INTEL CORPORATION
EXPLANATION OF NON-GAAP MEASURES

In addition to disclosing financial results in accordance with United States (U.S.) generally accepted accounting principles (GAAP), this document contains non-GAAP financial measures that we believe are helpful in understanding and comparing our past financial performance and our future results. The non-GAAP financial measures disclosed by the company exclude certain business combination accounting adjustments and certain expenses related to acquisitions. These non-GAAP financial measures should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and the financial results calculated in accordance with GAAP and reconciliations from these results should be carefully evaluated. Management believes the non-GAAP financial measures are appropriate for period to period comparisons in our budget, planning and evaluation processes, and to show the reader how our performance compares to other periods. Our non-GAAP financial measures reflect adjustments based on the following items, as well as the related income tax effects:

Deferred revenue write-down and associated costs: Business combination accounting principles require us to write down to fair values the software license updates; software product and hardware systems support contracts; product support contracts and hardware systems support contracts assumed in our acquisitions. The revenue for these support contracts is deferred and typically recognized over the contract period, so our GAAP revenues for the contract period after the acquisition does not reflect the full amount of revenues that would have been reported if the acquired deferred revenue was not written down to fair value. The non-GAAP adjustments eliminate the effect of the deferred revenue write-down and include the costs associated with the revenue adjustment. We believe these adjustments to the revenue from these support contracts and to the associated costs are useful to investors as an additional means to reflect revenue trends of our business.

Amortization of acquisition-related intangible assets: Amortization of acquisition-related intangible assets consists of amortization of developed technology, trade names, and customer relationships acquired in connection with business combinations. We record charges relating to the amortization of these intangibles in our GAAP financial statements. Amortization charges for our acquisition-related intangible assets are inconsistent in size and are significantly impacted by the timing and valuation of our acquisitions. Consequently, our non-GAAP adjustments exclude these charges to facilitate an evaluation of our current operating performance and comparisons to our past operating performance.

Inventory valuation adjustment: Business combination accounting principles require us to measure acquired inventory at fair value. The fair value of inventory reflects the acquired company’s cost of manufacturing plus a portion of the expected profit margin. The non-GAAP adjustment to our cost of sales excludes the expected profit margin component that is recorded under business combination accounting principles. We believe the adjustment is useful to investors as an additional means to reflect cost of sales and gross margin trends of our business.

INTEL CORPORATION
SUPPLEMENTAL RECONCILIATIONS OF GAAP TO NON-GAAP RESULTS

Set forth below are reconciliations of the non-GAAP financial measures to the most directly comparable GAAP financial measures. The non-GAAP financial measures disclosed by the company have limitations and should not be considered a substitute for, or superior to, financial measures prepared in accordance with GAAP, and the financial results prepared in accordance with GAAP and reconciliations from these results should be carefully evaluated. Please refer to "Explanation of Non-GAAP Measures" in this document for a detailed explanation of the adjustments made to comparable GAAP measures, the ways management uses these non-GAAP measures, and the reasons why management believes these non-GAAP measures provide useful information for investors.

	(In millions, except per share amounts)			
	Three Months Ended		Twelve Months Ended	
	Dec. 31, 2011	Dec. 25, 2010	Dec. 31, 2011	Dec. 25, 2010
GAAP NET REVENUE	$ 13,887	$ 11,457	$ 53,999	$ 43,623
Adjustment for deferred revenue write-down	35	-	204	-
NON-GAAP NET REVENUE	$ 13,922	$ 11,457	$ 54,203	$ 43,623
GAAP GROSS MARGIN	$ 8,952	$ 7,406	$ 33,757	$ 28,491
Adjustment for:				
Deferred revenue write-down and associated costs	32	-	190	-
Amortization of acquisition-related intangibles	137	17	482	65
Inventory valuation	-	-	33	-
NON-GAAP GROSS MARGIN	$ 9,121	$ 7,423	$ 34,462	$ 28,556
GAAP GROSS MARGIN PERCENTAGE	64.5%	64.6%	62.5%	65.3%
Adjustment for:				
Deferred revenue write-down and associated costs	-	-	0.1%	-
Amortization of acquisition-related intangibles	1.0%	0.2%	0.9%	0.2%
Inventory valuation	-	-	0.1%	-
NON-GAAP GROSS MARGIN PERCENTAGE	65.5%	64.8%	63.6%	65.5%
GAAP OPERATING INCOME	$ 4,599	$ 4,023	$ 17,477	$ 15,588
Adjustment for:				
Deferred revenue write-down and associated costs	32	-	190	-
Amortization of acquisition-related intangibles	209	24	742	83
Inventory valuation	-	-	33	-
NON-GAAP OPERATING INCOME	$ 4,840	$ 4,047	$ 18,442	$ 15,671
GAAP NET INCOME	$ 3,360	$ 3,180	$ 12,942	$ 11,464
Adjustment for:				
Deferred revenue write-down and associated costs	32	-	190	-
Amortization of acquisition-related intangibles	209	24	742	83
Inventory valuation	-	-	33	-
Income tax effect	(56)	(8)	(215)	(29)
NON-GAAP NET INCOME	$ 3,545	$ 3,196	$ 13,692	$ 11,518
GAAP DILUTED EARNINGS PER COMMON SHARE	$ 0.64	$ 0.56	$ 2.39	$ 2.01
Adjustment for:				
Deferred revenue write-down and associated costs	0.01	-	0.03	-
Amortization of acquisition-related intangibles	0.04	-	0.14	0.01
Inventory valuation	-	-	0.01	-
Income tax effect	(0.01)	-	(0.04)	-
NON-GAAP DILUTED EARNINGS PER COMMON SHARE	$ 0.68	$ 0.56	$ 2.53	$ 2.02

INTEL CORPORATION
SUPPLEMENTAL RECONCILIATION OF GAAP TO NON-GAAP OUTLOOK

Set forth below are reconciliations of the non-GAAP financial measure to the most directly comparable GAAP financial measure. The non-GAAP financial measure disclosed by the company has limitations and should not be considered a substitute for, or superior to, the financial measure prepared in accordance with GAAP, and the financial outlook prepared in accordance with GAAP and the reconciliations from this outlook should be carefully evaluated. Please refer to "Explanation of Non-GAAP Measures" in this document for a detailed explanation of the adjustment made to the comparable GAAP measures, the ways management uses the non-GAAP measures, and the reasons why management believes the non-GAAP measures provide useful information for investors.

	Q1 2012 Outlook		2012 Outlook	
GAAP GROSS MARGIN PERCENTAGE	63%	+/- a couple percentage points	64%	+/- a few percentage points
Adjustment for amortization of acquisition-related intangibles	1%		1%	
NON-GAAP GROSS MARGIN PERCENTAGE	64%	+/- a couple percentage points	65%	+/- a few percentage points

Intel Corporation

Reconciliation of Non-GAAP Financial Measures

Payment of dividends to stockholders as a ratio of free cash flow

We measure the amount of dividends paid to stockholders as a ratio of free cash flow. Management establishes a long-term targeted ratio and continually assesses actual and expected performance against the target. We define free cash flow as net cash provided by operating activities less cash used for additions to property, plant and equipment. The entire free cash flow amount is not necessarily available for discretionary expenditures.

Set forth below are reconciliations of the non-GAAP financial measures to the most directly comparable GAAP financial measures. The non-GAAP financial measures disclosed by the company have limitations and should not be considered a substitute for, or superior to, financial measures prepared in accordance with GAAP, and the financial results prepared in accordance with GAAP and reconciliations from these results should be carefully evaluated.

	Twelve Months Ended
($ in billions)	**December 31, 2011**
Payment of dividends to stockholders (GAAP)	$ 4.1
Net cash provided by operating activities (GAAP)	$ 21.0
Additions to property, plant and equipment (GAAP)	(10.8)
Free Cash Flow	$ 10.2
Payment of dividends to stockholders as a ratio of free cash flow (Payment of dividends to stockholders / Free Cash Flow)	40%
Payment of dividends to stockholders / Net cash provided by operating activities	20%

INTEL CORPORATION
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
NET REVENUE PERCENTAGE CHANGE
EXCLUDING MCAFEE, INTEL MOBILE COMMUNICATIONS, AND EXTRA WORK WEEK REVENUE

($ In billions)		GAAP Net Revenue	Less: McAfee & IMC Revenue	53 week year - extra week	Non-GAAP Net Revenue (1)
	2011	$ 54.0	$ (3.6)	$ (0.5)	$ 49.9
	2010	$ 43.6	$ -	$ -	$ 43.6
Percentage change		24%			approximately 15%

(1) Excludes net revenue from McAfee and Intel Mobile Communications (IMC) and excludes estimated net revenue for one additional work week in fiscal year 2011 versus fiscal year 2010.