Intel Reports Second-Quarter Results

Second-Quarter Earnings Per Share $0.07;
Earnings Excluding Acquisition-Related Costs $0.09 Per Share

Charges Related to Online Services and Wireline PC Card Businesses Included

SANTA CLARA, Calif., July 16, 2002 - Intel Corporation today announced second-quarter revenue of $6.3 billion, down 7 percent sequentially and approximately flat year-over-year.

Second-quarter net income was $446 million, down 52 percent sequentially and up 128 percent year-over-year. Earnings per share were $0.07, down 50 percent sequentially and up 133 percent from $0.03 in the second quarter of 2001. The results include a $106-million charge to cost of sales related to the decision to wind down Intel® Online Services, along with a $112-million write-off of acquired intangibles, primarily related to Xircom PC cards for wireline networking. In accordance with generally accepted accounting principles (GAAP), the 2001 results reflect charges for the amortization of goodwill, which is no longer amortized in the current year with the adoption of FASB rule 142.

Second-quarter net income excluding acquisition-related costs[1] was $620 million, down 39 percent sequentially and down 27 percent year-over-year. Earnings excluding acquisition-related costs were $0.09 per share, down 40 percent sequentially and down 25 percent from $0.12 in the second quarter of 2001. These results include the impact of the $106-million charge related to the online services business.

Acquisition-related costs during the quarter consisted of $14 million in one-time charges for purchased in-process research and development, and $229 million in amortization of acquisition-related intangibles, write-off of intangibles and other costs. Intel expects to continue to report earnings excluding acquisition-related costs through the end of the year to provide a consistent basis for financial comparisons.

"In a tough environment, we continued to execute well," said Craig R. Barrett, Intel chief executive officer. "Our investments in technology and manufacturing are delivering processors with clear performance leadership, resulting in market segment share gains across the board. We also saw growth in our communications businesses, led by solid flash memory revenue and share growth.

"Although an overall industry recovery has been slow to materialize, we still expect a modest seasonal increase in demand in the second half," Barrett continued. "In this environment, our strategy remains the same: Focus on execution, take prudent cost cutting measures, and invest to further improve our competitive position and long-term growth prospects."

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 June 29, 2002.

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

** Revenue in the third quarter is expected to be between $6.3 billion and $6.9 billion.

** Gross margin percentage in the third quarter is expected to be 51 percent, plus or minus a couple of points. The second-quarter gross margin percentage was 47 percent and would have been 48.7 percent without the $106-million charge related to the online services business. Intel's gross margin percentage varies primarily with revenue levels, product mix and pricing, changes in unit costs, capacity utilization, and timing of factory ramps and associated costs.

** Gross margin percentage for 2002 is expected to be 51 percent, plus or minus a few points, lower than the previous expectation of 53 percent, plus or minus a few points, primarily due to second-quarter revenue levels and charges.

** Expenses (R&D, excluding in-process R&D, plus MG&A) in the third quarter are expected to be approximately $2.1 billion. In the second half of 2002, the company expects to reduce its workforce by approximately 4,000 employees exclusive of acquisitions, primarily through attrition, voluntary separation programs and some targeted business disinvestments. Expenses, particularly certain marketing- and compensation-related expenses, vary depending on the level of revenue and profits.

** R&D spending for 2002, excluding in-process R&D, is expected to be approximately $4.0 billion, lower than the previous expectation of $4.1 billion.

** Capital spending for 2002 is expected to be between $5.0 billion and $5.2 billion, lower than the previous expectation of $5.5 billion, primarily due to non-fab-related spending reductions, with no change in the company's current and future microprocessor capacity plans.

** Gains or losses from equity investments and interest and other in the third quarter are expected to be a net loss of $25 million due to the expectation of a net loss on equity investments of approximately $75 million, primarily as a result of impairment charges. Gains or losses will vary depending on equity market levels and volatility, gains or losses realized on the sale or exchange of investments, determination of impairment charges, including potential impairment of non-marketable investments, interest rates, cash balances, mark-to-market of derivative instruments, 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 third quarter and approximately $4.7 billion for the year.

** Amortization of acquisition-related intangibles and costs is expected to be approximately $100 million in the third quarter and approximately $530 million for the full year.

The statements in this document that refer 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, 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, security arrangements, communications infrastructure, 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 and non-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-Q for the quarter ended March 30, 2002 (Part I, Item 2, Outlook section).

Status of Business Outlook and Mid-Quarter Business Update

Intel's corporate representatives will meet privately during the quarter with investors, investment analysts, the media and others, and may reiterate the Business Outlook. Intel intends to publish a Mid-Quarter Business Update on Sept. 5. From the close of business on Aug. 30 until publication of the Update, Intel will observe a "Quiet Period" during which the Outlook 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. For more information about the Outlook, Update and related Quiet Periods, please refer to the Outlook section of the Web site at www.intc.com.

SECOND-QUARTER REVIEW

Financial Review

** The average selling price of Intel Architecture microprocessor units was slightly lower sequentially. The average selling price excluding processors shipped for the Microsoft* XBox was approximately flat.

** The gross margin percentage was 47 percent, and would have been 48.7 percent without the $106-million charge related to the online services business, consistent with the revised expectation of 49 percent plus or minus a couple of points. The first-quarter gross margin percentage was 51.3 percent, and would have been 53.6 percent without the $155-million charge related to the Intergraph agreement. The sequential decline in the gross margin percentage is primarily due to lower revenue.

** Depreciation was $1.1 billion, slightly lower than the previous expectation of $1.2 billion.

** Gains or losses on equity investments and interest and other resulted in a net loss of $16 million, slightly below the previous expectation of zero. The net loss on equity investments was $59 million, including the impact of impairment charges of approximately $67 million.

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

Product Shipment Trends (Sequential)
** Intel Architecture microprocessor unit shipments were lower.

** Chipset unit shipments were lower.

** Motherboard unit shipments were approximately flat.

** Flash memory unit shipments were higher.

** Ethernet connectivity product unit shipments were higher.

Intel Architecture Business
For the desktop, Intel introduced the Pentium® 4 processor at 2.53, 2.4 and 2.26 GHz, and launched new Intel® Celeron® processors at 1.8, 1.7 and 1.4 GHz. The company complemented these industry-leading performance and value segment processors with three new chipsets -- the Intel 845G, Intel 845E and Intel 845GL -- featuring a new integrated graphics core (G/GL) along with built-in support for Hi-Speed Universal Serial Bus (USB) 2.0 ports.

In the mobile segment, Intel introduced five mobile Pentium 4 microprocessors for full-size and thin-and-light laptop computers, running at 2.0, 1.9, 1.8, 1.5 and 1.4 GHz. The company also announced three mobile Pentium III processors and five mobile Intel Celeron processors optimized for thin-and-light and ultra-portable notebook systems.

For the enterprise segment, Intel announced the first commercial shipments of Intel® Itanium® 2 processor-based systems and software to customers worldwide. The new systems deliver as much as twice the performance of first-generation, Itanium-based systems and outperform competing Sun systems with as much as 50 percent higher transaction processing performance. Intel also introduced the Intel® Xeon™ processor for two-way server and workstation platforms running at 2.4 GHz, along with a dozen server building block products including new boards, chassis, RAID controllers and management software.

Intel Communications Group
Intel introduced six Gigabit Ethernet adapter chips for server and desktop systems, and unveiled the world's first single-chip controller running at 10 Gigabits per second. Dell Computer will use Intel's Gigabit Ethernet controller in future OptiPlex* desktop PCs.

In wireless networking, Intel introduced a dual-band wireless LAN access point that supports 802.11a and 802.11b wireless networking adapters. In addition, Intel's wireless LAN PC Cards will be offered by IBM with certain ThinkPad* T30 notebook PCs.

In network processing, Intel introduced a new family of media access controllers (MAC) that simplify equipment development. In addition, Alcatel selected Intel® Media Switch silicon for its upcoming OmniSwitch* product line.

In optical networking, Intel purchased tunable laser technology from New Focus, and plans to combine this technology with its automated optical module assembly capability to accelerate the development of tunable optical transceivers.

Wireless Communications and Computing Group

Intel introduced the world's highest-performing flash memories for cell phones, which operate up to four times faster than existing flash chips while consuming less power. The company also detailed packaging techniques that will enable smaller cell phone designs.

Philips Electronics and Viewsonic selected Intel® XScale® technology-based processors for their new wireless monitors. Intel also announced a reference design that helps customers speed the development of wireless monitors based on Microsoft's Mira* technology.

IBM and Intel announced a program to help European independent software vendors accelerate the development of high-performance wireless solutions based on IBM's WebSphere* platform and Intel-based systems and wireless devices. In addition, Symbian optimized its latest operating system for data-enabled cellular phones for Intel® XScale® technology-based processors.

Technology and Manufacturing Group

During the quarter, Intel achieved a crossover in its transition to 0.13-micron technology, with over 50 percent of microprocessor shipments now on the new process technology. Intel's 300-mm, 0.13-micron technology is yielding ahead of expectations, and Fab 11X in New Mexico is scheduled to be in commercial production in October.

The company also announced plans to resume construction of Fab 24 in Ireland. The $2- billion facility is scheduled to begin producing 90-nanometer microprocessors on 300-mm wafers in the first half of 2004.

Intel also became the first semiconductor manufacturer to order a full-field commercial Extreme Ultra-Violet (EUV) lithography exposure tool. EUV lithography will enable Intel to shrink feature sizes well below 50 nanometers and sustain Moore's Law well into the next decade.

WEBCAST

Intel will hold a public webcast at 2:30 p.m. PDT on its Investor Relations Web site at www.intc.com. A replay of the webcast will be available until July 23 on the Web site and by phone at (719) 457-0820, confirmation code 450826.

Intel, the world's largest chip maker, is also a leading manufacturer of computer, networking and communications products. Additional information about Intel is available at www.intel.com/pressroom.

[1]Acquisition-related costs consist of one-time write-offs of purchased in-process R&D, amortization of acquisition-related intangibles and costs, write-offs of acquisition-related intangibles, 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.

INTEL CORPORATION
CONSOLIDATED SUMMARY INCOME STATEMENT DATA

(In millions, except per share amounts)

	Three Months Ended		Six Months Ended	
	June 29, 2002	June 30, 2001	June 29, 2002	June 30, 2001
NET REVENUES	$ 6,319	$ 6,334	$ 13,100	$13,011
Cost of sales	3,350	3,307	6,651	6,532
Research and development	1,024	919	2,006	1,914
Marketing, general and administrative	1,063	1,174	2,135	2,329
Amortization of goodwill	-	417	-	858
Amortization of				

acquisition-related intangibles and costs	229	177	340	321
Purchased in-process research and development	14	123	14	198
Operating costs and expenses	5,680	6,117	11,146	12,152
OPERATING INCOME	639	217	1,954	859
Gains (losses) on equity securities, net	(59)	3	(105)	3
Interest and other, net	43	126	91	390
INCOME BEFORE TAXES	623	346	1,940	1,252
Income taxes	177	150	558	571
NET INCOME	$ 446	$ 196	$ 1,382	$ 681
BASIC EARNINGS PER SHARE	$ 0.07	$ 0.03	$ 0.21	$ 0.10
DILUTED EARNINGS PER SHARE	$ 0.07	$ 0.03	$ 0.20	$ 0.10
COMMON SHARES OUTSTANDING	6,677	6,725	6,681	6,723
COMMON SHARES ASSUMING DILUTION	6,803	6,889	6,832	6,894

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		Six Months Ended	
	June 29, 2002	June 30, 2001	June 29, 2002	June 30, 2001
Pro forma operating costs and expenses	$ 5,437	$ 5,400	$10,792	$10,775
Pro forma operating income	$ 882	$ 934	$ 2,308	$ 2,236
Net income excluding acquisition-related costs	$ 620	$ 854	$ 1,642	$ 1,953
Basic earnings per share excluding acquisition-related				

costs	$ 0.09	$ 0.13	$ 0.25	$ 0.29
Diluted earnings per share excluding acquisition-related costs	$ 0.09	$ 0.12	$ 0.24	$ 0.28

INTEL CORPORATION
CONSOLIDATED SUMMARY BALANCE SHEET DATA
(In millions)

	June 29, 2002	Mar. 30, 2002	Dec. 29, 2001
CURRENT ASSETS			
Cash and short-term investments	$ 8,957	$ 9,231	$ 10,326
Trading assets	1,650	1,617	1,224
Accounts receivable	2,907	2,883	2,607
Inventories:			
Raw materials	242	265	237
Work in process	1,393	1,301	1,316
Finished goods	870	914	700
	2,505	2,480	2,253
Deferred tax assets and other	1,182	1,278	1,223
Total current assets	17,201	17,489	17,633
Property, plant and equipment, net	18,176	18,314	18,121

Marketable strategic equity securities	96	129	155
Other long-term investments	1,438	1,605	1,319
Goodwill, net	4,338	4,338	4,330
Other assets	2,249	2,514	2,837
TOTAL ASSETS	$ 43,498	$ 44,389	$ 44,395
CURRENT LIABILITIES			
Short-term debt	$ 383	$ 412	$ 409
Accounts payable and accrued liabilities	4,195	4,604	4,755
Deferred income on shipments to distributors	498	572	418
Income taxes payable	672	1,017	988
Total current liabilities	5,748	6,605	6,570
LONG-TERM DEBT	1,081	1,064	1,050
DEFERRED TAX LIABILITIES	1,089	860	945
STOCKHOLDERS' EQUITY	35,580	35,860	35,830
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 43,498	$ 44,389	$ 44,395

INTEL CORPORATION
SUPPLEMENTAL FINANCIAL AND OTHER INFORMATION
(In millions)

	Q2 2002	Q1 2002	Q2 2001
GEOGRAPHIC REVENUES:			
Americas	35%	33%	37%
Asia-Pacific	38%	36%	31%
Europe	20%	23%	22%
Japan	7%	8%	10%
CASH INVESTMENTS:			
Cash and short-term investments	$8,957	$9,231	$9,340
Trading assets - fixed income (1)	$1,185	$1,047	$813
Total cash investments	$10,142	$10,278	$10,153
INTEL CAPITAL PORTFOLIO:			
Trading assets - equity securities (2)	$187	$256	$77
Marketable strategic equity securities	$96	$129	$649
Other strategic investments	$1,177	$1,241	$1,985
Total Intel capital portfolio	$1,460	$1,626	$2,711
TRADING ASSETS:			
Trading assets - equity securities offsetting deferred compensation (3)	$278	$314	$335
Total trading assets - sum of 1+2+3	$1,650	$1,617	$1,225
SELECTED CASH FLOW INFORMATION:			
Depreciation	$1,135	$1,161	$1,050
Amortization of goodwill	$0	$0	$417
Amortization of acquisition-related intangibles & costs	$229	$111	$177
Purchased in-process research and development	$14	$0	$123
Capital spending	($1,115)	($1,430)	($2,144)
Stock repurchase program	($1,002)	($1,005)	($1,002)
Proceeds from sales of shares to employees, tax benefit & other	$239	$360	$224
Dividends paid	($134)	($134)	($135)
Net cash used for acquisitions	($50)	$0	($381)

SHARE INFORMATION

Average common shares outstanding	6,677	6,684	6,725
Dilutive effect of stock options	126	177	164
Common shares assuming dilution	6,803	6,861	6,889
STOCK BUYBACK:			
BUYBACK ACTIVITY:			
Shares repurchased	37.2	30.9	34.1
Cumulative shares repurchased	1,594.8	1,557.6	1,456.8
BUYBACK SUMMARY:			
Shares authorized for buyback	1,820.0	1,820.0	1,520.0
Cumulative shares repurchased	(1,594.8)	(1,557.6)	(1,456.8)
Shares available for buyback	225.2	262.4	63.2
OTHER INFORMATION:			
Employees (in thousands)	83.2	82.9	88.2
Days sales outstanding	37	37	39

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

	Q2 2002	Q1 2002	YTD 2002	Q2 2001	YTD 2001
OPERATING SEGMENT INFORMATION:					
Intel Architecture Business					
Revenues	5,213	5,768	10,981	5,127	10,260
Operating profit	1,362	1,802	3,164	1,444	3,110

Intel Communications Group					
Revenues	536	518	1,054	635	1,410
Operating loss	(127)	(150)	(277)	(235)	(388)
Wireless Communications and Computing Group					
Revenues	532	459	991	510	1,205
Operating loss	(98)	(68)	(166)	(158)	(177)
All other					
Revenues	38	36	74	62	136
Operating loss	(498)	(269)	(767)	(834)	(1,686)
Total					
Revenues	6,319	6,781	13,100	6,334	13,011
Operating profit	639	1,315	1,954	217	859

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.