

## PART I

### ITEM 1. BUSINESS

#### Industry

We are the world's largest semiconductor chip maker, based on revenue. We develop advanced integrated digital technology products, primarily integrated circuits, for industries such as computing and communications. Integrated circuits are semiconductor chips etched with interconnected electronic switches. We also develop platforms, which we define as integrated suites of digital computing technologies that are designed and configured to work together to provide an optimized user computing solution compared to components that are used separately. Our goal is to be the preeminent provider of semiconductor chips and platforms for the worldwide digital economy.

We were incorporated in California in 1968 and reincorporated in Delaware in 1989. Our Internet address is [www.intel.com](http://www.intel.com). On this web site, we publish voluntary reports, which we update annually, outlining our performance with respect to corporate responsibility, including environmental, health, and safety compliance.

We use our Investor Relations web site, [www.intc.com](http://www.intc.com), as a channel for routine distribution of important information, including news releases, analyst presentations, and financial information. We post filings as soon as reasonably practicable after they are electronically filed with, or furnished to, the U.S. Securities and Exchange Commission (SEC), including our annual, quarterly, and current reports on Forms 10-K, 10-Q, and 8-K; our proxy statements; and any amendments to those reports or statements. All such postings and filings are available on our Investor Relations web site free of charge. In addition, this web site allows investors and other interested persons to sign up to automatically receive e-mail alerts when we post news releases and financial information on our web site. The SEC also maintains a web site, [www.sec.gov](http://www.sec.gov), that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The content on any web site referred to in this Form 10-K is not incorporated by reference into this Form 10-K unless expressly noted.

#### Products

We strive to design and manufacture computing and communications components and platforms with improved overall performance and/or improved energy efficiency. Improved overall performance can include faster processing performance and other improved capabilities, such as multithreading and multitasking. Performance can also be improved through enhanced connectivity, storage, security, manageability, utilization, reliability, ease of use, and interoperability among devices. Improved energy-efficient performance is achieved by balancing performance factors with lower power consumption. Lower power consumption may extend utilization time for battery-powered form factors and reduce system heat output, thereby providing power savings and reducing the total cost of ownership.

We offer products at various levels of integration, to allow our customers flexibility in creating computing and communications systems.

#### Components

##### *Microprocessors*

A microprocessor—the central processing unit (CPU) of a computer system—processes system data and controls other devices in the system, acting as the “brains” of the computer. We offer microprocessors with one or multiple processor cores designed for desktops, nettops, workstations, servers, embedded products, communications products, notebooks, netbooks, mobile Internet devices (MIDs), and consumer electronics. The following are characteristics of our microprocessors:

- Multi-core microprocessors contain two or more processor cores, which can enable improved multitasking and energy-efficient performance by distributing computing tasks across multiple cores.
- Cache is a memory that can be located directly on the microprocessor, permitting quicker access to frequently used data and instructions. Incorporating additional amounts and/or levels of cache can enable higher performance.
- Our microprocessors can also include integrated memory controllers, which increase the speed of data transfer from cache and system memory.

During 2008, we introduced a new microarchitecture based on our 45-nanometer (nm) Hi-k metal gate silicon process technology (latest generation Intel® Core™ microarchitecture). Microarchitecture refers to the layout, density, and logical design of a microprocessor. The latest generation Intel Core microarchitecture incorporates features designed to increase performance and energy efficiency, such as:

Feature	Performance Enhancement
Intel® QuickPath Technology . . . . .	Utilizes an integrated memory controller to allow faster memory access than a standard front side bus
Intel® Turbo Boost Technology . . . . .	Increases processor frequency when applications demand more performance
Intel® Hyper-Threading Technology . . . . .	Allows each processor core to process two software tasks or threads simultaneously

During 2008, we also introduced the Intel® Atom™ processor family. These low-power processors are specifically designed for embedded solutions, MIDs, consumer electronics, and two new classes of simple and affordable Internet-focused computers called netbooks and nettops.

### *Chipsets*

The chipset operates as the “nervous system” in a PC or other computing device, sending data between the microprocessor and input, display, and storage devices, such as the keyboard, mouse, monitor, hard drive, and CD or DVD drive. We offer chipsets designed for desktops, nettops, workstations, servers, embedded products, communications products, notebooks, netbooks, MIDs, and consumer electronics. The following are functions of chipsets:

- Chipsets perform essential logic functions, such as balancing the performance of the system and removing bottlenecks.
- Chipsets extend the graphics, audio, video, and other capabilities of many systems.
- Chipsets may also control access between the CPU and system memory.

### *Motherboards*

We offer motherboard products designed for our desktop, workstation, and server platforms. A motherboard is the principal board within a system, and typically contains the CPU, chipset, memory, and other components. The motherboard also has connectors for attaching devices to the bus, which is the subsystem that transfers data between various components of a computer.

### *Wired and Wireless Connectivity*

We offer wired and wireless connectivity products, including network adapters and embedded wireless cards, based on industry-standard protocols used to translate and transmit data across networks. Wireless connectivity products based on WiFi technology allow users to wirelessly connect to high-speed local area networks, typically within a close range. We have also developed wireless connectivity products for both mobile and fixed networks based on WiMAX, a standards-based wireless technology providing high-speed broadband connectivity, which links users and networks up to several miles apart.

### *Platforms*

We offer platforms that incorporate various components and technologies. A platform typically includes a microprocessor, chipset, and enabling software, and may include additional hardware, services, and support. In developing our platforms, we may include components made by other companies. A component is one of any number of software or hardware features that may be incorporated into a computer, handheld device, or other computing system, including a microprocessor, chipset, motherboard, memory, wired or wireless connectivity device, or software. Platforms based on our latest generation Intel Core microarchitecture integrate a memory controller into each microprocessor and connect processors and other components with a high-speed interconnect. We refer to certain platform brands within our product offerings as processor technologies.

## Microprocessor and Platform Technologies

We offer features to improve microprocessor and platform capabilities that can enhance system performance and user experience. For example, we offer technologies that can help information technology managers diagnose, fix, and protect enabled systems that are plugged into a power source and connected to a network, even if a computer is turned off or has a failed hard drive or operating system. Additional features can enable virtualization, in which a single computer system can function as multiple virtual systems by running multiple operating systems and applications. Virtualization can consolidate workloads and provide increased security and management capabilities. To take advantage of these and other features that we offer, a computer system must have a microprocessor that supports a chipset and BIOS (basic input/output system) that use the technology, and software that is optimized for the technology. Performance will vary depending on the system hardware and software used.

## Additional Product Offerings

*NAND flash memory* is a specialized type of memory component primarily used in memory cards, digital audio players, and system-level applications, such as solid-state drives used to store data and program code. NAND flash memory retains information even when the power is off, and provides faster access to data than traditional hard drives. Flash memory does not have any moving parts, unlike a device such as a rapidly spinning disk drive, allowing flash memory to be more tolerant of bumps and shocks.

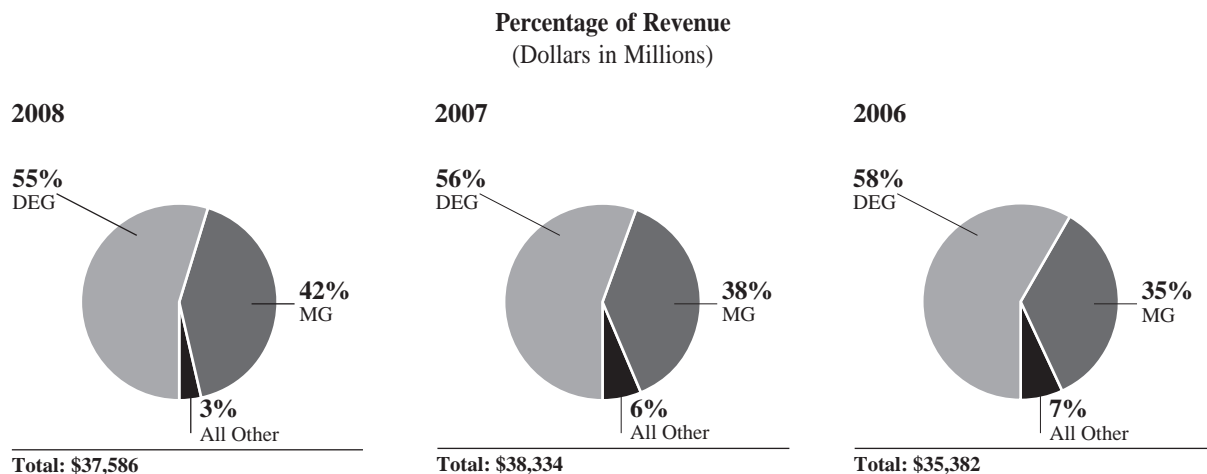
*Communications infrastructure products* are the basic building blocks for modular communications platforms and include advanced, fully programmable processors used in networking equipment to rapidly manage and direct data moving across networks and the Internet.

*Network and server storage products* include small-business and home-network memory systems built for performance, security, and manageability. These products allow data storage resources to be added to either of the two most prevalent types of networking technology: Ethernet or Fibre Channel.

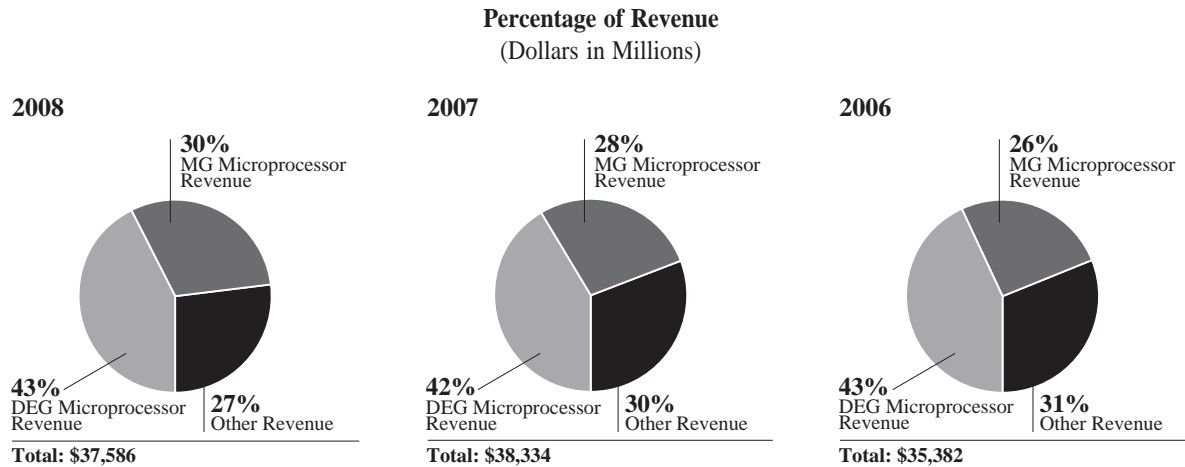
*Software products* primarily help enable the creation of applications with software development tools designed to complement our latest hardware technologies.

## Revenue by Major Operating Segment

Net revenue for our major operating segments, the Digital Enterprise Group (DEG) and the Mobility Group (MG), presented as a percentage of our consolidated net revenue, was as follows:



Revenue from sales of microprocessors for our major operating segments, presented as a percentage of our consolidated net revenue, was as follows:



Below, we discuss the key products and processor technologies, including some key introductions, of our major operating segments. For a discussion of our strategy, see “Strategy” in Part II, Item 7 of this Form 10-K.

### *Digital Enterprise Group*

The Digital Enterprise Group offers products that are incorporated into desktop and nettop computers, enterprise computing servers and workstations, a broad range of embedded applications, and other products that help make up the infrastructure for the Internet. DEG’s products include microprocessors and related chipsets and motherboards designed for the desktop and enterprise computing market segments; microprocessors and chipsets for embedded applications; components for communications infrastructure equipment, such as network processors; wired connectivity devices; and products for network and server storage.

### *Desktop Market Segment*

Our current desktop microprocessor offerings include the:

- Intel® Core™ i7 processor Extreme Edition
- Intel® Core™ i7 processor
- Intel® Core™2 Extreme processor
- Intel® Core™2 Quad processor
- Intel® Core™2 Duo processor
- Intel® Pentium® Dual-Core processor
- Intel® Celeron® Dual-Core processor
- Intel® Celeron® processor
- Intel® Atom™ processor

Most of these Intel Core microarchitecture-based processors are manufactured using our 45nm Hi-k metal gate silicon technology (45nm process technology). We offer desktop microprocessors at a variety of price/performance points, from the high-end Intel Core i7 processor Extreme Edition—a quad-core processor based on our latest generation Intel Core microarchitecture designed for processor-intensive tasks in demanding multitasking environments—to the Intel Celeron processor designed to provide value, quality, and reliability for basic computing needs. In addition, we offer the Intel Atom processor designed for low-power and affordable Internet-focused devices. The related chipsets for our desktop microprocessor offerings primarily include Intel® 4 Series Express Chipsets, Intel® 3 Series Express Chipsets, and Intel® 900 Series Express Chipsets.

We also offer processor technologies based on our microprocessors, chipsets, and motherboard products that are optimized for the desktop market segment. For business desktop PCs, we offer the Intel® Core™2 Duo processor with vPro™ technology and the Intel® Core™2 Quad processor with vPro™ technology, which are designed to provide increased security and manageability, energy-efficient performance, and lower cost of ownership.

Our new product offerings in 2008 and early 2009 include:

- The Intel Core i7 processor family, including the Intel Core i7 processor Extreme Edition, based on our latest generation Intel Core microarchitecture, and designed for high-performance, power-efficient computing.
- Intel Atom processors designed for low-power and affordable Internet-focused devices.
- Intel 4 Series Express Chipsets designed to be used with 45nm Intel Core 2 Duo and Intel Core 2 Quad processors, helping to improve mainstream desktop system performance, energy efficiency, and video and sound quality.
- Desktop motherboards that support a new generation of Intel® vPro™ technology for business desktop PCs with enhanced manageability and security features.

### *Enterprise Market Segment*

Our current server and workstation microprocessor offerings include the Intel® Xeon® processor and the Intel® Itanium® processor. Our Intel Xeon processor family of products supports a range of entry-level to high-end technical and commercial computing applications such as IP data centers. Compared to our Intel Xeon processor family, our Intel Itanium processor family generally supports an even higher level of reliability and computing performance for data processing, handling high transaction volumes, and other compute-intensive applications for enterprise-class servers, as well as supercomputing solutions. Servers, which usually have multiple microprocessors or cores working together, manage large amounts of data, direct data traffic, perform complex transactions, and control central functions in local and wide area networks and on the Internet. Workstations typically offer higher performance than standard desktop PCs and are used for applications such as engineering design, digital content creation, and high-performance computing.

Our new product offerings in 2008 and early 2009 include:

- Low-voltage Quad-Core Intel Xeon processors based on our 45nm process technology.
- Intel Xeon processors designed to reduce the use of environmentally sensitive materials.
- Intel Xeon processors with up to six processing cores and 16 megabytes (MB) of shared cache memory. These processors are built using our 45nm process technology, and are designed for high-end servers with up to 16 processor sockets.

### *Embedded and Communications Market Segments*

We offer microprocessors and chipsets for embedded applications, and components—such as network processors—for communications infrastructure equipment.

Our new product offerings in 2008 and early 2009 include:

- Quad-Core and Dual-Core Intel Xeon processors for embedded market segments, based on our 45nm process technology. These processors are designed for storage, router, security, medical, communications, and other high-performance, memory-intensive applications.
- Intel Atom processors designed for embedded applications such as in-vehicle information/entertainment systems, portable point-of-sale retail devices, and industrial robotics.
- A new category of highly integrated, purpose-built System on Chip (SoC) products designed for embedded security, storage, communications, and industrial robotic applications. SoC products integrate core processing functionality with specific components, such as graphics, audio, and video, onto a single chip with reduced power consumption and size. These SoC products are based on Intel® architecture.

### *Mobility Group*

The Mobility Group offers products including microprocessors and related chipsets designed for the notebook and netbook market segments, wireless connectivity products, and energy-efficient products designed for the MID and ultra-mobile PC market segments. We also offer Intel® Centrino® and Intel® Centrino® 2 processor technologies based on our microprocessors, chipsets, and wireless network connections.

Our current mobile microprocessor offerings include the:

- Intel® Core™2 Extreme mobile processor
- Intel® Core™2 Quad mobile processor
- Intel® Core™2 Duo mobile processor
- Intel® Core™2 Solo mobile processor
- Intel® Celeron® Dual-Core processor
- Intel® Celeron® M processor
- Intel® Celeron® processor
- Intel® Atom™ processor

We offer mobile microprocessors for notebooks at a variety of price/performance points, from the Intel Core 2 Extreme mobile processor designed for gaming to the Intel Celeron processor designed to provide value, quality, and reliability for basic computing needs. In addition, we offer the Intel Atom processor designed for netbooks, MIDs, and ultra-mobile PCs. We offer these processors in various packaging options, giving our customers flexibility for a wide range of system designs for notebook PCs and other mobile computing devices. The related chipsets for our mobile microprocessor offerings primarily include Mobile Intel® 4 Series Express Chipsets and Mobile Intel® 900 Series Express Chipsets.

In 2008, the majority of the revenue in the MG operating segment was from the sale of products that make up our Intel Centrino and Intel Centrino 2 processor technologies. These technologies are designed to provide high performance with improved multitasking, power-saving features to improve battery life, smaller form factors, wireless network connectivity, and improved boot times compared to similar microprocessors that do not incorporate our Intel Centrino and Intel Centrino 2 processor technologies. Intel® Centrino® with vPro™ technology and Intel® Centrino® 2 with vPro™ technology include the features of Intel Centrino and Intel Centrino 2 processor technologies, respectively, and are designed to provide mobile business PCs with increased security, manageability, and energy-efficient performance.

Our new product offerings in 2008 and early 2009 include:

- Intel Core 2 Quad mobile processors, designed to handle complex compute and visualization tasks on notebook workstations.
- Intel Centrino 2 processor technology and Intel Centrino 2 with vPro technology, designed to deliver higher performance, longer battery life, faster wireless connectivity, and enhanced manageability and security capabilities compared to earlier versions of Intel Centrino processor technology. These platforms are based on new versions of Intel Core 2 Duo mobile processors.
- Mobile Intel 4 Series Express Chipsets designed to be used with 45nm Intel Core 2 Duo and Intel Core 2 Quad mobile processors.
- Intel Atom processors specifically designed for MIDs and netbooks.

### ***Other Products***

#### *NAND Solutions Group*

We offer NAND flash memory products primarily used in memory cards and system-level applications, such as solid-state drives. Our solid-state drives, available in densities ranging from 1 gigabyte (GB) to 160 GB, are designed to enable faster boot times, lower power consumption, increase reliability, improve performance, and weigh less than standard hard disk drives. Components for our NAND flash memory products are manufactured by IM Flash Technologies, LLC (IMFT) using 34nm or 50nm process technology. See “Note 6: Equity Method and Cost Method Investments” in Part II, Item 8 of this Form 10-K.

Our new product offerings in 2008 and early 2009 include:

- 80-GB and 160-GB solid-state drives based on NAND flash technology, designed for laptop and desktop computers.
- High-performance, 32-GB and 64-GB solid-state drives based on NAND flash technology, designed for use in servers, workstations, and storage systems.

#### *Digital Home Group*

The Digital Home Group offers products, including SoC designs, for use in consumer electronics devices designed to access and share Internet, broadcast, optical media, and personal content through a variety of linked digital devices within the home. In addition, we offer components for consumer electronics devices such as digital TVs, high-definition media players, and set-top boxes, which receive, decode, and convert incoming data signals.

#### *Digital Health Group*

The Digital Health Group offers technology-enabled products for healthcare providers as well as for use in personal healthcare. In 2008, we introduced the Intel® Health Guide, a personal health system designed to allow clinicians to remotely monitor and manage patients' care through an online interface.

## Manufacturing and Assembly and Test

As of December 27, 2008, 70% of our wafer fabrication, including microprocessors and chipsets, was conducted within the U.S. at our facilities in Arizona, Oregon, Massachusetts, New Mexico, and California. The remaining 30% of our wafer fabrication was conducted outside the U.S. at our facilities in Ireland and Israel.

As of December 27, 2008, we primarily manufactured our products in wafer fabrication facilities at the following locations:

<u>Products</u>	<u>Wafer Size</u>	<u>Process Technology</u>	<u>Locations</u>
Microprocessors . . . . .	300mm	45nm	Arizona, New Mexico, Israel
Chipsets and microprocessors . . . . .	300mm	65nm	Ireland, Arizona, Oregon
Chipsets, microprocessors, and other products . . . . .	300mm	90nm	Ireland
Chipsets . . . . .	200mm	130nm	Oregon, Massachusetts, Arizona, California
NOR flash memory . . . . .	200mm	65nm–130nm	Ireland
Chipsets . . . . .	200mm	180nm and above	Ireland

We expect to increase the capacity of certain facilities listed above through additional investments in capital equipment. In addition to our current facilities, we are building a 300mm wafer fabrication facility in China. Subsequent to the end of 2008, management approved plans to restructure some of our manufacturing and assembly and test operations, and align our manufacturing and assembly and test capacity to current market conditions. These actions, which are expected to take place beginning in 2009, include stopping production at a 200mm wafer fabrication facility in Oregon and ending production at our 200mm wafer fabrication facility in California.

As of December 27, 2008, the substantial majority of our microprocessors were manufactured on 300mm wafers using our 45nm process technology. In the second half of 2009, we expect to begin manufacturing microprocessors using our 32nm process technology. As we move to each succeeding generation of manufacturing process technology, we incur significant start-up costs to prepare each factory for manufacturing. However, continuing to advance our process technology provides benefits that we believe justify these costs. The benefits of moving to each succeeding generation of manufacturing process technology can include using less space per transistor, reducing heat output from each transistor, and/or increasing the number of integrated features on each chip. These advancements can result in microprocessors that are higher performing, consume less power, and/or cost less to manufacture.

To augment capacity, we use third-party manufacturing companies (foundries) to manufacture wafers for certain components, including networking and communications products. In addition, we primarily use subcontractors to manufacture board-level products and systems, and purchase certain communications networking products from external vendors, principally in the Asia-Pacific region.

Our NAND flash memory products are manufactured by IMFT, a NAND flash memory manufacturing company that we formed with Micron Technology, Inc. We currently purchase 49% of the manufactured output of IMFT. Assembly and test of NAND flash memory products is performed by Micron and other external subcontractors. See “Note 6: Equity Method and Cost Method Investments” in Part II, Item 8 of this Form 10-K.

During the second quarter of 2008, we completed the divestiture of our NOR flash memory business in exchange for an ownership interest in Numonyx B.V. We entered into supply and services agreements that involved the manufacture and the assembly and test of NOR flash memory products for Numonyx through 2008. In the fourth quarter of 2008, we agreed with Numonyx to extend certain supply and service agreements through the end of 2009. In addition, we are leasing a wafer fabrication facility located in Israel to Numonyx. That facility is not shown in our above listing of wafer fabrication facilities. See “Note 6: Equity Method and Cost Method Investments” in Part II, Item 8 of this Form 10-K.

Following the manufacturing process, the majority of our components are subject to assembly and test. We perform our components assembly and test at facilities in Malaysia, China, Costa Rica, and the Philippines. We are building a new assembly and test facility in Vietnam that is expected to begin production in 2010. To augment capacity, we use subcontractors to perform assembly of certain products, primarily chipsets and networking and communications products. The restructuring plans described above include closing two assembly and test facilities in Malaysia, one facility in the Philippines, and one facility in China, and are expected to take place beginning in 2009.

Our employment practices are consistent with, and we expect our suppliers and subcontractors to abide by, local country law. In addition, we impose a minimum employee age requirement as well as progressive environmental, health, and safety (EHS) requirements, regardless of local law.

We have thousands of suppliers, including subcontractors, providing our various materials and service needs. We set expectations for supplier performance and reinforce those expectations with periodic assessments. We communicate those expectations to our suppliers regularly and work with them to implement improvements when necessary. We seek, where possible, to have several sources of supply for all of these materials and resources, but we may rely on a single or limited number of suppliers, or upon suppliers in a single country. In those cases, we develop and implement plans and actions to reduce the exposure that would result from a disruption in supply. We have entered into long-term contracts with certain suppliers to ensure a portion of our silicon supply.

Our products typically are produced at multiple Intel facilities at various sites around the world, or by subcontractors who have multiple facilities. However, some products are produced in only one Intel or subcontractor facility, and we seek to implement actions and plans to reduce the exposure that would result from a disruption at any such facility. See “Risk Factors” in Part I, Item 1A of this Form 10-K.

## **Research and Development**

We are committed to investing in world-class technology development, particularly in the design and manufacture of integrated circuits. Research and development (R&D) expenditures in 2008 were \$5.7 billion (\$5.8 billion in fiscal year 2007 and \$5.9 billion in fiscal year 2006).

Our R&D activities are directed toward developing the technology innovations that we believe will deliver our next generation of products and platforms, which will in turn enable new form factors and new usage models for businesses and consumers. Our R&D activities range from design and development of products, to developing and refining manufacturing processes, to researching future technologies and products.

We are focusing our R&D efforts on advanced computing, communications, and wireless technologies as well as energy efficiency by developing new microarchitectures, advancing our silicon manufacturing process technology, delivering the next generation of microprocessors and chipsets, improving our platform initiatives, and developing software solutions and tools to support our technologies. Our R&D efforts enable new levels of performance and address areas such as scalability for multi-core architectures, energy efficiency, system manageability and security, ease of use, and new communications capabilities. In addition, we are making significant R&D investments in growth areas such as SoC, MIDs, embedded applications, consumer electronics, and graphics.

As part of our R&D efforts, we plan to introduce a new microarchitecture for our mobile, desktop, and Intel Xeon processors approximately every two years and ramp the next generation of silicon process technology in the intervening years. We refer to this as our “tick-tock” technology development cadence. Our leadership in silicon technology has enabled us to make “Moore’s Law” a reality. Moore’s Law predicted that transistor density on integrated circuits would double about every two years. Our leadership in silicon technology has also helped to expand on the advances anticipated by Moore’s Law by bringing new capabilities into silicon and producing new products and platforms optimized for a wider variety of applications. In 2008, we introduced a new microarchitecture using our 45nm process technology. We are currently developing 32nm process technology, our next-generation process technology, and expect to begin manufacturing products using that technology in the second half of 2009.

Our R&D model is based on a global organization that emphasizes a collaborative approach to identifying and developing new technologies, leading standards initiatives, and influencing regulatory policy to accelerate the adoption of new technologies. Our R&D initiatives are performed by various business groups within the company, and we centrally manage key cross-business group product initiatives to align and prioritize our R&D activities across these groups. In addition, we may augment our R&D initiatives by investing in companies or entering into agreements with companies that have similar R&D focus areas. For example, we have an agreement with Micron for joint development of NAND flash memory technologies.

## **Employees**

As of December 27, 2008, we had approximately 83,900 employees worldwide, with more than 50% of these employees located in the U.S. Worldwide, we had approximately 86,300 employees as of December 29, 2007 and 94,100 as of December 30, 2006.

## **Sales and Marketing**

### *Customers*

We sell our products primarily to original equipment manufacturers (OEMs) and original design manufacturers (ODMs). ODMs provide design and/or manufacturing services to branded and unbranded private-label resellers. In addition, we sell our products to other manufacturers, including makers of a wide range of industrial and communications equipment. Our customers also include PC and network communications products users who buy PC components and our other products through distributor, reseller, retail, and OEM channels throughout the world. In certain instances, we have entered into supply agreements to continue to manufacture and sell products of divested business lines to acquiring companies during certain transition periods.

Our worldwide reseller sales channel consists of thousands of indirect customers who are systems builders that purchase Intel microprocessors and other products from our distributors. We have a boxed processor program that allows distributors to sell Intel microprocessors in small quantities to these systems-builder customers; boxed processors are also available in direct retail outlets.

In 2008, Hewlett-Packard Company accounted for 20% of our net revenue (17% in 2007) and Dell Inc. accounted for 18% of our net revenue (18% in 2007). No other customer accounted for more than 10% of our net revenue. For information about revenue and operating income by operating segment, and revenue from unaffiliated customers by geographic region/country, see “Results of Operations” in Part II, Item 7 and “Note 25: Operating Segment and Geographic Information” in Part II, Item 8 of this Form 10-K.

### *Sales Arrangements*

Our products are sold or licensed through sales offices throughout the world. Sales of our products are typically made via purchase orders that contain standard terms and conditions covering matters such as pricing, payment terms, and warranties, as well as indemnities for issues specific to our products, such as patent and copyright indemnities. From time to time, we may enter into additional agreements with customers covering, for example, changes from our standard terms and conditions, new product development and marketing, private-label branding, and other matters. Most of our sales are made using electronic and web-based processes that allow the customer to review inventory availability and track the progress of specific goods ordered. Pricing on particular products may vary based on volumes ordered and other factors. We also offer discounts, rebates, and other incentives to customers to increase acceptance of our products and technology.

Our products are typically shipped under terms that transfer title to the customer, even in arrangements for which the recognition of revenue and related costs of sales is deferred. Our standard terms and conditions of sale typically provide that payment is due at a later date, generally 30 days after shipment, delivery, or the customer’s use of the product. Our credit department sets accounts receivable and shipping limits for individual customers to control credit risk to Intel arising from outstanding account balances. We assess credit risk through quantitative and qualitative analysis, and from this analysis, we establish credit limits and determine whether we will seek to use one or more credit support devices, such as obtaining some form of third-party guaranty or standby letter of credit, or obtaining credit insurance for all or a portion of the account balance if necessary. Credit losses may still be incurred due to bankruptcy, fraud, or other failure of the customer to pay. For information about our allowance for doubtful receivables, see “Schedule II—Valuation and Qualifying Accounts” in Part IV of this Form 10-K.

Most of our sales to distributors are made under agreements allowing for price protection on unsold merchandise and a right of return on stipulated quantities of unsold merchandise. Under the price protection program, we give distributors credits for the difference between the original price paid and the current price that we offer. On most products, there is no contractual limit on the amount of price protection, nor is there a limit on the time horizon under which price protection is granted. The right of return granted generally consists of a stock rotation program in which distributors are able to exchange certain products based on the number of qualified purchases made by the distributor. Although we have the option to grant credit for, repair, or replace defective product, there is no contractual limit on the amount of credit granted to a distributor.

## ***Distribution***

Typically, distributors handle a wide variety of products, including those that compete with our products, and fill orders for many customers. We also utilize third-party sales representatives who generally do not offer directly competitive products but may carry complementary items manufactured by others. Sales representatives do not maintain a product inventory; instead, their customers place orders directly with us or through distributors.

## ***Backlog***

We do not believe that backlog as of any particular date is meaningful, as our sales are made primarily pursuant to standard purchase orders for delivery of products. Only a small portion of our orders is non-cancelable, and the dollar amount associated with the non-cancelable portion is not significant.

## ***Seasonal Trends***

Our microprocessor sales generally have followed a seasonal trend. Historically, our sales have been higher in the second half of the year than in the first half of the year. Consumer purchases of PCs have historically been higher in the second half of the year, primarily due to back-to-school and holiday demand. In addition, purchases from businesses have also historically tended to be higher in the second half of the year. This seasonal trend did not occur in 2008, and there can be no assurance that it will resume in the future.

## ***Marketing***

Our corporate marketing objectives are to build a strong Intel corporate brand that connects with consumers, and have a limited set of product brands for our advanced microprocessors and related technologies. Our intention is to have a limited number of meaningful and valuable brands in our portfolio to aid in making informed choices and making technology purchase decisions easier for both businesses and consumers. The Intel Core i7, Intel Core 2 Extreme, Intel Core 2 Quad, Intel Core 2 Duo, Intel Atom, Pentium, Celeron, Intel Xeon, and Itanium trademarks make up our processor brands. Microprocessors are at the center of our most advanced processor technologies, which include Intel Centrino processor technology and Intel Core 2 processors with vPro technology.

We promote brand awareness and generate demand through our own direct marketing as well as co-marketing programs. Our direct marketing activities include television, print and web-based advertising, as well as press relations, consumer and trade events, and industry and consumer communications. We market to consumer and business audiences, and focus on building awareness and generating demand for increased performance, power efficiency, and new capabilities.

Purchases by customers often allow them to participate in cooperative advertising and marketing programs such as the Intel Inside® Program. This program broadens the reach of our brands beyond the scope of our own direct advertising. Through the Intel Inside Program, certain customers are licensed to place Intel logos on computers containing our microprocessors and processor technologies, and to use our brands in marketing activities. The program includes a market development component that accrues funds based on purchases and partially reimburses the OEMs for marketing activities for products featuring Intel brands, subject to the OEMs meeting defined criteria. These marketing activities primarily include television, web-based marketing, and print; and in the beginning of 2008, we increased our focus on web-based marketing. We have also entered into joint marketing arrangements with certain customers.

## ***Competition***

The semiconductor industry is dynamic, characterized by rapid advances in technology and frequent product introductions. As unit volumes of a product grow, production experience is accumulated and costs typically decrease, further competition develops, and prices decline. The life cycle of our products is very short, sometimes less than a year. These short product life cycles and other factors lead to frequent negotiations with our OEM customers, which typically are large, sophisticated buyers who are also operating in very competitive environments. Our ability to compete depends on our ability to navigate this environment, by improving our products and processes faster than our competitors, anticipating changing customer requirements, developing and launching new products and platforms, pricing our products competitively, and reducing average unit costs. See "Risk Factors" in Part I, Item 1A of this Form 10-K.

Our products compete primarily based on performance, features, price, quality, reliability, brand recognition, and availability. We are focused on offering innovative products and worldwide support for our customers at competitive prices, including providing improved energy-efficient performance, enhanced security, manageability, and integrated solutions. We believe that our platform strategy provides us with a competitive advantage. We offer platforms that incorporate various components designed and configured to work together to provide an optimized user computing solution compared to components that are used separately.

Our competitors range in size from large established multinational companies with multiple product lines to smaller companies and new entrants to the marketplace that compete in specialized market segments. Some of our competitors may have development agreements with other companies, and in some cases our competitors may also be our customers or suppliers. Product offerings may cross over into multiple product categories, providing us with new opportunities but also resulting in more competition. It may be difficult for us to compete in market segments in which our competitors have established products and brand recognition.

We believe that our network of manufacturing facilities and assembly and test facilities gives us a competitive advantage. This network enables us to have more direct control over our processes, quality control, product cost, volume, timing of production, and other factors. These facilities require significant up-front capital spending, and many of our competitors do not own such facilities because they may not be able to afford to do so or because their business models involve the use of third-party facilities for manufacturing and assembly and test. These “fabless semiconductor companies” include Broadcom Corporation, NVIDIA Corporation, QUALCOMM Incorporated, and VIA Technologies, Inc. (VIA). Some of our competitors own portions of such facilities through investment or joint-venture arrangements with other companies. Advanced Micro Devices, Inc. (AMD) intends to sell an interest in its manufacturing operations.

A group of foundries and assembly and test subcontractors offers their services to companies that do not own facilities or to companies needing additional capacity. These foundries and subcontractors may also offer intellectual property, design services, and other goods and services to our competitors. A disadvantage of our approach compared to fabless semiconductor companies is that it is more difficult for us to reduce our costs in the short term. Also, competitors who outsource their manufacturing and assembly and test operations can significantly reduce their capital expenditures.

We plan to continue to cultivate new businesses and work with the computing and communications industries through standards bodies, trade associations, OEMs, ODMs, and independent software and operating system vendors to help align the industry to offer products that take advantage of the latest market trends and usage models. We frequently participate in industry initiatives designed to discuss and agree upon technical specifications and other aspects of technologies that could be adopted as standards by standards-setting organizations. Our competitors may also participate in the same initiatives and specification development. Our participation does not ensure that any standards or specifications adopted by these organizations will be consistent with our product planning.

### *Microprocessors*

We continue to be largely dependent on the success of our microprocessor business. Our ability to compete depends on our ability to deliver new microprocessor products with improved overall performance and improved energy-efficient performance at competitive prices. Some of our microprocessor competitors, such as AMD, market software-compatible products that compete with our processors. We also face competition from companies offering rival architecture designs, such as Cell Broadband Engine Architecture developed jointly by International Business Machines Corporation (IBM), Sony Corporation, and Toshiba Corporation; Power Architecture\* offered by IBM; ARM architecture developed by ARM Limited; and Scalable Processor Architecture (SPARC\*) offered by Sun Microsystems, Inc. NVIDIA has developed a programming interface to attempt to expand the use of its graphics processors to accomplish general-purpose computing functions typically performed by a microprocessor in highly parallel applications.

The following is a list of our main microprocessor competitors by market segment:

- Desktop: AMD and VIA
- Mobile: AMD and VIA
- Enterprise: AMD, IBM, and Sun Microsystems
- Embedded: AMD, Freescale Semiconductor, Inc., and VIA

In addition, our Intel Atom processor family competes against processors offered by AMD and VIA, and from companies using rival architectures, such as ARM and MIPS.

## ***Chipsets***

Our chipsets compete in the various market segments against different types of chipsets that support either our microprocessor products or rival microprocessor products. Competing chipsets are produced by companies such as AMD (including chipsets marketed under the ATI Technologies, Inc. brand), NVIDIA, Silicon Integrated Systems Corporation, and VIA.

We also compete with companies offering graphics components and other special-purpose products used in the desktop, mobile, and enterprise market segments. One aspect of our business model is to incorporate improved performance and advanced properties into our microprocessors and chipsets, for which demand may increasingly be affected by competition from companies, such as NVIDIA and AMD (including products marketed under the ATI Technologies, Inc. brand), whose business models are based on incorporating improved performance into dedicated chipsets and other components, such as graphics controllers.

## ***Flash Memory***

Our NAND flash memory products currently compete with NOR and NAND products primarily manufactured by Hynix Semiconductor Inc., Micron, Numonyx, Samsung Electronics Co., Ltd., SanDisk Corporation, Spansion Inc., and Toshiba.

## ***Connectivity***

We offer products designed for wired and wireless connectivity; the communications infrastructure, including network processors; and networked storage. Our WiFi and WiMAX products currently compete with products manufactured by Atheros Communications, Inc., Broadcom, QUALCOMM, and other smaller companies.

## ***Competition Lawsuits and Government Investigations***

We are currently a party to a variety of lawsuits and government investigations involving our competitive practices. See “Note 24: Contingencies” in Part II, Item 8 of this Form 10-K.

## ***Acquisitions and Strategic Investments***

During 2008, we completed two acquisitions qualifying as business combinations. See “Note 11: Acquisitions” in Part II, Item 8 of this Form 10-K. Also, we completed the divestiture of our NOR flash memory business in exchange for an ownership interest in Numonyx.

Additionally, in 2008, we made a significant strategic investment in Clearwire Communications, LLC (Clearwire LLC). During the fourth quarter of 2008, Clearwire Corporation and Sprint Nextel Corporation combined their respective WiMAX businesses in conjunction with additional capital contributions from Intel and other investors to form a new company that retained the name Clearwire Corporation. The additional capital contributions included our cash investment of \$1.0 billion. Our pre-existing investment in Clearwire Corporation (old Clearwire Corporation) was converted into shares of the new company (new Clearwire Corporation), and the additional capital contribution of \$1.0 billion was invested in Clearwire LLC, a wholly owned subsidiary of the new Clearwire Corporation. For further discussion of our equity method investment in Clearwire LLC, see “Note 6: Equity Method and Cost Method Investments” in Part II, Item 8 of this Form 10-K.

## **Intellectual Property and Licensing**

Intellectual property rights that apply to our various products and services include patents, copyrights, trade secrets, trademarks, and maskwork rights. We maintain a program to protect our investment in technology by attempting to ensure respect for our intellectual property rights. The extent of the legal protection given to different types of intellectual property rights varies under different countries' legal systems. We intend to license our intellectual property rights where we can obtain adequate consideration. See "Competition" in Part I, Item 1, "Risk Factors" in Part I, Item 1A, and "Note 24: Contingencies" in Part II, Item 8 of this Form 10-K.

We have filed and obtained a number of patents in the U.S. and other countries. While our patents are an important element of our success, our business as a whole is not significantly dependent on any one patent. We and other companies in the computing, telecommunications, and related high-technology fields typically apply for and receive, in the aggregate, tens of thousands of overlapping patents annually in the U.S. and other countries. We believe that the duration of the applicable patents that we are granted is adequate relative to the expected lives of our products. Because of the fast pace of innovation and product development, our products are often obsolete before the patents related to them expire, and sometimes are obsolete before the patents related to them are even granted. As we expand our product offerings into new industries, we also seek to extend our patent development efforts to patent such product offerings. Established competitors in existing and new industries, as well as companies that purchase and enforce patents and other intellectual property, may already have patents covering similar products. There is no assurance that we will be able to obtain patents covering our own products, or that we will be able to obtain licenses from such companies on favorable terms or at all.

The majority of the software that we distribute, including software embedded in our component- and system-level products, is entitled to copyright protection. To distinguish Intel products from our competitors' products, we have obtained certain trademarks and trade names for our products, and we maintain cooperative advertising programs with certain customers to promote our brands and to identify products containing genuine Intel components. We also protect certain details about our processes, products, and strategies as trade secrets, keeping confidential the information that we believe provides us with a competitive advantage. We have ongoing programs designed to maintain the confidentiality of such information.

## **Compliance with Environmental, Health, and Safety Regulations**

Our compliance efforts focus on monitoring regulatory and resource trends and setting company-wide performance targets for key resources and emissions. These targets address several parameters, including product design; chemical, energy, and water use; climate change; waste recycling; and emissions.

Intel focuses on reducing natural resource use, the solid and chemical waste by-products of our manufacturing processes, and the environmental impact of our products. We currently use a variety of materials in our manufacturing process that have the potential to adversely impact the environment and are subject to a variety of EHS laws and regulations. For example, lead and halogenated materials (such as certain flame retardants and plastics) have been used by the electronics industry for decades. Finding suitable replacements has been a technical challenge for the industry, and we have worked for years with our suppliers and others in the industry to develop lead-free and halogen-free solutions.

We work with the U.S. Environmental Protection Agency (EPA), non-governmental organizations, OEMs, and retailers to help manage e-waste (which includes electronic products nearing the end of their useful lives) and promote recycling. The European Union requires producers of certain electrical and electronic equipment to develop programs that allow consumers to return products for recycling. Many states in the U.S. have similar e-waste take-back laws. The inconsistency of many e-waste take-back laws and the lack of local e-waste management options in many areas pose a challenge for our compliance efforts. To mitigate these problems, we work with our distributors to provide recycling options for our products.

Intel seeks to reduce our global greenhouse gas emissions by investing in energy conservation projects in our factories and working with suppliers to improve energy efficiency. We take a holistic approach to power management, addressing the challenge at the silicon, package, circuit, micro/macro architecture, platform, and software levels. We recognize that climate change may cause general economic risk. For additional information on the risks of climate change, see “Risk Factors” in Item 1A of this Form 10-K. We routinely monitor energy costs to understand the long-range impacts that rising costs may have on our business. We see the potential for higher energy costs driven by climate change regulations. This could include items applied to utilities that are passed along to customers, such as carbon taxes or costs associated with emission cap and trade programs or renewable portfolio standards. In particular, regulations associated with the Western Climate Initiative could have an impact on our company, because a number of our large manufacturing facilities are located in the western United States. Similarly, our operations in Ireland are already subject to the European Union’s mandatory cap and trade scheme for global-warming emissions. All of our sites also may be impacted by utility programs directed by legislation, regulatory, or other pressures that are targeted to pass costs through to users.

We maintain business recovery plans that are intended to ensure our ability to recover from natural disasters or other events that can be disruptive to our business. Many of our operations are located in semi-arid regions, such as Israel and the southwestern United States. Some climate change scenarios predict that such regions can become even more vulnerable to prolonged droughts due to climate change. We have had an aggressive water conservation program in place for many years. We believe that our water conservation and recovery programs will help reduce our risk if water availability becomes more constrained in the future. We further maintain long-range plans to identify potential future water conservation actions that we can take.

We are committed to sustainability and take a leadership position in promoting voluntary environmental initiatives and working proactively with governments, environmental groups, and industry to promote global environmental sustainability. We believe that technology will be fundamental to finding solutions to the world’s environmental challenges, and we are joining forces with industry, business, and governments to find and promote ways that technology can be used as a tool to combat climate change.

For several years, we have been evaluating “green” design standards and incorporating green building concepts and practices into the construction of our buildings. We are in the process of obtaining Leadership in Energy and Environmental Design (LEED) certification for an office building under construction in Israel and a newly constructed fabrication building in Arizona. We have been purchasing wind power and other forms of renewable energy at some of our major sites for several years. At the beginning of 2008, we announced plans to purchase renewable energy certificates under a multi-year contract. The purchase placed Intel at the top of the EPA’s Green Power Partnership for 2008. The purchase was intended to help stimulate the market for green power, leading to additional generating capacity and, ultimately, lower costs.

## Executive Officers of the Registrant

The following sets forth certain information with regard to our executive officers as of February 20, 2009 (ages are as of December 27, 2008):

### **Craig R. Barrett**, age 69

- 2005 – present, Chairman of the Board
- 1998 – 2005, Chief Executive Officer
- Member of Intel Board of Directors since 1992
- Joined Intel 1974

### **Paul S. Otellini**, age 58

- 2005 – present, President, Chief Executive Officer
- 2002 – 2005, President, Chief Operating Officer
- Member of Intel Board of Directors since 2002
- Member of Google, Inc. Board of Directors
- Joined Intel 1974

### **Andy D. Bryant**, age 58

- 2007 – present, Executive VP, Finance and Enterprise Services, Chief Administrative Officer
- 2001 – 2007, Executive VP, Chief Financial and Enterprise Services Officer
- Member of Columbia Sportswear Company and McKesson Corporation Board of Directors
- Joined Intel 1981

### **Stacy J. Smith**, age 46

- 2007 – present, VP, Chief Financial Officer
- 2006 – 2007, VP, Assistant Chief Financial Officer
- 2004 – 2006, VP of Finance and Enterprise Services, Chief Information Officer
- 2002 – 2004, VP of Sales and Marketing Group, General Manager (GM) of Europe, Middle East, and Africa
- Joined Intel 1988

### **Sean M. Maloney**, age 52

- 2008 – present, Executive VP, Chief Sales and Marketing Officer
- 2006 – 2008, Executive VP, GM of Sales and Marketing Group, Chief Sales and Marketing Officer
- 2005 – 2006, Executive VP, GM of Mobility Group
- 2001 – 2005, Executive VP, GM of Intel Communications Group
- Member of Autodesk, Inc. Board of Directors
- Joined Intel 1982

### **David Perlmutter**, age 55

- 2007 – present, Executive VP, GM of Mobility Group
- 2005 – 2007, Senior VP, GM of Mobility Group
- 2005 VP, GM of Mobility Group
- 2000 – 2005, VP, GM of Mobile Platforms Group
- Joined Intel 1980

### **Arvind Sodhani**, age 54

- 2007 – present, Executive VP of Intel, President of Intel Capital
- 2005 – 2007, Senior VP of Intel, President of Intel Capital
- 1990 – 2005, VP, Treasurer
- Joined Intel 1981

### **Robert J. Baker**, age 53

- 2001 – present, Senior VP, GM of Technology and Manufacturing Group
- Joined Intel 1979

### **Patrick P. Gelsinger**, age 47

- 2005 – present, Senior VP, GM of Digital Enterprise Group
- 2002 – 2005, Senior VP, Chief Technology Officer
- Joined Intel 1979

### **William M. Holt**, age 56

- 2006 – present, Senior VP, GM of Technology and Manufacturing Group
- 2005 – 2006, VP, Co-GM of Technology and Manufacturing Group
- 1999 – 2005, VP, Director of Logic Technology Development
- Joined Intel 1974

### **D. Bruce Sewell**, age 50

- 2005 – present, Senior VP, General Counsel
- 2004 – 2005, VP, General Counsel
- 2001 – 2004, VP of Legal and Government Affairs, Deputy General Counsel
- Joined Intel 1995

### **Thomas M. Kilroy**, age 51

- 2005 – present, VP, GM of Digital Enterprise Group
- 2003 – 2005, VP of Sales and Marketing Group, Co-President of Intel Americas
- Joined Intel 1990

**ITEM 6. SELECTED FINANCIAL DATA**

<u>(In Millions, Except Per Share Amounts)</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005<sup>1</sup></u>	<u>2004<sup>1</sup></u>
Net revenue . . . . .	\$ 37,586	\$ 38,334	\$ 35,382	\$ 38,826	\$ 34,209
Gross margin . . . . .	\$ 20,844	\$ 19,904	\$ 18,218	\$ 23,049	\$ 19,746
Research and development . . . . .	\$ 5,722	\$ 5,755	\$ 5,873	\$ 5,145	\$ 4,778
Operating income . . . . .	\$ 8,954	\$ 8,216	\$ 5,652	\$ 12,090	\$ 10,130
Net income . . . . .	\$ 5,292	\$ 6,976	\$ 5,044	\$ 8,664	\$ 7,516
Earnings per common share					
Basic . . . . .	\$ 0.93	\$ 1.20	\$ 0.87	\$ 1.42	\$ 1.17
Diluted . . . . .	\$ 0.92	\$ 1.18	\$ 0.86	\$ 1.40	\$ 1.16
Weighted average diluted shares outstanding . . . . .	5,748	5,936	5,880	6,178	6,494
Dividends per share					
Declared . . . . .	\$ 0.5475	\$ 0.45	\$ 0.40	\$ 0.32	\$ 0.16
Paid . . . . .	\$ 0.5475	\$ 0.45	\$ 0.40	\$ 0.32	\$ 0.16

<u>(Dollars in Millions)</u>	<u>Dec. 27, 2008</u>	<u>Dec. 29, 2007</u>	<u>Dec. 30, 2006</u>	<u>Dec. 31, 2005</u>	<u>Dec. 25, 2004</u>
Property, plant and equipment, net . . . . .	\$ 17,544	\$ 16,918	\$ 17,602	\$ 17,111	\$ 15,768
Total assets . . . . .	\$ 50,715	\$ 55,651	\$ 48,368	\$ 48,314	\$ 48,143
Long-term debt . . . . .	\$ 1,886	\$ 1,980	\$ 1,848	\$ 2,106	\$ 703
Stockholders' equity . . . . .	\$ 39,088	\$ 42,762	\$ 36,752	\$ 36,182	\$ 38,579
Additions to property, plant and equipment . . . . .	\$ 5,197	\$ 5,000	\$ 5,860	\$ 5,871	\$ 3,843
Employees (in thousands) . . . . .	83.9	86.3	94.1	99.9	85.0

<sup>1</sup> We started recognizing the provisions of SFAS No. 123(R) beginning in fiscal year 2006. See "Note 2: Accounting Policies" and "Note 19: Employee Equity Incentive Plans" in Part II, Item 8 of this Form 10-K.

The ratio of earnings to fixed charges for each of the five years in the period ended December 27, 2008 was as follows:

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
51x	72x	50x	169x	107x

Fixed charges consist of interest expense, capitalized interest, and the estimated interest component of rent expense.