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

News Release

CONTACTS: Mark Henninger
Investor Relations
408-653-9944
mark.h.henninger@intel.com

Amy Kircos
Media Relations
480-552-8803
amy.kircos@intel.com

# Intel Reports Second-Quarter Results

- **Second-Quarter Revenue $8.0 Billion, Up 12 Percent Sequentially**
- **Gross Margin 51 Percent, Up 5.5 Points Sequentially**
- **Charge of $1.45 Billion Associated with the European Commission (EC) Fine**
- **Non-GAAP Operating Income $1.4 Billion, GAAP Operating Loss $12 Million**
- **Non-GAAP Net Income $1.0 Billion, GAAP Net Loss $398 Million**
- **Non-GAAP Earnings Per Share 18 Cents, GAAP Loss Per Share 7 Cents**

(note: Non-GAAP Figures Exclude Only the EC Fine)

SANTA CLARA, Calif., July 14, 2009 – Intel Corporation today reported second-quarter revenue of $8.0 billion. Excluding the effects of the European Commission fine, the company had non-GAAP operating income of $1.4 billion, net income of $1.0 billion and EPS of 18 cents. On a GAAP-basis, the company reported an operating loss of $12 million, a net loss of $398 million and a loss per share of 7 cents.

"Intel's second-quarter results reflect improving conditions in the PC market segment with our strongest first- to second-quarter growth since 1988 and a clear expectation for a seasonally stronger second half," said Paul Otellini, Intel president and CEO. "Intel's strategy of investing in new technologies and innovative products, combined with ongoing focus on operating efficiencies, continues to yield benefits that are evident in our strengthening financial performance."

| Non-GAAP Results (excluding the EC Fine) | | | |
|---|---|---|---|
| | **Q2 2009** | **vs. Q2 2008** | **vs. Q1 2009** |
| Revenue | $8.0 billion | down $1.4 billion | up $879 million |
| Operating Income/(Loss) | $1.4 billion | down $820 million | up $788 million |
| Net Income/(Loss) | $1.0 billion | down $552 million | up $420 million |
| Earnings/(Losses) Per Share | 18 cents | down 10 cents | up 7 cents |

| GAAP Results (including the EC Fine) | | | |
|---|---|---|---|
| | **Q2 2009** | **vs. Q2 2008** | **vs. Q1 2009** |
| Revenue | $8.0 billion | down $1.4 billion | up $879 million |
| Operating Income/(Loss) | ($12) million | down $2.3 billion | down $659 million |
| Net Income/(Loss) | ($398) million | down $2.0 billion | down $1.0 billion |
| Earnings/(Losses) Per Share | (7) cents | down 35 cents | down 18 cents |

<u>Key Financial Information</u>

- Microprocessor units were higher versus the first quarter.
- Gross margin was 50.8 percent, higher than the company's expectation.
- The average selling price (ASP) for microprocessors was down sequentially.
- Excluding shipments of Intel Atom microprocessors, the ASP was slightly down sequentially.
- Revenue from Intel® Atom™ microprocessors and chipsets was $362 million, up 65 percent sequentially.
- Inventories were down by $240 million in the second quarter.
- Spending (R&D plus MG&A) was $2.6 billion, slightly higher than the company's expectation.
- Restructuring and asset impairment charges were $91 million, better than the company's expectation.
- The net loss from equity investments and interest and other was $38 million, better than the company's expectation.
- The company recorded a tax provision of $348 million. The EC fine is not tax deductible.

<u>Business Outlook</u>

Intel's Business Outlook includes the effects of the Wind River Systems Inc. acquisition, but does not include the potential impact of any other mergers, acquisitions, divestitures or business combinations that may be completed after July 13.

**–more–**

<u>Q3 2009</u>:

- Revenue: $8.5 billion, plus or minus $400 million.
- Gross margin percentage: 53%, plus or minus 2 percentage points.
- Spending (R&D plus MG&A): approximately $2.8 billion.
- Restructuring and asset impairment charges: Approximately $40 million.
- Amortization of acquisition-related intangibles and costs: Approximately $40 million.
- Net loss from equity investments and interest and other: Approximately $80 million.
- Depreciation: Approximately $1.2 billion.

<u>Full-Year 2009</u>:

- Spending (R&D plus MG&A): Between $10.6 billion and $10.8 billion, up from the prior outlook of $10.4 to $10.6 billion. This figure excludes the $1.45 billion expense associated with the EC fine recognized during the second quarter.
- Capital spending: Expected to be $4.7 billion plus or minus $200 million, down from $5.2 billion in 2008.
- Depreciation: $4.8 billion plus or minus $100 million, unchanged.
- Tax rate: Approximately 23 percent for the third and fourth quarters, versus the company's prior expectation of 24 percent.

<u>Status of Business Outlook</u>

During the quarter, Intel's corporate representatives may reiterate the Business Outlook during private meetings with investors, investment analysts, the media and others. From the close of business on August 28 until publication of the company's third-quarter earnings release, Intel will observe a "Quiet Period" during which the Business Outlook disclosed in the company's press releases and filings with the SEC should be considered to be historical, speaking as of prior to the Quiet Period only and not subject to an update by the company.

<u>Risk Factors</u>

The above statements and any others in this document that refer to plans and expectations for the third quarter, the year and the future are forward-looking statements that involve a number of risks and uncertainties. Many factors could affect Intel's actual results, and variances from Intel's current expectations regarding such factors could cause actual results to differ materially from those expressed in these forward-looking statements. Intel presently considers the following to be the important factors that could cause actual results to differ materially from the corporation's expectations.

- Ongoing uncertainty in global economic conditions pose a risk to the overall economy as consumers and businesses may defer purchases in response to tighter credit and negative financial news, which could negatively affect product demand and other related matters. Consequently, demand could be different from Intel's expectations due to factors including changes in business and economic conditions, including conditions in the credit market that could affect consumer confidence; customer acceptance of Intel’s and competitors’ products; changes in customer order patterns including order cancellations; and changes in the level of inventory at customers.

- Intel operates in intensely competitive industries that are characterized by a high percentage of costs that are fixed or difficult to reduce in the short term and product demand that is highly variable and difficult to forecast. Additionally, Intel is in the process of transitioning to its next generation of products on 32nm process technology, and there could be execution issues associated with these changes, including product defects and errata along with lower than anticipated manufacturing yields. Revenue and the gross margin percentage are affected by the timing of new Intel product introductions and the demand for and market acceptance of Intel's products; actions taken by Intel's competitors, including product offerings and introductions, marketing programs and pricing pressures and Intel’s response to such actions; and Intel’s ability to respond quickly to technological developments and to incorporate new features into its products.
- The gross margin percentage could vary significantly from expectations based on changes in revenue levels; capacity utilization; start-up costs, including costs associated with the new 32nm process technology; variations in inventory valuation, including variations related to the timing of qualifying products for sale; excess or obsolete inventory; product mix and pricing; manufacturing yields; changes in unit costs; impairments of long-lived assets, including manufacturing, assembly/test and intangible assets; and the timing and execution of the manufacturing ramp and associated costs.
- Expenses, particularly certain marketing and compensation expenses, as well as restructuring and asset impairment charges, vary depending on the level of demand for Intel's products and the level of revenue and profits.
- The tax rate expectation is based on current tax law and current expected income. The tax rate may be affected by the jurisdictions in which profits are determined to be earned and taxed; 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.
- The current financial stress affecting the banking system and financial markets and the going concern threats to investment banks and other financial institutions have resulted in a tightening in the credit markets, a reduced level of liquidity in many financial markets, and heightened volatility in fixed income, credit and equity markets. There could be a number of follow-on effects from the credit crisis on Intel’s business, including insolvency of key suppliers resulting in product delays; inability of customers to obtain credit to finance purchases of our products and/or customer insolvencies; counterparty failures negatively impacting our treasury operations; increased expense or inability to obtain short-term financing of Intel’s operations from the issuance of commercial paper; and increased impairments from the inability of investee companies to obtain financing. Gains or losses from equity securities and interest and other could also vary from expectations depending on gains or losses realized on the sale or exchange of securities; gains or losses from equity method investments; impairment charges related to debt securities as well as equity and other investments; interest rates; cash balances; and changes in fair value of derivative instruments. The current volatility in the financial markets and overall economic uncertainty increases the risk that the actual amounts realized in the future on our debt and equity investments will differ significantly from the fair values currently assigned to them.

- The majority of our non-marketable equity investment portfolio balance is concentrated in companies in the flash memory market segment, and declines in this market segment or changes in management's plans with respect to our investments in this market segment could result in significant impairment charges, impacting restructuring charges as well as gains/losses on equity investments and interest and other.
- Intel's results could be impacted by adverse economic, social, political and physical/infrastructure conditions in countries where Intel, its customers or its suppliers operate, including military conflict and other security risks, natural disasters, infrastructure disruptions, health concerns and fluctuations in currency exchange rates.
- Intel's results could be affected by adverse effects associated with product defects and errata (deviations from published specifications), and by litigation or regulatory matters involving intellectual property, stockholder, consumer, antitrust and other issues, such as the litigation and regulatory matters described in Intel's SEC reports.

A detailed discussion of these and other factors that could affect Intel's results is included in Intel's SEC filings, including the report on Form 10-Q for the fiscal quarter ended March 28, 2009.

Earnings Webcast

Intel will hold a public webcast at 2:30 p.m. PDT today on its Investor Relations Web site at www.intc.com. A webcast replay and MP3 download will also be made available on the site.

Intel [NASDAQ: INTC], the world leader in silicon innovation, develops technologies, products and initiatives to continually advance how people work and live. Additional information about Intel is available at www.intel.com/pressroom and blogs.intel.com

**– 30 –**

INTEL CORPORATION
CONSOLIDATED SUMMARY STATEMENT OF OPERATIONS DATA
(In millions, except per share amounts)

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | June 27, 2009 | June 28, 2008 | June 27, 2009 | June 28, 2008 |
| NET REVENUE | $ 8,024 | $ 9,470 | $ 15,169 | $ 19,143 |
| Cost of sales | 3,945 | 4,221 | 7,852 | 8,687 |
| GROSS MARGIN | 4,079 | 5,249 | 7,317 | 10,456 |
| | | | | |
| Research and development | 1,303 | 1,468 | 2,620 | 2,935 |
| Marketing, general and administrative | 1,250 | 1,430 | 2,450 | 2,779 |
| R&D AND MG&A | 2,553 | 2,898 | 5,070 | 5,714 |
| European Commission fine | 1,447 | - | 1,447 | - |
| Restructuring and asset impairment charges | 91 | 96 | 165 | 425 |
| OPERATING EXPENSES | 4,091 | 2,994 | 6,682 | 6,139 |
| OPERATING INCOME (LOSS) | (12) | 2,255 | 635 | 4,317 |
| Gains (losses) on equity investments, net | (69) | (109) | (182) | (168) |
| Interest and other, net | 31 | 167 | 126 | 335 |
| INCOME (LOSS) BEFORE TAXES | (50) | 2,313 | 579 | 4,484 |
| Provision for taxes | 348 | 712 | 348 | 1,440 |
| NET INCOME (LOSS) | $ (398) | $ 1,601 | $ 231 | $ 3,044 |
| | | | | |
| BASIC EARNINGS (LOSS) PER COMMON SHARE | $ (0.07) | $ 0.28 | $ 0.04 | $ 0.53 |
| DILUTED EARNINGS (LOSS) PER COMMON SHARE | $ (0.07) | $ 0.28 | $ 0.04 | $ 0.52 |
| | | | | |
| WEIGHTED AVERAGE COMMON SHARES OUTSTANDING: | | | | |
| BASIC | 5,595 | 5,699 | 5,584 | 5,743 |
| DILUTED | 5,595 | 5,800 | 5,656 | 5,840 |

INTEL CORPORATION
CONSOLIDATED SUMMARY BALANCE SHEET DATA
(In millions)

| | June 27, 2009 | Mar. 28, 2009 | Dec 27, 2008[1] |
|---|---|---|---|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | $ 3,826 | $ 3,536 | $ 3,350 |
| Short-term investments | 5,195 | 4,256 | 5,331 |
| Trading assets | 2,603 | 2,807 | 3,162 |
| Accounts receivable, net | 1,938 | 2,086 | 1,712 |
| Inventories: | | | |
| Raw materials | 385 | 380 | 608 |
| Work in process | 1,209 | 1,448 | 1,577 |
| Finished goods | 1,211 | 1,217 | 1,559 |
| | 2,805 | 3,045 | 3,744 |
| Deferred tax assets | 1,217 | 1,337 | 1,390 |
| Other current assets | 883 | 1,075 | 1,182 |
| TOTAL CURRENT ASSETS | 18,467 | 18,142 | 19,871 |
| | | | |
| Property, plant and equipment, net | 17,515 | 17,815 | 17,574 |
| Marketable equity securities | 513 | 412 | 352 |
| Other long-term investments | 3,002 | 2,513 | 2,924 |
| Goodwill | 3,932 | 3,932 | 3,932 |
| Other long-term assets | 5,632 | 5,640 | 5,819 |
| TOTAL ASSETS | $ 49,061 | $ 48,454 | $ 50,472 |
| | | | |
| CURRENT LIABILITIES | | | |
| Short-term debt | $ 24 | $ 31 | $ 102 |
| Accounts payable | 1,726 | 1,669 | 2,390 |
| Accrued compensation and benefits | 1,412 | 1,134 | 2,015 |
| Accrued advertising | 718 | 738 | 807 |
| Deferred income on shipments to distributors | 480 | 468 | 463 |
| Other accrued liabilities | 2,719 | 2,301 | 2,041 |
| TOTAL CURRENT LIABILITIES | 7,079 | 6,341 | 7,818 |
| | | | |
| Long-term income taxes payable | 556 | 662 | 736 |
| Long-term debt | 1,174 | 1,170 | 1,185 |
| Other long-term liabilities | 1,205 | 1,217 | 1,187 |
| Stockholders' equity: | | | |
| Preferred stock | - | - | - |
| Common stock and capital in excess of par value | 13,995 | 13,845 | 13,402 |
| Accumulated other comprehensive income (loss) | (153) | (390) | (393) |
| Retained earnings | 25,205 | 25,609 | 26,537 |
| TOTAL STOCKHOLDERS' EQUITY | 39,047 | 39,064 | 39,546 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | $ 49,061 | $ 48,454 | $ 50,472 |

[1] *As adjusted due to the implementation of FSP APB 14-1"Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)"*

INTEL CORPORATION
SUPPLEMENTAL FINANCIAL AND OTHER INFORMATION
(In millions)

| | Q2 2009 | Q1 2009 | Q2 2008 |
|---|---|---|---|
| GEOGRAPHIC REVENUE: | | | |
| Asia-Pacific | $4,409 | $3,647 | $4,805 |
| | 55% | 51% | 51% |
| Americas | $1,698 | $1,510 | $1,985 |
| | 21% | 21% | 21% |
| Europe | $1,153 | $1,273 | $1,741 |
| | 14% | 18% | 18% |
| Japan | $764 | $715 | $939 |
| | 10% | 10% | 10% |
| CASH INVESTMENTS: | | | |
| Cash and short-term investments | $9,021 | $7,792 | $8,391 |
| Trading assets - marketable debt securities (1) | 2,284 | 2,521 | 3,127 |
| Total cash investments | $11,305 | $10,313 | $11,518 |
| TRADING ASSETS: | | | |
| Trading assets - equity securities offsetting deferred compensation (2) | $319 | $286 | $443 |
| Total trading assets - sum of 1+2 | $2,603 | $2,807 | $3,570 |
| SELECTED CASH FLOW INFORMATION: | | | |
| Depreciation | $1,211 | $1,208 | $1,042 |
| Share-based compensation | $258 | $213 | $243 |
| Amortization of intangibles | $75 | $62 | $63 |
| Capital spending | ($981) | ($1,509) | ($1,151) |
| Investments in non-marketable equity instruments | ($83) | ($41) | ($231) |
| Stock repurchase program | - | - | ($2,500) |
| Proceeds from sales of shares to employees, tax benefit & other | $1 | $247 | $381 |
| Dividends paid | ($784) | ($779) | ($800) |
| EARNINGS PER COMMON SHARE INFORMATION: | | | |
| Weighted average common shares outstanding - basic | 5,595 | 5,573 | 5,699 |
| Dilutive effect of employee equity incentive plans | - | 10 | 50 |
| Dilutive effect of convertible debt | - | 51 | 51 |
| Weighted average common shares outstanding - diluted | 5,595 | 5,634 | 5,800 |
| STOCK BUYBACK: | | | |
| Shares repurchased | - | - | 109 |
| Cumulative shares repurchased (in billions) | 3.3 | 3.3 | 3.2 |
| Remaining dollars authorized for buyback (in billions) | $7.4 | $7.4 | $9.5 |
| OTHER INFORMATION: | | | |
| Employees (in thousands) | 80.5 | 82.5 | 81.8 |

INTEL CORPORATION
SUPPLEMENTAL OPERATING RESULTS AND OTHER INFORMATION
($ in millions)

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| OPERATING SEGMENT INFORMATION: | Q2 2009 | Q2 2008 | Q2 2009 | Q2 2008 |
| Digital Enterprise Group | | | | |
| Microprocessor revenue | 3,418 | 4,108 | 6,676 | 8,344 |
| Chipset, motherboard and other revenue | 886 | 1,265 | 1,637 | 2,470 |
| Net revenue | 4,304 | 5,373 | 8,313 | 10,814 |
| Operating income | 917 | 1,709 | 1,620 | 3,472 |
| Mobility Group | | | | |
| Microprocessor revenue | 2,554 | 2,742 | 4,742 | 5,468 |
| Chipset and other revenue | 927 | 1,055 | 1,653 | 1,998 |
| Net revenue | 3,481 | 3,797 | 6,395 | 7,466 |
| Operating income | 803 | 1,252 | 1,047 | 2,418 |
| All Other | | | | |
| Net revenue | 239 | 300 | 461 | 863 |
| Operating loss | (1,732) | (706) | (2,032) | (1,573) |
| Total | | | | |
| Net revenue | 8,024 | 9,470 | 15,169 | 19,143 |
| Operating income (loss) | (12) | 2,255 | 635 | 4,317 |

In addition to disclosing financial results calculated in accordance with United States (U.S.) generally accepted accounting principles (GAAP), this earnings release contains non-GAAP financial measures that exclude the charge incurred as a result of the European Commission (EC) fine in the amount of €1.06 billion, or about $1.45 billion. In this earnings release the expense associated with the fine is presented separately within operating expenses in the second quarter of 2009. The non-GAAP financial measures disclosed by the company 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 those financial statements should be carefully evaluated. Management believes the non-GAAP financial measures are appropriate for both its own assessment of, and to show the reader, how our performance compares to other periods. Set forth below are reconciliations of the non-GAAP financial measures to the most directly comparable GAAP financial measures.

For additional information regarding these non-GAAP financial measures, see the Form 8-K dated July 14, 2009 that Intel has filed with the Securities and Exchange Commission.

INTEL CORPORATION
SUPPLEMENTAL RECONCILIATIONS OF GAAP TO NON-GAAP RESULTS
OPERATING INCOME, NET INCOME, AND EARNINGS PER COMMON SHARE;
EXCLUDING EUROPEAN COMMISSION FINE
(In millions, except per-share amounts)

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | June 27, 2009 | June 28, 2008 | June 27, 2009 | June 28, 2008 |
| GAAP OPERATING INCOME (LOSS) | $ (12) | $ 2,255 | $ 635 | $ 4,317 |
| Adjustment for EC fine | 1,447 | - | 1,447 | - |
| OPERATING INCOME EXCLUDING EC FINE | $ 1,435 | $ 2,255 | $ 2,082 | $ 4,317 |
| GAAP NET INCOME (LOSS) | $ (398) | $ 1,601 | $ 231 | $ 3,044 |
| Adjustment for EC fine | 1,447 | - | 1,447 | - |
| NET INCOME EXCLUDING EC FINE | $ 1,049 | $ 1,601 | $ 1,678 | $ 3,044 |
| GAAP DILUTED EARNINGS (LOSS) PER COMMON SHARE | $ (0.07) | $ 0.28 | $ 0.04 | $ 0.52 |
| Adjustment for EC fine | 0.25 | - | 0.26 | - |
| DILUTED EARNINGS PER COMMON SHARE EXCLUDING EC FINE | $ 0.18 [1] | $ 0.28 | $ 0.30 | $ 0.52 |

(1) Calculated based on common shares of 5,678 for three months ended June 27, 2009, which is the number of common shares that would have been used in the calculation of diluted earnings per common share if the Company had GAAP net income.