Intel Reports First-Quarter Results

First-Quarter Earnings Per Share $0.14
First-Quarter Earnings Excluding Acquisition-Related Costs1 $0.15 Per Share
Results Include Impact of Intergraph Agreement

Intel Investor Relations Web site: www.intc.com
Q1 earnings conference call live on Web site at 2:30 p.m. PDT

Conference call replay number: (719) 457-0820; confirmation code 676859
Replay available shortly after end of conference call through April 23

[1]Acquisition-related costs consist of one-time write-offs of purchased in-process R&D, amortization of acquisition-related intangibles and costs, and, prior to 2002, amortization of goodwill. Intangibles include, for example, the value of the acquired companies' developed technology. Earnings excluding acquisition-related costs differ from earnings presented according to GAAP because they exclude these costs.

SANTA CLARA, Calif., April 16, 2002 - Intel Corporation today announced first-quarter revenue of $6.8 billion, down 3 percent sequentially and up 2 percent year-over-year.

First-quarter net income was $936 million, up 86 percent sequentially and up 93 percent year-over-year. Earnings per share were $0.14, up 100 percent from $0.07 in both the first and fourth quarters of 2001. In accordance with generally accepted accounting principles (GAAP), earnings in the 2001 periods reflect charges for the amortization of goodwill, which is no longer amortized in the current year with the adoption of FASB statement 142.

Net income excluding acquisition-related costs was $1.0 billion, up 2 percent sequentially and down 7 percent year-over-year. First-quarter earnings excluding acquisition-related costs were $0.15 per share, flat with the fourth quarter of 2001 and down 6 percent from the first quarter of 2001.

Intel and Intergraph Corporation yesterday announced the settlement of certain patent infringement litigation. The companies signed a cross licensing agreement, and ownership of various patents was transferred to Intel. Under the agreement, Intel will pay $300 million to Intergraph and has recorded a charge to first-quarter cost of sales in the amount of $155 million. The remaining $145 million represents the value of intellectual property assets, which will be amortized over a number of years according to Intel's accounting policies. The first-quarter charge reduced earnings per share by approximately $0.01 on both a GAAP basis and excluding acquisition-related costs.

Acquisition-related costs in the first quarter consisted of $111 million in amortization of acquisition-related intangibles and other costs. Intel expects to continue to report earnings excluding acquisition-related costs through 2002 to provide a consistent basis for financial comparisons.

"Intel's aggressive R&D and manufacturing investments paid off in the first quarter, helping our product mix and profitability in a generally soft environment," said Craig R. Barrett, chief executive officer. "While demand in emerging markets remains solid, established markets such as the United States and Europe continue to be impacted by weak IT spending.

"We picked up the pace of new product introductions, launching the world's most powerful desktop microprocessors - the Pentium® 4 processor at 2.2 and 2.4 GHz - along with the first mobile Pentium 4 processors and the first Xeon™ processors based on our NetBurst® microarchitecture," Barrett continued. "We also introduced a wide range of products based on our new XScale® core for cell phones, PDAs and network processing. Going forward, we believe our industry-leading products and manufacturing efficiencies set the stage for better results when industry demand picks up."

During the quarter, the company paid its quarterly cash dividend of $0.02 per share. The dividend was paid on March 1 to stockholders of record on Feb. 7. Intel has paid a regular quarterly cash dividend for more than nine years.

Also during the quarter, the company repurchased a total of 30.9 million shares of common stock at a cost of $1.0 billion under an ongoing program. Since the program began in 1990, the company has repurchased approximately 1.6 billion shares at a total cost of approximately $27 billion.

BUSINESS OUTLOOK

The following statements are based on current expectations. These statements are forward-looking, and actual results may differ materially. These statements do not include the potential impact of any mergers, acquisitions, divestitures or other business combinations that may be completed after March 30, 2002.

Intel plans to provide a mid-quarter Business Update to the Outlook provided below on June 6.

Continuing uncertainty in global economic conditions makes it particularly difficult to predict product demand and other related matters.

** Revenue in the second quarter is expected to be between $6.4 billion and $7.0 billion.

** Gross margin percentage in the second quarter is expected to be 53 percent, plus or minus a couple of points, versus 51.3 percent in the first quarter. Intel's gross margin percentage varies primarily with revenue levels, product mix, product pricing, changes in unit costs, capacity utilization, and the timing of factory ramps and associated costs.

** Gross margin percentage for 2002 is expected to be 53 percent, plus or minus a few points, higher than the previous expectation of 51 percent, plus or minus a few points. The expectation includes the impact of the Intergraph agreement.

** Expenses (R&D, excluding in-process R&D, plus MG&A) in the second quarter are expected to be approximately $2.1 billion, flat with the first quarter. Expenses may vary from this expectation depending in part on the level of revenue and profits.

** R&D spending, excluding in-process R&D, is expected to be approximately $4.1 billion in 2002.

** Capital spending for 2002 is expected to be approximately $5.5 billion.

** Gains or losses from equity investments and interest and other for the second quarter are expected to be zero due to the expectation of a net loss on equity investments of approximately $60 million, primarily as a result of impairment charges. Gains from equity investments and interest and other will vary depending on equity market levels and volatility, the realization of expected gains or losses on investments, including gains on investments acquired by third parties, determination of impairment charges, interest rates, cash balances, and assuming no unanticipated items.

** The tax rate for 2002 is expected to be approximately 28.4 percent, excluding the impact of acquisition-related costs.

** Depreciation is expected to be approximately $1.2 billion in the second quarter and approximately $4.7 billion for the year, higher than the previous expectation of $4.6 billion.

** Amortization of acquisition-related intangibles and costs is expected to be approximately $115 million in the second quarter. For the full year, amortization of acquisition-related intangibles and costs is expected to be approximately $440 million.

The statements by Craig R. Barrett, the above statements contained in this Outlook, and the statements in the First-Quarter and Recent Highlights section referring to plans and expectations for the current quarter and the future are forward-looking statements that involve a number of risks and uncertainties. In addition to the factors discussed above, other factors that could cause actual results to differ materially include the following: business and economic conditions and trends in the computing and communications industries in various geographic regions; factors associated with doing business outside the United States, including currency controls and fluctuations, and tariff, import and other related restrictions and regulations; possible disruption in commercial activities related to terrorist activity or armed conflict in the United States, Israel and other locations, such as changes in logistics and security arrangements, and reduced end-user purchases relative to expectations; civil or military unrest or political instability in a locale; changes in customer order patterns; changes in the mix of microprocessor types and speeds sold as well as the mix of related chipsets, motherboards, purchased components and other semiconductor products; competitive factors, such as competing chip architectures and manufacturing technologies, competing software-compatible microprocessors, and acceptance of new products in specific market segments; pricing pressures; development and timing of introduction of compelling software applications; excess or obsolete inventory and variations in inventory valuation; continued success in technological advances, including development and implementation of new processes and strategic products for specific market segments; execution of the manufacturing ramp including the transition to 0.13-micron process technology; excess manufacturing capacity; the ability to sustain and grow new networking, communications, wireless and other Internet-related businesses and successfully integrate and operate any acquired businesses; unanticipated costs or other adverse effects associated with processors and other products containing errata (deviations from published specifications); litigation involving intellectual property, stockholder and other issues; and other risk factors listed from time to time in the company's SEC reports, including but not limited to the report on Form 10-K for the year ended Dec. 29, 2001 (Part II, Item 7, Outlook section).

<u>Status of Business Outlook and Scheduled Business Update</u>
Intel expects that its corporate representatives will meet privately during the quarter with investors, the media, investment analysts and others. At these meetings, Intel may reiterate the Outlook published in this press release. At the same time, Intel will keep this press release and Outlook publicly available on its Web site (www.intc.com). Prior to the Business Update and related Quiet Periods (described below), the public can continue to rely on the Outlook on the Web site as still being Intel's current expectations on matters covered, unless Intel publishes a notice stating otherwise.

Intel intends to publish a Business Update press release on June 6. From the close of business on May 31 until publication of the Business Update, Intel will observe a "Quiet Period." During the Quiet Period, the Outlook as provided in this press release and the company's filings with the SEC on Forms 10-K and 10-Q should be considered to be historical, speaking as of prior to the Quiet Period only and not subject to update by the company. During the Quiet Period, Intel representatives will not comment concerning the Outlook or Intel's financial results or expectations.

A Quiet Period operating in similar fashion with regard to the Business Update and the company's SEC filings will begin at the close of business on June 14 and will extend until the day Intel's next quarterly Earnings Release is published, presently scheduled for July 16.

BUSINESS REVIEW

Product Review

** Intel Architecture microprocessor unit shipments were approximately flat sequentially, including shipments for the Microsoft* Xbox*.

** Chipset unit shipments were lower sequentially.

** Motherboard unit shipments were higher sequentially.

** Flash memory unit shipments were lower sequentially.

** Ethernet connectivity product unit shipments were higher sequentially.

Note: Intel Architecture microprocessor units include all processors based on the P6, Intel® NetBurst and Itanium™ architectures.

Financial Review

** The average selling price (ASP) of Intel Architecture microprocessor units was higher sequentially, primarily due to a richer Pentium 4 processor mix.

** Gross margin percentage in the first quarter was 51.3 percent, including the impact of a $155 million charge to cost of sales as a result of the Intergraph agreement. Excluding this charge, the gross margin percentage would have been 53.6 percent, higher than the revised expectation, primarily due to a higher ASP and better-than-expected factory performance.

** Depreciation in the first quarter was $1.2 billion, higher than the previous expectation of $1.1 billion.

** Gains or losses on equity investments and interest and other were a net gain of $2 million in the first quarter, consistent with expectations. The net loss on equity investments was $46 million, including the impact of impairment charges of approximately $197 million, partially offset by net gains of $120 million related to trading assets. These gains include the impact of the reclassification of formerly restricted equity investments to trading assets, and the corresponding mark-to-market of those assets as required under accounting rules.

** The tax rate was approximately 28.4 percent in the first quarter, excluding the impact of acquisition-related costs.

FIRST-QUARTER AND RECENT HIGHLIGHTS

Intel Architecture Business

Desktop:
** In April, Intel introduced the Pentium 4 processor at 2.4 GHz, the highest-performing desktop microprocessor in the world. The Pentium 4 processor gives users a better computing experience with today's most demanding applications, including Internet streaming media and communication, digital photo and video editing, digital music, 3-D gaming and entertainment, and multi-tasking user environments. In January, Intel introduced the Pentium 4 processor 2.2 GHz and 2.0A GHz, the first Pentium 4 processors based on the company's industry-leading 0.13-micron technology. By moving to 0.13-micron technology, Intel was able to double the size of the performance-enhancing level-two (L2) cache memory while reducing the die size by over 30 percent.

** In March, Intel announced that it has shipped 100 million boxed microprocessors through its worldwide reseller sales channel. Intel launched its boxed processor program in 1994 to make its products and technical information available to smaller system builders that provide service to small-business customers and emerging markets around the world.

** In February, Intel disclosed plans for its next-generation desktop microprocessor, code-named Prescott, which is slated for introduction in 2003. Based on the Intel NetBurst microarchitecture, Prescott will be manufactured on Intel's forthcoming 90-nm process technology and will include Intel's Hyper-Threading Technology, a new method of increasing system-level performance.

Mobile:
** In March, Intel introduced the first Pentium 4 microprocessors for mobile PCs. The Mobile Intel® Pentium® 4 processor-M at 1.7 GHz and 1.6 GHz bring the industry's highest performance to full-size and thin-and-light notebook systems featuring long battery life and built-in wireless connectivity.

** In January, the company introduced seven new Intel Mobile Pentium® III processors and Celeron® processors based on 0.13-micron technology. Intel has now transitioned its entire mobile processor product line to this advanced process technology.

Enterprise:
** In March, Intel introduced the Intel® Xeon™ processor MP at 1.4 GHz, 1.5 GHz and 1.6 GHz, bringing the company's NetBur

microarchitecture to 4-way and above servers. The new processors will power mid-tier and back-end server applications, boosting system-level performance by as much as 30 percent or more when compared to multiprocessor systems based on the Pentium® III Xeon™ processor.

** In March, the company introduced the industry's first dual-processor CPUs for "ultra-dense" blade servers. Designed for Internet Service Providers and other customers with space constraints, these servers take advantage of the small size, low power and low heat characteristics of Intel's Low Voltage Intel Pentium III processors to deliver a high number of server processors in a small system chassis.

** In March, Intel and dozens of leading software developers, solutions consultants and hardware manufacturers announced that they are working on Intel® Solution Blueprints. The Solution Blueprints document complete enterprise solutions for Intel-based servers that have been proven for specific business applications and are readily adaptable by new end customers.

** In February, Intel introduced the first Intel Xeon processors for server computing. Designed for 1-2 way servers, the new Xeon processors are the first to feature Intel's Hyper-Threading Technology, and they take advantage of Intel's NetBurst microarchitecture and 0.13-micron technology to deliver speeds of 2.2 GHz, 2.0 GHz and 1.8 GHz. The company also introduced the Intel® E7500 chipset, which enables reliable and cost-effective servers based on the new processors.

** At the Intel Developer Forum in February, Intel presented further details of the Itanium family roadmap, including processors code-named Madison and Deerfield, due to appear in systems in 2003, and Montecito, targeted for 2004. Intel and IBM demonstrated IBM's forthcoming 4- to 16-way server based on McKinley, the next-generation Itanium processor, which is expected to deliver 1.5 to 2 times the performance of today's Itanium-based systems. A number of system manufacturers are expected to introduce McKinley-based servers and workstations beginning in mid-2002.

<u>Intel Communications Group</u>

** In March, Intel introduced five new optical networking components that give telecommunications equipment manufacturers increased flexibility when building 10 Gigabit per second optical networking systems. These products span the range of optical networking applications, from enterprise to metro and long-haul market segments.

** In February, Intel introduced a family of network processors and a specialized processor for networked storage applications, all based on the company's new Intel® XScale® core microarchitecture. More than 30 companies announced plans to deliver components, software and design tools to enable communications products incorporating the new processors.

** Also in February, Intel introduced the world's first family of single-chip Gigabit Ethernet components for desktop PCs, workstations and servers. The devices are up to 45 percent smaller and use less power than previous products.

<u>Wireless Communications and Computing Group</u>

** During the quarter, Intel began shipping the industry's first flash memories based on 0.13-micron process technology, which reduces the die size by nearly 50 percent and helps to lower power consumption. The new memories are Intel's 32-Mb Advanced+ Boot Block flash chips, which are used primarily in cell phones.

** In February, Intel disclosed plans to introduce its first highly integrated processors for Internet-enabled cell phones later this year. Designed for use with 2.5G wireless services, the devices will include a high-performance, low-power CPU core, analog communications and high-density flash memory.

** In February, the company introduced a new family of microprocessors based on Intel XScale technology that will power multimedia cell phones, handheld computers, in-vehicle (telematics) systems and other wireless Internet products. The Intel® PXA250 and the Intel® PXA210 applications processors are specifically designed to bring high performance and long battery life to wireless communications devices.

** At the 3GSM World Congress in February, Intel and Microsoft announced plans to develop reference designs that will enable equipment manufacturers to quickly develop and market personal digital assistants (PDAs) and smart phones based on the Intel Personal Internet Client Architecture (PCA) and the Microsoft Windows* Powered Pocket PC and Smartphone 2002 software platforms.

** In February, Intel and Microsoft announced the optimization of the Microsoft Windows CE.NET operating system for the Intel PXA250 and Intel PXA210 applications processors, which are based on the Intel XScale® microarchitecture.

<u>New Business Group</u>
** In April, Intel Online Services was selected by eBay to host a portion of its operations. Intel Online Services also strengthened key industry relationships by becoming a Global Enabler for Oracle Online Services, and one of the first hosting providers to be globally certified for the Microsoft Gold Partner Certification Program.

** In March, Intel expanded its optical networking business to include photonics component design and manufacturing, expanding the company's core strength in opto-electronic components and highly integrated optical modules.

<u>Technology and Manufacturing Group</u>
** During the quarter, Intel became the world's first manufacturer to ship 0.13-micron microprocessors built on 300-mm wafers. Intel also began producing its flagship, Pentium 4 processor on the 0.13-micron, 300-mm process.

** In April, Intel began producing Pentium 4 processors that provide a further, 10 percent die area reduction as compared to previous 0.13-micron-based versions. The smaller die size allows Intel to further increase output and reduce cost.

** In March, Intel researchers announced that they have built the world's highest-density SRAM chips, with memory cells measuring only one square micron in area. The memories were manufactured on Intel's next-generation 90-nm process technology, and the achievement is an important milestone toward implementing the new process for high-volume microprocessor manufacturing in 2003.

<u>Intel Capital</u>
** Intel Capital, Intel's strategic investment program, focuses on making equity investments and acquisitions to grow the Internet economy in support of Intel's strategic interests. Intel Capital invests in hardware, software and services companies in market segments including computing, networking and wireless communications. As of the end of the first quarter, the Intel Capital strategic equity portfolio included over 500 companies worldwide. Additional financial information about the Intel Capital portfolio is available in the tables following this release.

<u>ADDITIONAL FINANCIAL INFORMATION</u>

The financial review section is in the tables following this release. Along with the income statement and balance sheet information, additional information is available from the Investor Relations Web site at www.intc.com in a spreadsheet format that can be downloaded.

Online delivery of Intel earnings releases, annual reports, press releases, the Proxy Statement for the 2002 Annual Stockholders' Meeting, and other materials is available via the Internet at www.intc.com.

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

	Three Months Ended	
	Mar. 30, 2002	Mar. 31, 2001
NET REVENUE	$ 6,781	$ 6,677
Cost of sales	3,301	3,225
Research and development	982	995
Marketing, general and administrative	1,072	1,155
Amortization of goodwill	-	441
Amortization of acquisition-related intangibles and costs	111	144
Purchased in-process research and development	-	75
Operating costs and expenses	5,466	6,035
OPERATING INCOME	1,315	642
Losses on equity investments	(46)	-
Interest and other	$ 48	$ 264
INCOME BEFORE TAXES	1,317	906
Income taxes	$ 381	$ 421
NET INCOME	$ 936	$ 485
BASIC EARNINGS PER SHARE	$ 0.14	$ 0.07
DILUTED EARNINGS PER SHARE	0.14	0.07
COMMON SHARES OUTSTANDING	6,684	6,721
COMMON SHARES ASSUMING DILUTION	6,861	6,899

Note: Certain prior period amounts have been reclassified to conform to the current presentation.

PRO FORMA INFORMATION EXCLUDING

ACQUISITION-RELATED COSTS

The following pro forma supplemental information excludes the effect of acquisition-related costs. This pro forma information is not prepared in accordance with generally accepted accounting principles.

	Three Months Ended	
	Mar. 30, 2002	Mar. 31, 2001
Pro forma operating costs and expenses	$ 5,355	$ 5,375
Pro forma operating income	$ 1,426	$ 1,302
Net income excluding acquisition-related costs	$ 1,022	$ 1,099
Basic earnings per share excluding acquisition-related costs	$ 0.15	$ 0.16
Diluted earnings per share excluding acquisition-related costs	$ 0.15	$ 0.16

INTEL CORPORATION
CONSOLIDATED SUMMARY BALANCE SHEET DATA
(In millions)

	Mar. 30, 2002	Dec. 29, 2001
CURRENT ASSETS		
Cash and short-term investments	$ 9,231	$ 10,326

Trading assets	1,617	1,224
Accounts receivable	2,883	2,607
Inventories:		
Raw materials	265	237
Work in process	1,301	1,316
Finished goods	914	700
	2,480	2,253
Deferred tax assets and other	1,278	1,223
Total current assets	17,489	17,633
Property, plant and equipment, net	18,314	18,121
Marketable strategic equity securities	129	155
Other long-term investments	1,605	1,319
Goodwill, net	4,338	4,330
Acquisition-related intangibles, net	693	797
Other assets	1,821	2,040
TOTAL ASSETS	$ 44,389	$ 44,395
CURRENT LIABILITIES		
Short-term debt	$ 412	$ 409
Accounts payable and accrued liabilities	4,604	4,755
Deferred income on shipments to distributors	572	418
Income taxes payable	1,017	988
Total current liabilities	6,605	6,570
LONG-TERM DEBT	1,064	1,050
DEFERRED TAX LIABILITIES	860	945
STOCKHOLDERS' EQUITY		
TOTAL STOCKHOLDERS' EQUITY	35,860	35,830
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 44,389	$ 44,395

INTEL CORPORATION
SUPPLEMENTAL FINANCIAL AND OTHER INFORMATION

(In millions)

	Q1 2002	Q4 2001	Q1 2001
GEOGRAPHIC REVENUES:			
Americas	33%	33%	35%
Asia-Pacific	36%	35%	28%
Europe	23%	25%	25%
Japan	8%	7%	12%
CASH INVESTMENTS:			
Cash and short-term investments	$9,231	$10,326	$10,058
Trading assets - fixed income (1)	$ 1,047	$ 836	$ 1,123
Total cash investments	$ 10,278	$ 11,162	$ 11,181
INTEL CAPITAL PORTFOLIO:			
Trading assets - equity securities (2)	$256	$74	$107

Marketable strategic equity securities	$129	$155	$1,159
Other strategic investments	$1,241	$1,499	$ 2,032
Total Intel Capital portfolio	$1,626	$1,728	$3,298
TRADING ASSETS:			
Trading assets - equity securities offsetting deferred compensation (3)	$314	$314	$315
Total trading assets - sum of 1+2+3	$1,617	$1,224	$1,545
SELECTED CASH FLOW INFORMATION:			
Depreciation	$1,161	$1,093	$934
Amortization of goodwill	$0	$406	$441
Amortization of acquisition-related intangibles & costs	$111	$144	$144
Purchased in-process research and development	$0	$0	$75
Capital spending	($1,430)	($1,136)	($2,664)
Stock repurchase program	($1,005)	($1,003)	($1,001)
Proceeds of sales of shares to employees, tax benefit & other	$360	$298	$356
Dividends paid	($134)	($134)	($134)
Net cash used for acquisitions	$0	($4)	($498)
SHARE INFORMATION			
Average common shares outstanding	6,684	6,698	6,721
Dilutive effect of stock options	177	153	178
Common shares assuming dilution	6,861	6,851	6,899
STOCK BUYBACK:			
BUYBACK ACTIVITY:			
Shares repurchased	30.9	35.0	29.4
Cumulative shares repurchased	1,557.6	1,526.7	1,422.7
BUYBACK SUMMARY:			
Shares authorized for buyback	1,820.0	1,820.0	1,520.0
Cumulative shares repurchased	(1,557.6)	(1,526.7)	(1,422.7)
Shares available for buyback	262.4	293.3	97.3
OTHER INFORMATION:			
Employees (in thousands)	82.9	83.4	90.2

Days sales outstanding	37	37	40

INTEL CORPORATION
SUPPLEMENTAL FINANCIAL AND OTHER INFORMATION
($ in millions)

	Q1 2002	Q4 2001	Q1 2001

OPERATING SEGMENT INFORMATION:			
Intel Architecture business			
Revenues	5,768	5,793	5,133
Operating profit	1,802	1,813	1,666
Intel Communications Group			
Revenues	518	590	775
Operating loss	(150)	(129)	(153)
Wireless Communications and Computing Group			
Revenues	459	518	695
Operating loss	(68)	(20)	(19)
All other			
Revenues	36	82	74
Operating loss	(269)	(656)	(852)
Total			
Revenues	6,781	6,983	6,677
Operating profit	1,315	1,008	642

The Intel Architecture business products include microprocessors, motherboards and other related board-level products, including chipsets. The Intel Communications Group's products include Ethernet connectivity products, network processing components, embedded control chips and optical components. The Wireless Communications and Computing Group's products include flash memory, application processors and cellular baseband chipsets for cellular handsets and handheld devices.

The "all other" category includes acquisition-related costs, including amortization of identified intangibles, in-process research and development, and write-offs of acquisition-related intangibles, as well as the revenues and earnings or losses of the New Business Group. "All other" also includes certain corporate-level operating expenses, including a portion of profit-dependent bonus and other expenses that are not allocated to the operating segments. For quarters in 2001, "all other" includes goodwill amortization whereas goodwill is no longer amortized beginning in 2002.