October 16, 2007

Intel Posts Record Third-Quarter Revenue

-- Revenue $10.1 Billion, up 15 Percent Year-over-Year

-- Operating Income $2.2 Billion, up 64 Percent Year-over-Year

-- Record Microprocessor, Chipset and Flash Unit Shipments

-- Net Income $1.9 Billion

-- EPS 31 Cents

SANTA CLARA, Calif.--(BUSINESS WIRE)--

Intel Corporation today announced third-quarter revenue of $10.1 billion, operating income of $2.2 billion, net income of $1.9 billion and earnings per share (EPS) of 31 cents.

"A combination of great products, strong and growing worldwide demand, and operational efficiency from our ongoing restructuring efforts led to record third-quarter revenue and a 64-percent year-over-year gain in operating income," said Intel President and CEO Paul Otellini. "Looking forward, we see each of these elements continuing to improve into the fourth quarter. We are very pleased with the results and optimistic about our business."

	Q3 2007	vs. Q3 2006	vs. Q2 2007
Revenue	$10.1 billion	+15%	+16%
Operating Income	$2.2 billion	+64%	+66%
Net Income	$1.9 billion	+43%	+46%
EPS	31 cents	+41%	+41%

Results for the third quarter of 2006 included the effects of divestiture gains of $129 million.

Financial Review

-- Revenue of $10.1 billion was up 16 percent sequentially, primarily driven by growth in Mobility and Digital Enterprise Group processors of 14 percent, with related chipsets and other products up 19 percent.

-- Total microprocessor units set a record; the average selling price was flat.

-- Chipset and flash memory units set records.

-- Motherboard units were lower.

-- Gross margin was 52.4 percent, up from 46.9 percent in the second quarter. The increase was primarily driven by higher microprocessor volumes, lower 45nm start-up costs and lower microprocessor unit costs, partially offset by write-offs for manufacturing costs related to upcoming 45nm processors that had not yet qualified for valuation during the quarter.

-- Spending was $2.9 billion, higher than $2.6 billion in the second quarter, primarily driven by higher revenue- and profit-dependent expenses along with higher R&D spending as process engineers moved from 45nm start-up activities to 32nm development.

Business Outlook

The following expectations do not include the potential impact of any mergers, acquisitions, divestitures or other business combinations that may be completed after Oct. 15.

Q4 2007 Outlook

-- Revenue: Between $10.5 billion and $11.1 billion.

-- Gross margin: 57 percent plus or minus a couple of points.

-- Spending (R&D plus MG&A): Between $2.8 billion and $3.0 billion.

-- Restructuring and asset impairment charges: Approximately $130 million.

-- Net gains from equity investments and interest and other: Approximately $150 million.

-- Tax rate: Approximately 29 percent, unchanged.

-- Depreciation: Approximately $1.1 billion.

2007 Outlook

-- Gross margin: 52 percent plus or minus a point, higher than the previous expectation of 51 percent plus or minus a few points.

-- R&D: Approximately $5.8 billion, higher than the previous expectation of approximately $5.7 billion.

-- MG&A: Approximately $5.3 billion, higher than the previous expectation of approximately $5.1 billion.

-- Capital spending: $4.9 billion plus or minus $200 million, unchanged.

-- Depreciation: $4.6 billion plus or minus $100 million, unchanged.

The above statements and any others in this document that refer to plans and expectations for the fourth quarter, the year and the future are forward-looking statements that involve a number of risks and uncertainties. Many factors could affect Intel's actual results, and

variances from Intel's current expectations regarding such factors could cause actual results to differ materially from those expressed in these forward-looking statements. Intel presently considers the factors set forth below in the section titled "Risk Factors" to be the important factors that could cause actual results to differ materially from the corporation's published expectations.

Recent Highlights

-- Intel shipped more than 2 million quad core processors during the quarter and now offers more than 20 quad-core processor designs.

-- Intel introduced the industry's first quad-core processors specifically designed for multi-processor (MP) servers, delivering twice the performance and three times the performance-per-watt of the company's previous-generation products. The introduction completes the company's transition to the energy-efficient Intel(R) Core(TM) microprocessor architecture.

-- The company launched the next generation of Intel(R) vPro(TM) processor technology for business desktop PCs featuring innovations that better protect against hacking and viruses while giving IT managers new ways to remotely manage and repair systems.

-- At the Intel Developer Forum (IDF), the company announced that the world's first 45nm microprocessors, based on Intel's breakthrough 45nm Hi-k metal gate chip technology, will be introduced Nov. 12. The company demonstrated its second-generation 45nm microprocessor architecture, code-named Nehalem, which is on track for production in the second half of next year. Intel also announced the production of test chips based on the company's next-generation, 32nm process technology, scheduled for 2009.

-- Also at IDF, Intel announced that its 2008 notebook PC platform, code-named Montevina, will include 25-watt dual-core processors that enable even thinner and lighter designs. Several leading PC makers announced plans to ship Intel Montevina-based notebooks with WiMAX technology next year. Nokia announced plans to include Intel WiMAX silicon in its Internet tablet products, scheduled for 2008.

-- Intel acquired Havok, a leading developer of the software used by digital artists to animate movies and computer games. The acquisition will help Intel to accelerate its capabilities in visual computing and graphics.

Risk Factors

-- 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, significant pricing pressures, and product demand that is highly variable and difficult to forecast. Additionally, Intel is in the process of transitioning to its next generation of products on 45nm process technology, and there could be execution issues associated with these changes, including product defects and errata along with lower than anticipated manufacturing yields. Revenue and the gross margin percentage are affected by the

timing of new Intel product introductions and the demand for and market acceptance of Intel's products; actions taken by Intel's competitors, including product offerings and introductions, marketing programs and pricing pressures and Intel's response to such actions; Intel's ability to respond quickly to technological developments and to incorporate new features into its products; and the availability of sufficient components from suppliers to meet demand. Factors that could cause demand to be different from Intel's expectations include customer acceptance of Intel's and competitors' products; changes in customer order patterns, including order cancellations; changes in the level of inventory at customers; and changes in business and economic conditions, including conditions in the credit market that could affect consumer confidence and result in lower than expected demand for our products.

-- The gross margin percentage could vary significantly from expectations based on changes in revenue levels; product mix and pricing; capacity utilization; variations in inventory valuation, including variations related to the timing of qualifying products for sale; excess or obsolete inventory; manufacturing yields; changes in unit costs; impairments of long-lived assets, including manufacturing, assembly/test and intangible assets; and the timing and execution of the manufacturing ramp and associated costs, including start-up costs.

-- Expenses, particularly certain marketing and compensation expenses, vary depending on the level of demand for Intel's products, the level of revenue and profits, and impairments of long-lived assets.

-- Intel is in the midst of a structure and efficiency program that is resulting in several actions that could have an impact on expected expense levels and gross margin.

-- The tax rate expectation is based on current tax law and current expected income. The tax rate may be affected by the closing of acquisitions or divestitures; 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 fixed income and equity market volatility; gains or losses realized on the sale or exchange of securities; gains or losses from equity method investments; impairment charges related to marketable, non-marketable and other investments; interest rates; cash balances; and changes in fair value of derivative instruments.

-- Intel's results could be affected by the amount, type, and valuation of share-based awards granted as well as the amount of awards cancelled due to employee turnover and the timing of award exercises by employees.

-- Intel's results could be impacted by adverse economic, social, political and physical/infrastructure conditions in the countries in which Intel, its customers or its suppliers

operate, including military conflict and other security risks, natural disasters, infrastructure disruptions, health concerns and fluctuations in currency exchange rates.

-- Intel's results could be affected by adverse effects associated with product defects and errata (deviations from published specifications), and by litigation or regulatory matters involving intellectual property, stockholder, consumer, antitrust and other issues, such as the litigation and regulatory matters described in Intel's SEC reports.

A detailed discussion of these and other factors that could affect Intel's results is included in Intel's SEC filings, including the report on Form 10-Q for the quarter ended June 30, 2007.

Status of Business Outlook

During the quarter, Intel's corporate representatives may reiterate the Business Outlook during private meetings with investors, investment analysts, the media and others. From the close of business on Nov. 30 until publication of the company's fourth-quarter 2007 earnings release, Intel will observe a "Quiet Period" during which the Business Outlook disclosed in the company's press releases and filings with the SEC should be considered to be historical, speaking as of prior to the Quiet Period only and not subject to an update by the company.

Earnings Webcast

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

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

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

	Three Months Ended		Nine Months Ended	
	Sept. 29, 2007	Sept. 30, 2006	Sept. 29, 2007	Sept. 30, 2006
NET REVENUE	$ 10,090	$ 8,739	$ 27,622	$ 25,688
Cost of sales	4,806	4,445	13,831	12,280
GROSS MARGIN	5,284	4,294	13,791	13,408
Research and development	1,526	1,389	4,279	4,447
Marketing, general and administrative	1,383	1,425	3,944	4,662
Restructuring and asset impairment charges	125	98	282	98

Amortization of acquisition-related intangibles and costs	3	8	14	37
OPERATING EXPENSES	3,037	2,920	8,519	9,244
OPERATING INCOME	2,247	1,374	5,272	4,164
Gains on equity investments, net	148	168	176	207
Interest and other, net	211	272	560	570
INCOME BEFORE TAXES	2,606	1,814	6,008	4,941
Provision for taxes	746	513	1,234	1,398
NET INCOME	$ 1,860	$ 1,301	$ 4,774	$ 3,543
BASIC EARNINGS PER COMMON SHARE	$ 0.32	$ 0.23	$ 0.82	$ 0.61
DILUTED EARNINGS PER COMMON SHARE	$ 0.31	$ 0.22	$ 0.81	$ 0.60
WEIGHTED AVERAGE SHARES OUTSTANDING:				
BASIC	5,837	5,769	5,808	5,808
DILUTED	5,967	5,832	5,919	5,885

INTEL CORPORATION
CONSOLIDATED SUMMARY BALANCE SHEET DATA
(In millions)

	Sept. 29, 2007	June 30, 2007	Dec. 30, 2006
CURRENT ASSETS			
Cash and cash equivalents	$ 5,844	$ 4,709	$ 6,598
Short-term investments	4,952	4,217	2,270
Trading assets	2,225	1,735	1,134
Accounts receivable, net	2,933	2,531	2,709
Inventories:			
Raw materials	538	583	608
Work in process	1,650	2,063	2,044
Finished goods	1,353	1,481	1,662
	3,541	4,127	4,314
Deferred tax assets	1,088	1,060	997
Other current assets	846	1,269	258
TOTAL CURRENT ASSETS	21,429	19,648	18,280
Property, plant and equipment, net	16,985	17,143	17,602
Marketable strategic equity securities	1,061	350	398
Other long-term investments	4,081	4,346	4,023
Goodwill	3,917	3,861	3,861
Other long-term assets	5,446	4,946	4,204
TOTAL ASSETS	$ 52,919	$50,294	$48,368
CURRENT LIABILITIES			

Short-term debt	$ 137	$ 221	$ 180
Accounts payable	2,338	2,179	2,256
Accrued compensation and benefits	1,750	1,455	1,644
Accrued advertising	702	660	846
Deferred income on shipments to distributors	628	535	599
Other accrued liabilities	2,065	1,414	1,192
Income taxes payable	40	-	1,797
TOTAL CURRENT LIABILITIES	7,660	6,464	8,514
Long-term taxes payable	814	814	--
Deferred tax liabilities	454	235	265
Long-term debt	1,853	1,848	1,848
Other long-term liabilities	1,167	1,235	989
Stockholders' equity:			
Preferred stock	--	--	--
Common stock and capital in excess of par value	10,695	9,597	7,825
Accumulated other comprehensive income (loss)	232	(96)	(57)
Retained earnings	30,044	30,197	28,984
TOTAL STOCKHOLDERS' EQUITY	40,971	39,698	36,752
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 52,919	$50,294	$48,368

INTEL CORPORATION
SUPPLEMENTAL FINANCIAL AND OTHER INFORMATION
(In millions)

	Q3 2007	Q2 2007	Q3 2006
GEOGRAPHIC REVENUE:			
Asia-Pacific	$ 5,205	$ 4,457	$ 4,314
	52%	51%	49%
Americas	$ 2,067	$ 1,823	$ 1,891
	20%	21%	22%
Europe	$ 1,824	$ 1,485	$ 1,611
	18%	17%	18%
Japan	$ 994	$ 915	$ 923
	10%	11%	11%
CASH INVESTMENTS:			
Cash and short-term investments	$ 10,796	$ 8,926	$ 7,123
Trading assets - marketable debt securities (1)	1,732	1,256	677
Total cash investments	$ 12,528	$ 10,182	$ 7,800
TRADING ASSETS:			
Trading assets - equity securities offsetting deferred compensation (2)	$ 493	$ 479	$ 419
Total trading assets - sum of 1+2	$ 2,225	$ 1,735	$ 1,096
TOTAL STRATEGIC EQUITY INVESTMENTS	$ 4,928	$ 3,800	$ 2,981
SELECTED CASH FLOW INFORMATION:			
Depreciation	$ 1,098	$ 1,153	$ 1,193

Share-based compensation	$ 227	$ 237	$ 335
Amortization of intangibles and other acquisition-related costs	$ 65	$ 60	$ 63
Capital spending	($1,088)	($1,278)	($1,188)
Stock repurchase program	($750)	($100)	($500)
Proceeds from sales of shares to employees, tax benefit & other	$ 908	$ 814	$ 281
Dividends paid	($657)	($652)	($577)
Net cash received(used) for divestitures/acquisitions	($42)	$ 0	$ 152
SHARE-BASED COMPENSATION CHARGES:			
Cost of sales	$ 60	$ 64	$ 103
Research and development	$ 93	$ 94	$ 107
Marketing, general and administrative	$ 74	$ 79	$ 125
EARNINGS PER SHARE INFORMATION:			
Weighted average common shares outstanding - basic	5,837	5,809	5,769
Dilutive effect of employee equity incentive plans	79	57	12
Dilutive effect of convertible debt	51	51	51
Weighted average common shares outstanding - diluted	5,967	5,917	5,832
STOCK BUYBACK:			
Shares repurchased	30	5	27
Cumulative shares repurchased	2,885	2,855	2,824
Remaining dollars authorized for buyback (in billions)	$ 16.0	$ 16.8	$ 17.4
OTHER INFORMATION:			
Employees (in thousands)	88.1	90.3	99.9

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

	Three Months Ended		Nine Months Ended	
OPERATING SEGMENT INFORMATION:	Q3 2007	Q3 2006	Q3 2007	Q3 2006
Digital Enterprise Group				
Microprocessor revenue	3,880	3,521	10,906	10,751
Chipset, motherboard and other revenue	1,324	1,425	3,695	3,963
Net revenue	5,204	4,946	14,601	14,714
Operating income	1,370	655	3,118	2,581
Mobility Group				
Microprocessor revenue	2,832	2,239	7,671	6,544
Chipset and other revenue	1,139	809	2,903	2,172
Net revenue	3,971	3,048	10,574	8,716
Operating income	1,321	1,156	3,952	3,057
Flash Memory Group				
Net revenue	553	507	1,516	1,587
Operating loss	(142)	(139)	(716)	(433)

All Other				
Net revenue	362	238	931	671
Operating loss	(302)	(298)	(1,082)	(1,041)
Total				
Net revenue	10,090	8,739	27,622	25,688
Operating income	2,247	1,374	5,272	4,164

Our operating segments include the Digital Enterprise Group, Mobility Group, Flash Memory Group, Digital Home Group, and Digital Health Group. The Digital Home Group and Digital Health Group operating segments are included within the "all other" category. In the first quarter of 2007, the Channel Platforms Group began directly supporting our operating segments. We adjusted prior-period amounts to reflect certain minor reorganizations. In the second quarter of 2007, we agreed to sell certain NOR flash memory assets to a new flash memory company, Numonyx, that we plan to form with STMicroelectronics and Francisco Partners L.P.

We have sales and marketing, manufacturing, finance, and administration groups. Expenses for these groups are generally allocated to the operating segments and the expenses are included in the operating results reported above. Additionally, in the first quarter of 2007, we began allocating share-based compensation to the operating segments and adjusted results to reflect this change. Revenue for the "all other" category primarily relates to microprocessors and related chipsets sold by the Digital Home Group. The "all other" category also includes certain corporate-level operating expenses and charges. These expenses and charges include:

- a portion of profit-dependent bonuses and other expenses not allocated to the operating segments;
- results of operations of seed businesses that support our initiatives;
- acquisition-related costs, including amortization and any impairment of acquisition-related intangibles and goodwill;
- charges for purchased in-process research and development; and
- amounts included within restructuring and asset impairment charges on the consolidated summary income statement data.

Source: Intel Corporation