



Intel Posts Record Second-Quarter Revenue Of \$9.2 Billion

Earnings Per Share 33 Cents

SANTA CLARA, Calif., July 19, 2005 - Intel Corporation today announced second-quarter revenue of \$9.2 billion, up 15 percent year-over-year and down 2 percent sequentially.

Second-quarter net income was \$2 billion, up 16 percent year-over-year and down 6 percent sequentially. Earnings per share were 33 cents, up 22 percent from 27 cents in the second quarter of 2004 and down 6 percent from 35 cents in the first quarter of 2005.

"Intel delivered record second-quarter revenue, with growth of 15 percent versus a year ago led by strong demand for our notebook platforms," said [Paul Otellini](#), president and CEO. "Our investments in new products, advanced silicon capacity and emerging markets are paying off with growth that is outpacing the industry. We look forward to the second half of 2005 as we ramp dual-core microprocessors into high volume, begin production on our 65nm process technology and deliver innovative new platforms."

Intel's results for the previous quarter included an additional week of business because 2005 is a 53-week fiscal year for the company. As discussed in the company's June 9 Mid-Quarter Business Update, Intel's results for the second-quarter included a tax adjustment primarily related to an increase in estimated research and development credits for prior years. The reversal of previously accrued taxes increased second-quarter earnings-per-share by approximately 2 cents. Intel's results for last year's second quarter included a reversal of previously accrued taxes that increased earnings-per-share by 1.3 cents.

BUSINESS OUTLOOK

The following statements are based on current expectations. These statements are forward-looking, and actual results may differ materially. Please see the Risk Factors Regarding Forward-Looking Statements in this release for a description of certain important risk factors that could cause actual results to differ, and refer to Intel's annual and quarterly reports on file with the Securities and Exchange Commission (SEC) for a more complete description of the risks. These statements do not include the potential impact of any mergers, acquisitions, divestitures, investments or other business combinations that may be completed after July 18, 2005.

- Revenue in the third quarter is expected to be between \$9.6 billion and \$10.2 billion.
- Gross margin percentage for the third quarter is expected to be approximately 60 percent, plus or minus a couple of points, as compared to 56.4 percent in the second quarter. The gross margin percentage expectation for 2005 has narrowed from 59 percent, plus or minus a few points, to 59 percent, plus or minus a couple of points. The gross margin percentage could vary from expectations based on changes in revenue levels, product mix and pricing; 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; capacity utilization; 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 (R&D plus MG&A) in the third quarter are expected to be between \$2.8 billion and \$2.9 billion, higher than \$2.5 billion in the second quarter, primarily driven by increases in research and development. The company is transferring resources from 65nm start-up programs to 45nm development and increasing investments in new platforms. Expenses, particularly certain marketing and compensation expenses, vary depending on the level of demand for Intel's products and the level of revenue and profits.
- The R&D spending expectation for 2005 is unchanged at approximately \$5.2 billion.
- The capital spending expectation for 2005 has been increased to approximately \$5.9 billion, plus or minus \$200 million, as compared to the previous expectation of \$5.4 billion to \$5.8 billion, to support higher expected demand.
- Gains from equity investments and interest and other in the third quarter are expected to be approximately \$130 million.
- The tax rate for the third and fourth quarters is expected to be approximately 30.5 percent. The tax rate expectation does not reflect the impact of any potential repatriation of cash under the American Jobs Creation Act (Jobs Act). The company currently expects to finalize its analysis of whether, and to what extent, foreign earnings might be repatriated under the Jobs Act in September, which would impact the third quarter tax rate. The tax rate expectation is based on current tax law and current expected income and assumes Intel continues to receive tax benefits for export sales. The tax rate may be affected by the closing of acquisitions or divestitures; the jurisdiction 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; and the ability to realize deferred tax assets.
- Depreciation for the third quarter is expected to be between \$1 billion and \$1.1 billion, approximately flat with the second

quarter. Depreciation for 2005 is now expected to be between \$4.3 billion and \$4.4 billion, as compared to the previous expectation of \$4.4 billion, plus or minus \$100 million.

- Amortization of acquisition-related intangibles and costs is expected to be approximately \$30 million in the third quarter. The full-year expectation is now approximately \$120 million, slightly below the previous expectation of \$125 million.

SECOND-QUARTER REVIEW AND RECENT HIGHLIGHTS

Financial Review

- Intel used \$2.5 billion in cash to repurchase 98.9 million shares of its common stock during the quarter under an ongoing program.
- The company paid a cash dividend of 8 cents per share on June 1 to stockholders of record on May 7.
- Gains from equity investments and interest and other in the second quarter were \$105 million. The amount included \$22 million in net losses from equity investments driven by \$133 million in impairments, primarily due to a \$105-million impairment of Intel's investment in Micron Technology to reflect the difference between the cost basis of the investment and the stock price at the end of the quarter. The impairments were partially offset by gains from dispositions.
- In June 2005, the U.S. Internal Revenue Service proposed certain adjustments related to the amounts reflected as a tax benefit for export sales in Intel's 2001 and 2002 tax returns. The company does not agree with these adjustments and is in the process of appealing similar adjustments with respect to Intel's 1999 and 2000 tax returns (see Intel's SEC filing on Form 10-Q for the quarter ended April 2, 2005). If the IRS were to prevail with respect to the 2001 and 2002 proposed adjustments, Intel's federal income tax due for these years would increase by approximately \$400 million, plus interest.

Key Product Trends (Sequential)

- Total microprocessor units were at record levels. The average selling price was slightly lower primarily due to an increase in Xbox* processor shipments along with slightly lower computing processor prices.
- Chipset units were higher.
- Motherboard units were lower.
- Flash memory units were higher and at record levels, with lower average selling prices.
- Wireless connectivity units set a record.
- Wired connectivity units were lower.

Digital Enterprise

For business PCs, the company introduced the first Intel® Professional Business Platform, which is based on the recently introduced Intel® Pentium® 4 processor with Hyper-Threading Technology 600 sequence, the new Intel® 945G Express Chipset, and the Intel® PRO/1000 PM network connection. The new platform brings the company's advanced security, management and collaboration technologies to mainstream business PCs. Enhancements include the introduction of Intel® Active Management Technology (AMT), designed to help IT managers monitor and manage all Intel AMT-enabled PCs on their networks.

The company introduced five new Intel® Celeron® D processors with 64-bit computing capability for the value PC segment. Intel now has 64-bit capability available throughout its desktop and server microprocessor product lines.

For servers, Intel introduced an entry-level server platform based on the dual-core Intel Pentium D processor and the Intel® E7230 chipset. The first of Intel's dual-core platforms for servers, it supports DDR2 memory, PCI Express* I/O and software RAID.

The company also introduced two Intel® Itanium® 2 processors with a 667 MHz front side bus. Itanium-based server bandwidth can be increased by 65 percent using the new bus architecture, which also supports Intel's forthcoming dual-core Itanium processor, codenamed Montecito. A test system based on Montecito set a new 4-way performance record of 45 gigaflops on the LINPACK floating-point performance benchmark during the quarter, exceeding the previous record of 27.5 gigaflops held by a RISC-based system.¹

According to the latest TOP500* ranking, Intel processors are used in two-thirds of the world's fastest supercomputers. The Top500 list now includes 254 systems based on Intel® Xeon™ and 64-bit Intel Xeon processors and 79 systems based on Intel Itanium processors.

In telecommunications infrastructure, Intel announced its second generation of AdvancedTCA* (Advanced Telecom Computing Architecture) products. The company added three new communication server blades and related technologies that help manufacturers and service providers more easily design and build standards-based IP Multimedia Subsystem (IMS) equipment and services. In addition, Intel and Alcatel announced plans to bring AdvancedTCA platforms to mobile service providers, with Alcatel planning to deliver single-board solutions based on the Intel® Pentium® M processor in early 2006.

Mobility

Intel's latest notebook PC platform based on Intel® Centrino™ Mobile Technology has become the company's fastest-growing mobile platform ever, accounting for over 50 percent of performance mobile shipments in the first full quarter after launch. Formerly codenamed Sonoma, the platform offers greater performance and new capabilities for consumer and business applications while maintaining long battery life. Intel's notebook platforms continue to see strong year-over-year growth, with double-digit increases in mobile chipsets with integrated graphics as well as WiFi, where Intel has become the No. 1 silicon supplier according to ABI Research.

In next-generation wireless broadband technology, Intel announced plans with Sprint, Huawei Technologies, Nokia and Arraycomm designed to help advance the development, deployment and adoption of WiMAX networks. For example, Intel and Sprint announced a collaboration to advance WiMAX technology for high-capacity wireless broadband coverage and services in metropolitan areas. Intel and Huawei plan to enable carrier-grade networks using WiMAX technology. Intel and ArrayComm announced plans to incorporate additional technologies into the IEEE 802.16 specification to support smart antenna technology that can improve overall WiMAX network range, capacity and coverage quality.

In flash memory, the company continued to see strong design win momentum for its Intel® StrataFlash® memories in cellular phone designs. The company generated ongoing growth in flash shipments to the embedded market segment which contributed to overall flash unit shipments being at record levels for the quarter.

Intel's application processors for phones and consumer electronics devices saw continued strong demand, with double-digit year-over-year growth. A new cellular phone design based on the Intel® PXA800F baseband chipset for GSM/GPRS networks was introduced during the quarter by O2, a major European carrier. Intel's next-generation baseband chipset for GPRS/EDGE/UMTS networks, code-named Hermon, is scheduled to be introduced later in the year.

Digital Home

For home PCs, Intel introduced a desktop platform based on the new dual-core Intel® Pentium® D processor which is designed to provide consumers with the ability to do more with their digital content simultaneously. The new platform includes the Intel® 945 Express Chipset family which supports consumer electronics-like features such as surround-sound audio, high-definition video and enhanced 3-D graphics.

Intel took a number of key steps to help accelerate the availability of premium entertainment content in the digital home. Intel invested in ClickStar, an online service intended to allow consumers to view premium movies in the home. ClickStar was formed by Revelations Entertainment, a partnership between actor Morgan Freeman and producer Lori McCreary.

Intel also announced a collaboration with the Yoshimoto Kogyo talent agency of Japan and invested in Bellrock Media, its digital content production and delivery company in the United States. Intel invested in Mobilians, a Korean company that is developing payment services and technologies for purchasing online content using mobile phones.

Technology and Manufacturing

Intel continued the development of its forthcoming 65nm process technology and began providing customers with samples of microprocessors codenamed Yonah, Presler and Dempsey, the company's first 65nm dual-core microprocessors for notebook, desktop and server platforms, respectively. Intel's industry-leading 65nm process technology will enable cost-effective production of dual-core processors, with platforms ramping into high volume in 2006.

Intel and Corning announced plans to develop photomask substrates for Extreme Ultraviolet (EUV) lithography. The substrates are needed to develop low-defect photomasks for high-volume 32nm production using EUV lithography tools.

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 Sept. 8. From the close of business on Sept. 2 until publication of the Update, Intel will observe a "Quiet Period" during which the Business Outlook disclosed in the company's press releases and 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 Business Outlook, Update and related Quiet Periods, please refer to the Business Outlook section of Intel's Web site at www.intc.com.

RISK FACTORS REGARDING FORWARD-LOOKING STATEMENTS

The statements 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 factors accompanying certain of such statements above and set forth below to be the important factors that could cause actual results to differ materially from Intel's published expectations. A more detailed discussion of these factors, as well as other factors that could affect Intel's results, is contained in Intel's SEC filings, including the report on Form 10-Q for the quarter ended April 2, 2005.

- Intel operates in intensely competitive industries. Revenue and the gross margin percentage are affected by the demand for and market acceptance of Intel's products, the availability of sufficient inventory to meet demand, pricing pressures and actions taken by Intel's competitors. Factors that could cause demand to be different from Intel's expectations include changes in customer order patterns, including order cancellations; changes in the level of inventory at customers; and changes in business and economic conditions.
- Gains or losses from equity securities and interest and other could vary from expectations depending on equity market levels and volatility; gains or losses realized on the sale or exchange of securities; 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 impacted by unexpected economic, social and political conditions in the countries in which Intel, its customers or its suppliers operate, including security risks, possible infrastructure disruptions and fluctuations in foreign currency exchange rates.
- Intel's results could also 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.

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 and blogs.intel.com.

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

¹ Source: Intel Corporation, June 20, 2005. System Configuration: Intel Server Platform SR870BN4 using four Montecito Itanium 2 processors. Source: IBM Corporation, June 21, 2005: Best LINPACK based RISC result posted to http://www-1.ibm.com/servers/eserver/pseries/hardware/system_perf.pdf. Performance will vary depending on the actual hardware and software. Performance tests and ratings are measured using specific computer systems and/or components and reflect the approximate performance of Intel products as measured by those tests. Any difference in system hardware or software design or configuration may affect actual performance. For more information, reference www.intel.com/performance.

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

	Three Months Ended		Six Months Ended	
	July 2, 2005	June 26, 2004	July 2, 2005	June 26, 2004
NET REVENUE	\$ 9,231	\$ 8,049	\$18,665	\$16,140
Cost of sales	4,028	3,269	7,864	6,490
GROSS MARGIN	5,203	4,780	10,801	9,650
Research and development	1,176	1,186	2,442	2,381
Marketing, general and administrative	1,342	1,170	2,604	2,311
Amortization of acquisition-related intangibles and costs	36	43	74	101
OPERATING EXPENSES	2,554	2,399	5,120	4,793
OPERATING INCOME	2,649	2,381	5,681	4,857
Gains (losses) on equity securities, net	(22)	(8)	(18)	11
Interest and other, net	127	47	242	96
INCOME BEFORE TAXES	2,754	2,420	5,905	4,964
Income taxes	716	663	1,689	1,477
NET INCOME	\$ 2,038	\$ 1,757	\$ 4,216	\$ 3,487
BASIC EARNINGS PER SHARE	\$ 0.33	\$ 0.27	\$ 0.68	\$ 0.54
DILUTED EARNINGS PER SHARE	\$ 0.33	\$ 0.27	\$ 0.68	\$ 0.53

COMMON SHARES OUTSTANDING	6,144	6,449	6,177	6,464
COMMON SHARES ASSUMING DILUTION	6,215	6,558	6,244	6,591

INTEL CORPORATION
CONSOLIDATED SUMMARY BALANCE SHEET DATA
(In millions)

	July 2, 2005	April 2, 2005	Dec. 25, 2004
CURRENT ASSETS			
Cash and short-term investments	\$ 12,600	\$ 13,673	\$ 14,061
Trading assets	2,224	2,443	3,111
Accounts receivable	3,448	3,226	2,999
Inventories:			
Raw materials	384	392	388
Work in process	1,506	1,517	1,418
Finished goods	849	899	815
	2,739	2,808	2,621
Deferred tax assets and other	1,179	1,328	1,266
Total current assets	22,190	23,478	24,058
Property, plant and equipment, net	16,624	16,321	15,768
Marketable strategic equity securities	362	586	656
Other long-term investments	2,247	2,140	2,563
Goodwill	3,805	3,716	3,719
Other assets	1,285	1,325	1,379
TOTAL ASSETS	\$ 46,513	\$ 47,566	\$ 48,143

CURRENT LIABILITIES			
Short-term debt	\$ 318	\$ 222	\$ 201
Accounts payable and accrued liabilities	5,425	5,691	6,050
Deferred income on shipments to distributors	707	707	592
Income taxes payable	1,330	1,953	1,163
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Total current liabilities	7,780	8,573	8,006
LONG-TERM DEBT	430	464	703
DEFERRED TAX LIABILITIES	689	818	855
STOCKHOLDERS' EQUITY	37,614	37,711	38,579
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TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 46,513	\$ 47,566	\$ 48,143
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INTEL CORPORATION
 SUPPLEMENTAL FINANCIAL AND OTHER INFORMATION
 (In millions)

	Q2 2005	Q1 2005	Q2 2004
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GEOGRAPHIC REVENUE:			
Americas	\$1,863 20%	\$1,972 21%	\$1,956 24%
Asia-Pacific	\$4,679 51%	\$4,395 47%	\$3,661 45%
Europe	\$1,809 20%	\$2,106 22%	\$1,665 21%
Japan	\$880	\$961	\$767

	9%	10%	10%
CASH INVESTMENTS:			
Cash and short-term investments	\$12,600	\$13,673	\$14,264
Trading assets - fixed income (1)	1,883	2,108	2,390
Total cash investments	\$14,483	\$15,781	\$16,654
INTEL CAPITAL PORTFOLIO:			
Marketable strategic equity securities	\$362	\$586	\$582
Other strategic investments	518	519	640
Total Intel Capital portfolio	\$880	\$1,105	\$1,222
TRADING ASSETS:			
Trading assets - equity securities offsetting deferred compensation (2)	\$341	\$335	\$318
Total trading assets - sum of 1+2	\$2,224	\$2,443	\$2,708
SELECTED CASH FLOW INFORMATION:			
Depreciation	\$1,051	\$1,189	\$1,151
Amortization of acquisition-related intangibles & costs	\$36	\$38	\$43
Capital spending	(\$1,389)	(\$1,788)	(\$1,026)
Stock repurchase program	(\$2,500)	(\$2,500)	(\$1,511)
Proceeds from sales of shares to employees, tax benefit & other	\$387	\$511	\$258
Dividends paid	(\$493)	(\$497)	(\$258)
Net cash used for acquisitions	(\$81)	\$0	(\$33)
SHARE INFORMATION:			
Average common shares outstanding	6,144	6,211	6,449

Dilutive effect of stock options	71	62	109
Common shares assuming dilution	6,215	6,273	6,558
STOCK BUYBACK:			
Shares repurchased	98.9	107.9	56.0
Shares authorized for buyback	2,800.0	2,800.0	2,300.0
Cumulative shares repurchased	(2,393.3)	(2,294.4)	(1,991.2)
Shares available for buyback	406.7	505.6	308.8
OTHER INFORMATION:			
Employees (in thousands)	91.0	87.1	81.7

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

Six Months Ended

OPERATING SEGMENT INFORMATION:	Q2 2005	Q1 2005	Q2 2005	Q2 2004
Digital Enterprise Group				
Microprocessor revenue	4,603	4,944	9,547	9,650
Chipset, motherboard and other revenue	1,398	1,417	2,815	2,489
Net revenue	6,001	6,361	12,362	12,139
Operating income	1,992	2,366	4,358	4,593

Mobility Group
 Microprocessor

revenue	2,056	1,917	3,973	2,386
Flash memory revenue	528	578	1,106	1,004
Chipset and other revenue	566	516	1,082	538
Net revenue	3,150	3,011	6,161	3,928
Operating income	1,140	1,099	2,239	993

All Other				
Net revenue	80	62	142	73
Operating loss	(483)	(433)	(916)	(729)

Total				
Net revenue	9,231	9,434	18,665	16,140
Operating income	2,649	3,032	5,681	4,857

OPERATING SEGMENT INFORMATION:	Q4	Q3	Q2	Q1		
	2004	2004	2004	2004	2004	2003

Digital Enterprise Group						
Microprocessor revenue	5,256	4,520	4,679	4,971	19,426	17,991
Chipset, motherboard and other revenue	1,517	1,346	1,229	1,260	5,352	5,068
Net revenue	6,773	5,866	5,908	6,231	24,778	23,059
Operating income	2,451	1,807	2,140	2,453	8,851	8,017

Mobility Group						
Microprocessor revenue	1,710	1,571	1,224	1,162	5,667	4,120
Flash memory revenue	643	638	587	417	2,285	1,608
Chipset and other revenue	425	352	292	246	1,315	966
Net revenue	2,778	2,561	2,103	1,825	9,267	6,694
Operating income	894	796	593	400	2,683	1,589

All Other						
Net revenue	47	44	38	35	164	388
Operating loss	(445)	(230)	(352)	(377)	(1,404)	(2,073)

Total						
Net revenue	9,598	8,471	8,049	8,091	34,209	30,141
Operating income	2,900	2,373	2,381	2,476	10,130	7,533

During the first quarter of 2005, the company reorganized its business groups to bring all major product groups in line with the company's strategy to design and deliver technology platforms. These new business units include the Digital Enterprise Group, the Mobility Group, the Digital Home Group, the Digital Health Group and the Channel Products Group (formerly referred to as "Channel Platforms Group"). The Digital Enterprise Group and the Mobility group are reportable operating segments. The Digital Home Group, Digital Health Group and Channel Products Group operating segments do not meet the quantitative thresholds for reportable segments as defined by SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." Therefore, these operating segments are included within the "all other" category. All prior period amounts have been adjusted retrospectively to reflect the new organizational structure as well as certain minor reorganizations effected through the second quarter of 2005. As a result of this platform reorganization, further changes may occur in the future.

The Digital Enterprise Group operating segment's products include microprocessors and related chipsets and motherboards designed for the desktop (including consumer desktop) and enterprise computing market segments, communications infrastructure components such as network processors and embedded microprocessors, wired connectivity devices and products for network and server storage. The Mobility Group operating segment's products include microprocessors and related chipsets designed for the mobile computing market segment, flash memory, wireless connectivity products, application processors used in cellular handsets and handheld computing devices, and cellular baseband chipsets. Revenue for the "all other" category primarily consists of microprocessors and related chipsets used in consumer electronics devices. For further information on the business strategy of the new operating segments, see Intel's Quarterly Report on Form 10-Q for the quarter ended April 2, 2005.

In addition to the operating results for the Digital Home Group, Digital Health Group and Channel Products Group operating segments, the "all other" category also includes acquisition-related costs, including amortization and any impairments of acquisition-related intangibles and goodwill. In 2003, acquisition-related costs included a goodwill impairment charge of \$611 million for the remaining balance related to the former Wireless Communications and Computing Group. Additionally, "all other" includes the results of operations of seed businesses that support the company's initiatives. Finally, "all other" includes certain corporate-level operating expenses, including a portion of profit-dependent bonus and other expenses not allocated to the operating segments.