

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 OR 15(d)
of The Securities Exchange Act of 1934

Date of Report: October 18, 2016
(Date of earliest event reported)

INTEL CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

000-06217
(Commission
File Number)

94-1672743
(IRS Employer
Identification No.)

2200 Mission College Blvd., Santa Clara, California
(Address of principal executive offices)

95054-1549
(Zip Code)

(408) 765-8080
(Registrant's telephone number, including area code)

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition.

On October 18, 2016, Intel Corporation (“Intel”) issued a press release announcing the financial results of its third quarter ended October 1, 2016 and forward-looking statements relating to its fourth quarter of 2016 and full year 2016. A copy of this press release is attached hereto as Exhibit 99.1 and is incorporated by reference herein.

On October 18, 2016, Intel also posted on its investor website, intc.com, financial information and commentary by Stacy J. Smith, Intel’s Executive Vice President, Manufacturing, Operations, and Sales (who served as Intel’s Executive Vice President, Chief Financial Officer and Principal Accounting Officer during the third quarter of 2016) and Robert H. Swan who joined Intel on October 10, 2016 as Executive Vice President, Chief Financial Officer and Principal Accounting Officer. This information and commentary, which is attached hereto as Exhibit 99.2 and is incorporated by reference herein, relates to Intel’s third quarter results and includes forward-looking statements regarding its fourth quarter of 2016 and full year 2016.

Exhibits 99.1 and 99.2 include non-GAAP financial measures relating to our operations and forecasted outlook. Certain of these non-GAAP terms will be used in Intel’s earnings conference for the third quarter of 2016. In addition, Exhibits 99.1 and 99.2 include reconciliations of these GAAP to non-GAAP measures, as well as an explanation of how management uses these non-GAAP measures and the reasons why management views these measures as providing useful information for investors. 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 Intel’s results should be carefully evaluated.

The information in Item 2.02 of this Report, as well as Exhibits 99.1 and 99.2, are furnished and shall not be treated as filed for purposes of the Securities Exchange Act of 1934, as amended.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

The following exhibits are furnished as part of this Report:

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press Release issued by Intel entitled “Intel Reports Record Quarterly Revenue of \$15.8 Billion, Up 9 Percent Year-Over-Year; Operating Profit of \$4.5 Billion” dated October 18, 2016.
99.2	CFO Commentary on Third Quarter Results.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned hereunto duly authorized.

INTEL CORPORATION
(Registrant)

Date: October 18, 2016

By: /s/ STACY J. SMITH

Stacy J. Smith

Executive Vice President, Manufacturing, Operations, and Sales

Intel Corporation
2200 Mission College Blvd.
Santa Clara, CA 95054-1549



News Release

Intel Reports Record Quarterly Revenue of \$15.8 Billion, Up 9 Percent Year-Over-Year; Operating Profit of \$4.5 Billion

News Summary:

- Strong top line growth with record revenue in the Data Center Group and Internet of Things Group
- Solid earnings with GAAP net income of \$3.4 billion, up 9 percent year-over-year;
- Delivered 21 percent year-over-year growth in non-GAAP net income driven by strong execution and demand for our products
- GAAP gross margin of 63.3 percent and non-GAAP gross margin of 64.8 percent

SANTA CLARA, Calif., October 18, 2016 -- Intel Corporation today reported third-quarter GAAP revenue of \$15.8 billion, operating income of \$4.5 billion, net income of \$3.4 billion and EPS of 69 cents. Intel reported non-GAAP operating income of \$5.1 billion, net income of \$3.9 billion and EPS of 80 cents. The company generated approximately \$5.8 billion in cash from operations, paid dividends of \$1.2 billion, and used \$457 million to repurchase 13 million shares of stock.

"It was an outstanding quarter, and we set a number of new records across the business," said Brian Krzanich, Intel CEO. "In addition to strong financials, we delivered exciting new technologies while continuing to align our people and products to our strategy. We're executing well, and these results show Intel's continuing transformation to a company that powers the cloud and billions of smart, connected devices."

Q3 Key Business Unit Trends

- Client Computing Group revenue of \$8.9 billion, up 21 percent sequentially and up 5 percent year-over-year
- Data Center Group revenue of \$4.5 billion, up 13 percent sequentially and up 10 percent year-over-year
- Internet of Things Group revenue of \$689 million, up 20 percent sequentially and up 19 percent year-over-year
- Non-Volatile Memory Solutions Group revenue of \$649 million, up 17 percent sequentially and down 1 percent year-over-year
- Intel Security Group revenue of \$537 million, flat sequentially and up 6 percent year-over-year
- Programmable Solutions Group revenue of \$425 million, down 9 percent sequentially

- more -

GAAP Financial Comparison			
Quarterly Year-Over-Year			
	Q3 2016	Q3 2015	vs. Q3 2015
Revenue	\$15.8 billion	\$14.5 billion	up 9%
Gross Margin	63.3%	63.0%	up 0.3 point
R&D and MG&A	\$5.1 billion	\$4.8 billion	up 5%
Operating Income	\$4.5 billion	\$4.2 billion	up 6%
Tax Rate	21.8%	26.9%	down 5.1 points
Net Income	\$3.4 billion	\$3.1 billion	up 9%
Earnings Per Share	69 cents	64 cents	up 8%

Non-GAAP Financial Comparison			
Quarterly Year-Over-Year			
	Q3 2016	Q3 2015	vs. Q3 2015
Revenue	\$15.8 billion ^	\$14.5 billion ^	up 9%
Gross Margin	64.8%	63.5%	up 1.3 points
R&D and MG&A	\$5.1 billion ^	\$4.8 billion ^	up 5%
Operating Income	\$5.1 billion	\$4.4 billion	up 18%
Net Income	\$3.9 billion	\$3.2 billion	up 21%
Earnings Per Share	80 cents	66 cents	up 21%

GAAP Financial Comparison			
Quarterly Sequential			
	Q3 2016	Q2 2016	vs. Q2 2016
Revenue	\$15.8 billion	\$13.5 billion	up 17%
Gross Margin	63.3%	58.9%	up 4.4 points
R&D and MG&A	\$5.1 billion	\$5.2 billion	down 1%
Operating Income	\$4.5 billion	\$1.3 billion	up 239%
Tax Rate	21.8%	20.4%	up 1.4 points
Net Income	\$3.4 billion	\$1.3 billion	up 154%
Earnings Per Share	69 cents	27 cents	up 156%

Non-GAAP Financial Comparison			
Quarterly Sequential			
	Q3 2016	Q2 2016	vs. Q2 2016
Revenue	\$15.8 billion ^	\$13.5 billion^	up 17%
Gross Margin	64.8%	61.8%	up 3.0 points
R&D and MG&A	\$5.1 billion ^	\$5.2 billion^	down 1%
Operating Income	\$5.1 billion	\$3.2 billion	up 60%
Net Income	\$3.9 billion	\$2.9 billion	up 36%
Earnings Per Share	80 cents	59 cents	up 36%

^ No adjustment on a non-GAAP basis.

- more -

Business Outlook

Intel's Business Outlook does not include the potential impact of any business combinations, asset acquisitions, divestitures, strategic investments and other significant transactions that may be completed after October 18.

The acquisition of Altera was completed in early fiscal year 2016. As a result of the Altera acquisition, we have acquisition-related charges that are primarily non-cash. Our guidance for the fourth quarter and full-year 2016 include both GAAP and non-GAAP estimates. Reconciliations between these GAAP and non-GAAP financial measures are included below.

Q4 2016	GAAP	Non-GAAP	Range
Revenue	\$15.7 billion	\$15.7 billion ^	+/- \$500 million
Gross margin percentage	61%	63%	+/- a couple pct. pts.
R&D plus MG&A spending	\$5.2 billion	\$5.2 billion ^	approximately
Amortization of acquisition-related intangibles included in operating expenses	\$40 million	\$0	approximately
Impact of equity investments and interest and other, net	\$(100) million net loss	\$(100) million ^ net loss	approximately
Depreciation	\$1.5 billion	\$1.5 billion ^	approximately
Tax rate	22%	22% ^	approximately

Full-Year 2016	GAAP	Non-GAAP	Range
Restructuring and other charges	\$2.0 billion	\$0	approximately
Full-year capital spending	\$9.5 billion	\$9.5 billion ^	+/- \$500 million

Restructuring and Other Charges Forecast

Total Restructuring and Other charges are now expected to be \$2.3 billion, with the majority of the remaining charges to be realized between now and the middle of 2017. Approximately \$1.8 billion has been realized to-date and another \$250 million is expected in Q4 2016.

For additional information regarding Intel's results and Business Outlook, please see the CFO Commentary at: www.intc.com/results.cfm.

Status of Business Outlook

Intel's Business Outlook is posted on intc.com and may be reiterated in public or private meetings with investors and others. The Business Outlook will be effective through the close of business on December 16 unless updated earlier; except that the Business Outlook for amortization of acquisition-related intangibles, impact of equity investments and interest and other, restructuring charges, and tax rate, will be effective only through the close of business on October 25. Intel's Quiet Period will start from the close of business on December 16 until publication of the company's fourth-quarter earnings release, scheduled for January 26. During the Quiet Period, all of the Business Outlook and other forward-looking statements disclosed in the company's news releases and filings with the SEC should be considered as historical, speaking as of prior to the Quiet Period only and not subject to an update by the company.

^ No adjustment on a non-GAAP basis.

- more -

Forward-Looking Statements

The above statements and any others in this release that refer to future plans and expectations are forward-looking statements that involve a number of risks and uncertainties. Words such as "anticipates," "expects," "intends," "goals," "plans," "believes," "seeks," "estimates," "continues," "may," "will," "should," and variations of such words and similar expressions are intended to identify such 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 important factors that could cause actual results to differ materially from the company's expectations.

- Demand for Intel's products is highly variable and could differ from expectations due to factors including changes in business and economic conditions; consumer confidence or income levels; the introduction, availability and market acceptance of Intel's products, products used together with Intel products and competitors' products; competitive and pricing pressures, including actions taken by competitors; supply constraints and other disruptions affecting customers; changes in customer order patterns including order cancellations; and changes in the level of inventory at customers.
- Intel's 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; excess or obsolete inventory; changes in unit costs; defects or disruptions in the supply of materials or resources; and product manufacturing quality/yields. Variations in gross margin may also be caused by the timing of Intel product introductions and related expenses, including marketing expenses, and Intel's ability to respond quickly to technological developments and to introduce new products or incorporate new features into existing products, which may result in restructuring and asset impairment charges.
- 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, fluctuations in currency exchange rates, and the United Kingdom referendum to withdraw from the European Union. Results may also be affected by the formal or informal imposition by countries of new or revised export and/or import and doing-business regulations, which could be changed without prior notice.
- Intel operates in highly competitive industries and its operations have high costs that are either fixed or difficult to reduce in the short term.
- The amount, timing and execution of Intel's stock repurchase program could be affected by changes in Intel's priorities for the use of cash, such as operational spending, capital spending, acquisitions, and as a result of changes to Intel's cash flows or changes in tax laws.
- Intel's expected tax rate is based on current tax law and current expected income and 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.

- more -

- 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.
- Product defects or errata (deviations from published specifications) may adversely impact our expenses, revenues and reputation.
- Intel's results could be affected by litigation or regulatory matters involving intellectual property, stockholder, consumer, antitrust, disclosure and other issues. 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.
- Intel's results may be affected by factors that could cause the implementation of, and expected results from, the restructuring plan announced on April 19, 2016, to differ from Intel's expectations. A detailed description of risks associated with the restructuring plan and factors that could cause actual results of the restructuring plan to differ is set forth in the "Forward Looking Statements" section of Intel's press release entitled "Intel Announces Restructuring Initiative to Accelerate Transformation" dated April 19, 2016, which risk factors are incorporated by reference herein.
- Intel's results may be affected by the timing of closing of acquisitions, divestitures and other significant transactions. In addition, risks associated with our proposed transaction with TPG to collaborate to establish McAfee as an independent cybersecurity company are described in the "Forward Looking Statements" section of Intel's press release entitled "Intel and TPG to Collaborate to Establish McAfee as Leading Independent Cybersecurity Company Valued at \$4.2 Billion" dated September 7, 2016, which risk factors are incorporated by reference herein.

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 reports on Forms 10-K and 10-Q.

- more -

Earnings Webcast

Intel will hold a public webcast at 2:00 p.m. PDT today on its Investor Relations website at www.intc.com. A webcast replay and audio download will also be available on the site.

Intel plans to report its earnings for the fourth quarter of 2016 on January 26. Concurrent with the earnings press release, the company plans to publish a commentary by Robert H. Swan, Intel CFO and executive vice president, at www.intc.com/results.cfm. A public webcast of Intel's earnings conference call will follow at 2:00 p.m. PDT at www.intc.com.

About Intel

Intel (NASDAQ: INTC) expands the boundaries of technology to make the most amazing experiences possible. Information about Intel can be found at newsroom.intel.com and intel.com.

Intel, the Intel logo, Core, and Ultrabook are trademarks of Intel Corporation or its subsidiaries in the United States and other countries.

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

- more -

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

	Three Months Ended		Nine Months Ended	
	Oct 1, 2016	Sep 26, 2015	Oct 1, 2016	Sep 26, 2015
NET REVENUE	\$ 15,778	\$ 14,465	\$ 43,013	\$ 40,441
Cost of sales	5,795	5,354	16,927	15,352
GROSS MARGIN	9,983	9,111	26,086	25,089
Research and development	3,069	2,927	9,460	9,009
Marketing, general and administrative	2,006	1,910	6,239	5,812
R&D AND MG&A	5,075	4,837	15,699	14,821
Restructuring and other charges	372	14	1,786	367
Amortization of acquisition-related intangibles	74	68	253	198
OPERATING EXPENSES	5,521	4,919	17,738	15,386
OPERATING INCOME	4,462	4,192	8,348	9,703
Gains (losses) on equity investments, net	(12)	165	488	297
Interest and other, net	(132)	(104)	(340)	(91)
INCOME BEFORE TAXES	4,318	4,253	8,496	9,909
Provision for taxes	940	1,144	1,742	2,102
NET INCOME	\$ 3,378	\$ 3,109	\$ 6,754	\$ 7,807
BASIC EARNINGS PER SHARE OF COMMON STOCK	\$ 0.71	\$ 0.65	\$ 1.43	\$ 1.64
DILUTED EARNINGS PER SHARE OF COMMON STOCK	\$ 0.69	\$ 0.64	\$ 1.39	\$ 1.59
WEIGHTED AVERAGE SHARES OF COMMON STOCK OUTSTANDING:				
BASIC	4,734	4,747	4,728	4,749
DILUTED	4,877	4,876	4,872	4,900

- more -

INTEL CORPORATION
CONSOLIDATED SUMMARY BALANCE SHEET DATA
(In millions)

	Oct 1, 2016	Dec 26, 2015
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,752	\$ 15,308
Short-term investments	3,270	2,682
Trading assets	9,747	7,323
Accounts receivable, net	4,952	4,787
Inventories		
Raw materials	688	532
Work in process	3,443	2,893
Finished goods	1,652	1,742
	5,783	5,167
Assets held for sale	5,100	71
Other current assets	2,612	2,982
TOTAL CURRENT ASSETS	36,216	38,320
Property, plant and equipment, net	34,707	31,858
Marketable equity securities	6,022	5,960
Other long-term investments	4,189	1,891
Goodwill	13,868	11,332
Identified intangible assets, net	9,524	3,933
Other long-term assets	7,691	8,165
TOTAL ASSETS	\$ 112,217	\$ 101,459
CURRENT LIABILITIES		
Short-term debt	\$ 3,573	\$ 2,634
Accounts payable	3,181	2,063
Accrued compensation and benefits	3,110	3,138
Accrued advertising	820	960
Deferred income	1,724	2,188
Liabilities held for sale	1,881	56
Other accrued liabilities	5,804	4,607
TOTAL CURRENT LIABILITIES	20,093	15,646
Long-term debt	24,043	20,036
Long-term deferred tax liabilities	1,211	954
Other long-term liabilities	2,869	2,841
TEMPORARY EQUITY	886	897
Stockholders' equity		
Preferred Stock	—	—
Common stock and capital in excess of par value	25,070	23,411
Accumulated other comprehensive income (loss)	400	60
Retained Earnings	37,645	37,614
TOTAL STOCKHOLDERS' EQUITY	63,115	61,085
TOTAL LIABILITIES, TEMPORARY EQUITY AND STOCKHOLDERS' EQUITY	\$ 112,217	\$ 101,459

- more -

INTEL CORPORATION
SUPPLEMENTAL FINANCIAL AND OTHER INFORMATION
(In millions)

	Q3 2016	Q2 2016	Q3 2015
CASH INVESTMENTS:			
Cash and short-term investments	\$ 8,022	\$ 8,186	\$ 14,184
Trading assets	9,747	9,503	6,659
Total cash investments	\$ 17,769	\$ 17,689	\$ 20,843
CURRENT DEFERRED INCOME:			
Deferred income on shipments of components to distributors	\$ 1,553	\$ 1,484	\$ 918
Deferred income from software, services and other	171	1,323	1,242
Total current deferred income	\$ 1,724	\$ 2,807	\$ 2,160
SELECTED CASH FLOW INFORMATION:			
<i>Operating activities:</i>			
Depreciation	\$ 1,543	\$ 1,522	\$ 2,060
Share-based compensation	\$ 324	\$ 364	\$ 309
Amortization of intangibles	\$ 385	\$ 395	\$ 215
<i>Investing activities:</i>			
Additions to property, plant and equipment	\$ (2,463)	\$ (2,286)	\$ (1,206)
Acquisitions, net of cash acquired	\$ (532)	\$ (50)	\$ (14)
Investments in non-marketable equity investments	\$ (230)	\$ (481)	\$ (340)
Equity investment in Tsinghua Unigroup Ltd.	\$ —	\$ —	\$ (966)
<i>Financing activities:</i>			
Repurchase of common stock	\$ (457)	\$ (804)	\$ (1,029)
Proceeds from sales of common stock to employees & excess tax benefit	\$ 520	\$ 259	\$ 228
Issuance of long-term debt, net of issuance costs	\$ —	\$ 2,734	\$ 7,986
Payment of dividends to stockholders	\$ (1,231)	\$ (1,233)	\$ (1,140)
EARNINGS PER SHARE OF COMMON STOCK INFORMATION:			
Weighted average shares of common stock outstanding - basic	4,734	4,729	4,747
Dilutive effect of employee equity incentive plans	47	49	48
Dilutive effect of convertible debt	96	88	81
Weighted average shares of common stock outstanding - diluted	4,877	4,866	4,876
STOCK BUYBACK:			
Shares repurchased	13	26	35
Cumulative shares repurchased (in billions)	4.8	4.8	4.8
Remaining dollars authorized for buyback (in billions)	\$ 7.3	\$ 7.8	\$ 9.9
OTHER INFORMATION:			
Employees (in thousands)	105.6	106.5	106.5

- more -

INTEL CORPORATION
SUPPLEMENTAL OPERATING SEGMENT RESULTS
(In millions)

	Three Months Ended		Nine Months Ended	
	Oct 1, 2016	Sep 26, 2015	Oct 1, 2016	Sep 26, 2015
Net Revenue				
Client Computing Group				
Platform	\$ 8,258	\$ 8,094	\$ 22,395	\$ 22,280
Other	634	412	1,384	1,183
	8,892	8,506	23,779	23,463
Data Center Group				
Platform	4,164	3,857	11,589	10,842
Other	378	283	979	831
	4,542	4,140	12,568	11,673
Internet of Things Group				
Platform	605	501	1,673	1,450
Other	84	80	239	223
	689	581	1,912	1,673
Non-Volatile Memory Solutions Group	649	655	1,760	1,943
Intel Security Group	537	506	1,611	1,473
Programmable Solutions Group	425	—	1,249	—
All other	44	77	134	216
TOTAL NET REVENUE	\$ 15,778	\$ 14,465	\$ 43,013	\$ 40,441
Operating income (loss)				
Client Computing Group	\$ 3,327	\$ 2,433	\$ 7,123	\$ 5,447
Data Center Group	2,110	2,130	5,639	5,672
Internet of Things Group	191	150	403	382
Non-Volatile Memory Solutions Group	(134)	51	(453)	215
Intel Security Group	115	97	297	134
Programmable Solutions Group	78	—	(184)	—
All other	(1,225)	(669)	(4,477)	(2,147)
TOTAL OPERATING INCOME	\$ 4,462	\$ 4,192	\$ 8,348	\$ 9,703

During the first quarter of 2016, we formed the Programmable Solutions Group (PSG) as a result of our acquisition of Altera. Additionally, we formed the New Technology Group (NTG), which includes products designed for wearables, cameras, and other market segments (including drones). All prior-period amounts have been retrospectively adjusted to reflect the way we internally manage and monitor segment performance starting in fiscal year 2016 and include other minor reorganizations. In the third quarter of 2016, we announced our planned divestiture of our Intel Security business and expect to close the transaction in the second quarter of 2017.

Revenue for our reportable and non-reportable operating segments is primarily related to the following product lines:

- *Client Computing Group.* Includes platforms designed for notebooks (including Ultrabook™ devices), 2 in 1 systems, desktops (including all-in-ones and high-end enthusiast PCs), tablets, phones, wireless and wired connectivity products, and mobile communication components.
- *Data Center Group.* Includes platforms designed for the enterprise, cloud, communications infrastructure, and technical computing segments.
- *Internet of Things Group.* Includes platforms designed for Internet of Things market segments, including retail, transportation, industrial, and buildings and home use, along with a broad range of other market segments.
- *Non-Volatile Memory Solutions Group.* Includes NAND flash memory products primarily used in solid-state drives.
- *Intel Security Group.* Includes security software products designed to deliver innovative solutions that secure computers, mobile devices, and networks around the world from the latest malware and emerging online threats.
- *Programmable Solutions Group.* Includes programmable semiconductors (primary field-programmable gate array) and related products for a broad range of market segments, including communications, networking and storage, industrial, military, and automotive.

We have sales and marketing, manufacturing, engineering, finance, and administration groups. Expenses for these groups are generally allocated to the operating segments, and the expenses are included in the following operating results.

All other category includes revenue, expenses, and charges such as:

- results of operations from NTG;
- amounts included within restructuring and other charges;
- a portion of profit-dependent compensation and other expenses not allocated to the operating segments;
- divested businesses for which discrete operating results are not regularly reviewed by our CODM;
- results of operations of start-up businesses that support our initiatives, including our foundry business; and
- acquisition-related costs, including amortization and any impairment of acquisition-related intangibles and goodwill.

A substantial majority of our revenue is generated from the sale of platforms. Platforms incorporate various components and technologies, including a microprocessor and chipset, a stand-alone SoC, or a multichip package. Our remaining primary product lines are incorporated in "other."

- more -

INTEL CORPORATION
SUPPLEMENTAL PLATFORM REVENUE INFORMATION

	Q3 2016	Q3 2016	Q3 YTD 2016
	compared to Q2 2016	compared to Q3 2015	compared to Q3 YTD 2015
Client Computing Group Platform			
Unit Volumes	17%	(4)%	(11)%
Average Selling Prices	2%	6%	12%
Data Center Group Platform			
Unit Volumes	13%	12%	9%
Average Selling Prices	(1)%	(3)%	(2)%

Client Computing Group Notebook, Desktop and Tablet Platform Key Drivers

Q3 2016 compared to Q3 2015:

- Notebook platform volumes increased 4%
- Notebook platform average selling prices increased 3%
- Desktop platform volumes decreased 6%
- Desktop platform average selling prices were flat
- Tablet platform volumes decreased

First nine months of 2016 compared to the first nine months of 2015:

- Notebook platform volumes decreased 1%
- Notebook platform average selling prices increased 2%
- Desktop platform volumes decreased 5%
- Desktop platform average selling prices increased 2%
- Tablet platform volumes decreased

- more -

INTEL CORPORATION EXPLANATION OF NON-GAAP MEASURES

In addition to disclosing financial results in accordance with U.S. generally accepted accounting principles (GAAP), this earnings release contains references to the non-GAAP financial measures described below. We believe these non-GAAP financial measures provide investors with useful supplemental information about the financial performance of our business, enable comparison of financial results between periods where certain items may vary independent of business performance, and allow for greater transparency with respect to key metrics used by management in operating our business.

Our non-GAAP financial measures reflect adjustments based on the following items, as well as the related income tax effects. Income tax effects have been calculated using an appropriate tax rate. 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.

Acquisition-related adjustments: The non-GAAP financial measures disclosed by the company exclude certain business combination accounting adjustments and certain expenses related to acquisitions as follows:

- *Revenue and gross margin:* Non-GAAP financial measures exclude the impact of the deferred revenue write-down, amortization of acquisition-related intangible assets that impact cost of sales, and the inventory valuation adjustment.
 - *Deferred revenue write-down:* Sales to distributors are made under agreements allowing for subsequent price adjustments and returns and are deferred until the products are resold by the distributor. Business combination accounting principles require us to write down to fair value the deferred revenue assumed in our acquisitions as we have limited performance obligations associated with this deferred revenue. Our GAAP revenues and related cost of sales for the subsequent reselling by distributors to end customers after an acquisition do not reflect the full amounts that would have been reported if the acquired deferred revenue was not written down to fair value. The non-GAAP adjustments made in the first quarter of 2016 eliminate the effect of the deferred revenue write-down associated with our acquisition of Altera. We believe these adjustments are useful to investors as an additional means to reflect revenue and gross margin trends of our business.
 - *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 adjustments to our cost of sales in the first half of 2016 exclude the expected profit margin component that is recorded under business combination accounting principles associated with our acquisition of Altera. We believe the adjustments are useful to investors as an additional means to reflect cost of sales and gross margin trends of our business.
- *Amortization of acquisition-related intangible assets:* Amortization of acquisition-related intangible assets consists of amortization of intangibles assets such as developed technology, trade names, and customer relationships acquired in connection with business combinations. We record charges relating to the amortization of these intangibles within both cost of sales and operating expenses 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.
- *R&D plus MG&A spending:* Non-GAAP R&D plus MG&A spending excludes the impact of other charges associated with the acquisition of Altera, which primarily includes bankers fees, compensation-related costs, and valuation charges for Altera's stock based compensation incurred in the first quarter of 2016.

Restructuring and other charges: Restructuring charges are costs associated with a formal restructuring plan and are primarily related to employee severance and benefit arrangements. Other charges include asset impairments, pension charges, and costs associated with the Intel Security Group planned divestiture. We exclude restructuring and other charges, including any adjustments to charges recorded in prior periods, for purposes of calculating certain non-GAAP measures. We believe that these costs do not reflect our current operating performance. Consequently, our non-GAAP adjustments exclude these charges to facilitate an evaluation of our current operating performance and comparisons to our past operating performance.

Constant currency effect on revenue: Constant currency results assume foreign revenues are translated from foreign currencies to the U.S. dollar, net of the effect of foreign currency hedges, at rates consistent with those in the comparable period. We believe this is a useful metric that facilitates comparison to our historical performance for the Intel Security Group operating segment.

Gross cash, net cash and other longer term investments: We reference non-GAAP financial measures of gross cash, net cash and other longer term investments, which are used by management when assessing our sources of liquidity and capital resources. We believe these non-GAAP financial measures are helpful to investors in understanding our capital structure and how we manage our resources.

- more -

SUPPLEMENTAL RECONCILIATIONS OF GAAP OUTLOOK 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 Business 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.

(\$ in Millions)	Q4 2016 Outlook
GAAP Gross Margin Percentage	61% +/- a couple pct. pts.
Adjustment for amortization of acquisition-related intangibles	2%
Non-GAAP Gross Margin Percentage	63% +/- a couple pct. pts.
GAAP Amortization of acquisition-related intangibles in operating expenses	\$ 40 approximately
Adjustment for amortization of acquisition-related amortization	(40)
Non-GAAP Amortization of acquisition-related intangibles in operating expenses	\$ —
(\$ in Billions)	2016 Full-Year Outlook
GAAP Restructuring and other charges	\$ 2.0 approximately
Adjustment for restructuring and other charges	(2.0)
Non-GAAP Restructuring and other charges	\$ —

- more -

SUPPLEMENTAL RECONCILIATIONS OF GAAP ACTUALS TO NON-GAAP ACTUALS

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 reconciliations from GAAP to Non-GAAP actuals 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.

	Three Months Ended			Nine Months Ended	
	Oct 1, 2016	Jul 2, 2016	Sep 26, 2015	Oct 1, 2016	Sep 26, 2015
(\$ in Millions, except per share amounts)					
GAAP NET REVENUE	\$ 15,778	\$ 13,533	\$ 14,465	\$ 43,013	\$ 40,441
Deferred revenue write-down	—	—	—	99	—
NON-GAAP NET REVENUE	\$ 15,778	\$ 13,533	\$ 14,465	\$ 43,112	\$ 40,441
GAAP GROSS MARGIN	\$ 9,983	\$ 7,973	\$ 9,111	\$ 26,086	\$ 25,089
Deferred revenue write-down, net of cost of sales	—	—	—	64	—
Inventory valuation	—	161	—	387	—
Amortization of acquisition-related intangibles	235	235	76	705	271
NON-GAAP GROSS MARGIN	\$ 10,218	\$ 8,369	\$ 9,187	\$ 27,242	\$ 25,360
GAAP GROSS MARGIN PERCENTAGE	63.3%	58.9%	63.0%	60.6%	62.0%
Deferred revenue write-down, net of cost of sales	—%	—%	—%	—%	—%
Inventory valuation	—%	1.2%	—%	0.9%	—%
Amortization of acquisition-related intangibles	1.5%	1.7%	0.5%	1.7%	0.7%
NON-GAAP GROSS MARGIN PERCENTAGE	64.8%	61.8%	63.5%	63.2%	62.7%
GAAP R&D plus MG&A SPENDING	\$ 5,075	\$ 5,152	\$ 4,837	\$ 15,699	\$ 14,821
Other acquisition related charges	—	—	—	(100)	—
NON-GAAP R&D plus MG&A SPENDING	\$ 5,075	\$ 5,152	\$ 4,837	\$ 15,599	\$ 14,821
GAAP OPERATING INCOME	\$ 4,462	\$ 1,318	\$ 4,192	\$ 8,348	\$ 9,703
Deferred revenue write-down, net of cost of sales	—	—	—	64	—
Inventory valuation	—	161	—	387	—
Amortization of acquisition related intangibles	309	324	144	958	469
Restructuring and other charges	372	1,414	14	1,786	367
Other acquisition related charges	—	—	—	100	—
NON-GAAP OPERATING INCOME	\$ 5,143	\$ 3,217	\$ 4,350	\$ 11,643	\$ 10,539
GAAP NET INCOME	\$ 3,378	\$ 1,330	\$ 3,109	\$ 6,754	\$ 7,807
Deferred revenue write-down, net of cost of sales	—	—	—	64	—
Inventory valuation	—	161	—	387	—
Amortization of acquisition related intangibles	309	324	144	958	469
Restructuring and other charges	372	1,414	14	1,786	367
Other acquisition related charges	—	—	—	100	—
Income tax effect	(173)	(370)	(62)	(675)	(177)
NON-GAAP NET INCOME	\$ 3,886	\$ 2,859	\$ 3,205	\$ 9,374	\$ 8,466
GAAP DILUTED EARNINGS PER COMMON SHARE	\$ 0.69	\$ 0.27	\$ 0.64	\$ 1.39	\$ 1.59
Deferred revenue write down, net of cost of sales	—	—	—	0.01	—
Inventory valuation	—	0.03	—	0.08	—
Amortization of acquisition related intangibles	0.06	0.07	0.03	0.19	0.10
Restructuring and other charges	0.08	0.29	—	0.37	0.08
Other acquisition related charges	—	—	—	0.02	—
Income tax effect	(0.03)	(0.07)	(0.01)	(0.14)	(0.04)
NON-GAAP DILUTED EARNINGS PER COMMON SHARE	\$ 0.80	\$ 0.59	\$ 0.66	\$ 1.92	\$ 1.73

- more -

SUPPLEMENTAL RECONCILIATIONS OF CONSTANT CURRENCY

Set forth below is a reconciliation of our operating results for the Intel Security Group operating segment on a constant currency basis. This non-GAAP financial measure 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. 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.

Intel Security Group Operating Segment

	Three Months Ended			Nine Months Ended		
	Oct 1, 2016	Sep 26, 2015	% Change	Oct 1, 2016	Sep 26, 2015	% Change
<i>(\$ in Millions)</i>						
GAAP Net Revenue	537	506	6%	1,611	1,473	9%
Constant currency adjustment	(1)			11		
Non-GAAP Net Revenue, constant currency adjusted	\$ 536	\$ 506	6%	\$ 1,622	\$ 1,473	10%
GAAP Operating Income	115	97	19%	297	134	122%
Constant currency adjustment	(6)			(8)		
Non-GAAP Operating Income, constant currency adjusted	\$ 109	\$ 97	12%	\$ 289	\$ 134	116%

- more -

SUPPLEMENTAL RECONCILIATIONS OF GAAP CASH AND CASH EQUIVALENTS TO NON-GAAP GROSS CASH AND NON-GAAP NET CASH 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)	Oct 1, 2016	Jul 2, 2016	Dec 26, 2015
GAAP CASH AND CASH EQUIVALENTS	\$ 4,752	\$ 3,885	\$ 15,308
Short-term investments	3,270	4,301	2,682
Trading assets	9,747	9,503	7,323
Total cash investments	\$ 17,769	\$ 17,689	\$ 25,313
 GAAP OTHER LONG-TERM INVESTMENTS	 \$ 4,189	 \$ 3,567	 \$ 1,891
Loans receivable and other	1,224	1,566	1,170
Reverse repurchase agreements with original maturities greater than approximately three months	250	350	1,000
NON-GAAP OTHER LONGER TERM INVESTMENTS	\$ 5,663	\$ 5,483	\$ 4,061
NON-GAAP GROSS CASH	\$ 23,432	\$ 23,172	\$ 29,374
(\$ in Millions)	Oct 1, 2016	Jul 2, 2016	Dec 26, 2015
GAAP CASH AND CASH EQUIVALENTS	\$ 4,752	\$ 3,885	\$ 15,308
Short-term investments	3,270	4,301	2,682
Trading assets	9,747	9,503	7,323
Total cash investments	\$ 17,769	\$ 17,689	\$ 25,313
Short-term debt	(3,573)	(4,560)	(2,634)
Unsettled trade liabilities and other	(79)	(275)	(99)
Long-term debt	(24,043)	(24,053)	(20,036)
NON-GAAP NET CASH (excluding other longer term investments)	\$ (9,926)	\$ (11,199)	\$ 2,544
 GAAP OTHER LONG-TERM INVESTMENTS	 \$ 4,189	 \$ 3,567	 \$ 1,891
Loans receivable and other	1,224	1,566	1,170
Reverse repurchase agreements with original maturities greater than approximately three months	250	350	1,000
NON-GAAP OTHER LONGER TERM INVESTMENTS	\$ 5,663	\$ 5,483	\$ 4,061
NON-GAAP NET CASH (including other longer term investments)	\$ (4,263)	\$ (5,716)	\$ 6,605

Intel Corporation
2200 Mission College Blvd.
Santa Clara, CA 95054-1549



CFO Commentary on Third-Quarter Results

Note: This document presents results and comparisons on a GAAP basis unless otherwise stated.

Summary.

In the third quarter, Intel achieved record revenue and strong profitability. The Data Center Group and Internet of Things Group had record revenue, and the Client Computing Group at 5% year-on-year growth was stronger than our expectations.

GAAP Results and Outlook:

Third quarter revenue of \$15.8B was up 9% on a year-on-year basis and was up \$0.9B from our original Outlook and up \$0.2B from updated expectations. Gross margin of 63.3% was up 3.3 from the original Outlook and up 1.3 points from updated expectations. Client Computing Group revenue was up 5% on a year-on-year basis. Data Center Group revenue was up 10% on a year-on-year basis. Spending on R&D and MG&A for the quarter was \$5.1B, down \$0.1B from the second quarter. There were \$0.4B in restructuring and other charges for the quarter. Operating income for the third quarter was \$4.5B, up 6% on a year-on-year basis. The tax rate for the quarter was 21.8%. Net income for the third quarter was \$3.4B, up 9% on a year-on-year basis. Earnings per share was \$0.69, up 5 cents on a year-on-year basis. During the quarter, we generated \$5.8B in cash from operations, purchased \$2.5B in capital assets, paid \$1.2B in dividends, and repurchased \$0.5B of stock. Total debt was \$27.6B. As we look forward to the fourth quarter of 2016, we are forecasting the midpoint of the revenue range at \$15.7B. We are forecasting the midpoint of the gross margin range for the fourth quarter to be 61%. Spending for the fourth quarter is expected to be \$5.2B.

Non-GAAP Results and Outlook:

Third quarter revenue of \$15.8B was up 9% on year-on-year basis and was up \$0.9B from our original Outlook and up \$0.2B from updated expectations. Non-GAAP[^] gross margin was 64.8%, up 2.8 points from the original Outlook and up 1.8 points from updated expectations. Non-GAAP operating income for the third quarter was \$5.1B, up 18% on a year-on-year basis. Non-GAAP net income for the third quarter was \$3.9B, up 21% on a year-on-year basis. Non-GAAP earnings per share was \$0.80, up 14 cents on a year-on-year basis.

As we look forward to the fourth quarter of 2016, we are forecasting the midpoint of the revenue range at \$15.7B, flat to the third quarter. This forecast is lower than the average seasonal increase for the fourth quarter. We are forecasting the midpoint of the non-GAAP gross margin range to be 63%. Spending for the fourth quarter is expected to be \$5.2B.

[^] See the explanation of non-GAAP measures and the reconciliation to the most directly comparable GAAP financial measures on page 9-12.

Comparisons to Prior Year:

GAAP Summary:

The third quarter 2016 results when compared to the third quarter from a year ago were the following:

- Revenue of \$15.8B, up \$1.3B (+9%) from \$14.5B.
- Gross margin of 63.3%, up 0.3 point from 63.0%.
- Operating income of \$4.5B, up \$0.3B (+6%) from \$4.2B.
- Net income of \$3.4B, up \$0.3B (+9%) from \$3.1B.
- Earnings per share of \$0.69, up 5 cents (+8%) from \$0.64.

Non-GAAP Summary:

On a non-GAAP basis, the third quarter 2016 results when compared to the third quarter from a year ago were the following:

- Non-GAAP revenue of \$15.8B, up \$1.3B (+9%) from \$14.5B.
- Non-GAAP gross margin of 64.8%, up 1.3 points from 63.5%.
- Non-GAAP operating income of \$5.1B, up \$0.8B (+18%) from \$4.4B.
- Non-GAAP net income of \$3.9B, up \$0.7B (+21%) from \$3.2B.
- Non-GAAP earnings per share of \$0.80, up 14 cents (+21%) from \$0.66.

Third Quarter 2016

Revenue

Revenue of \$15.8B was up 17% sequentially and up 9% on a year-on-year basis. Total platform* volumes were up 16% when compared to the second quarter. Total platform* average selling prices were flat over this same time period.

Year-on-Year Comparisons:

- Client Computing Group had revenue of \$8.9B, up 5% with platform volumes down 4% and platform average selling prices up 6%. Desktop platform volumes were down 6% and desktop platform average selling prices were flat. Notebook platform volumes were up 4% and notebook platform average selling prices were up 3%.
- Data Center Group had revenue of \$4.5B, up 10% with platform volumes up 12% and platform average selling prices down 3%.
- Internet of Things Group had revenue of \$689M, up 19%.
- Non-Volatile Memory Solutions Group had revenue of \$649M, down 1%.
- Intel Security Group had revenue of \$537M, up 6% on a GAAP basis and up 6% on a constant currency basis.
- Programmable Solutions Group had revenue of \$425M, up 6 percent when compared to Altera's results from a year ago.

Quarter-on-Quarter Comparisons:

- Client Computing Group revenue was up 21% with platform volumes up 17% and platform average selling prices up 2%.
- Data Center Group revenue was up 13% with platform volumes up 13% and platform average selling prices down 1%.
- Internet of Things Group revenue was up 20%.
- Non-Volatile Memory Solutions Group revenue was up 17%.
- Intel Security Group revenue was flat.
- Programmable Solutions Group revenue was down 9%.

*Client Computing Group, Data Center Group, and Internet of Things Group microprocessors and chipsets.

Gross Margin

Gross margin of 63.3% was up 4.4 points compared to the second quarter, and up 1.3 points to the midpoint of updated expectations and up 3.3 points compared to original expectations.

On a non-GAAP basis, gross margin of 64.8% was up 3.0 points compared to the second quarter, and up 1.8 points to the midpoint of updated expectations and up 2.8 points compared to original expectations.

Gross Margin Reconciliation: Q2'16 GAAP to Q3'16 Non-GAAP (58.9% to 64.8%, up 5.9 points)

Gross Margin Reconciliation [note: point attributions are approximate]:

58.9 %	Q2'16 GAAP Gross Margin
+2.0 points:	Higher platform* volume
+1.0 points:	Lower Altera acquisition related adjustments
+1.0 point:	Lower platform* unit costs (primarily on 14nm)
+0.5 point:	Miscellaneous
-0.5 point:	Higher factory start-up costs on 10nm
63.3 %	Q3'16 GAAP Gross Margin
+1.5 points:	Amortization of acquisition-related intangibles
64.8 %	Q3'16 Non-GAAP Gross Margin

Gross Margin Reconciliation: Q3'16 Original Outlook to Q3'16 (60% +/- couple points to 63.3%, up 3.3 points)

Gross Margin Reconciliation [note: point attributions are approximate]:

60.0 %	Q3'16 GAAP Gross Margin Original Outlook
+1.0 point:	Lower platform* unit cost
+1.0 point:	Higher platform* volume (primarily on notebook)
+0.5 point:	Lower platform* write-offs
+0.5 point:	Lower factory start-up costs on 10nm
63.3 %	Q3'16 GAAP Gross Margin

Gross Margin Reconciliation: Q3'16 Non-GAAP Original Outlook to Q3'16 Non-GAAP (62% +/- couple points to 64.8%, up 2.8 points)

Gross Margin Reconciliation [note: point attributions are approximate]:

62.0 %	Q3'16 Non-GAAP Gross Margin Original Outlook
+1.0 point:	Lower platform* unit cost
+1.0 point:	Higher platform* volume (primarily on notebook)
+0.5 point:	Lower platform* write-offs
+0.5 point:	Lower factory start-up costs
64.8 %	Q3'16 Non-GAAP Gross Margin

*Client Computing Group, Data Center Group, and Internet of Things Group microprocessors and chipsets.

Gross Margin Reconciliation: Q3'15 to Q3'16 (63.0% to 63.3%, up 0.3 point)

When comparing the third quarter on a year-on-year basis, gross margin was up 0.3 point, primarily due to lower platform* unit costs and higher platform* average selling prices. This was partially offset by higher factory startup costs (primarily on 10nm), Non-Volatile Memory Solutions Group and Altera and other acquisition-related charges.

Non-GAAP Gross Margin Reconciliation: Q3'15 Non-GAAP to Q3'16 Non-GAAP (63.5% to 64.8%, up 1.3 points)

On a non-GAAP basis, when comparing the third quarter year-on-year, gross margin was up 1.3 points primarily due to lower platform* unit costs and higher platform* average selling prices. This was partially offset by higher factory startup costs (primarily on 10nm), and Non-Volatile Memory Solutions Group.

Spending

Spending in the third quarter for R&D and MG&A was \$5.1B, down \$0.1B from the second quarter. This is lower than the midpoint of updated expectations, driven by deeper cuts associated with our restructuring program partially offset by an increase in profit dependent spending.

Depreciation was \$1.5B, in line with expectations.

Amortization of acquisition-related intangibles included in operating expense was \$74M, all of which is excluded on a non-GAAP basis.

Restructuring and other charges were \$0.4B, all of which is excluded on a non-GAAP basis.

Other Income Statement Items

Gains and losses on equity investments and interest and other income was a \$144M net loss compared to a \$352M net gain in the second quarter. This net loss was higher than the expectation of approximately \$75M net loss in our original Outlook and higher than the updated expectation of \$125M net loss.

The effective tax rate for the third quarter was 21.8%, higher than our original Outlook and in line with updated expectations.

Balance Sheet and Cash Flow Items

On the balance sheet, we ended the quarter at \$17.8B total cash investments^^, up \$0.1B from the second quarter. \$15.2B of the total \$17.8B total cash investments^^ is held by non-U.S. subsidiaries. Cash flow from operations in the third quarter was \$5.8B. During the third quarter, we purchased \$2.5B in capital assets, paid \$1.2B in dividends, repurchased \$0.5B in stock and repaid \$1.0B in commercial paper. We ended the quarter with total debt of \$27.6B. Total inventories were approximately flat.

Other Items

The total number of employees was at 106K, down approximately 1K employees to the second quarter.

Diluted shares outstanding increased by 11M from the second quarter and increased by 1M shares on a year-on-year basis.

*Client Computing Group, Data Center Group, and Internet of Things Group microprocessors and chipsets

^^ Cash and cash equivalents, short-term investments, and trading assets

Outlook

Intel's Business Outlook does not include the potential impact of any business combinations, asset acquisitions, divestitures, strategic investments and other significant transactions that may be completed after October 18. The midpoint of the forecast ranges will be referred to when making comparisons to specific periods.

Q4 2016 Outlook**Revenue**

Revenue is expected to be \$15.7B, plus or minus \$500M in the fourth quarter. This forecast is roughly flat to the third quarter and lower than the average seasonal increase for the fourth quarter.

Gross Margin

GAAP gross margin in the fourth quarter is expected to be 61%, plus or minus a couple of points, down 2.3 points from the third quarter.

Gross Margin Reconciliation [note: point attributions are approximate]:

63.3 %	Q3'16 GAAP Gross Margin
-1.0 point:	Non-Volatile Memory Solutions Group
-1.0 point:	Higher factory start-up costs on 10nm
61.0 %	Q4'16 GAAP Gross Margin Outlook

Non-GAAP gross margin in the fourth quarter is expected to be 63%, plus or minus a couple of points, down 1.8 points from the third quarter.

Gross Margin Reconciliation [note: point attributions are approximate]:

64.8 %	Q3'16 Non-GAAP Gross Margin
-1.0 point:	Non-Volatile Memory Solutions Group
-1.0 point:	Higher factory start-up costs on 10nm
63.0 %	Q4'16 Non-GAAP Gross Margin Outlook

Spending

Spending for R&D and MG&A in the fourth quarter is expected to be approximately \$5.2B. This is up \$0.1B from the third quarter.

Depreciation is forecast to be approximately \$1.5B, flat to the third quarter.

Amortization of acquisition-related intangibles included in operating expenses is expected to be approximately \$40M, all of which is excluded on a non-GAAP basis.

Other Income Statement Items

Gains and losses from equity investments and interest and other income are expected to be a net loss of approximately \$100M, compared to a net loss of \$144M in the third quarter.

The tax rate for the fourth quarter is expected to be approximately 22%, flat to the third quarter.

2016 Outlook

The Outlook for full year 2016 does not include the potential impact of any business combinations, asset acquisitions, divestitures, strategic investments and other significant transactions that may be completed after October 18.

Balance Sheet and Cash Flow Items

Capital spending for 2016 is expected to be \$9.5B plus or minus \$500M, flat to previous expectations.

Restructuring and Other Charges Forecast

As a result of the restructuring and other charges associated with the transaction of the Intel Security Group that was announced in the third quarter, and increased severance costs associated with the restructuring program, we are increasing the restructuring and other charges forecast by \$700M to \$2.3B. Approximately \$1.8B has been realized to-date, with \$250M expected in the fourth quarter. The majority of the remaining restructuring and other charges will be realized between now and the middle of 2017.

Forward-Looking Statements

The above statements and any others in this document that refer to future plans and expectations are forward-looking statements that involve a number of risks and uncertainties. Words such as "anticipates," "expects," "intends," "goals," "plans," "believes," "seeks," "estimates," "continues," "may," "will," "should," and variations of such words and similar expressions are intended to identify such 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 important factors that could cause actual results to differ materially from the company's expectations.

- Demand for Intel's products is highly variable and could differ from expectations due to factors including changes in business and economic conditions; consumer confidence or income levels; the introduction, availability and market acceptance of Intel's products, products used together with Intel products and competitors' products; competitive and pricing pressures, including actions taken by competitors; supply constraints and other disruptions affecting customers; changes in customer order patterns including order cancellations; and changes in the level of inventory at customers.
 - Intel's 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; excess or obsolete inventory; changes in unit costs; defects or disruptions in the supply of materials or resources; and product manufacturing quality/yields. Variations in gross margin may also be caused by the timing of Intel product introductions and related expenses, including marketing expenses, and Intel's ability to respond quickly to technological developments and to introduce new products or incorporate new features into existing products, which may result in restructuring and asset impairment charges.
 - 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, fluctuations in currency exchange rates, and the United Kingdom referendum to withdraw from the European Union. Results may also be affected by the formal or informal imposition by countries of new or revised export and/or import and doing-business regulations, which could be changed without prior notice.
 - Intel operates in highly competitive industries and its operations have high costs that are either fixed or difficult to reduce in the short term.
 - The amount, timing and execution of Intel's stock repurchase program could be affected by changes in Intel's priorities for the use of cash, such as operational spending, capital spending, acquisitions, and as a result of changes to Intel's cash flows or changes in tax laws.
-

- Intel's expected tax rate is based on current tax law and current expected income and 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.
- Product defects or errata (deviations from published specifications) may adversely impact our expenses, revenues and reputation.
- Intel's results could be affected by litigation or regulatory matters involving intellectual property, stockholder, consumer, antitrust, disclosure and other issues. 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.
- Intel's results may be affected by factors that could cause the implementation of, and expected results from, the restructuring plan announced on April 19, 2016, to differ from Intel's expectations. A detailed description of risks associated with the restructuring plan and factors that could cause actual results of the restructuring plan to differ is set forth in the "Forward Looking Statements" section of Intel's press release entitled "Intel Announces Restructuring Initiative to Accelerate Transformation" dated April 19, 2016, which risk factors are incorporated by reference herein.
- Intel's results may be affected by the timing of closing of acquisitions, divestitures and other significant transactions. In addition, risks associated with our proposed transaction with TPG to collaborate to establish McAfee as an independent cybersecurity company are described in the "Forward Looking Statements" section of Intel's press release entitled "Intel and TPG to Collaborate to Establish McAfee as Leading Independent Cybersecurity Company Valued at \$4.2 Billion" dated September 7, 2016, which risk factors are incorporated by reference herein.

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 reports on Forms 10-K and 10-Q.

INTEL CORPORATION

EXPLANATION OF NON-GAAP MEASURES

In addition to disclosing financial results in accordance with U.S. generally accepted accounting principles (GAAP), this document contains references to the non-GAAP financial measures described below. We believe these non-GAAP financial measures provide investors with useful supplemental information about the financial performance of our business, enable comparison of financial results between periods where certain items may vary independent of business performance, and allow for greater transparency with respect to key metrics used by management in operating our business.

Our non-GAAP financial measures reflect adjustments based on the following items, as well as the related income tax effects. Income tax effects have been calculated using an appropriate tax rate. 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.

Acquisition-related adjustments: The non-GAAP financial measures disclosed by the company exclude certain business combination accounting adjustments and certain expenses related to acquisitions as follows:

- *Revenue and gross margin:* Non-GAAP financial measures exclude the impact of the deferred revenue write-down, amortization of acquisition-related intangible assets that impact cost of sales, and the inventory valuation adjustment.
 - *Deferred revenue write-down:* Sales to distributors are made under agreements allowing for subsequent price adjustments and returns and are deferred until the products are resold by the distributor. Business combination accounting principles require us to write down to fair value the deferred revenue assumed in our acquisitions as we have limited performance obligations associated with this deferred revenue. Our GAAP revenues and related cost of sales for the subsequent reselling by distributors to end customers after an acquisition do not reflect the full amounts that would have been reported if the acquired deferred revenue was not written down to fair value. The non-GAAP adjustments made in the first quarter of 2016 eliminate the effect of the deferred revenue write-down associated with our acquisition of Altera. We believe these adjustments are useful to investors as an additional means to reflect revenue and gross margin trends of our business.
 - *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 adjustments to our cost of sales in the first half of 2016 exclude the expected profit margin component that is recorded under business combination accounting principles associated with our acquisition of Altera. We believe the adjustments are useful to investors as an additional means to reflect cost of sales and gross margin trends of our business.
- *Amortization of acquisition-related intangible assets:* Amortization of acquisition-related intangible assets consists of amortization of intangibles assets such as developed technology, trade names, and customer relationships acquired in connection with business combinations. We record charges relating to the amortization of these intangibles within both cost of sales and operating expenses 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.
- *R&D plus MG&A spending:* Non-GAAP R&D plus MG&A spending excludes the impact of other charges associated with the acquisition of Altera, which primarily includes bankers fees, compensation-related costs, and valuation charges for Altera's stock based compensation incurred in the first quarter of 2016.

Restructuring and other charges: Restructuring charges are costs associated with a formal restructuring plan and are primarily related to employee severance and benefit arrangements. Other charges include asset impairments, pension charges, and costs associated with the Intel Security Group planned divestiture. We exclude restructuring and other charges, including any adjustments to charges recorded in prior periods, for purposes of calculating certain non-GAAP measures. We believe that these costs do not reflect our current operating performance. Consequently, our non-GAAP adjustments exclude these charges to facilitate an evaluation of our current operating performance and comparisons to our past operating performance.

Constant currency effect on revenue: Constant currency results assume foreign revenues are translated from foreign currencies to the U.S. dollar, net of the effect of foreign currency hedges, at rates consistent with those in the comparable period. We believe this is a useful metric that facilitates comparison to our historical performance for the Intel Security Group operating segment.

SUPPLEMENTAL RECONCILIATIONS OF GAAP OUTLOOK 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 Business 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.

(\$ in Millions)	Q4 2016 Outlook
GAAP Gross Margin Percentage	61% +/- a couple pct. pts.
Adjustment for amortization of acquisition-related intangibles	2%
Non-GAAP Gross Margin Percentage	63% +/- a couple pct. pts.
GAAP Amortization of acquisition-related intangibles in operating expenses	\$ 40 approximately
Adjustment for amortization of acquisition-related amortization	(40)
Non-GAAP Amortization of acquisition-related intangibles in operating expenses	\$ —
(\$ in Billions)	2016 Full-Year Outlook
GAAP Restructuring and other charges	\$ 2.0 approximately
Adjustment for restructuring and other charges	(2.0)
Non-GAAP Restructuring and other charges	\$ —

SUPPLEMENTAL RECONCILIATIONS OF GAAP ACTUALS TO NON-GAAP ACTUALS

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 reconciliations from GAAP to Non-GAAP actuals 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.

	Three Months Ended			Nine Months Ended	
	Oct 1, 2016	Jul 2, 2016	Sep 26, 2015	Oct 1, 2016	Sep 26, 2015
(\$ in Millions, except per share amounts)					
GAAP NET REVENUE	15,778	13,533	14,465	43,013	40,441
Deferred revenue write-down	—	—	—	99	—
NON-GAAP NET REVENUE	15,778	13,533	14,465	43,112	40,441
GAAP GROSS MARGIN	9,983	7,973	9,111	26,086	25,089
Deferred revenue write-down, net of cost of sales	—	—	—	64	—
Inventory valuation	—	161	—	387	—
Amortization of acquisition-related intangibles	235	235	76	705	271
NON-GAAP GROSS MARGIN	10,218	8,369	9,187	27,242	25,360
GAAP GROSS MARGIN PERCENTAGE	63.3%	58.9%	63.0%	60.6%	62.0%
Deferred revenue write-down, net of cost of sales	—%	—%	—%	—%	—%
Inventory valuation	—%	1.2%	—%	0.9%	—%
Amortization of acquisition-related intangibles	1.5%	1.7%	0.5%	1.7%	0.7%
NON-GAAP GROSS MARGIN PERCENTAGE	64.8%	61.8%	63.5%	63.2%	62.7%
GAAP R&D plus MG&A SPENDING	5,075	5,152	4,837	15,699	14,821
Other acquisition related charges	—	—	—	(100)	—
NON-GAAP R&D plus MG&A SPENDING	5,075	5,152	4,837	15,599	14,821
GAAP OPERATING INCOME	4,462	1,318	4,192	8,348	9,703
Deferred revenue write-down, net of cost of sales	—	—	—	64	—
Inventory valuation	—	161	—	387	—
Amortization of acquisition related intangibles	309	324	144	958	469
Restructuring and other charges	372	1,414	14	1,786	367
Other acquisition related charges	—	—	—	100	—
NON-GAAP OPERATING INCOME	5,143	3,217	4,350	11,643	10,539
GAAP NET INCOME	3,378	1,330	3,109	6,754	7,807
Deferred revenue write-down, net of cost of sales	—	—	—	64	—
Inventory valuation	—	161	—	387	—
Amortization of acquisition related intangibles	309	324	144	958	469
Restructuring and other charges	372	1,414	14	1,786	367
Other acquisition related charges	—	—	—	100	—
Income tax effect	(173)	(370)	(62)	(675)	(177)
NON-GAAP NET INCOME	3,886	2,859	3,205	9,374	8,466
GAAP DILUTED EARNINGS PER COMMON SHARE	0.69	0.27	0.64	1.39	1.59
Deferred revenue write down, net of cost of sales	—	—	—	0.01	—
Inventory valuation	—	0.03	—	0.08	—
Amortization of acquisition related intangibles	0.06	0.07	0.03	0.19	0.10
Restructuring and other charges	0.08	0.29	—	0.37	0.08
Other acquisition related charges	—	—	—	0.02	—
Income tax effect	(0.03)	(0.07)	(0.01)	(0.14)	(0.04)
NON-GAAP DILUTED EARNINGS PER COMMON SHARE	0.80	0.59	0.66	1.92	1.73

SUPPLEMENTAL RECONCILIATIONS OF CONSTANT CURRENCY

Set forth below is a reconciliation of our operating results for the Intel Security Group operating segment on a constant currency basis. This non-GAAP financial measure 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. 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.

Intel Security Group Operating Segment

(\$ in Millions)	Three Months Ended			Nine Months Ended		
	Oct 1, 2016	Sep 26, 2015	% Change	Oct 1, 2016	Sep 26, 2015	% Change
GAAP Net Revenue	537	506	6%	1,611	1,473	9%
Constant currency adjustment	(1)			11		
Non-GAAP Net Revenue, constant currency adjusted	\$ 536	\$ 506	6%	\$ 1,622	\$ 1,473	10%
GAAP Operating Income	115	97	19%	297	134	122%
Constant currency adjustment	(6)			(8)		
Non-GAAP Operating Income, constant currency adjusted	\$ 109	\$ 97	12%	\$ 289	\$ 134	116%