



## Intel Reports Fourth-Quarter And Annual Results

### Fourth-Quarter Earnings Per Share \$0.16

SANTA CLARA, Calif., Jan. 14, 2003 - Intel Corporation today announced fourth-quarter revenue of \$7.2 billion, up 10 percent sequentially and up 3 percent year-over-year.

Fourth-quarter net income was \$1.0 billion, up 53 percent sequentially and up 108 percent year-over-year. Earnings per share were \$0.16, up 60 percent sequentially and up 129 percent from \$0.07 in the fourth quarter of 2001.

Fourth-quarter net income excluding acquisition-related costs<sup>1</sup> of approximately \$106 million was \$1.1 billion, up 37 percent sequentially and up 6 percent year-over-year. Earnings excluding acquisition-related costs were \$0.16 per share, up 45 percent sequentially and up 7 percent from \$0.15 in the fourth quarter of 2001.

"2002 ended with a strong quarter," said [Craig R. Barrett](#), Intel chief executive officer. "By successfully executing our strategies, it appears we have increased our market segment share in microprocessors, chipsets, graphics, motherboards, flash, PDA microprocessors and LAN-on-motherboard gigabit Ethernet connections.

"In 2003, we will continue to deploy advanced technology, further our silicon leadership, deliver industry-leading products, and improve our competitiveness and cost structure so we can continue to outperform now and when the economic picture improves."

The fourth-quarter 2002 results included a tax benefit of approximately \$75 million related to small divestitures that closed during the quarter. The fourth-quarter 2001 results reflected charges for the amortization of goodwill, which is no longer amortized under generally accepted accounting principles (GAAP) with the adoption of FASB rule 142 at the beginning of 2002.

Intel will discontinue reporting earnings excluding acquisition-related costs beginning with its first-quarter 2003 earnings announcement. The goodwill provisions of FASB rule 142 have resulted in a substantial reduction in the difference between the company's earnings on a GAAP basis and its earnings excluding acquisition-related costs. Intel reported earnings excluding acquisition-related costs during 2002 to provide supplemental information on performance and a consistent basis for financial comparisons.

### Full-Year Results

Revenue for 2002 was \$26.8 billion, up 1 percent from \$26.5 billion in 2001. Net income was \$3.1 billion, up 141 percent from \$1.3 billion in 2001. Earnings per share were \$0.46, up 142 percent from \$0.19 in 2001. The 2001 results reflect charges for the amortization of goodwill.

Net income for 2002 excluding acquisition-related costs was \$3.5 billion, down 4 percent from \$3.6 billion in 2001. Earnings excluding acquisition-related costs were \$0.51 per share, down 2 percent from \$0.52 in 2001.

## **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 Jan. 13, 2003.*

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

\*\* Revenue in the first quarter is expected to be between \$6.5 billion and \$7.0 billion.

\*\* Gross margin percentage in the first quarter is expected to be 50 percent, plus or minus a couple of points, as compared to 51.6 percent in the fourth quarter of 2002. 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 2003 is expected to be approximately 51 percent, plus or minus a few points, as compared to 50 percent in 2002.

\*\* Expenses (R&D, excluding in-process R&D, plus MG&A) in the first quarter are expected to be between \$2.0 billion and \$2.1 billion, as compared to \$2.1 billion in the fourth quarter of 2002. Expenses, particularly certain marketing- and compensation-related expenses, vary depending on the level of revenue and profits.

\*\* R&D spending for 2003, excluding in-process R&D, is expected to be approximately \$4.0 billion, flat with 2002.

\*\* Capital spending for 2003 is expected to be between \$3.5 billion and \$3.9 billion, as compared to \$4.7 billion in 2002. Intel's semiconductor equipment spending is being primarily targeted at 300-mm wafer production, which is providing the company with greater capital efficiency and lower manufacturing costs.

\*\* Gains or losses from equity investments and interest and other in the first quarter are expected to be a net loss of \$125 million due to the expectation of a net loss on equity investments of approximately \$170 million, primarily as a result of impairment charges on private equity investments. Expectations of impairment charges are based on experience, and it is not possible to know which specific investments are likely to be impaired or the extent or timing of individual impairments. Gains or losses from equity securities and interest and other assume no unanticipated events and vary depending on equity market levels and volatility, gains or losses realized on the sale or exchange of securities, impairment charges related to non-marketable and other investments, interest rates, cash balances, and changes in the fair value of derivative instruments.

\*\* The tax rate for 2003 is expected to be approximately 30.5 percent. This tax rate is higher than the 2002 rate of 27.4 percent

primarily due to a higher percentage of profits being expected in higher-tax jurisdictions.

\*\* Depreciation is expected to be approximately \$1.2 billion in the first quarter and approximately \$4.9 billion for the year.

\*\* Amortization of acquisition-related intangibles and costs is expected to be approximately \$85 million in the first quarter and approximately \$300 million for the full year.

*The statements in this document that refer to plans and expectations for the first quarter, the year and the future are forward-looking statements that involve a number of risks and uncertainties. A number of factors in addition to those discussed above could cause actual results to differ materially from expectations. Demand for Intel's products, which impacts revenue and the gross margin percentage, is affected by business and economic conditions, as well as computing and communications industry trends, and changes in customer order patterns. Intel conducts much of its manufacturing, assembly and test, and sales outside the United States and is thus subject to a number of other factors, including currency controls and fluctuations, and tariff and import regulations. If terrorist activity, armed conflict, civil or military unrest or political instability occurs in the United States, Israel or other locations, such events may disrupt manufacturing, assembly and test, logistics, security and communications, and could also result in reduced demand for Intel's products. Revenue and the gross margin percentage are affected by competing chip architectures and manufacturing technologies, competing software-compatible microprocessors, pricing pressures and other competitive factors, as well as market acceptance of Intel's new products. Future revenue is also dependent on continuing technological advancement, including developing and implementing new processes and strategic products, as well as sustaining and growing new businesses and integrating and operating any acquired businesses. The gross margin percentage could also be affected by the execution of the manufacturing ramp, excess manufacturing capacity, excess or obsolete inventory, and variations in inventory valuation, as well as adverse effects associated with product errata (deviations from published specifications). Results could also be affected by litigation, such as that described in Intel's SEC reports, as well as other risk factors listed in Intel's SEC reports, including the report on Form 10-Q for the quarter ended Sept. 28, 2002.*

#### Status of Business Outlook and Mid-Quarter Business Update

During the quarter, Intel's corporate representatives may reiterate the Business Outlook during private meetings with investors, investment analysts, the media and others. Intel intends to publish a Mid-Quarter Business Update on March 6. From the close of business on Feb. 28 until publication of the Update, Intel will observe a "Quiet Period" during which the Outlook in this 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. For more information about the Outlook, Update and related Quiet Periods, please refer to the Outlook section of the Intel Investor Relations Web site at [www.intc.com](http://www.intc.com).

## **FOURTH-QUARTER REVIEW AND RECENT HIGHLIGHTS**

### Financial Review

\*\* The average selling price (ASP) of Intel Architecture microprocessors used in PCs and servers was higher. The ASP including microprocessors used in embedded applications and the Microsoft\* Xbox was approximately flat.

\*\* The gross margin percentage was 51.6 percent, higher than the company's updated expectation. The gross margin percentage was higher than 49 percent in the third quarter of 2002, primarily due to higher revenue.

\*\* Amortization of acquisition-related intangibles and costs for the fourth quarter included a \$15 million write-off of acquired intangibles related to the previous acquisition of Xircom Inc.

\*\* The tax rate was approximately 27.4 percent in the fourth quarter excluding the impact of acquisition-related costs and excluding the \$75 million tax benefit related to divestitures of prior acquisitions.

\*\* Gains or losses on equity investments and interest and other resulted in a net loss of \$117 million, greater than the previous expectation of a net loss of \$90 million. The net loss on equity investments was \$171 million, including the impact of impairment charges of approximately \$177 million.

#### Product Shipment Trends (Sequential)

\*\* Intel Architecture microprocessor unit shipments set a record.

\*\* Chipset unit shipments were higher.

\*\* Motherboard unit shipments set a record.

\*\* Flash memory unit shipments were higher.

\*\* Ethernet connectivity product unit shipments were higher.

#### Intel Architecture Business

Intel increased its desktop performance leadership with the introduction of the Intel® Pentium® 4 processor at 3.06 GHz with Hyper-Threading (HT) Technology. HT Technology allows a variety of multithreaded operating systems and application software to run as though the PC has two processors, boosting performance by as much as 25 percent. The company also extended its leadership in the value segment during the quarter with the introduction of Intel® Celeron® processors at 2.2 GHz and 2.1 GHz.

In mobile, Intel began revenue shipments of its next-generation mobile processor, previously known as Baniyas. The company announced the Intel® Centrino™ brand name, which signifies the company's best technology for notebook computers. Intel® Centrino® processor technology is comprised of the next-generation processor along with integrated wireless networking capability, chipsets and features that enable extended battery life, thinner and lighter notebook designs, and outstanding mobile performance. Intel Centrino processor technology components are being designed, optimized and validated by Intel to maximize the wireless mobile computing user experience, and are scheduled to be introduced in March.

For the enterprise, Intel introduced 20 Intel® Xeon™ family-related products, including seven processors at speeds up to 2.8 GHz along with new chipsets, server boards, server chassis and RAID controllers. Software momentum for the Intel® Itanium® 2 processor continued to build as Oracle and SAS delivered production versions of their enterprise applications. The Itanium 2 processor set additional performance records, achieving the world's highest 4-way results in database, SAP application, and secure Web server benchmarks<sup>2</sup>. According to the latest TOP500 supercomputer ranking, 56 of the world's most powerful supercomputing environments are based on Intel processors, as compared to only three systems in the 1999 ranking<sup>3</sup>.

#### Intel Communications Group

Intel announced plans to invest \$150 million in companies pursuing WiFi technology in order to help accelerate the worldwide deployment of high-speed wireless networks. The Intel Communications Fund invested in Cometa Networks, a wholesale nationwide wireless Internet access company; STSN, a high-speed wired and wireless Internet access provider for hotels and conference centers; and TeleSym, an IP telephony software company.

In network processing, the company introduced the Intel® IXP2850 network processor, which combines high-performance packet processing and robust security features in a single chip. Intel also introduced a new software toolkit based on standards developed by the Network Processing Forum.

In optical networking, the company launched five components for developing 10-Gigabit per second (Gbps) Ethernet and FibreChannel optical transceivers. In networked storage, Intel introduced products that lower the cost of solutions for accessing, managing and protecting data. The company also broadened its support for embedded product developers with an Intel® XScale® technology-based processor for temperature-sensitive applications in the telematics, automotive, industrial and telecommunications market segments.

#### Wireless Communications and Computing Group

In flash, Intel introduced the world's first flash memories that combine multi-level cell technology for greater storage capacity along with 1.8V-only operation for simpler cell phone design. Based on the company's 0.13-micron technology, the new products are available in 64, 128 and 256 Mbit densities, and consume nearly 40 percent less battery power than other low-power flash memory.

For application processing, the company introduced Intel XScale technology-based processors available in a new, stacked-chip package that integrates the processor and flash memory in a single, space-saving package. The company also announced it is producing customer samples of a product code-named Manitoba that integrates computing, communications and memory functions on a single chip. Manitoba is designed to power next-generation cell phones for use on GSM/GPRS wireless networks.

Customer adoption of Intel XScale technology-based processors continued to grow, leading to record unit shipments. Dell Computer introduced a new line of personal digital assistants based on the Intel processors. In addition, eight leading manufacturers of wireless Smart Displays announced new products that function both as flat panel monitors and as portable, wireless appliances for accessing the Internet and other PC-based applications and content.

#### Technology and Manufacturing Group

Intel opened Fab 11X, the company's second 300-mm manufacturing facility. Fab 11X expands the company's Rio Rancho, N.M. facility with approximately 200,000 square feet of new clean room space, and is scheduled to transition from 0.13-micron production to 90-nanometer production later in the year.

#### **EARNINGS WEBCAST**

Intel will hold a public webcast at 2:30 p.m. PST today on the Web site at [www.intc.com](http://www.intc.com). A replay of the webcast will be available until Jan. 21 on the Web site and by phone at (719) 457-0820, pass code 735793.

#### **About Intel**

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](http://www.intel.com/pressroom) and [blogs.intel.com](http://blogs.intel.com).

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\* Other names and brands may be claimed as the property of others.

<sup>1</sup> Acquisition-related costs consist of one-time write-offs of purchased in-process R&D and amortization of acquisition-related intangibles and costs, which includes write-offs of acquisition-related intangibles. Earnings excluding acquisition-related costs in 2002 also exclude the \$75 million tax benefit related to divestitures of prior acquisitions recognized in the fourth quarter of 2002. Intel's definition of earnings excluding acquisition-related costs is not necessarily comparable with how other companies

might present this information. Earnings excluding acquisition-related costs are not in accordance with GAAP because GAAP earnings include these costs.

<sup>2</sup> Sources: Transaction Processing Performance Council, SAP, Standard Performance Evaluation Corporation.

<sup>3</sup> Sources: Top500 list, Nov. 2002, Intel.



**INTEL CORPORATION**

**CONSOLIDATED SUMMARY INCOME STATEMENT DATA**

(In millions, except per share amounts)

	<u>Three Months Ended</u>		<u>Twelve Months Ended</u>	
	Dec. 28, 2002	Dec. 29, 2001	Dec. 28, 2002	Dec. 29, 2001
NET REVENUE	\$7,160	\$6,983	\$26,764	\$26,539
Cost of sales	3,464	3,402	13,446	13,487
Research and development	1,022	952	4,034	3,796
Marketing, general and administrative	1,104	1,071	4,334	4,464
Amortization of goodwill	-	405	-	1,710
Amortization and impairment of acquisition-related intangibles and costs	106	145	548	628
Purchased in-process research and development	-	-	20	198
Operating costs and expenses	5,696	5,975	22,382	24,283
OPERATING INCOME	1,464	1,008	4,382	2,256
Losses on equity securities, net	(171)	(287)	(372)	(466)
Interest and other, net	54	73	194	393
INCOME BEFORE TAXES	1,347	794	4,204	2,183
Income taxes	298	290	1,087	892
NET INCOME	\$1,049	\$504	\$3,117	\$1,291
BASIC EARNINGS PER SHARE	\$0.16	\$0.08	\$0.47	\$0.19
DILUTED EARNINGS PER SHARE	\$0.16	\$0.07	\$0.46	\$0.19
COMMON SHARES OUTSTANDING	6,598	6,698	6,651	6,716
COMMON SHARES ASSUMING DILUTION	6,660	6,851	6,759	6,879



**SUPPLEMENTAL INFORMATION EXCLUDING  
ACQUISITION-RELATED COSTS**

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

Three Months Ended

Twelve Months Ended

	Dec. 28, 2002	Dec. 29, 2001	Dec. 28, 2002	Dec. 29, 2001
Operating costs and expenses excluding acquisition- related costs	\$5,590	\$5,425	\$ 21,814	\$21,747
Operating income excluding acquisition-related costs	\$1,570	\$1,558	\$4,950	\$4,792
Net income excluding acquisition-related costs	\$1,054	\$998	\$3,464	\$3,606
Basic earnings per share excluding acquisition-related costs	\$0.16	\$0.15	\$0.52	\$0.54
Diluted earnings per share excluding acquisition-related costs	\$0.16	\$0.15	\$0.51	\$0.52



**INTEL CORPORATION**  
**CONSOLIDATED SUMMARY BALANCE SHEET DATA**  
(In millions)

	Dec. 28, 2002	Sept. 28, 2002	Dec. 29, 2001
<b>CURRENT ASSETS</b>			
Cash and short-term investments	\$10,786	\$9,615	\$10,326
Trading assets	1,801	1,627	1,224
Accounts receivable	2,574	3,089	2,607
Inventories:			
Raw materials	223	286	237
Work in process	1,365	1,520	1,316
Finished goods	688	675	700
	2,276	2,481	2,253
Deferred tax assets and other	1,488	1,233	1,223
<b>Total current assets</b>	<b>18,925</b>	<b>18,045</b>	<b>17,633</b>
Property, plant and equipment, net	17,847	17,970	18,121
Long-term investments	1,234	1,238	1,474
Goodwill	4,330	4,334	4,330
Other assets	1,888	2,049	2,837
<b>TOTAL ASSETS</b>	<b>\$44,224</b>	<b>\$43,636</b>	<b>\$44,395</b>
<b>CURRENT LIABILITIES</b>			
Short-term debt	\$436	\$317	\$409
Accounts payable and accrued liabilities	4,527	4,492	4,755
Deferred income on shipments to distributors	475	512	418
Income taxes payable	1,157	960	988

Total current liabilities	6,595	6,281	6,570
LONG-TERM DEBT	929	1,000	1,050
DEFERRED TAX LIABILITIES	1,232	1,048	945
STOCKHOLDERS' EQUITY	<u>35,468</u>	<u>35,307</u>	<u>35,830</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$44,224</u>	<u>\$43,636</u>	<u>\$44,395</u>



**INTEL CORPORATION**  
**SUPPLEMENTAL FINANCIAL AND OTHER INFORMATION**

(In millions)

	<u>Q4 2002</u>	<u>Q3 2002</u>	<u>Q4 2001</u>
<b>GEOGRAPHIC REVENUE:</b>			
Americas	30%	32%	33%
Asia-Pacific	38%	38%	35%
Europe	25%	23%	25%
Japan	7%	7%	7%
<b>CASH INVESTMENTS:</b>			
Cash and short-term investments	\$10,786	\$9,615	\$10,326
Trading assets - fixed income (1)	\$1,460	\$1,313	\$836
Total cash investments	\$12,246	\$10,928	\$11,162
<b>INTEL CAPITAL PORTFOLIO:</b>			
Trading assets - equity securities (2)	\$98	\$89	\$74
Marketable strategic equity securities	\$56	\$56	\$155
Other strategic investments	\$947	\$1,169	\$1,499
Total Intel capital portfolio	\$1,101	\$1,314	\$1,728
<b>TRADING ASSETS:</b>			
Trading assets - equity securities offsetting deferred compensation (3)	\$243	\$225	\$314
Total trading assets - sum of (1)+(2)+(3)	\$1,801	\$1,627	\$1,224
<b>SELECTED CASH FLOW INFORMATION:</b>			
Depreciation	\$1,244	\$1,136	\$1,093

Amortization of goodwill	\$0	\$0	\$405
Amortization and impairment of acquisition-related intangibles & costs	\$106	\$102	\$145
Purchased in-process research and development	\$0	\$6	\$0
Capital spending	(\$1,203)	(\$955)	(\$1,136)
Stock repurchase program	(\$1,006)	(\$1,001)	(\$1,003)
Proceeds from sales of shares to employees, tax benefit & other	\$73	\$279	\$298
Dividends paid	(\$132)	(\$133)	(\$134)
Net cash used for acquisitions	\$0	(\$7)	(\$4)
SHARE INFORMATION			
Average common shares outstanding	6,598	6,646	6,698
Dilutive effect of stock options	62	66	153
Common shares assuming dilution	6,660	6,712	6,851
STOCK BUYBACK:			
BUYBACK ACTIVITY:			
Shares repurchased	58.8	56.6	35.0
Cumulative shares repurchased	1,710.2	1,651.4	1,526.7
BUYBACK SUMMARY:			
Shares authorized for buyback	1,820.0	1,820.0	1,820.0
Increase in authorization	480.0	-	-
Cumulative shares repurchased	(1,710.2)	(1,651.4)	(1,526.7)
Shares available for buyback	589.8	168.6	293.3
OTHER INFORMATION:			
Employees (in thousands)	78.7	81.7	83.4
Days sales outstanding	34	36	37





**INTEL CORPORATION**  
**SUPPLEMENTAL FINANCIAL AND OTHER INFORMATION**

(\$ in millions)

	Q4 2002	Q3 2002	YTD 2002	Q4 2001	YTD 2001
<b>OPERATING SEGMENT INFORMATION:</b>					
Intel Architecture Business					
Revenue	5,928	5,407	22,316	5,793	21,446
Operating income	1,993	1,405	6,562	1,813	6,252
Wireless Communications and Computing Group					
Revenue	662	586	2,239	518	2,232
Operating Loss	(98)	(30)	(294)	(20)	(256)
Intel Communications Group					
Revenue	544	482	2,080	590	2,580
Operating Loss	(168)	(177)	(622)	(129)	(735)
All other					
Revenue	26	29	129	82	281
Operating loss	(263)	(234)	(1,264)	(656)	(3,005)
<b>Total</b>					
Revenue	7,160	6,504	26,764	6,983	26,539
Operating income	1,464	964	4,382	1,008	2,256

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

The "all other" category includes acquisition-related costs, including amortization of acquisition-related intangibles and in-process research and development. Acquisition-related costs also include charges for impairment of goodwill and acquisition-related intangibles, including \$127 million for impairments of identified intangibles recorded in the second and fourth quarters of 2002, primarily related to the previous acquisition of Xircom. "All other" includes the results of operations of seed businesses that support the company's initiatives and the results of the Web hosting business, including the charge of \$106 million recorded in the second quarter of 2002 related to winding down this business. "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 2001, "all other" also included goodwill amortization; however, goodwill is no longer amortized beginning in 2002.