

# Intel Agreements with ASML

July 9, 2012

# A History of Leadership & Predictable Execution

## Executing to Moore's Law

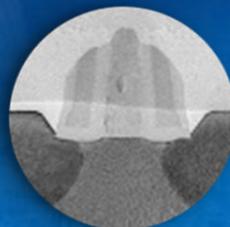
*Enabling new devices with higher functionality & complexity while controlling power, cost, and size*



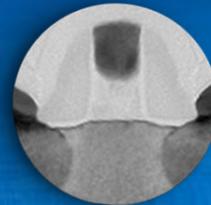
180 nm  
1999



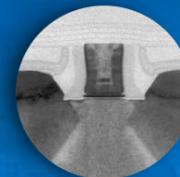
130 nm  
2001



90 nm  
2003



65 nm  
2005



45 nm  
2007



32 nm  
2009



22 nm  
2011

# A History of Investing in the Ecosystem

Nikon	Media Lario
Micron	Xtreme Tech
Samsung	Energetiq
Infineon	Photronics
Elpida	IMS
Nawotec	Alis

Growing Technology Leadership & Shareholder Returns with Strategic Investments

# 450mm Wafer Manufacturing

- Wafer area increases by ~2X moving from 300mm to 450mm
- Past wafer transitions offered 30-40% die cost reductions and similar benefits are expected in a transition from 300mm to 450mm wafers
- Industry is cooperating on tool development to enable volume manufacturing in the second half of the decade
- Challenges facing the industry are tool readiness, material availability and transition costs

450mm Wafers Expected to Reduce Die Costs by >30%

# Extreme Ultra-Violet (EUV) Lithography

- Lithography utilizing Extreme Ultra-Violet light offers a ~10x reduction in light source wavelength that allows the printing of finer feature sizes needed for future semiconductor manufacturing
- Alternative immersion lithography technologies in use today have a 193nm light source wavelength, compared to a 14nm wavelength for EUV
- EUV can reduce costs and manufacturing complexity versus multi-patterning immersion lithography
- Industry continues to work on throughput, defects and tool cost

EUV Will Enable Lower Cost, Lower Power, Higher Performance Transistors

# ASML's Customer Investment Program

- Newly-established program to enable ASML's largest customers to make...
- Commitments to partially fund ASML's R&D for 450-millimeter (mm) wafer technology and Extreme Ultra Violet (EUV) lithography, and...
- Minority equity investments in ASML
- Accelerates the development and deployment of equipment for these key technologies by as much as two years
- Will result in significant cost savings and productivity improvements

# Intel's Investments in ASML

- Intel is the first and largest participant in the program -- other industry participants may follow
- Intel providing R&D funding and taking an equity stake in ASML
- Combination of technology collaboration, equity ownership, and commercial agreements is expected to increase cooperation, accelerate technology transitions, and deliver significant shareholder value
  - Commitment to accelerate the schedule for deploying 450mm lithography and EUV lithography equipment by up to two years
  - Opportunity for upside in ASML equity
  - Commitment from ASML to accelerate 450 mm technology development and production tools

# Financial Overview

	Phase 1 450mm Lithography Acceleration	Phase 2 EUV Acceleration	Total
R&D Investment	€553M (~\$680M) Over 5 years	€276M (~\$340M) Over 5 years	€829M (~\$1,020M) Over 5 years
R&D Accounting Treatment	<ul style="list-style-type: none"> <li>Slight increase in R&amp;D operating expense 2013-2017</li> <li>Recorded as combination of R&amp;D expense and prepayments on future tool deliveries</li> </ul>		
Equity Investment	€1.7B (~\$2.1B) ~10% of pre-transaction shares	€838M (~\$1.0B) ~5% of post-transaction shares	€2.5B (~\$3.1B) ~15% of post-transaction shares
Equity Accounting Treatment	<ul style="list-style-type: none"> <li>Carried as an Available-for-Sale investment</li> <li>Marked-to-market through Other Comprehensive Income</li> </ul>		
Total Investment	€2.2B (~\$2.7B)	€1.1B (~\$1.4B)	€3.3B (~\$4.1B)
Total Investment Summary	<ul style="list-style-type: none"> <li>Fully funded with offshore cash</li> <li>Expect no impact to either the dividend or buyback programs</li> <li>Combined impact of these agreements on EPS expected to be insignificant over the next few years</li> <li>Long term, expect these agreements to deliver significant shareholder value</li> </ul>		

# Innovation Enabled Technology Pipeline

## Our Visibility Continues to Go Out ~10 Years

32nm  
2009

22nm  
2011

14nm  
2013

10nm

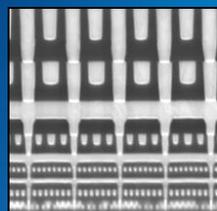
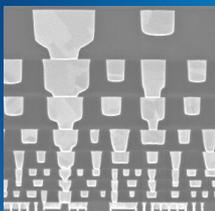
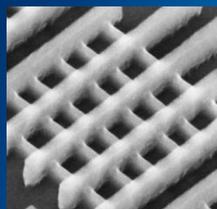
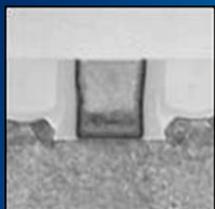
7nm  
2015+

5nm

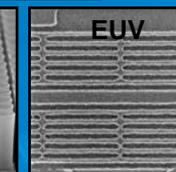
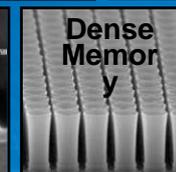
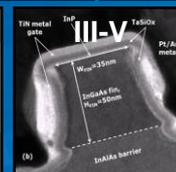
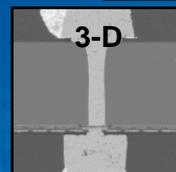
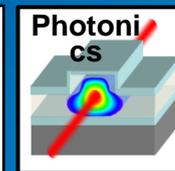
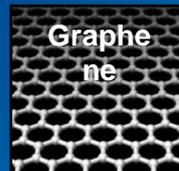
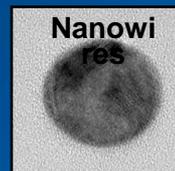
Manufacturing

Development

Research



*Future Options*



Source: Intel

Future options subject to change

# Risk Factors

The above statements and any others in this document that refer to plans and expectations for the second quarter, the year and the future are forward-looking statements that involve a number of risks and uncertainties. Words such as “anticipates,” “expects,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “may,” “will,” “should” and their variations identify forward-looking statements. Statements that refer to or are based on projections, uncertain events or assumptions also identify forward-looking statements. 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 company’s expectations. Demand could be different from Intel’s expectations due to factors including changes in business and economic conditions, including supply constraints and other disruptions affecting customers; 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. Uncertainty in global economic and financial conditions poses a risk that consumers and businesses may defer purchases in response to negative financial events, which could negatively affect product demand and other related matters. 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. 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; and Intel’s ability to respond quickly to technological developments and to incorporate new features into its products. Intel is in the process of transitioning to its next generation of products on 22nm process technology, and there could be execution and timing issues associated with these changes, including products defects and errata and lower than anticipated manufacturing yields. The gross margin percentage could vary significantly from expectations based on capacity utilization; variations in inventory valuation, including variations related to the timing of qualifying products for sale; changes in revenue levels; segment product mix; the timing and execution of the manufacturing ramp and associated costs; start-up costs; excess or obsolete inventory; changes in unit costs; defects or disruptions in the supply of materials or resources; product manufacturing quality/yields; and impairments of long-lived assets, including manufacturing, assembly/test and intangible assets. 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 affected 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. 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. 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, disclosure 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 Intel 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 company’s most recent Form 10-Q, Form 10-K and earnings release.

