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Intel's Third-Quarter Below Expectations

SANTA CLARA, Calif.--(BUSINESS WIRE)-- Intel Corporation today announced that third-quarter revenue will be below the company's previous outlook. The company now expects third-quarter revenue to be $11.0 billion, plus or minus $200 million, compared to the previous expectation of between $11.2 and $12.0 billion. Revenue is being affected by weaker than expected demand for consumer PCs in mature markets. Inventories across the supply chain appear to be in-line with the company's revised expectations.

The company's expectation for third-quarter gross margin is now 66 percent, plus or minus a point, lower than the previous expectation of 67 percent, plus or minus a couple of points. The impact of lower volume is being partially offset by slightly higher average selling prices stemming from solid enterprise demand.

Equity Investments, Interest and Other is expected to be $175 million, consistent with the company's revised expectation reported on Form 8-K filed July 16.

All other expectations for the third quarter remain unchanged. The outlook for the third quarter does not include the effect of any acquisitions, divestitures or similar transactions that may be completed after Aug. 26.

The company will update fourth-quarter and full-year expectations with its third-quarter earnings report on Oct. 12.

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 Sep. 3 until publication of the company's third-quarter earnings release, Intel will observe a "Quiet Period" during which the Business Outlook disclosed in the company's 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. Many factors could affect Intel's actual results, and variances from Intel's current expectations regarding such factors could cause actual results to differ materially from those expressed in these forward-looking statements. Intel presently considers the following to be the important factors that could cause actual results to differ materially from the corporation's expectations.

-- Demand could be different from Intel's expectations due to factors including changes in business and economic conditions; customer acceptance of Intel's and competitors' products; changes in customer

order patterns including order cancellations; and changes in the level of inventory at customers.

-- Intel operates in intensely competitive industries that are characterized by a high percentage of costs that are fixed or difficult to reduce in the short term and product demand that is highly variable and difficult to forecast. Additionally, Intel is in the process of transitioning to its next generation of products on 32nm process technology, and there could be execution issues associated with these changes, including product defects and errata along with lower than anticipated manufacturing yields. Revenue and the gross margin percentage are affected by the timing of 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; defects or disruptions in the supply of materials or resources; and Intel's ability to respond quickly to technological developments and to incorporate new features into its products.

-- The gross margin percentage could vary significantly from expectations based on changes in revenue levels; product mix and pricing; start-up costs; 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; the timing and execution of the manufacturing ramp and associated costs; and capacity utilization.

-- 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 impacted by adverse economic, social, political and physical/infrastructure conditions in countries where Intel, its customers or its suppliers operate, including military conflict and other security risks, natural disasters, infrastructure disruptions, health concerns and fluctuations in currency exchange rates.

-- Intel's results could be affected by 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 June 26, 2010.

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 www.intel.com/pressroom and blogs.intel.com.

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Source: Intel Corporation