Q: Why weren't these decisions communicated before the voluntary CPM-AP and Enhanced Retirement decision deadline?**

A: The comprehensive review of our portfolio took time as all options were weighed.

**Q: Will involuntary CPM notifications happen before or after employees move over to their new teams in DCAI and CCG?**

A: We are still working through timing for each business unit.

**Q: What does this mean for MobilEye and Altera?**

**A:** We remain committed to MobilEye and Altera. We still expect to sell a minority stake in Altera by year-end.

**Intel Foundry:**

**Q: How will the plan to delay your project in Poland/Germany impact local employees, and their training?**

**A:** We are continuing to evaluate jobs. The training programs are paused, and we will assess based on needs.

**Q: Why should any government have confidence in Intel?**

**A:** Intel has a longstanding history of collaborating with governments around the world. For more than 50 years, we have built major semiconductor ecosystems in multiple countries that have produced significant economic benefits. We remain committed to building the globally resilient semiconductor supply chain the world needs. We produce world-class products and are seeing momentum in our Foundry business.

**Q: What's the status of Ohio? There have been rumors of another delay.**

**A:** We remain committed to our U.S. manufacturing investments and are moving forward with our buildout in Ohio. We will continue to pace each project appropriately to best align with market conditions. The State of Ohio has provided substantial support throughout the project's development. Their backing reinforces the collaborative nature of this initiative.

**Q: What are the terms of the AWS agreement? How long exactly is this agreement for? Can you give a more specific figure than billions of dollars?**

**A:** Intel and AWS announced a significant expansion of their relationship with a multi-year, multi-billion-dollar framework covering product and wafers from Intel that reflects the strength of Intel's process technology and delivers differentiated solutions for customer workloads.

Intel will produce an AI fabric chip for AWS on Intel 18A, the company's most advanced process node. Intel will also produce a custom Xeon 6 chip on Intel 3, building on the existing partnership under which Intel produces Xeon Scalable processors for AWS.

The agreement speaks to the important progress Intel is making with its Foundry strategy, including the strength of its process technology and x86 architecture – both of which position Intel well in the market going forward.

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