

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

/X/ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF  
THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED APRIL 2, 1994

OR

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF  
THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM TO .

COMMISSION FILE NUMBER 0-6217

INTEL CORPORATION  
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

<TABLE>

<S>	Delaware (STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION) 2200 Mission College Boulevard; Santa Clara, California (ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	<C>	94-1672743 (I.R.S. EMPLOYER IDENTIFICATION NO.) 95052-8119 (ZIP CODE)
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</TABLE>

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

N/A

(Former name, former address, and former fiscal year, if changed since last report.)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such requirements for the past 90 days. Yes X No

Shares outstanding of the Registrant's common stock  
as of April 2, 1994

<TABLE>

<S>	Class	<C>	Outstanding at April 2, 1994
	Common Stock, \$.001 par value		419.6 million

</TABLE>

PART I -- FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Intel Corporation  
Consolidated Condensed Statements of Income (unaudited)  
(in millions, except per share amounts)

<TABLE>

<CAPTION>

THREE MONTHS ENDED	
APR.	MAR.
2,	27,
1994	1993

<S>	<C>	<C>
Net revenues.....	\$2,660	\$2,023
Costs and expenses:		
Cost of sales.....	1,124	718
Research and development.....	265	224
Marketing, general and administrative.....	344	262
Operating costs and expenses.....	1,733	1,204
Operating income.....	927	819
Interest expense.....	(11)	(13)
Interest and other income, net.....	55	37
Income before provision for taxes.....	971	843
Provision for taxes.....	354	295
Net income.....	\$ 617	\$ 548
Earnings per common and common equivalent share.....	\$ 1.40	\$ 1.24
Cash dividends declared per common share.....	\$ 0.05	\$ 0.05
Weighted average number of common and common equivalent shares outstanding.....	442	443

</TABLE>

(See Notes to Consolidated Condensed Financial Statements.)

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PART I -- (continued)

ITEM 1. FINANCIAL STATEMENTS (CONTINUED)

Intel Corporation  
Consolidated Condensed Balance Sheets  
(in millions)

<TABLE>  
<CAPTION>

	APR. 2, 1994	DEC. 25, 1993
	(UNAUDITED)	
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 1,422	\$ 1,659
Short-term investments.....	1,465	1,477
Accounts receivable, net.....	1,531	1,448
Inventories:		
Raw materials.....	287	216
Work in process.....	402	321
Finished goods.....	300	301
	989	838
Deferred tax assets.....	321	310
Other current assets.....	92	70
Total current assets.....	5,820	5,802
Property, plant and equipment, at cost.....	6,774	6,313
Less: Accumulated depreciation.....	(2,479)	(2,317)
Property, plant and equipment, net.....	4,295	3,996
Long-term investments.....	1,636	1,416
Other assets.....	175	130
TOTAL ASSETS.....	\$11,926	\$11,344
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt.....	\$ 397	\$ 399
Long-term debt redeemable within one year.....	--	98
Accounts payable.....	524	427
Accrued compensation and benefits.....	339	544
Other accrued liabilities.....	386	374

Deferred income on shipments to distributors.....	223	200
Income taxes payable.....	492	391
	-----	-----
Total current liabilities.....	2,361	2,433
	-----	-----
Long-term debt.....	429	426
	-----	-----
Deferred tax liabilities.....	312	297
	-----	-----
Put warrants.....	682	688
	-----	-----
Stockholders' equity:		
Preferred stock.....	--	--
Common stock and Capital in excess of par value.....	2,253	2,194
Retained earnings.....	5,889	5,306
	-----	-----
Total stockholders' equity.....	8,142	7,500
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY.....	\$11,926	\$11,344
	-----	-----

</TABLE>

(See Notes to Consolidated Condensed Financial Statements.)

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PART I -- (continued)

ITEM 1. FINANCIAL STATEMENTS (CONTINUED)

Intel Corporation  
Consolidated Condensed Statements of Cash Flows (unaudited, in millions)

<TABLE>  
<CAPTION>

	THREE MONTHS ENDED	
	APR. 2, 1994	MAR. 27, 1993
	-----	-----
<S>	<C>	<C>
Cash flows provided by (used for) operating activities:		
Net income.....	\$ 617	\$ 548
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation.....	233	152
Net loss on retirements of property, plant and equipment.....	6	11
Amortization of debt discount.....	5	4
Change in deferred tax assets and liabilities.....	4	9
Changes in assets and liabilities:		
(Increase) in accounts receivable.....	(83)	(171)
(Increase) decrease in inventories.....	(151)	8
(Increase) in other assets.....	(67)	(67)
Increase in accounts payable.....	97	43
Decrease in accrued compensation and benefits.....	(205)	(121)
Increase in income taxes payable.....	101	51
Tax benefit from employee stock plans.....	16	20
Increase in other liabilities.....	35	44
	-----	-----
Total adjustments.....	(9)	(17)
	-----	-----
Net cash provided by operating activities.....	608	531
	-----	-----
Cash flows provided by (used for) investment activities:		
Additions to property, plant and equipment.....	(538)	(368)
Purchases of long-term, available-for-sale investments.....	(239)	(121)
Sales of available-for-sale investments.....	--	--
Other decrease (increase) in available-for-sale investments.....	31	(184)
	-----	-----
Net cash (used for) investment activities.....	(746)	(673)
	-----	-----
Cash flows provided by (used for) financing activities:		
(Decrease) in short-term debt, net.....	(4)	(24)
Additions to long-term debt.....	--	58
Retirement of long-term debt.....	(98)	--
Proceeds from sales of shares through employee stock plans and other.....	66	51
Proceeds from sale of Step-Up Warrants, net.....	--	287
Proceeds from sales of Put Warrants.....	10	--
Repurchase and retirement of common stock.....	(52)	--
Payment of dividends to stockholders.....	(21)	(21)
	-----	-----
Net cash (used for) provided by financing activities.....	(99)	351
	-----	-----

Net (decrease) increase in cash and cash equivalents.....	\$ (237)	\$ 209
	-----	-----
	-----	-----
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest.....	\$ 16	\$ 9
Income taxes.....	\$ 233	\$ 214

</TABLE>

Certain 1993 amounts have been reclassified to conform to the 1994 presentation.

(See Notes to Consolidated Condensed Financial Statements.)

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PART I -- (continued)

ITEM 1. FINANCIAL STATEMENTS (CONTINUED)

Intel Corporation, Notes to Consolidated Condensed Financial Statements

1. The accompanying interim consolidated condensed financial statements have been prepared in conformity with generally accepted accounting principles, consistent in all material respects with those applied in the Annual Report on Form 10-K for the year ended December 25, 1993. The interim financial information is unaudited, but reflects all normal adjustments which are, in the opinion of management, necessary to provide a fair statement of results for the interim periods presented.

2. Interest and other income includes (in millions):

<TABLE>  
<CAPTION>

	THREE MONTHS ENDED	
	APR. 2, 1994	MAR. 27, 1993
	-----	-----
<S>	<C>	<C>
Interest income.....	\$52	\$ 35
Foreign currency gains.....	4	1
Other income (loss).....	(1)	1
	-----	---
Total.....	\$55	\$ 37
	-----	---
	-----	---

</TABLE>

3. Earnings per common and common equivalent share as presented on the face of the statements of income represent primary earnings per share. Dual presentation of primary and fully diluted earnings per share has not been made because the differences are insignificant.

4. In Q1 1994, the Company adopted accounting for investments pursuant to Statement of Financial Accounting Standards (FAS) No. 115, effective as of the beginning of fiscal 1994. This adoption had no effect on the Company's financial statements. Under FAS 115, all of the Company's Short-and Long-term Investments are classified as available-for-sale as of the balance sheet date and are reported at cost, which approximates fair value. Debt securities either have a short period of time to maturity, are at floating rates, or are swapped to floating rates with interest rate swaps. Equity securities are either fully hedged or have no material unrealized gains or losses. Gross unrealized gains and losses for the portfolio as a whole are also not material.

5. On March 15, 1994, the Company called all of its outstanding 8-1/8% notes, which were due in 1997. The principal amount of the repurchased notes was \$98 million.

6. In 1990, the Board of Directors authorized the repurchase of up to 40 million shares of the Company's Common Stock in open market or negotiated transactions. The Company repurchased and retired 6.4 million and 7.3 million shares in 1990 and 1993, respectively. During the first quarter of 1994, the Company repurchased and retired an additional 820,000 shares at a cost of \$52 million. As of April 2, 1994, after reserving shares to cover outstanding put warrants, approximately 11.2 million shares remained available for repurchase under the authorization. (Refer to Item 1, Management's Discussion and Analysis of Financial Condition and Results of Operations, for subsequent activity).

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PART I -- (CONTINUED)

ITEM 1. FINANCIAL STATEMENTS (CONTINUED)

7. In a series of private placements in 1991, 1992, 1993 and 1994, the Company sold put warrants that entitle the holder of each warrant to sell one share of Common Stock to the Company, at a specified price, if the holder exercises the warrant. Activity during Q1 1994 is summarized as follows:

<TABLE>  
<CAPTION>

(IN MILLIONS)	CUMULATIVE PROCEEDS RECEIVED	PUT WARRANTS OUTSTANDING	
		NUMBER OF WARRANTS	POTENTIAL OBLIGATION
<S>	<C>	<C>	<C>
December 25, 1993.....	\$118	14.8	\$688
Sales.....	10	1.5	92
Expirations.....	--	(2.0)	(98)
April 2, 1994.....	\$128	14.3	\$682

</TABLE>

The amount related to the Company's potential buyback obligation has been reclassified from Stockholders' Equity and recorded as Put Warrants. The 14.3 million put warrants outstanding at April 2, 1994 expire on various dates between April 1994 and February 1995 and have exercise prices ranging from \$31.50 to \$65.00 per share. There is no dilutive effect on earnings per share for the periods presented. (Refer to Item 1, Management's Discussion and Analysis of Financial Condition and Results of Operations, for subsequent activity).

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## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### RESULTS OF OPERATIONS -- FIRST QUARTER OF 1994 COMPARED TO FIRST QUARTER OF 1993

Intel Corporation set new records for both revenues and net income in Q1 1994 -- the seventh consecutive quarter in which it has done so. Q1 1994 revenues of \$2.66 billion were 31% higher than in the same period one year ago. Higher volumes of advanced microprocessors, particularly the IntelDX2(TM) and Pentium(TM) processors, drove most of the overall growth. These increased volumes were partially offset by lower average selling prices for the Intel486(TM) microprocessor family following a normal price maturity curve. Higher sales of integrated products, including branded products and microprocessor boards, flash memory, and embedded controllers also contributed to the increase in revenues, while sales of the Intel386(TM) CPU family of microprocessors declined.

Cost of sales grew faster than revenues, increasing by \$406 million, or 57%. Higher product volumes, including a greater proportion of flash memory and integrated products in the product mix, and increased factory start-up costs related to new microprocessor production processes were the primary factors in this growth. As a result of the mix change and the typically lower yields and higher costs associated with ramping new factory production processes, gross margin declined from 65% to 58%.

Sales of the Intel486 CPU family of microprocessors continue to comprise a majority of the Company's revenues and a substantial majority of its gross margin.

Research and development expenses and marketing and administrative expenses rose by a combined \$123 million, or 25%, between these periods. Personnel related spending, including headcount and profit dependent expenses, and expenditures for microprocessor development and advertising programs accounted for most of this growth.

Interest and other income increased by \$18 million, largely because of higher investment balances and rates in Q1 1994 compared to the year-earlier period. Interest expense decreased slightly over this period.

The provision for taxes grew by \$59 million, mainly due to greater pretax income and, to a lesser extent, an increase in the effective tax rate from 35.0% for Q1 1993 to 36.5% for Q1 1994. The higher rate for 1994 is the result of changes in the federal tax law and the diminishing impact of certain tax benefits.

Fiscal 1994 is a 53-week year for Intel. Q1 1994 was 14 weeks long, compared to 13 weeks in Q1 1993. The additional week had no significant effect on the Company's results of operations.

## FINANCIAL CONDITION

The Company's financial condition remains strong. As of April 2, 1994, total cash and short-and long-term investments were essentially unchanged from the end of 1993. In addition to a \$4.52 billion portfolio of cash and investments, the Company's sources of liquidity include credit lines and commercial paper borrowing arrangements that exceed \$1.5 billion in the aggregate. The Company also retains the authority to issue an aggregate of approximately \$1.4 billion in debt, equity and other securities under a consolidated SEC shelf registration filed in 1993.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

FINANCIAL CONDITION, CONTINUED

The Company funded most of its investment needs during Q1 1994 with cash generated from operations, which totaled \$608 million for the quarter.

The Company invested \$538 million in Q1 1994, as part of a planned 1994 budget of \$2.4 billion, for property, plant and equipment. Most of this spending was directed toward increased capacity and new production processes for microprocessor manufacturing.

Financing activities during the first quarter of 1994 included the redemption of \$98 million in long-term notes. In addition, as part of the ongoing stock repurchase program authorized by the Board of Directors, the Company bought back 820,000 shares in Q1 1994 at an aggregate cost of \$52 million. The Company also sold 1.5 million put warrants in private placements during the quarter, receiving proceeds of \$10 million, while 2.0 million put warrants expired unexercised.

Subsequent to the end of Q1 1994, the Company engaged in more stock repurchase activity, buying back 6.3 million shares of stock at a total cost of \$376 million and selling 9.0 million put warrants for proceeds of \$56 million. An additional 10.0 million put warrants expired unexercised. The Company had a potential put warrant obligation of \$756 million as of May 12, 1994 to repurchase 13.3 million shares. As of May 12, 1994, 5.9 million shares remained available for repurchase under the authorization, after reserving shares to cover outstanding put warrants.

Cash flow from operations and available sources of liquidity are expected to be sufficient for planned capital expenditure programs, working capital requirements, and quarterly cash dividend payouts. The Board of Directors recently declared a quarterly dividend of \$0.06 payable September 1, 1994, representing an increase of \$0.01 compared to the previous rate.

OUTLOOK

Future trends for revenue and profitability continue to be difficult to predict, despite the strong financial results described in this report. Risks and uncertainties facing the Company include business conditions and growth in the personal computer industry and the general economy; competitive factors, including rival chip architectures, imitators of the Company's key microprocessors, and price pressures for standard semiconductors and integrated products; manufacturing capacity and the continued availability of subcontractor-supplied memory products; and ongoing litigation involving Intel intellectual property.

The Company continues to believe that its Intel486 microprocessor family will follow a normal price maturity curve, but some distortion could occur if imitation products enter the market in significant volume or alternative architectures gain market acceptance. The Company's challenging goal is to ship 6-7 million Pentium processors in 1994; however, achieving this will be dependent upon a number of business factors including a rapid manufacturing ramp, availability of related peripheral chips, strong market demand, and microprocessor product mix.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

OUTLOOK, CONTINUED

In February 1994, the Company dismissed certain patent infringement claims against Cyrix Corporation relating to Intel's '338 patent, and granted Cyrix certain licenses. Cyrix dismissed its antitrust claims against the Company. Remaining issues include: (1) whether IBM can provide patent immunity to Cyrix under the terms of the Intel/IBM patent cross license when it provides foundry services to Cyrix; and (2) whether SGS-Thompson can use its affiliates to provide patent immunity under the Intel/SGS-Thompson cross license when those affiliates provide foundry services to Cyrix. IBM also announced its intent to manufacture and sell on the open market the Cyrix-designed imitations.

The Company plans to invest \$2.4 billion for property, plant and equipment in 1994 and recently announced plans for a new fabrication facility in Arizona, spending for which will occur primarily after 1994. Spending on strategic marketing and technology development programs, which the Company considers vital to continued success, is also expected to remain at high levels in upcoming quarters. An ongoing Pentium processor marketing and advertising campaign, which was begun in Q1 1994, will contribute to expected higher marketing and general and administrative spending during Q2 1994.

Factory start-up costs and a strategically desirable broadening of the Company's manufacturing mix to include more non-microprocessor products has caused the Company's gross margin percentage to trend downward in recent quarters. These factors are likely to continue to affect gross margin in the near term.

Intel believes that it has the product offerings and competitive resources needed for continued success, but revenue and profitability trends cannot be precisely determined at this time.

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PART II -- OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

A. Litigation

Reference is made to Item 3, Legal Proceedings, in the Registrant's Annual Report on Form 10-K for the year ended December 25, 1993 for a description of the following proceeding:

Intel v. Advanced Micro Devices, Inc. ("AMD")  
U.S. District Court for the Northern District of California  
(C92-20039, C93-20301) -- Intel1386(TM)/Intel1486(TM) Copyright Infringement Suit

A trial on the in-circuit-emulation microcode contained on Intel1386 and Intel1486 microprocessors is expected in May 1994.

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PART II -- OTHER INFORMATION, continued

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

<TABLE>

<S> <C>

(a) Exhibits

- 10.2 Intel Corporation 1984 Stock Option Plan, as amended and restated.
  - 10.6 Intel Corporation 1988 Stock Option Plan, as amended and restated.
  - 11.1 Statement re: computation of earnings per share.
  - 12.1 Statement setting forth the computation of ratios of earnings to fixed charges.
- (b) Reports on Form 8-K.

</TABLE>

No reports on Form 8-K were filed with the Securities and Exchange Commission during the quarter ended April 2, 1994.

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SIGNATURES

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

INTEL CORPORATION  
(Registrant)

Date: May 12, 1994

By: /s/ ANDY D. BRYANT  
Andy D. Bryant  
Vice President and  
Chief Financial and  
Principal Accounting Officer

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INTEL CORPORATION  
1984 STOCK OPTION PLAN  
(Amended and Restated Effective May 4, 1994)

1. PURPOSE

The purpose of this amended and restated Intel Corporation 1984 Stock Option Plan (the "Plan") is to advance the interests of Intel Corporation, a Delaware corporation and its subsidiaries (hereinafter collectively "Intel" or the "Corporation"), by stimulating the efforts of key employees on behalf of Intel, heightening the desire of key employees to continue in employment with Intel, assisting Intel in competing effectively with other enterprises for the services of new employees necessary for the continued improvement of operations, and to attract and retain the best available personnel for service as directors of the Corporation. This amended and restated Plan (a) permits the grant of incentive stock options as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), as well as options which are not incentive stock options pursuant to Code Section 422, (b) extends the term of the Plan, (c) changes the provisions for the grant of options to non-employee directors, (d) adds an individual grant limitation required by Code Section 162(m) for option income for certain individuals to be tax deductible by the Corporation and (e) makes certain additional changes.

2. DEFINITIONS

- (a) "Board of Directors" means the Board of Directors of the Corporation.
- (b) "Committee" means the Stock Option Committee appointed by the Board of Directors from among its members.
- (c) "Disablement" means a physical condition arising from an illness or injury which renders an individual incapable of performing work. The determination of the Committee as to an individual's Disablement shall be made in accordance with the standards and procedures of the Corporation's then-current Long Term Disability Plan and shall be conclusive on all of the parties.
- (d) "Plan" means the Intel 1984 Stock Option Plan, as amended and restated herein.
- (e) "Retirement" means retirement from active employment with Intel at or after age 60. The determination of the Committee as to an individual's Retirement shall be conclusive on all parties.
- (f) "Subsidiary" means any corporation (other than the Corporation) in an unbroken chain of corporations beginning with the Corporation where each of the corporations in the unbroken chain other than the last corporation owns stock possessing 50 percent or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

3. PARTICIPANTS

"Participants" in the Plan shall be those key Intel employees to whom options may be granted from time to time by the Committee. Participants shall also include non-employee directors of the Corporation to whom options are granted in accordance with Section 6. No option shall be granted to any person if immediately after the grant of such option such person would own stock, including stock subject to outstanding options held by him or her, amounting to more than five percent (5%) of the total combined voting power or value of all classes of stock of the Corporation or any Subsidiary.

4. EFFECTIVE DATE AND TERMINATION OF PLAN

This amended and restated Plan was adopted by the Board of Directors on January 19, 1994, was approved by the stockholders on May 4, 1994, and became effective on May 4, 1994. The Plan shall terminate when all shares of stock subject to options granted under this Plan shall have been acquired through exercise of such options or on May 3, 2004, whichever is earlier or at such earlier time as the Board of Directors may determine. Termination of the Plan will not affect the rights and obligations arising under options theretofore granted and then in effect.

5. SHARES SUBJECT TO THE PLAN AND TO OPTIONS

The stock subject to options authorized to be granted under the Plan shall consist of 85,000,000 shares of the Corporation's common stock, \$.001 par value, or the number and kind of shares of stock or other securities which shall be substituted or adjusted for such shares as provided in Section 7. Such shares may be authorized and unissued shares of the Corporation's common stock. All or any shares of stock subject to an option which for any reason

terminates unexercised may again be made subject to an option under the Plan.

#### 6. GRANT, TERMS AND CONDITIONS OF OPTIONS

Options may be granted at any time and from time to time prior to the termination of the Plan to those key employees of Intel who, in the Committee's judgment, are largely responsible through their judgment, interest, ability and special efforts for the successful conduct of Intel's operations. However, no Participant shall be granted options in any year to purchase a number of shares of the Corporation's common stock in excess of one percent (1%) of the number of shares of the Corporation's common stock outstanding on January 1, 1994.

S0019C/3-18-94

2.

Options will be granted to non-employee directors as follows: Each new non-employee director will receive an initial grant of 5,000 shares at the time of his or her appointment to the position of director and each re-elected non-employee director will receive annual grants of 5,000 shares on the date of the commencement of the regular annual stockholders' meeting. The Committee will have no discretion to select which non-employee directors will be granted options or to determine the number of option shares, price, vesting schedule or any other term of the options granted to non-employee directors. All options granted to non-employee directors will be non-qualified stock options.

No Participant shall have any rights as a stockholder with respect to any shares of stock subject to option hereunder until said shares have been issued. Each option shall be evidenced by a written stock option agreement which will expressly identify the option as an incentive stock option or as a non-qualified stock option. Furthermore, the grant of an incentive option pursuant to this Plan shall in no way be construed as an alternative to the right of an optionee to purchase stock pursuant to any present or future grant of a non-qualified option under any of Intel's current or future stock option plans. Options granted pursuant to the Plan need not be identical but each option is subject to the terms of the Plan and must contain and be subject to the following terms and conditions:

- (a) Price: The purchase price under each option granted to employees shall be established by the Committee. In no event will the option price be less than 100% of the fair market value of the stock on the date of grant. The option price must be paid in full at the time of the exercise. The price may be paid in cash, cash equivalents or secured notes acceptable to the Committee, by arrangement with a broker which is acceptable to the Committee where payment of the option price is made pursuant to an irrevocable direction to the broker to deliver all or part of the proceeds from the sale of the option shares to the Corporation, by the surrender of shares of common stock owned by the optionee exercising the option and having a fair market value on the date of exercise equal to the option price or in any combination of the foregoing.
- (b) Duration and Exercise or Termination of Option: Each option granted to an employee shall be exercisable in such manner and at such times as the Committee shall determine. Each option granted must expire within a period of ten (10) years from the grant date. An employee's stock option agreement may provide for accelerated exercisability in the event of the employee's death, Disablement or Retirement or other events in accordance with policies established by the Committee and may provide for expiration prior to the end of its terms in the event of the termination of the employee's service.

Each 5,000 share option granted to a non-employee director will become exercisable beginning one year from the date of the annual meeting of stockholders on which date the options were granted. If a non-employee director is elected by the Board of Directors to begin serving as director on a date not coincident with an annual meeting date, that director will be granted the initial 5,000 share option as of the date of the first meeting at which he or she serves as director; however, his options

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3.

will become first exercisable beginning one year from the date of the annual meeting at which he is first elected by the stockholders and he or she will not receive an additional grant of options upon his first election to the Board by the stockholders.

- (c) Suspension or Termination of Option: If the Director of Personnel of

the Corporation or his designee reasonably believes that a Participant other than a non-employee director has committed an act of misconduct as described in this Section, the Director of Personnel may suspend the Participant's rights to exercise any option pending a determination by the Board of Directors. If the Board of Directors determines a Participant other than a non-employee director has committed an act of embezzlement, fraud, dishonesty, nonpayment of any obligation owed to Intel, breach of fiduciary duty or deliberate disregard of Intel rules resulting in loss, damage or injury to Intel, or if a Participant makes an unauthorized disclosure of any Intel trade secret or confidential information, engages in any conduct constituting unfair competition, induces any Intel customer to breach a contract with Intel or induces any principal for whom Intel acts as agent to terminate such agency relationship, neither the Participant nor his or her estate shall be entitled to exercise any option whatsoever. In making such determination, the Board of Directors shall act fairly and shall give the Participant an opportunity to appear and present evidence on his or her behalf at a hearing before a committee of the Board of Directors. For any Participant who is an "executive officer" for purposes of Section 16 of the Securities Exchange Act of 1934, the determination of the Board of Directors shall be subject to the approval of the Committee.

- (d) Termination of Non-Employee Director's Service: Subject to Section 6.(b), upon the termination of the Participant's service as a non-employee director, his or her rights to exercise an option then held shall be only as follows:
- (1) Death. Upon the death of a non-employee director while in service as a non-employee director of Intel, the non-employee director's rights will be exercisable by his or her estate or beneficiary at any time during the twelve (12) months next succeeding the date of death. The number of shares exercisable by the estate or beneficiary will be the total number of unexercised shares under the non-employee director's option on the date of his or her death. If a non-employee director should die within thirty (30) days of his or her termination of service as a non-employee director with Intel, an option will be exercisable by his or her estate or beneficiary at any time during the twelve (12) months succeeding the date of termination, but only to the extent of the number of shares as to which such option was exercisable as of the date of such termination. A non-employee director's estate shall mean his or her legal representative or other person who so acquires the right to exercise the option.
  - (2) Disablement. Upon the Disablement of a non-employee director, any option which he or she holds, whether or not then exercisable, may be exercised after the date of the Disablement within twelve (12) months.

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4.

- (3) Retirement. Upon Retirement of a non-employee director, the non-employee director's rights to non-qualified stock options may be exercised for a period of twelve (12) months after Retirement.
  - (4) Other Reasons. Upon termination of a non-employee director's service as a non-employee director for any reason other than those stated above, the non-employee director may, within ninety (90) days following such termination exercise the option to the extent such option was exercisable on the date of termination.
- (e) Transferability of Option: Each option shall be transferable only by will or the laws of descent and distribution and shall only be exercisable by the Participant during his or her lifetime.
- (f) Modification or Assumption of Options: The Committee may modify, extend or assume outstanding options (whether granted by Intel or by another issuer) in return for the grant of new options for the same or a different number of shares and at the same or a different exercise price.
- (g) Other Terms and Conditions: Options may also contain such other provisions, which shall not be inconsistent with any of the foregoing terms, as the Committee shall deem appropriate. No option, however, nor anything contained in the Plan shall confer upon any Participant any right to continue in Intel's employ or service nor limit in any way Intel's right to terminate his or her employment or service at any time.

#### 7. ADJUSTMENT OF AND CHANGES IN THE STOCK

- (a) In the event that the shares of common stock of the Corporation shall be changed into or exchanged for a different number or kind of shares of stock or other securities of the Corporation or of another corporation

(whether by reason of merger, consolidation, recapitalization, reclassification, split-up, combination of shares, or otherwise), or if the number of shares of common stock of the Corporation shall be increased through a stock split or the payment of a stock dividend, then there shall be substituted for or added to each share of common stock of the Corporation theretofore appropriated or thereafter subject or which may become subject to an option under the Plan, the number and kind of shares of stock or other securities into which each outstanding share of common stock of the Corporation shall so be changed, or for which each such share shall be exchanged, or to which each such share shall be entitled, as the case may be. Outstanding options shall also be amended as to price and other terms if necessary to reflect the foregoing events. In the event there shall be any other change in the number or kind of the outstanding shares of common stock of the Corporation, or any stock or other securities into which such common stock shall have been changed, or for which it shall have been exchanged, then if the Committee shall, in its sole discretion, determine that such change equitably requires an adjustment in any

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option theretofore granted or which may be granted under the Plan, such adjustment shall be made in accordance with such determination.

- (b) No right to purchase fractional shares shall result from any adjustment in options pursuant to this Section 7. In case of any such adjustment, the shares subject to the option shall be rounded down to the nearest whole share. Notice of any adjustment shall be given by the Corporation to each Participant which shall have been so adjusted and such adjustment (whether or not notice is given) shall be effective and binding for all purposes of the Plan.
- (c) Any other provision hereof to the contrary notwithstanding (except Section 6.(b)) in the event Intel is a party to a merger or other reorganization, outstanding options shall be subject to the agreement of merger or reorganization. Such agreement may provide, without limitation, for the assumption of outstanding options by the surviving corporation or its parent, for their continuation by Intel (if Intel is a surviving corporation), for accelerated vesting and accelerated expiration, or for settlement in cash.

#### 8. LISTING OR QUALIFICATION OF STOCK

In the event that the Board of Directors determines in its discretion that the listing or qualification of the Plan shares on any securities exchange or under any applicable law or governmental regulation is necessary as a condition to the issuance of such shares under the option, the option may not be exercised in whole or in part unless such listing, qualification, consent or approval has been unconditionally obtained.

#### 9. AGREEMENT TO SERVE

Each Participant shall agree that he or she will remain in Intel's employ or service as a non-employee director for at least one year from the option grant date. Such provision does not affect Intel's right to terminate a Participant's employment or service as a non-employee director at any time or for any reason.

#### 10. ADMINISTRATION AND AMENDMENT OF THE PLAN

The Plan shall be administered by the Committee. The Committee shall consist of two or more disinterested directors of Intel, who shall be appointed by the Board of Directors. The Board shall fill vacancies and may from time to time remove or add members. All members of the Committee will be disinterested persons as defined in Rule 16b-3 under the Exchange Act. A non-employee director shall not fail to be "disinterested" solely because he or she receives the grants described in Section 6. The Board of Directors may also appoint one or more separate committees of the Board of Directors, each composed of one or more directors of Intel who need not be disinterested, who may administer the Plan with respect to employees who are not executive officers or directors of Intel, may grant options under the Plan to such employees and may determine all terms of such options. The Board of Directors may amend or terminate the Plan as desired, without

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further action by the Corporation's stockholders except to the extent required by applicable law.

Notwithstanding the above, the provisions of Section 6 relating to non-employee directors may not be amended more than once every six months, except to comply with changes to the Code or the rules thereunder.

11. TIME OF GRANTING OPTIONS

The effective date of each option granted hereunder shall be the date on which the grant was made. Within a reasonable time thereafter, Intel will execute and deliver a written option agreement to the Participant.

12. WITHHOLDING

To the extent required by applicable federal, state, local or foreign law, a Participant shall make arrangements satisfactory to the Corporation for the satisfaction of any withholding tax obligations that arise by reason of an option exercise or any sale of shares. The Corporation shall not be required to issue shares until such obligations are satisfied. The Committee may permit these obligations to be satisfied by having the Corporation withhold a portion of the shares of stock that otherwise would be issued to him or her upon exercise of the option, or to the extent permitted, by tendering shares previously acquired.

INTEL CORPORATION  
1988 EXECUTIVE LONG TERM  
STOCK OPTION PLAN  
(Amended and Restated effective as of May 4, 1994)

1. PURPOSE

The purpose of this amended and restated Intel Corporation 1988 Executive Long Term Stock Option Plan (the "Plan") is to advance the interests of Intel Corporation, a Delaware corporation and its subsidiaries (hereinafter collectively "Intel" or the "Corporation"), by stimulating the efforts of certain key officers employed by Intel and heightening the desire of such key officers to continue in employment with Intel. The stock options granted pursuant to this Plan are non-qualified stock options and shall not be incentive stock options, as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"). This amended and restated Plan includes the individual grant limitations required by Section 162(m) of the Code for the option income of certain individuals to be tax deductible by the Corporation and makes certain changes regarding the administration and amendment of the Plan.

2. DEFINITIONS

- (a) "Board of Directors" means the Board of Directors of the Corporation.
- (b) "Committee" means the Stock Option Committee appointed by the Board of Directors in accordance with Section 11.
- (c) "Disablement" means a physical condition arising from an illness or injury which renders an individual incapable of performing work. The determination of the Committee as to an individual's Disablement shall be made in accordance with the standards and procedures of the Corporation's then-current Long Term Disability Plan and shall be conclusive on all of the parties.
- (d) "Plan" means the Intel Corporation 1988 Executive Long Term Stock Option Plan, as amended and restated herein.
- (e) "Retirement" means retirement from active employment with Intel (i) at or after age 55 and with the approval of the Committee or (ii) at or after age 65. The determination of the Committee as to an individual's Retirement shall be conclusive on all parties.
- (f) "Subsidiary" means any corporation (other than the Corporation) in an unbroken chain of corporations beginning with the Corporation where each of the corporations in the unbroken chain other than the last corporation owns stock possessing 50 percent or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

3. PARTICIPANTS

"Participants" in the Plan shall be those key officers who have been employed by Intel for at least two years and to whom options may be granted from time to time by the Committee.

No option shall be granted to any employee if immediately after the grant of such option such employee would own stock, including stock subject to outstanding options held by him or her, amounting to more than five percent (5%) of the total combined voting power or value of all classes of stock of the Corporation or any Subsidiary. Options may not be granted to non-employee directors or members of the Committee.

4. EFFECTIVE DATE AND TERMINATION OF PLAN

This amended and restated Plan was adopted by the Board of Directors on January 19, 1994 and is effective upon its approval by the Corporation's stockholders on May 4, 1994.

The Plan shall continue in effect until all shares of stock available for grant under this Plan shall have been acquired through exercise of options or until September 19, 1998 whichever is earlier. The Plan may be terminated at such earlier time as the Board of Directors may determine. Termination of the Plan will not affect the rights and obligations arising under options theretofore granted and then in effect.

5. SHARES SUBJECT TO THE PLAN AND TO OPTIONS

The stock subject to options authorized to be granted under the Plan shall consist of 10,000,000 shares of the Corporation's common stock, par value \$.001, or the number and kind of shares of stock or other securities which shall be substituted or adjusted for such shares as provided in Section 8.

Such shares may be authorized and unissued shares of the Corporation's common stock. All or any shares of stock subject to an option which for any reason terminates unexercised may again be made subject to an option under the Plan.

#### 6. GRANT, TERMS AND CONDITIONS OF OPTIONS

Options may be granted at any time and from time to time prior to the termination of the Plan, to certain key officers of Intel selected by the Committee. However, no Participant shall be granted options in any year, to purchase shares of common stock in excess of one percent (1%) of the number of shares of the Corporation's common stock outstanding on January 1, 1994. In addition, no Participant shall have any rights as a stockholder with

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respect to any shares of stock subject to option hereunder until said shares have been issued. Each option shall be evidenced by a written stock option agreement. Options granted pursuant to the Plan need not be identical but each option must contain and be subject to the following terms and conditions:

- (a) Price: The purchase price under each option shall be established by the Committee. In no event will the option price be less than the fair market value of the stock on the date of grant. The option price must be paid in full at the time of exercise. The price may be paid in cash or, as acceptable to the Committee, by loan (as described in Section 7), by arrangement with a broker where payment of the option price is made pursuant to an irrevocable direction to the broker to deliver all or part of the proceeds from the sale of the option shares to the Corporation, by the surrender of shares of Intel common stock owned by the Participant exercising the option and having a fair market value on the date of exercise equal to the option price or in any combination of the foregoing.
- (b) Duration and Exercise or Termination of Option: Each option shall be exercisable in such manner and at such times as the Committee shall determine. However, each option granted must expire within a period of not more than ten (10) years from the grant date.
- (c) Suspension or Termination of Option: If the Director of Personnel of the Corporation or his designee reasonably believes that a Participant has committed an act of misconduct as described in this Section, the Director of Personnel may suspend the Participant's rights to exercise any option pending a determination by the Board of Directors.

If the Board of Directors determines a Participant has committed an act of embezzlement, fraud, dishonesty, nonpayment of any obligation owed to Intel, breach of fiduciary duty or deliberate disregard of Intel rules resulting in loss, damage or injury to Intel, or if a Participant makes an unauthorized disclosure of any Intel trade secret or confidential information, engages in any conduct constituting unfair competition, induces any Intel customer to breach a contract with Intel or induces any principal for whom Intel acts as agent to terminate such agency relationship, neither the Participant nor his or her estate shall be entitled to exercise any option whatsoever. In making such determination, the Board of Directors shall act fairly and shall give the Participant an opportunity to appear and present evidence on his or her behalf at a hearing before a committee of the Board of Directors. For any Participant who is an "executive officer" for purposes of Section 16 of the Securities Exchange Act of 1934, the determination of the Board of Directors shall be subject to the approval of the Committee.

- (d) Termination of Employment: Subject to Section 6.(b), upon the termination of the Participant's employment, his or her rights to exercise an option then held shall be only as follows:

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- (1) Death. Upon the death of a Participant while in employ of Intel, the Participant's rights will be exercisable by his or her estate or beneficiary at any time during the twelve (12) months next succeeding the date of death.

If the Participant's option has been held by the Participant for a minimum of four (4) years at the time of death, then the number of shares exercisable by the estate or beneficiary of the deceased Participant will be the total number of unexercised shares, whether or not exercisable, under such option on the date of the Participant's

death. If the Participant's option has been held for a period of less than four (4) years at the time of death, then the number of shares exercisable by the estate or beneficiary of the deceased Participant will be the total number of shares which were exercisable under such option on the date of the Participant's death.

If a Participant should die within thirty (30) days of his or her termination of employment with Intel, an option will be exercisable by his or her estate or beneficiary at any time during the twelve (12) months succeeding the date of termination, but only to the extent of the number of shares as to which such option was exercisable as of the date of such termination. A Participant's estate shall mean his or her legal representative or other person who so acquires the right to exercise the option.

- (2) **Disablement.** Upon the Disablement of any Participant, the Participant's rights to options may be exercised for a period of twelve (12) months after termination. If the Participant's option has been held for a minimum of four (4) years, then the number of shares exercisable by the Participant will be the total number of unexercised shares, whether or not exercisable, under such option on the date of the Participant's termination. If the Participant's option has been held for a period of less than four (4) years, then the number of shares exercisable by the Participant will be the total number of shares which were exercisable under such option on the date of the Participant's termination.
- (3) **Retirement.** Upon Retirement of a Participant, the Participant's rights to options may be exercised for a period of twelve (12) months after Retirement. The number of shares exercisable will be the total number of shares which were exercisable under the Participant's option on the date of his or her Retirement.
- (4) **Other Reasons.** Upon termination of a Participant's employment for any reason other than those stated above, a Participant may, within thirty (30) days following such termination exercise the option to the extent such option was exercisable on the date of termination.

For purposes of this Section 6.(d), a Participant's employment shall not be deemed terminated (i) if, within sixty (60) days such Participant is rehired by Intel, (ii) if

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Participant is transferred from the Corporation to any Subsidiary or from any one Subsidiary to another or from a Subsidiary to the Corporation, or (iii) at the discretion of the Committee, during any period of a Participant's leave of absence, provided that the Committee may delay the Participant's rights to exercise options as a result of such leave of absence. In addition, a Participant's employment with any partnership, joint venture or corporation not meeting the requirements of a Subsidiary in which the Corporation or a Subsidiary is a party and which is designated by the Committee as subject to this provision, shall be considered employment for purposes of this Section 6.(d).

- (e) **Transferability of Option:** Each option shall be transferable only by will or the laws of descent and distribution and shall only be exercisable by the Participant during his or her lifetime.
- (f) **Cancellation:** The Committee may, at any time prior to exercise and subject to consent of the Participant, cancel any options previously granted and may or may not substitute in their place options at a different price and different type under different terms or in different amounts.
- (g) **Other Terms and Conditions:** Options may also contain such other provisions, which shall not be inconsistent with any of the foregoing terms, as the Committee shall deem appropriate. No option, however, nor anything contained in the Plan shall confer upon any Participant any right to continue in Intel's employ or service nor limit in any way Intel's right to terminate his or her employment at any time.

## 7. LOANS

The Corporation may make loans, at the request of the Participant and in the sole discretion of the Board or its Committee, for the purpose of enabling the Participant to exercise options granted under the Plan and to pay the tax liability resulting from an option exercise under the Plan. The Board or its Committee shall have full authority to determine the terms and conditions of such loans. Such loans may be secured by the shares received upon exercise of such option.

#### 8. ADJUSTMENT OF AND CHANGES IN THE STOCK

In the event that the number of shares of common stock of the Corporation shall be increased or decreased through reclassification, combination of shares, a stock split or the payment of a stock dividend, then each share of common stock of the Corporation which has been authorized for issuance under the Plan, whether such share is then currently subject to or may become subject to an option under the Plan, shall be proportionately adjusted to reflect such increase or decrease. Outstanding options shall also be amended as to price and other terms if necessary to reflect the foregoing events.

In the event there shall be any other change in the number or kind of the outstanding shares of common stock of the Corporation, or any stock or other securities into which

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such common stock shall have been changed, or for which it shall have been exchanged, whether by reason of merger, consolidation or otherwise, then if the Committee shall, in its sole discretion, determine that such change equitably requires an adjustment to shares currently subject to options or which may become subject to options under the Plan, or to prices or terms of outstanding options, such adjustment shall be made in accordance with such determination. In addition, in the event of such change described in this paragraph, the Board of Directors may accelerate the time or times at which any option may be exercised and may provide for cancellation of such accelerated options which are not exercised within a time prescribed by the Board of Directors in its sole discretion.

No right to purchase fractional shares shall result from any adjustment in options pursuant to this Section. In case of any such adjustment, the shares subject to the option shall be rounded down to the nearest whole share. Notice of any adjustment shall be given by the Corporation to each Participant which shall have been so adjusted and such adjustment (whether or not notice is given) shall be effective and binding for all purposes of the Plan.

#### 9. LISTING OR QUALIFICATION OF STOCK

In the event that the Board of Directors determines in its discretion that the listing or qualification of the Plan shares on any securities exchange or under any applicable law or governmental regulation is necessary as a condition to the issuance of such shares under the option, the option may not be exercised in whole or in part unless such listing, qualification, consent or approval has been unconditionally obtained.

#### 10. WITHHOLDING

To the extent required by applicable federal, state, local or foreign law, a Participant shall make arrangements satisfactory to the Corporation for the satisfaction of any withholding tax obligations that arise by reason of an option exercise. The Corporation shall not be required to issue shares until such obligations are satisfied. The Committee may permit these obligations to be satisfied by having the Corporation withhold a portion of the shares of stock that otherwise would be issued to him or her upon exercise of the option, or to the extent permitted, by tendering shares previously acquired.

#### 11. ADMINISTRATION AND AMENDMENT OF THE PLAN

Intel shall grant options under the Plan by executing written agreements approved by the Committee.

The Plan shall be administered by the Committee which shall consist of at least two persons appointed by the Board of Directors. The Board of Directors shall fill vacancies and may from time to time remove or add members. All members of the Committee will be disinterested persons as defined in Rule 16b-3 under the Securities Exchange Act of 1934. The Committee shall act pursuant to a majority vote or majority written consent.

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The interpretation and construction of any provision of the Plan by the Board of Directors shall be final and conclusive. The Board of Directors may periodically adopt rules and regulations for carrying out the Plan, and amend the Plan as desired, without further action by the Corporation's stockholders except to the extent required by applicable law.

#### 12. TIME OF GRANTING OPTIONS

The effective date of such option shall be the date on which the grant was made provided that within a reasonable time thereafter Intel executes and delivers a written option agreement to the Participant.

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## INTEL CORPORATION

COMPUTATION OF EARNINGS PER SHARE  
(in millions, except per share amounts)<TABLE>  
<CAPTION>

	THREE MONTHS ENDED	
	APR. 2, 1994	MAR. 27, 1993
<S>	<C>	<C>
PRIMARY SHARES CALCULATION		
Reconciliation of weighted average number of shares outstanding to amount used in primary earnings per share computation:		
Weighted average number of shares outstanding.....	419	420
Add shares issuable from assumed exercise of options and warrants.....	23	23
Weighted average number of shares outstanding as adjusted.....	442	443
FULLY DILUTED SHARES CALCULATION		
Reconciliation of weighted average number of shares outstanding to amount used in fully diluted earnings per share computation:		
Weighted average number of shares outstanding.....	419	420
Add shares issuable from assumed exercise of options and warrants.....	23	23
Weighted average number of shares outstanding as adjusted.....	442	443
NET INCOME.....	\$ 617	\$ 548
PRIMARY EARNINGS PER SHARE.....	\$ 1.40	\$ 1.24
(1) FULLY DILUTED EARNINGS PER SHARE.....	\$ 1.40	\$ 1.24

&lt;/TABLE&gt;

(1) Earnings per common equivalent share presented on the face of the statements of income represent primary earnings per share. Dual presentation of primary and fully diluted earnings per share has not been made on the statement of income because the differences are insignificant.

## INTEL CORPORATION

STATEMENT SETTING FORTH THE COMPUTATION  
OF RATIOS OF EARNINGS TO FIXED CHARGES

(in millions)

<TABLE>  
<CAPTION>

	THREE MONTHS ENDED	
	APR. 2, 1994	MAR. 27, 1993
	<C>	<C>
<S>		
Income before taxes.....	\$ 971	\$ 843
Add -- Fixed charges net of capitalized interest.....	13	16
Income before taxes and fixed charges (net of capitalized interest).....	\$ 984	\$ 859
Fixed charges:		
Interest*.....	\$ 11	\$ 13
Capitalized interest.....	4	2
Estimated interest component of rental expense.....	2	3
Total.....	\$ 17	\$ 18
Ratio of earnings before taxes and fixed charges, to fixed charges.....	57.9x	47.7x

\* Interest expense includes the amortization of underwriting fees for the relevant periods outstanding.