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# News Release

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## **Intel Reports Fifth Consecutive Quarter of Record Revenue**

### **All Business Segments Report Double-Digit Revenue Growth Year-over-Year**

#### **Non-GAAP Results**

- Revenue: A record \$13.1 billion, up \$2.3 billion, 22 percent year-over-year
- Gross margin: 62 percent, down 5.5 percentage points year-over-year
- Operating income: \$4.2 billion, up \$221 million, 6 percent year-over-year
- Net income: \$3.2 billion, up \$290 million, 10 percent year-over-year
- EPS: 59 cents, up 8 cents, 16 percent year-over-year

#### **GAAP Results**

- Revenue: A record \$13.0 billion, up \$2.3 billion, 21 percent year-over-year
- Gross margin: 61 percent, down 6.6 percentage points year-over-year
- Operating income: \$3.9 billion, down \$46 million, 1 percent year-over-year
- Net income: \$3.0 billion, up \$67 million, 2 percent year-over-year
- EPS: 54 cents, up 3 cents, 6 percent year-over-year

SANTA CLARA, Calif., July 20, 2011 – Intel Corporation today reported its fifth consecutive quarter of record revenue, with double-digit revenue growth across all business segments.

On a Non-GAAP basis, revenue was \$13.1 billion, operating income was \$4.2 billion, net income was \$3.2 billion, and EPS was 59 cents. On a GAAP basis, the company reported second-quarter revenue of \$13.0 billion, operating income of \$3.9 billion, net income of \$3.0 billion, and EPS of 54 cents.

The company generated approximately \$4.0 billion in cash from operations, paid cash dividends of \$961 million, and used \$2.0 billion to repurchase 93 million shares of common stock.

“We achieved a significant new milestone in the second quarter, surpassing \$13.0 billion in revenue for the first time,” said Paul Otellini, Intel president and CEO. “Strong corporate demand for our most advanced technology, the surge of mobile devices and Internet traffic fueling data center growth, and the rapid rise of computing in emerging markets drove record results. Intel’s 23 percent revenue growth in the first half and our increasing confidence in the second half of 2011 position us to grow annual revenue in the mid-20 percent range.”

**Non-GAAP Financial Comparison**

| Quarterly Results   |                |                    |                    |
|---|----------------|--------------------|--------------------|
|   | <b>Q2 2011</b> | <b>vs. Q1 2011</b> | <b>vs. Q2 2010</b> |
| Revenue   | \$13.1 billion | up 2%              | up 22%             |
| Operating Income  | \$4.2 billion  | down 2%            | up 6%              |
| Net Income  | \$3.2 billion  | down 3%            | up 10%             |
| Earnings Per Share  | 59 cents       | flat               | up 16%             |
| Non-GAAP results exclude certain acquisition accounting impacts and expenses related to acquisitions and the related income tax effects of these charges. |                |                    |                    |

**GAAP Financial Comparison**

| Quarterly Results  |                |                    |                    |
|--------------------|----------------|--------------------|--------------------|
|                    | <b>Q2 2011</b> | <b>vs. Q1 2011</b> | <b>vs. Q2 2010</b> |
| Revenue            | \$13.0 billion | up 1%              | up 21%             |
| Operating Income   | \$3.9 billion  | down 5%            | down 1%            |
| Net Income         | \$3.0 billion  | down 7%            | up 2%              |
| Earnings Per Share | 54 cents       | down 4%            | up 6%              |

Q2 2011 Key Financial Information (GAAP)

- Business unit trends:
  - PC Client Group revenue up 11 percent year-over-year.
  - Data Center Group revenue up 15 percent year-over-year.
  - Other Intel architecture group revenue up 84 percent year-over-year, including Embedded & Communications Group revenue up 25 percent year-over-year.
  - Intel® Atom™ microprocessor and chipset revenue of \$352 million, down 15 percent year-over-year.
- The acquisitions of McAfee Inc. and Infineon Wireless Solutions (now Intel Mobile Communications) contributed revenue of \$1.0 billion in their first full-quarter of results.
- The platform average selling price (ASP) was approximately flat sequentially and up year-over-year.

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- Gross margin was 61 percent, consistent with the company's expectation.
- R&D plus MG&A spending was \$3.9 billion, consistent with the company's expectation.
- Net loss of \$4 million from equity investments and interest and other, versus the company's expectation of a \$50 million net gain.
- The effective tax rate was 25 percent, below the company's expectation of 29 percent.
- The company used \$2.0 billion to repurchase 93 million shares of common stock.
- The second quarter of 2011 had 13 weeks of business, while the first quarter of 2011 had 14 weeks.

### Business Outlook

Intel's Business Outlook does not include the potential impact of any mergers, acquisitions, divestitures or other business combinations that may be completed after July 20.

### Q3 2011 (GAAP, unless otherwise stated)

- Revenue: \$14.0 billion, plus or minus \$500 million.
- Non-GAAP revenue: \$14.1 billion, plus or minus \$500 million, excluding certain acquisition-related accounting impacts.
- Gross margin percentage: 64 percent, plus or minus a couple percentage points.
- Non-GAAP gross margin percentage: 65 percent plus or minus a couple percentage points, excluding certain accounting impacts and expenses related to acquisitions.
- R&D plus MG&A spending: approximately \$4.3 billion.
- Amortization of acquisition-related intangibles: approximately \$75 million.
- Impact of equity investments and interest and other: gain of approximately \$100 million.
- Depreciation: approximately \$1.3 billion.

### Full-Year 2011 (GAAP, unless otherwise stated)

- Gross margin percentage: 63 percent, plus or minus a couple percentage points, unchanged.
- Non-GAAP gross margin percentage: 64 percent, plus or minus a couple percentage points, excluding certain accounting impacts and expenses related to acquisitions, unchanged.
- Spending (R&D plus MG&A): \$16.2 billion, plus or minus \$200 million, up from the company's previous expectation of \$15.7 billion, plus or minus \$200 million.
- Amortization of acquisition-related intangibles: approximately \$260 million, unchanged.
- Tax rate: approximately 28 percent for the third and fourth quarters, below the company's previous expectation of 29 percent.
- Depreciation: \$5.2 billion, plus or minus \$100 million, up from the company's previous expectation of \$5.0 billion, plus or minus \$100 million.
- Capital spending: \$10.5 billion, plus or minus \$400 million, up from the company's previous expectation of \$10.2 billion, plus or minus \$400 million.
- 2011 will have 53 weeks of business versus the typical 52 weeks.

For additional information regarding Intel's results and Business Outlook, please see the CFO commentary at: [www.intc.com/results.cfm](http://www.intc.com/results.cfm).

Status of Business Outlook

Intel's Business Outlook is posted on intc.com and may be reiterated in public or private meetings with investors and others. The Business Outlook will be effective through the close of business Sept. 16 unless earlier updated; except that the Business Outlook for amortization of acquisition-related intangibles, impact of equity investments and interest and other, and tax rate, will be effective only through the close of business on July 27. Intel's Quiet Period will start from the close of business on Sept. 16 until publication of the company's third-quarter earnings release, scheduled for Oct. 18. During the Quiet Period, all of the Business Outlook and other forward looking statements disclosed in the company's news releases and filings with the SEC should be considered as historical, speaking as of prior to the Quiet Period only, and not subject to an update by the company.

Risk Factors

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. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," "may," "will," "should" and their variations identify forward-looking statements. Statements that refer to or are based on projections, uncertain events or assumptions also identify forward-looking statements. 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 company's expectations.

- Demand could be different from Intel's expectations due to factors including changes in business and economic conditions, including supply constraints and other disruptions affecting customers; 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. Revenue and the gross margin percentage are affected by the timing of 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 capacity utilization; variations in inventory valuation, including variations related to the timing of qualifying products for sale; changes in revenue levels; product mix and pricing; the timing and execution of the manufacturing ramp and associated costs; start-up costs; excess or obsolete inventory; changes in unit costs; defects or disruptions in the supply of materials or resources; product manufacturing quality/yields; and impairments of long-lived assets, including manufacturing, assembly/test and intangible assets.
- 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.
- Gains or losses from equity securities and interest and other could vary from expectations depending on gains or losses on the sale, exchange, change in the fair value or impairments of debt and equity investments; interest rates; cash balances; and changes in fair value of derivative instruments.
- The majority of Intel's 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 Intel's 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 affected 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 the timing of closing of acquisitions and divestitures.
- 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. An unfavorable ruling could include monetary damages or an injunction prohibiting us from manufacturing or selling one or more products, precluding particular business practices, impacting Intel's ability to design its products, or requiring other remedies such as compulsory licensing of intellectual property.

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 quarter ended April 2, 2011.

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](http://www.intc.com). A webcast replay and MP3 download will also be made available on the site.

Intel plans to report its earnings for the third quarter of 2011 on Tuesday, Oct. 18, 2011. Immediately following the earnings report, the company plans to publish a commentary by Stacy J. Smith, vice president and chief financial officer at [www.intc.com/results.cfm](http://www.intc.com/results.cfm). A public webcast of Intel's earnings conference call will follow at 2:30 p.m. PDT at [www.intc.com](http://www.intc.com).

Intel (NASDAQ: INTC) is a world leader in computing innovation. The company designs and builds the essential technologies that serve as the foundation for the world's computing devices. Additional information about Intel is available at [newsroom.intel.com](http://newsroom.intel.com) and [blogs.intel.com](http://blogs.intel.com).

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

|   | Three Months Ended |                  | Six Months Ended |                  |
|---|--------------------|------------------|------------------|------------------|
|   | July 2,<br>2011    | June 26,<br>2010 | July 2,<br>2011  | June 26,<br>2010 |
| NET REVENUE                                     | \$ 13,032          | \$ 10,765        | \$ 25,879        | \$ 21,064        |
| Cost of sales                                   | 5,130              | 3,530            | 10,092           | 7,300            |
| GROSS MARGIN                                    | <u>7,902</u>       | <u>7,235</u>     | <u>15,787</u>    | <u>13,764</u>    |
| Research and development                        | 1,986              | 1,666            | 3,902            | 3,230            |
| Marketing, general and administrative           | 1,905              | 1,584            | 3,680            | 3,098            |
| R&D AND MG&A                                    | 3,891              | 3,250            | 7,582            | 6,328            |
| Amortization of acquisition-related intangibles | 76                 | 4                | 112              | 7                |
| OPERATING EXPENSES                              | <u>3,967</u>       | <u>3,254</u>     | <u>7,694</u>     | <u>6,335</u>     |
| OPERATING INCOME                                | 3,935              | 3,981            | 8,093            | 7,429            |
| Gains (losses) on equity investments, net       | (25)               | 193              | 3                | 162              |
| Interest and other, net                         | 21                 | 11               | 206              | 40               |
| INCOME BEFORE TAXES                             | 3,931              | 4,185            | 8,302            | 7,631            |
| Provision for taxes                             | 977                | 1,298            | 2,188            | 2,302            |
| NET INCOME                                      | <u>\$ 2,954</u>    | <u>\$ 2,887</u>  | <u>\$ 6,114</u>  | <u>\$ 5,329</u>  |
| BASIC EARNINGS PER COMMON SHARE                 | <u>\$ 0.56</u>     | <u>\$ 0.52</u>   | <u>\$ 1.14</u>   | <u>\$ 0.96</u>   |
| DILUTED EARNINGS PER COMMON SHARE               | <u>\$ 0.54</u>     | <u>\$ 0.51</u>   | <u>\$ 1.11</u>   | <u>\$ 0.94</u>   |
| WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:     |                    |                  |                  |                  |
| BASIC   | 5,294              | 5,563            | 5,376            | 5,546            |
| DILUTED   | 5,441              | 5,711            | 5,527            | 5,696            |

INTEL CORPORATION  
CONSOLIDATED SUMMARY BALANCE SHEET DATA  
(In millions)

|   | July 2,<br>2011  | April 2,<br>2011 | Dec. 25,<br>2010 |
|---|------------------|------------------|------------------|
| <b>CURRENT ASSETS</b>                             |                  |                  |                  |
| Cash and cash equivalents                         | \$ 4,635         | \$ 4,188         | \$ 5,498         |
| Short-term investments                            | 3,106            | 3,536            | 11,294           |
| Trading assets                                    | 3,806            | 4,254            | 5,093            |
| Accounts receivable, net                          | 3,359            | 3,542            | 2,867            |
| Inventories:                                      |                  |                  |                  |
| Raw materials                                     | 546              | 585              | 471              |
| Work in process                                   | 1,450            | 1,783            | 1,887            |
| Finished goods                                    | 2,034            | 1,731            | 1,399            |
|   | <u>4,030</u>     | <u>4,099</u>     | <u>3,757</u>     |
| Deferred tax assets                               | 1,973            | 1,906            | 1,488            |
| Income taxes receivable                           | 905              | —                | 481              |
| Other current assets                              | 1,288            | 1,270            | 1,133            |
| <b>TOTAL CURRENT ASSETS</b>                       | <u>23,102</u>    | <u>22,795</u>    | <u>31,611</u>    |
| Property, plant and equipment, net                | 20,778           | 19,559           | 17,899           |
| Marketable equity securities                      | 892              | 980              | 1,008            |
| Other long-term investments                       | 992              | 1,863            | 3,026            |
| Identified intangible assets, net                 | 6,700            | 6,872            | 860              |
| Goodwill  | 9,141            | 9,069            | 4,531            |
| Other long-term assets                            | 4,484            | 4,414            | 4,251            |
| <b>TOTAL ASSETS</b>                               | <u>\$ 66,089</u> | <u>\$ 65,552</u> | <u>\$ 63,186</u> |
| <b>CURRENT LIABILITIES</b>                        |                  |                  |                  |
| Short-term debt                                   | \$ 71            | \$ 54            | \$ 38            |
| Accounts payable                                  | 2,742            | 2,757            | 2,290            |
| Accrued compensation and benefits                 | 2,111            | 1,536            | 2,888            |
| Accrued advertising                               | 1,086            | 1,055            | 1,007            |
| Deferred income                                   | 1,824            | 1,813            | 747              |
| Income taxes payable                              | —                | 729              | 232              |
| Other accrued liabilities                         | 2,520            | 3,621            | 2,125            |
| <b>TOTAL CURRENT LIABILITIES</b>                  | <u>10,354</u>    | <u>11,565</u>    | <u>9,327</u>     |
| Long-term income taxes payable                    | 188              | 267              | 190              |
| Long-term debt                                    | 2,090            | 2,083            | 2,077            |
| Long-term deferred tax liabilities                | 2,215            | 1,783            | 926              |
| Other long-term liabilities                       | 2,519            | 2,505            | 1,236            |
| Stockholders' equity:                             |                  |                  |                  |
| Preferred stock                                   | —                | —                | —                |
| Common stock and capital in excess of par value   | 16,245           | 16,271           | 16,178           |
| Accumulated other comprehensive income (loss)     | 466              | 481              | 333              |
| Retained earnings                                 | 32,012           | 30,597           | 32,919           |
| <b>TOTAL STOCKHOLDERS' EQUITY</b>                 | <u>48,723</u>    | <u>47,349</u>    | <u>49,430</u>    |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b> | <u>\$ 66,089</u> | <u>\$ 65,552</u> | <u>\$ 63,186</u> |



INTEL CORPORATION  
SUPPLEMENTAL FINANCIAL AND OTHER INFORMATION  
(In millions)

|   | <u>Q2 2011</u>  | <u>Q1 2011</u>  | <u>Q2 2010</u>  |
|---|-----------------|-----------------|-----------------|
| <b>GEOGRAPHIC REVENUE:</b>                                      |                 |                 |                 |
| Asia-Pacific  | \$7,391         | \$7,262         | \$6,166         |
|   | 57%             | 56%             | 57%             |
| Americas  | \$2,909         | \$2,715         | \$2,173         |
|   | 22%             | 21%             | 20%             |
| Europe  | \$1,564         | \$1,645         | \$1,294         |
|   | 12%             | 13%             | 12%             |
| Japan   | \$1,168         | \$1,225         | \$1,132         |
|   | 9%              | 10%             | 11%             |
| <b>CASH INVESTMENTS:</b>  |                 |                 |                 |
| Cash and short-term investments                                 | \$7,741         | \$7,724         | \$12,229        |
| Trading assets - marketable debt securities (1)                 | 3,796           | 3,734           | 5,543           |
| Total cash investments  | <u>\$11,537</u> | <u>\$11,458</u> | <u>\$17,772</u> |
| <b>TRADING ASSETS:</b>  |                 |                 |                 |
| Trading assets - equity securities (2)                          | \$10            | \$520           | \$531           |
| Total trading assets - sum of 1+2                               | \$3,806         | \$4,254         | \$6,074         |
| <b>CURRENT DEFERRED INCOME:</b>                                 |                 |                 |                 |
| Deferred income on shipments of components to distributors      | \$759           | \$826           | \$582           |
| Deferred income from software and services group                | 1,065           | 987             | 110             |
| Total current deferred income                                   | <u>\$1,824</u>  | <u>\$1,813</u>  | <u>\$692</u>    |
| <b>SELECTED CASH FLOW INFORMATION:</b>                          |                 |                 |                 |
| Depreciation  | \$1,248         | \$1,287         | \$1,086         |
| Share-based compensation  | \$262           | \$300           | \$232           |
| Amortization of intangibles                                     | \$256           | \$155           | \$63            |
| Capital spending  | (\$2,484)       | (\$2,723)       | (\$1,048)       |
| Investments in non-marketable equity instruments                | (\$148)         | (\$147)         | (\$100)         |
| Stock repurchase program  | (\$2,000)       | (\$4,000)       | —               |
| Proceeds from sales of shares to employees, tax benefit & other | \$373           | \$240           | \$218           |
| Dividends paid  | (\$961)         | (\$994)         | (\$877)         |
| Net cash received/(used) for divestitures/acquisitions          | (\$75)          | (\$8,166)       | (\$33)          |
| <b>EARNINGS PER COMMON SHARE INFORMATION:</b>                   |                 |                 |                 |
| Weighted average common shares outstanding - basic              | 5,294           | 5,452           | 5,563           |
| Dilutive effect of employee equity incentive plans              | 94              | 102             | 96              |
| Dilutive effect of convertible debt                             | 53              | 52              | 52              |
| Weighted average common shares outstanding - diluted            | <u>5,441</u>    | <u>5,606</u>    | <u>5,711</u>    |
| <b>STOCK BUYBACK:</b>   |                 |                 |                 |
| Shares repurchased  | 93              | 189             | —               |
| Cumulative shares repurchased (in billions)                     | 3.7             | 3.6             | 3.4             |
| Remaining dollars authorized for buyback (in billions)          | \$8.2           | \$10.2          | \$5.7           |
| <b>OTHER INFORMATION:</b>                                       |                 |                 |                 |
| Employees (in thousands)  | 96.5            | 93.5            | 80.4            |

INTEL CORPORATION  
SUPPLEMENTAL OPERATING GROUP RESULTS  
(\$ in millions)

|  | Three Months Ended |                  | Six Months Ended |                  |
|--|--------------------|------------------|------------------|------------------|
|  | July 2,<br>2011    | June 26,<br>2010 | July 2,<br>2011  | June 26,<br>2010 |
| Net Revenue                            |                    |                  |                  |                  |
| PC Client Group                        |                    |                  |                  |                  |
| Microprocessor revenue                 | \$ 6,533           | \$ 5,902         | \$ 13,356        | \$ 11,594        |
| Chipset, motherboard and other revenue | 1,788              | 1,599            | 3,586            | 3,282            |
|  | <u>8,321</u>       | <u>7,501</u>     | <u>16,942</u>    | <u>14,876</u>    |
| Data Center Group                      |                    |                  |                  |                  |
| Microprocessor revenue                 | 2,054              | 1,797            | 4,115            | 3,349            |
| Chipset, motherboard and other revenue | 382                | 317              | 785              | 636              |
|  | <u>2,436</u>       | <u>2,114</u>     | <u>4,900</u>     | <u>3,985</u>     |
| Other Intel Architecture Group         | 1,389              | 755              | 2,538            | 1,429            |
| Intel Architecture Group               | <u>12,146</u>      | <u>10,370</u>    | <u>24,380</u>    | <u>20,290</u>    |
| Software and Services Group            | 511                | 65               | 751              | 123              |
| All other                              | 375                | 330              | 748              | 651              |
| <b>TOTAL NET REVENUE</b>               | <u>\$ 13,032</u>   | <u>\$ 10,765</u> | <u>\$ 25,879</u> | <u>\$ 21,064</u> |
| Operating income (loss)                |                    |                  |                  |                  |
| PC Client Group                        | \$ 3,284           | \$ 3,333         | \$ 6,827         | \$ 6,420         |
| Data Center Group                      | 1,204              | 1,061            | 2,426            | 1,894            |
| Other Intel Architecture Group         | (33)               | 76               | (69)             | 102              |
| Intel Architecture Group               | <u>4,455</u>       | <u>4,470</u>     | <u>9,184</u>     | <u>8,416</u>     |
| Software and Services Group            | (14)               | (48)             | (66)             | (92)             |
| All other                              | (506)              | (441)            | (1,025)          | (895)            |
| <b>TOTAL OPERATING INCOME</b>          | <u>\$ 3,935</u>    | <u>\$ 3,981</u>  | <u>\$ 8,093</u>  | <u>\$ 7,429</u>  |

Our operating groups shown above are comprised of the following:

- **PC Client Group:** Delivering microprocessors and related chipsets and motherboards designed for the notebook and desktop (including high-end enthusiast PCs) market segments; and wireless connectivity products.
  - **Data Center Group:** Delivering microprocessors and related chipsets and motherboards designed for the server, workstation, and storage computing market segments; and wired network connectivity products.
  - **Other Intel Architecture Group** consist of the following:
    - **Intel Mobile Communications:** Delivering mobile phone components such as baseband processors, radio frequency transceivers, and power management chips.
    - **Embedded and Communications Group:** Delivering microprocessors and related chipsets for embedded
    - **Netbook and Tablet Group:** Delivering microprocessors and related chipsets for the netbook and tablet market segments.
    - **Digital Home Group:** Delivering Intel Architecture-based products for next-generation consumer electronics devices.
    - **Ultra-Mobility Group:** Delivering low-power Intel Architecture-based products in the next-generation handheld market segment.
  - **Software and Services Group** consists of the following:
    - **McAfee:** A wholly owned subsidiary delivering software products for endpoint security, system security, consumer security, network security, and risk and compliance.
    - **Wind River Software Group:** A wholly owned subsidiary delivering device software optimization products to the embedded and handheld market segments, serving a variety of hardware architectures.
    - **Software and Services Group:** Delivering software products and services that promote Intel Architecture as the platform of choice for software development.
- All Other** consists of the following:
- **Non-Volatile Memory Solutions Group:** Delivering advanced NAND flash memory products for use in a variety of devices.
  - **Corporate:** Revenue, expenses and charges such as:
    - A portion of profit-dependent compensation and other expenses not allocated to the operating groups.
    - Divested businesses and results of seed businesses that support our initiatives.
    - Acquisition-related costs, including amortization and any impairment of acquisition-related intangibles and goodwill.

INTEL CORPORATION  
EXPLANATION OF NON-GAAP RESULTS

In addition to disclosing financial results in accordance with United States (U.S.) generally accepted accounting principles (GAAP), this earnings release contains non-GAAP financial measures that we believe are helpful in understanding and comparing our past financial performance and our future results. The non-GAAP financial measures disclosed by the company exclude certain business combination accounting adjustments and certain expenses related to acquisitions. 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 from these results should be carefully evaluated. Management believes the non-GAAP financial measures are appropriate for period to period comparisons in our budget, planning and evaluation processes, and to show the reader how our performance compares to other periods. Our non-GAAP financial measures reflect adjustments based on the following items, as well as the related income tax effects:

Deferred revenue write-down and associated costs: Business combination accounting principles require us to write down to fair values the software license updates; software product and hardware systems support contracts; product support contracts and hardware systems support contracts assumed in our acquisitions. The revenue for these support contracts is deferred and typically recognized over a one year period, so our GAAP revenues for the one year period after the acquisition does not reflect the full amount of revenues that would have been reported if the acquired deferred revenue was not written down to fair value. The non-GAAP adjustments eliminate the effect of the deferred revenue write-down and include the costs associated with the revenue adjustment. We believe these adjustments to the revenue from these support contracts and to the associated costs are useful to investors as an additional means to reflect revenue trends of our business.

Amortization of acquisition-related intangible assets: Amortization of acquisition-related intangible assets consists of amortization of developed technology, trade names, and customer relationships acquired in connection with business combinations. Intel records charges relating to the amortization of these intangibles in our GAAP financial statements. Amortization charges for Intel's acquisition-related intangible assets are inconsistent in size and are significantly impacted by the timing and valuation of Intel's acquisitions. Consequently, Intel's non-GAAP adjustments exclude these charges to facilitate an evaluation of Intel's current operating performance and comparisons to Intel's past operating performance.

Inventory valuation adjustment: Business combination accounting principles require us to measure acquired inventory at fair value. The fair value of inventory reflects the acquired company's cost of manufacturing plus a portion of the expected profit margin. The non-GAAP adjustment to our cost of sales excludes the expected profit margin component that is recorded under business combination accounting principles. We believe the adjustment is useful to investors as an additional means to reflect cost of sales and gross margin trends of our business.

INTEL CORPORATION  
SUPPLEMENTAL RECONCILIATIONS OF GAAP TO NON-GAAP RESULTS

Set forth below are reconciliations of the non-GAAP financial measures to the most directly comparable GAAP financial measures. The non-GAAP financial measures disclosed by the company have limitations and should not be considered a substitute for, or superior to, financial measures prepared in accordance with GAAP, and the financial results prepared in accordance with GAAP and reconciliations from these results should be carefully evaluated. Please refer to "Explanation of Non-GAAP Results" in this earnings release for a detailed explanation of the adjustments made to comparable GAAP measures, the ways management uses these non-GAAP measures, and the reasons why management believes these non-GAAP measures provide useful information for investors.

|  | (In millions, except per share amounts) |                  |                  |                  |
|--|---|------------------|------------------|------------------|
|  | Three Months Ended                      |                  | Six Months Ended |                  |
|  | July 2,<br>2011                         | June 26,<br>2010 | July 2,<br>2011  | June 26,<br>2010 |
| GAAP NET REVENUE                                 | \$ 13,032                               | \$ 10,765        | \$ 25,879        | \$ 21,064        |
| Adjustment for deferred revenue write-down       | 80                                      | -                | 110              | -                |
| NON-GAAP NET REVENUE                             | <u>\$ 13,112</u>                        | <u>\$ 10,765</u> | <u>\$ 25,989</u> | <u>\$ 21,064</u> |
| GAAP GROSS MARGIN                                | \$ 7,902                                | \$ 7,235         | \$ 15,787        | \$ 13,764        |
| Adjustment for:                                  |   |                  |                  |                  |
| Deferred revenue write-down and associated costs | 75                                      | -                | 103              | -                |
| Amortization of acquisition-related intangibles  | 136                                     | 16               | 210              | 32               |
| Inventory valuation                              | -                                       | -                | 33               | -                |
| NON-GAAP GROSS MARGIN                            | <u>\$ 8,113</u>                         | <u>\$ 7,251</u>  | <u>\$ 16,133</u> | <u>\$ 13,796</u> |
| GAAP GROSS MARGIN PERCENTAGE                     | 60.6%                                   | 67.2%            | 61.0%            | 65.3%            |
| Adjustment for:                                  |   |                  |                  |                  |
| Deferred revenue write-down and associated costs | 0.2%                                    | -                | 0.1%             | -                |
| Amortization of acquisition-related intangibles  | 1.1%                                    | 0.2%             | 0.9%             | 0.2%             |
| Inventory valuation                              | -                                       | -                | 0.1%             | -                |
| NON-GAAP GROSS MARGIN PERCENTAGE                 | <u>61.9%</u>                            | <u>67.4%</u>     | <u>62.1%</u>     | <u>65.5%</u>     |
| GAAP OPERATING INCOME                            | \$ 3,935                                | \$ 3,981         | \$ 8,093         | \$ 7,429         |
| Adjustment for:                                  |   |                  |                  |                  |
| Deferred revenue write-down and associated costs | 75                                      | -                | 103              | -                |
| Amortization of acquisition-related intangibles  | 212                                     | 20               | 322              | 39               |
| Inventory valuation                              | -                                       | -                | 33               | -                |
| NON-GAAP OPERATING INCOME                        | <u>\$ 4,222</u>                         | <u>\$ 4,001</u>  | <u>\$ 8,551</u>  | <u>\$ 7,468</u>  |
| GAAP NET INCOME                                  | \$ 2,954                                | \$ 2,887         | \$ 6,114         | \$ 5,329         |
| Adjustment for:                                  |   |                  |                  |                  |
| Deferred revenue write-down and associated costs | 75                                      | -                | 103              | -                |
| Amortization of acquisition-related intangibles  | 212                                     | 20               | 322              | 39               |
| Inventory valuation                              | -                                       | -                | 33               | -                |
| Income tax effect                                | (51)                                    | (7)              | (98)             | (14)             |
| NON-GAAP NET INCOME                              | <u>\$ 3,190</u>                         | <u>\$ 2,900</u>  | <u>\$ 6,474</u>  | <u>\$ 5,354</u>  |
| GAAP DILUTED EARNINGS PER COMMON SHARE           | \$ 0.54                                 | \$ 0.51          | \$ 1.11          | \$ 0.94          |
| Adjustment for:                                  |   |                  |                  |                  |
| Deferred revenue write-down and associated costs | 0.02                                    | -                | 0.02             | -                |
| Amortization of acquisition-related intangibles  | 0.04                                    | -                | 0.06             | 0.01             |
| Inventory valuation                              | -                                       | -                | -                | -                |
| Income tax effect                                | (0.01)                                  | -                | (0.02)           | (0.01)           |
| NON-GAAP DILUTED EARNINGS PER COMMON SHARE       | <u>\$ 0.59</u>                          | <u>\$ 0.51</u>   | <u>\$ 1.17</u>   | <u>\$ 0.94</u>   |

INTEL CORPORATION  
SUPPLEMENTAL RECONCILIATION OF GAAP TO NON-GAAP OUTLOOK

Set forth below are reconciliations of the non-GAAP financial measures to the most directly comparable GAAP financial measures. The non-GAAP financial measures disclosed by the company have limitations and should not be considered a substitute for, or superior to, financial measures prepared in accordance with GAAP, and the financial outlook prepared in accordance with GAAP and reconciliations from this outlook should be carefully evaluated. Please refer to "Explanation of Non-GAAP Results" in this earnings release for a detailed explanation of the adjustments made to comparable GAAP measures, the ways management uses these non-GAAP measures, and the reasons why management believes these non-GAAP measures provide useful information for investors.

|  | Q3 2011 Outlook  |                                | 2011 Outlook |                                |
|--|------------------|--------------------------------|--------------|--------------------------------|
|  | (\$ in millions) |                                |              |                                |
| GAAP NET REVENUE                                 | \$ 14,000        | +/- \$500                      |              |                                |
| Adjustment for deferred revenue write-down       | 100              |                                |              |                                |
| NON-GAAP NET REVENUE                             | \$ 14,100        | +/- \$500                      |              |                                |
| <br>   |                  |                                |              |                                |
| GAAP GROSS MARGIN PERCENTAGE                     | 64.0%            | +/- a couple percentage points | 63.0%        | +/- a couple percentage points |
| Adjustment for:                                  |                  |                                |              |                                |
| Deferred revenue write-down and associated costs | 0.3%             |                                | 0.1%         |                                |
| Amortization of acquisition-related intangibles  | 0.7%             |                                | 0.9%         |                                |
| NON-GAAP GROSS MARGIN PERCENTAGE                 | 65.0%            | +/- a couple percentage points | 64.0%        | +/- a couple percentage points |