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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended June 30, 2007.

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 000-06217

**INTEL CORPORATION**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

94-1672743  
(I.R.S. Employer  
Identification No.)

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

95054-1549  
(Zip Code)

(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 filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Shares outstanding of the Registrant's common stock:

Class  
Common stock, \$0.001 par value

Outstanding at July 27, 2007  
5,840 million

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## PART I — FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

INTEL CORPORATION  
CONSOLIDATED CONDENSED STATEMENTS OF INCOME (Unaudited)

(In Millions, Except Per Share Amounts)	Three Months Ended		Six Months Ended	
	June 30, 2007	July 1, 2006	June 30, 2007	July 1, 2006
<b>Net revenue</b>	\$ 8,680	\$ 8,009	\$ 17,532	\$ 16,949
Cost of sales	4,605	3,838	9,025	7,835
<b>Gross margin</b>	<b>4,075</b>	<b>4,171</b>	<b>8,507</b>	<b>9,114</b>
Research and development	1,353	1,496	2,753	3,058
Marketing, general and administrative	1,284	1,593	2,561	3,237
Restructuring and asset impairment charges	82	—	157	—
Amortization of acquisition-related intangibles and costs	6	10	11	29
<b>Operating expenses</b>	<b>2,725</b>	<b>3,099</b>	<b>5,482</b>	<b>6,324</b>
<b>Operating income</b>	<b>1,350</b>	<b>1,072</b>	<b>3,025</b>	<b>2,790</b>
Gains (losses) on equity investments, net	(1)	37	28	39
Interest and other, net	180	144	349	298
<b>Income before taxes</b>	<b>1,529</b>	<b>1,253</b>	<b>3,402</b>	<b>3,127</b>
Provision for taxes	251	368	488	885
<b>Net income</b>	<b>\$ 1,278</b>	<b>\$ 885</b>	<b>\$ 2,914</b>	<b>\$ 2,242</b>
<b>Basic earnings per common share</b>	<b>\$ 0.22</b>	<b>\$ 0.15</b>	<b>\$ 0.50</b>	<b>\$ 0.38</b>
<b>Diluted earnings per common share</b>	<b>\$ 0.22</b>	<b>\$ 0.15</b>	<b>\$ 0.49</b>	<b>\$ 0.38</b>
<b>Cash dividends declared per common share</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 0.225</b>	<b>\$ 0.20</b>
<b>Weighted average shares outstanding:</b>				
Basic	5,809	5,801	5,793	5,827
Diluted	5,917	5,868	5,895	5,911

See accompanying notes.

**INTEL CORPORATION**  
**CONSOLIDATED CONDENSED BALANCE SHEETS (Unaudited)**

<b>(In Millions)</b>	<b>June 30, 2007</b>	<b>Dec. 30, 2006</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 4,709	\$ 6,598
Short-term investments	4,217	2,270
Trading assets	1,735	1,134
Accounts receivable, net	2,531	2,709
Inventories	4,127	4,314
Deferred tax assets	1,060	997
Other current assets	1,269	258
<b>Total current assets</b>	<b>19,648</b>	<b>18,280</b>
<b>Property, plant and equipment, net of accumulated depreciation of \$29,662</b> (\$29,482 at December 30, 2006)	<b>17,143</b>	<b>17,602</b>
<b>Marketable strategic equity securities</b>	<b>350</b>	<b>398</b>
<b>Other long-term investments</b>	<b>4,346</b>	<b>4,023</b>
<b>Goodwill</b>	<b>3,861</b>	<b>3,861</b>
<b>Other long-term assets</b>	<b>4,946</b>	<b>4,204</b>
<b>Total assets</b>	<b>\$ 50,294</b>	<b>\$ 48,368</b>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Short-term debt	\$ 221	\$ 180
Accounts payable	2,179	2,256
Accrued compensation and benefits	1,455	1,644
Accrued advertising	660	846
Deferred income on shipments to distributors	535	599
Other accrued liabilities	1,414	1,192
Income taxes payable	—	1,797
<b>Total current liabilities</b>	<b>6,464</b>	<b>8,514</b>
<b>Long-term income taxes payable</b>	<b>814</b>	<b>—</b>
<b>Deferred tax liabilities</b>	<b>235</b>	<b>265</b>
<b>Long-term debt</b>	<b>1,848</b>	<b>1,848</b>
<b>Other long-term liabilities</b>	<b>1,235</b>	<b>989</b>
<b>Contingencies</b>		
Stockholders' equity:		
Preferred stock	—	—
Common stock and capital in excess of par value, 5,823 shares issued and outstanding (5,766 at December 30, 2006)	9,597	7,825
Accumulated other comprehensive income (loss)	(96)	(57)
Retained earnings	30,197	28,984
<b>Total stockholders' equity</b>	<b>39,698</b>	<b>36,752</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 50,294</b>	<b>\$ 48,368</b>

See accompanying notes.

**INTEL CORPORATION**  
**CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (Unaudited)**

<b>(In Millions)</b>	<b>Six Months Ended</b>	
	<b>June 30, 2007</b>	<b>July 1, 2006</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>\$ 6,598</b>	<b>\$ 7,324</b>
Cash flows provided by (used for) operating activities:		
Net income	2,914	2,242
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,340	2,295
Share-based compensation	521	706
Restructuring, asset impairment, and net loss on retirement of assets	183	48
Excess tax benefit from share-based payment arrangements	(56)	(106)
Amortization of intangibles and other acquisition-related costs	124	134
Gains on equity investments, net	(28)	(39)
Deferred taxes	(213)	(363)
Changes in assets and liabilities:		
Trading assets	(601)	236
Accounts receivable	351	746
Inventories	162	(1,096)
Accounts payable	(77)	229
Accrued compensation and benefits	(367)	(641)
Income taxes payable and receivable	(1,178)	(853)
Other assets and liabilities	(106)	100
Total adjustments	1,055	1,396
<b>Net cash provided by operating activities</b>	<b>3,969</b>	<b>3,638</b>
Cash flows provided by (used for) investing activities:		
Additions to property, plant and equipment	(2,639)	(3,524)
Purchases of available-for-sale investments	(5,422)	(2,750)
Maturities and sales of available-for-sale investments	3,216	4,336
Purchases and investments in non-marketable equity investments	(800)	(683)
Other investing activities	49	(102)
<b>Net cash used for investing activities</b>	<b>(5,596)</b>	<b>(2,723)</b>
Cash flows provided by (used for) financing activities:		
Increase (decrease) in short-term debt, net	40	(21)
Proceeds from government grants	82	18
Excess tax benefit from share-based payment arrangements	56	106
Repayment of notes payable	—	(290)
Proceeds from sales of shares through employee equity incentive plans	1,362	494
Repurchase and retirement of common stock	(500)	(3,943)
Payment of dividends to stockholders	(1,302)	(1,167)
<b>Net cash used for financing activities</b>	<b>(262)</b>	<b>(4,803)</b>
<b>Net (decrease) in cash and cash equivalents</b>	<b>(1,889)</b>	<b>(3,888)</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 4,709</b>	<b>\$ 3,436</b>
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest, net of capitalized interest	\$ 4	\$ 6
Income taxes, net of refunds	\$ 1,734	\$ 2,105

See accompanying notes.

**INTEL CORPORATION**  
**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — Unaudited**

**Note 1: Basis of Presentation**

We prepared our interim consolidated condensed financial statements that accompany these notes in conformity with U.S. generally accepted accounting principles, consistent in all material respects with those applied in our Annual Report on Form 10-K for the year ended December 30, 2006. We have made estimates and judgments affecting the amounts reported in these financial statements and the accompanying notes. Our actual results may differ from these estimates. The accounting estimates requiring our most significant, difficult, and subjective judgments include:

- the valuation of non-marketable equity investments;
- the recognition and measurement of current and deferred income tax assets and liabilities;
- the assessment of recoverability of long-lived assets;
- the valuation of inventory; and
- the valuation and recognition of share-based compensation.

The interim financial information is unaudited, but reflects all normal adjustments that are, in our opinion, necessary to provide a fair statement of results for the interim periods presented. This interim information should be read with the consolidated financial statements in our Annual Report on Form 10-K for the year ended December 30, 2006. We reclassified certain amounts reported in previous periods to conform to the current presentation.

**Note 2: Recent Accounting Pronouncements**

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, "Fair Value Measurements" (SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and enhances fair value measurement disclosure. The measurement and disclosure requirements are effective for us beginning in the first quarter of fiscal 2008. We are currently evaluating the impact of SFAS No. 157.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" (SFAS No. 159). SFAS No. 159 permits companies to choose to measure certain financial instruments and other items at fair value. The standard requires that unrealized gains and losses are reported in earnings for items measured using the fair value option. SFAS No. 159 is effective for us beginning in the first quarter of fiscal year 2008. Currently, we do not believe that the adoption of SFAS No. 159 will have a significant impact on our consolidated financial statements.

In June 2007, the FASB ratified Emerging Issues Task Force (EITF) Issue No. 07-3, "Accounting for Nonrefundable Advance Payments for Goods or Services to Be Used in Future Research and Development Activities" (EITF 07-3). EITF 07-3 requires non-refundable advance payments for goods and services to be used in future research and development activities to be recorded as an asset and expensing the payments when the research and development activities are performed. EITF 07-3 applies prospectively for new contractual arrangements entered into in fiscal years beginning after December 15, 2007. We currently recognize these non-refundable advanced payments as an expense upon payment. The adoption of EITF 07-3 is not expected to have a significant impact on our consolidated financial statements or financial position.

**Note 3: Accounting Changes**

In the first quarter of 2007, we adopted Emerging Issues Task Force Issue No. 06-2, "Accounting for Sabbatical Leave and Other Similar Benefits Pursuant to FASB Statement No. 43" (EITF 06-2). EITF 06-2 requires companies to accrue the cost of these compensated absences over the service period. We adopted EITF 06-2 through a cumulative-effect adjustment, resulting in an additional liability of \$280 million, additional deferred tax assets of \$99 million, and a reduction to retained earnings of \$181 million at the beginning of the first quarter of 2007.

We also adopted FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109" (FIN 48), and related guidance in the first quarter of 2007. See "Note 15: Taxes" for further discussion.

**INTEL CORPORATION**  
**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — Unaudited (Continued)**

**Note 4: Employee Equity Incentive Plans**

Our equity incentive plans are broad-based, long-term retention programs intended to attract and retain talented employees and align stockholder and employee interests.

In May 2007, stockholders approved an extension of the 2006 Equity Incentive Plan (the 2006 Plan). Stockholders approved 119 million additional shares for issuance, increasing the total shares of common stock available for issuance as equity awards to employees and non-employee directors to 294 million shares. The approval also extended the expiration date of the 2006 Plan to June 2010. In addition, the maximum shares to be awarded as non-vested shares (restricted stock) or non-vested share units (restricted stock units) were increased to 168 million shares. As of June 30, 2007, 235 million shares remain available for grant under the 2006 Equity Incentive Plan.

The 2006 Stock Purchase Plan allows eligible employees to purchase shares of our common stock at 85% of the market price on specific dates. Under the 2006 Stock Purchase Plan, 240 million shares of common stock were made available for issuance through August 2011. As of June 30, 2007, 225 million shares are available for issuance under the 2006 Stock Purchase Plan.

**Share-Based Compensation**

The following table summarizes the share-based compensation charges:

(In Millions)	Three Months Ended		Six Months Ended	
	June 30, 2007	July 1, 2006	June 30, 2007	July 1, 2006
Cost of sales	\$ 64	\$ 66	\$ 142	\$ 152
Research and development	\$ 94	\$ 126	\$ 208	\$ 261
Marketing, general and administrative	\$ 79	\$ 140	\$ 171	\$ 293

We use the Black-Scholes option pricing model to estimate the fair value of options granted under our equity incentive plans and rights to acquire stock granted under our stock purchase plan. The weighted average estimated values of employee stock option grants and rights granted under the stock purchase plan, as well as the weighted average assumptions used in calculating these values, were based on estimates at the date of grant as follows:

	Stock Options				Stock Purchase Plan	
	Three Months Ended		Six Months Ended		Six Months Ended	
	June 30, 2007	July 1, 2006	June 30, 2007	July 1, 2006	June 30, 2007	July 1, 2006
Estimated values	\$ 5.18	\$ 5.07	\$ 5.24	\$ 5.15	\$ 4.72	\$ 5.02
Expected life (in years)	4.7	4.8	4.9	4.7	0.5	0.5
Risk free interest rate	4.6%	5.0%	4.6%	4.9%	5.3%	4.7%
Volatility	25%	27%	25%	27%	26%	29%
Dividend yield	2.1%	2.0%	2.1%	2.0%	2.1%	1.8%

<sup>1</sup> Under the stock purchase plan, rights to purchase shares are only granted during the first and third quarters of each year.

We began issuing restricted stock units in the second quarter of 2006. The estimated fair value of restricted stock unit awards was calculated based on the market price of our common stock on the date of grant, reduced by the present value of dividends expected to be paid on our common stock prior to vesting. The weighted average estimated values of restricted stock unit grants, as well as the weighted average assumptions that were used in calculating fair value, were based on estimates at the date of grant as follows:

**INTEL CORPORATION**  
**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — Unaudited (Continued)**

	Three Months Ended <u>June 30, 2007</u>	Six Months Ended <u>June 30, 2007</u>	Three & Six Months Ended <u>July 1, 2006</u>
Estimated values	\$ 20.49	\$ 20.48	\$ 18.60
Risk free interest rate	4.8%	4.8%	4.9%
Dividend yield	2.1%	2.1%	2.0%

**Stock Option Awards**

Information with respect to outstanding stock options as of June 30, 2007 was as follows:

<u>(In Millions, Except Per Share Amounts)</u>	Number of Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value <sup>1</sup>
<b>December 30, 2006</b>	<b>839.5</b>	<b>\$ 26.98</b>	
Grants	18.9	\$ 21.44	
Exercises	(61.5)	\$ 18.35	\$ 191
Cancellations and forfeitures	(49.1)	\$ 31.55	
<b>June 30, 2007</b>	<b>747.8</b>	<b>\$ 27.24</b>	

Options exercisable at:

December 30, 2006	567.6	\$ 28.66
June 30, 2007	596.1	\$ 28.39

<sup>1</sup> Represents the difference between the exercise price and the value of Intel stock at the time of exercise.

**Restricted Stock Unit Awards**

Information with respect to outstanding restricted stock units as of June 30, 2007 was as follows:

<u>(In Millions, Except Per Share Amounts)</u>	Number of Shares	Weighted Average Grant-Date Fair Value	Aggregate Intrinsic Value <sup>1</sup>
<b>December 30, 2006</b>	<b>27.4</b>	<b>\$ 18.71</b>	
Granted	28.3	\$ 20.48	
Vested	(5.8)	\$ 18.60	\$ 127
Forfeited	(1.6)	\$ 19.03	
<b>June 30, 2007</b>	<b>48.3</b>	<b>\$ 19.75</b>	

<sup>1</sup> Represents the value of Intel stock on the date that the restricted stock units vest. The grant date fair value of these vested awards was \$108 million.

**Stock Purchase Plan**

Under the 2006 Stock Purchase Plan, employees purchased 15.2 million shares for \$234 million in the first half of 2007 (13.8 million shares for \$245 million in the first half of 2006 under the expired 1976 Stock Participation Plan).

**INTEL CORPORATION**  
**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — Unaudited (Continued)**

**Note 5: Earnings Per Share**

The computation of basic and diluted earnings per common share was as follows:

<u>(In Millions, Except Per Share Amounts)</u>	Three Months Ended		Six Months Ended	
	June 30, 2007	July 1, 2006	June 30, 2007	July 1, 2006
<b>Net income</b>	\$ 1,278	\$ 885	\$ 2,914	\$ 2,242
<b>Weighted average common shares outstanding — basic</b>	5,809	5,801	5,793	5,827
Dilutive effect of employee equity incentive plans	57	16	51	33
Dilutive effect of convertible debt	51	51	51	51
<b>Weighted average common shares outstanding — diluted</b>	<u>5,917</u>	<u>5,868</u>	<u>5,895</u>	<u>5,911</u>
<b>Basic earnings per common share</b>	<u>\$ 0.22</u>	<u>\$ 0.15</u>	<u>\$ 0.50</u>	<u>\$ 0.38</u>
<b>Diluted earnings per common share</b>	<u>\$ 0.22</u>	<u>\$ 0.15</u>	<u>\$ 0.49</u>	<u>\$ 0.38</u>

Basic earnings per common share was computed using net income and the weighted average number of common shares outstanding during the period. Diluted earnings per common share was computed using net income and the weighted average number of common shares outstanding plus potentially dilutive common shares outstanding during the period. Potentially dilutive common shares include the assumed exercise of outstanding stock options, assumed vesting of outstanding restricted stock units, and assumed issuance of stock under the stock purchase plan using the treasury stock method, as well as the assumed conversion of debt using the if-converted method.

For the second quarter of 2007, we excluded 538 million outstanding stock options (552 million for the first half of 2007) from the calculation of diluted earnings per common share because the exercise prices of these stock options were greater than or equal to the average market value of the common shares (777 million for the second quarter of 2006 and 678 million for the first half of 2006). These options could be included in future calculations if the average market value of the common shares increases and becomes greater than the exercise price of these options.

**Note 6: Common Stock Repurchase Program**

During the second quarter of 2007, we repurchased 4.6 million shares of common stock at a cost of \$100 million (54.3 million shares at a cost of \$1.0 billion during the second quarter of 2006). During the first half of 2007, we repurchased 23.8 million shares of common stock at a cost of \$500 million (192.8 million shares at a cost of \$3.9 billion during the first half of 2006). Since the repurchase program began in 1990, we have repurchased and retired approximately 2.9 billion shares of common stock at a cost of approximately \$58 billion. As of June 30, 2007, \$16.8 billion remained available under the existing repurchase authorization.

**Note 7: Trading Assets**

Trading assets at fair value at the end of each period were as follows:

<u>(In Millions)</u>	June 30, 2007	Dec. 30, 2006
Marketable debt securities	\$ 1,256	\$ 684
Equity securities offsetting deferred compensation	479	450
<b>Total</b>	<u>\$ 1,735</u>	<u>\$ 1,134</u>

All floating-rate asset-backed securities purchased after December 30, 2006 are designated as trading assets.



**INTEL CORPORATION**  
**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — Unaudited (Continued)**

**Note 8: Equity Investments**

The carrying value for our investment in Clearwire Corporation as of June 30, 2007 was \$609 million. Based on the quoted closing stock price as of June 29, 2007, the fair value of our ownership interest in Clearwire was \$896 million; however since we account for our investment under the equity method, the investment is not carried at fair value. We record our proportionate share of Clearwire's operating loss on a one-quarter lag. The Clearwire investment is classified within other long-term assets on the consolidated condensed balance sheets.

In March 2007, Clearwire completed an initial public offering (IPO) of 24 million shares of common stock at a price of \$25 per share on The NASDAQ Global Select Market\*. Accordingly, our ownership interest in Clearwire decreased from approximately 27% as of December 30, 2006 to 23% after the IPO. We recognized a gain of \$39 million within gains (losses) on equity investments, net, in the first quarter of 2007 as a result of the IPO.

**Note 9: Inventories**

Inventories at the end of each period were as follows:

<u>(In Millions)</u>	<u>June 30, 2007</u>	<u>Dec. 30, 2006</u>
Raw materials	\$ 583	\$ 608
Work in process	2,063	2,044
Finished goods	1,481	1,662
<b>Total</b>	<b>\$ 4,127</b>	<b>\$ 4,314</b>

**Note 10: Gains (Losses) on Equity Investments, Net**

Gains (losses) on equity investments, net which includes investments accounted for under the equity method and certain equity derivatives, were a net loss of \$1 million for the second quarter of 2007 and a net gain of \$28 million for the first half of 2007 (net gains of \$37 million for the second quarter of 2006 and \$39 million for the first half of 2006). Included in these amounts were impairment charges on equity investments of \$44 million for the second quarter of 2007 and \$80 million for the first half of 2007 (\$10 million for the second quarter of 2006 and \$33 million for the first half of 2006). For the second quarter of 2007, these impairment charges, as well as losses on equity method investments, were offset by higher gains on sales of equity investments. The first half of 2007 includes a gain of \$39 million from the first quarter of 2007 as a result of Clearwire's IPO. See "Note 8: Equity Investments" for further discussion.

**Note 11: Interest and Other, Net**

Interest and other, net included:

<u>(In Millions)</u>	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 30, 2007</u>	<u>July 1, 2006</u>	<u>June 30, 2007</u>	<u>July 1, 2006</u>
Interest income	\$ 192	\$ 152	\$ 376	\$ 320
Interest expense	(4)	(7)	(7)	(14)
Other, net	(8)	(1)	(20)	(8)
<b>Total</b>	<b>\$ 180</b>	<b>\$ 144</b>	<b>\$ 349</b>	<b>\$ 298</b>

**INTEL CORPORATION**  
**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — Unaudited (Continued)**

**Note 12: Comprehensive Income**

The components of comprehensive income, net of tax, were as follows:

<u>(In Millions)</u>	Three Months Ended		Six Months Ended	
	June 30, 2007	July 1, 2006	June 30, 2007	July 1, 2006
Net income	\$ 1,278	\$ 885	\$ 2,914	\$ 2,242
Change in net unrealized holding gain on available-for-sale investments	5	(1)	(29)	32
Change in net unrealized holding gain on derivatives	(9)	27	(10)	32
<b>Total comprehensive income</b>	<b>\$ 1,274</b>	<b>\$ 911</b>	<b>\$ 2,875</b>	<b>\$ 2,306</b>

The components of accumulated other comprehensive income (loss), net of tax, at the end of each period were as follows:

<u>(In Millions)</u>	June 30, 2007	Dec. 31, 2006
Accumulated net unrealized holding gain on available-for-sale investments	\$ 84	\$ 113
Accumulated net unrealized holding gain on derivatives	70	80
Accumulated net prior service costs	(16)	(16)
Accumulated net actuarial losses	(232)	(232)
Accumulated transition obligation	(2)	(2)
<b>Total accumulated other comprehensive income (loss)</b>	<b>\$ (96)</b>	<b>\$ (57)</b>

**Note 13: Pending Divestiture**

On May 22, 2007, we announced that we entered into a definitive agreement to form a private, independent semiconductor company with STMicroelectronics N.V. and Francisco Partners L.P. The new company is expected to supply flash memory solutions for wireless communications, consumer devices, and other applications. Under the terms of the agreement, we expect to sell certain NOR flash memory assets to the new company. We expect to obtain a 45.1% ownership interest in the new company, which will be accounted for under the equity method of accounting. STMicroelectronics N.V. will sell certain assets and obtain a 48.6% ownership interest in the new company. Francisco Partners L.P. will contribute \$150 million for a 6.3% ownership interest in the new company. We presently expect this transaction to close during the second half of 2007, subject to regulatory and other closing terms and conditions. We expect to enter into supply and transition service agreements to provide support to the new company during the transition period. NOR flash memory assets totaling \$499 million are classified as held for sale within other current assets on the consolidated condensed balance sheet as of June 30, 2007 as a result of the pending divestiture. We cease recording depreciation on assets that are classified as held for sale.

**Note 14: Restructuring and Asset Impairment Charges**

In the third quarter of 2006, management approved several actions as part of a restructuring plan designed to improve operational efficiency and financial results. Under this plan, we recorded \$82 million in the second quarter of 2007 and \$157 million in first half of 2007 in restructuring and asset impairment charges, net of adjustments. During the second quarter of 2007, we recorded \$80 million in employee severance and benefits arrangements and \$2 million in asset impairments. For the first half of 2007, we incurred \$101 million in employee severance and benefits arrangements and \$56 million in asset impairments. During the first quarter of 2007, we incurred \$54 million in asset impairment charges as a result of softer than anticipated market conditions relating to the Colorado Springs, Colorado facility, which was originally placed for sale and written down in the fourth quarter of 2006.

**INTEL CORPORATION**  
**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — Unaudited (Continued)**

The following table summarizes the restructuring and asset impairment activity for the first half of 2007:

<u>(In Millions)</u>	<u>Employee Severance and Benefits</u>	<u>Asset Impairments</u>	<u>Total</u>
<b>Accrued restructuring balance as of December 30, 2006</b>	<b>\$ 48</b>	<b>\$ —</b>	<b>\$ 48</b>
Additional accruals	106	56	162
Adjustments	(5)	—	(5)
Cash payments	(73)	—	(73)
Non-cash settlements	—	(56)	(56)
<b>Accrued restructuring balance as of June 30, 2007</b>	<b>\$ 76</b>	<b>\$ —</b>	<b>\$ 76</b>

The additional accruals, net of adjustments, have been reflected as restructuring and asset impairment charges on the consolidated condensed statements of income. The remaining accrual as of June 30, 2007 relates to severance benefits that are recorded as a current liability within accrued compensation and benefits on the consolidated condensed balance sheets.

From the third quarter of 2006 through the second quarter of 2007, we incurred a total of \$712 million in restructuring and asset impairment charges related to this plan. These charges include a total of \$339 million related to employee severance and benefit arrangements due to the termination of approximately 7,900 employees and \$373 million in asset impairment charges. We may incur additional restructuring charges in the future for employee severance and benefit arrangements, and facility-related or other exit activities.

**Note 15: Taxes**

Effective at the beginning of the first quarter of 2007, we adopted the provisions of FIN 48, "Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109." FIN 48 contains a two-step approach to recognizing and measuring uncertain tax positions accounted for in accordance with SFAS No. 109, "Accounting for Income Taxes." The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement.

As a result of the implementation of FIN 48, we reduced the liability for net unrecognized tax benefits by \$181 million, and accounted for the reduction as a cumulative effect of a change in accounting principle that resulted in an increase to retained earnings of \$181 million. The total amount of gross unrecognized tax benefits as of the date of adoption was \$1.9 billion. We have historically classified unrecognized tax benefits in current taxes payable. As a result of adoption of FIN 48, we reclassified unrecognized tax benefits to long-term income taxes payable. Long-term income taxes payable includes uncertain tax positions, reduced by the associated federal deduction of state taxes and foreign tax credits, and may also include certain other long-term tax liabilities.

During the first and second quarters of 2007, the total amount of unrecognized tax benefits was as follows:

<u>(In Millions)</u>	
<b>December 31, 2006 (after adoption of FIN 48)</b>	<b>\$ 1,896</b>
Settlement with tax authorities	(739)
Other changes in unrecognized tax benefits	42
<b>March 31, 2007</b>	<b>1,199</b>
Effective settlement with tax authorities and related remeasurements	(388)
Other changes in unrecognized tax benefits	(3)
<b>June 30, 2007</b>	<b>\$ 808</b>

**INTEL CORPORATION**  
**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — Unaudited (Continued)**

Our U.S. federal, U.S. state, and foreign tax returns are periodically examined by tax authorities. In 2005 and 2006, the U.S. Internal Revenue Service (IRS), through examination of our U.S. federal tax returns, formally assessed for tax years 1999 through 2005, certain adjustments to the amounts reflected by us on those returns for tax benefits we claimed for export sales. In March 2007, we received written notification from the IRS that it had closed its examination of our tax returns for the years 1999 through 2002, resolving the issues related to the tax benefits for export sales as well as a number of other issues. Additionally, a settlement was reached for years 2003 through 2005 with respect to the tax benefits for export sales. Of the \$739 million settlement with the IRS noted above, we reversed long-term taxes payable, which resulted in recording a \$276 million tax benefit in the first quarter of 2007. For our U.S. state and foreign tax returns prior to 1996, we are generally no longer subject to tax examinations.

Sooner than expected, but during the second quarter of 2007, we effectively settled with the IRS on several matters relating to the audit for the 2003 and 2004 tax years. However, the IRS audit for these years remains open. In addition, all uncertain tax positions were re-evaluated based on all available information and certain remeasurements were required. As a result, we reversed a portion of long-term taxes payable, which resulted in recording a \$155 million tax benefit in the second quarter of 2007. The total amount of gross unrecognized tax benefits was \$808 million as of June 30, 2007. These gross unrecognized tax benefits would affect the effective tax rate if realized.

We include interest and penalties related to unrecognized tax benefits within the provision for taxes on our consolidated condensed statements of income and as a result no change in classification was made upon adopting FIN 48. As of the date of adoption, we had accrued \$257 million and as of June 30, 2007, we had accrued \$93 million for the payment of interest and penalties relating to unrecognized tax benefits.

Although timing of the resolution and/or closure on audits is highly uncertain, it is reasonably possible that the balance of gross unrecognized tax benefits would materially change in the next 12 months. However, given the number of years remaining subject to examination and the number of matters being examined, we are unable to estimate the range of possible adjustments to the balance of gross unrecognized tax benefits.

**Note 16: Identified Intangible Assets**

We classify identified intangible assets within other long-term assets on the consolidated condensed balance sheets. Identified intangible assets consisted of the following as of June 30, 2007:

<u>(In Millions)</u>	<u>Gross Assets</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Intellectual property assets	\$ 1,010	\$ (360)	\$ 650
Acquisition-related developed technology	4	(2)	2
Other intangible assets	389	(116)	273
<b>Total identified intangible assets</b>	<b>\$ 1,403</b>	<b>\$ (478)</b>	<b>\$ 925</b>

Identified intangible assets consisted of the following as of December 30, 2006:

<u>(In Millions)</u>	<u>Gross Assets</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Intellectual property assets	\$ 1,143	\$ (434)	\$ 709
Acquisition-related developed technology	4	(2)	2
Other intangible assets	349	(73)	276
<b>Total identified intangible assets</b>	<b>\$ 1,496</b>	<b>\$ (509)</b>	<b>\$ 987</b>

During the first half of 2007, we acquired intellectual property assets for \$22 million with a weighted average life of six years and recorded additional other intangible assets of \$40 million with a weighted average life of four years.

**INTEL CORPORATION**  
**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — Unaudited (Continued)**

All of our identified intangible assets are subject to amortization. Amortization of intellectual property assets was \$37 million for the second quarter of 2007 and \$81 million for the first half of 2007 (\$46 million for the second quarter of 2006 and \$92 million for the first half of 2006). The amortization of intellectual property assets is generally included in cost of sales on the consolidated condensed statements of income. Amortization of acquisition-related developed technology was less than \$1 million for the first half of 2007 (\$5 million for the second quarter of 2006 and \$17 million for the first half of 2006) and is included in amortization of acquisition-related intangibles and costs on the consolidated condensed statements of income. Amortization of other intangible assets was \$24 million for the second quarter of 2007 and \$43 million for the first half of 2007 (\$8 million for the second quarter of 2006 and \$24 million for the first half of 2006). We record amortization of other intangible assets as either a reduction of revenue or amortization of acquisition-related intangibles and costs on the consolidated condensed statements of income.

Based on identified intangible assets recorded at June 30, 2007, and assuming the underlying assets are not impaired in the future, we expect amortization expense for each period to be as follows:

<u>(In Millions)</u>	<u>2007<sup>1</sup></u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Intellectual property assets	\$ 74	\$ 146	\$ 119	\$ 107	\$ 56
Acquisition-related developed technology	\$ 1	\$ 1	\$ —	\$ —	\$ —
Other intangible assets	\$ 44	\$ 98	\$ 121	\$ 10	\$ —

<sup>1</sup> Reflects the remaining six months of fiscal 2007.

**Note 17: Ventures**

In January 2006, Micron Technology Inc. and Intel formed IM Flash Technologies, LLC (IMFT) and in February 2007 formed IM Flash Singapore, LLP (IMFS). These joint ventures were established to manufacture NAND flash memory products for Micron and Intel. Initial production from IMFT began in early 2006 while IMFS is in its initial construction phase. We own a 49% interest in each of these ventures. Subject to certain conditions, we agreed to contribute up to approximately \$1.4 billion for IMFT and up to approximately \$1.7 billion for IMFS in the three years following the initial capital contributions. Of these amounts, as of June 30, 2007, approximately \$740 million remained as a commitment for IMFT and approximately \$1.6 billion for IMFS.

Our portion of IMFT costs, primarily related to product purchases and start-up, was approximately \$190 million during the second quarter of 2007 and approximately \$350 million during the first half of 2007. Our portion of IMFT costs during the first half of 2006 was not significant. IMFS has had no production to date.

These joint ventures are variable interest entities as defined by FASB Interpretation No. 46(R), "Consolidation of Variable Interest Entities" (FIN 46(R)), because all positive and negative variances in cost structure will be passed on to Micron and Intel through our purchase agreements. However, we have determined that we are not the primary beneficiary of these joint ventures. Because we are not the primary beneficiary of these joint ventures, we account for our interests using the equity method of accounting and do not consolidate these joint ventures. Micron and Intel are also considered related parties under the provisions of FIN 46(R). Our proportionate share of income or losses from our investment will be recorded in gains (losses) on equity investments, net. As of June 30, 2007, our maximum exposure to loss is \$1.8 billion for IMFT and \$67 million for IMFS, which represent our investments in these ventures. Our investments in these ventures are classified within other long-term assets on the consolidated condensed balance sheets.

**Note 18: Contingencies**

**Tax Matters**

In connection with the regular examination of our tax returns for the years 1999 through 2005, the IRS had formally assessed adjustments to the amounts reflected by us on those returns as a tax benefit for export sales. In the first quarter of 2007, we resolved these matters with the IRS. See "Note 15: Taxes" for further discussion. The IRS may make a claim related to the tax benefit for export sales for 2006. Management believes that the ultimate outcome will not materially affect our financial position, cash flows, or overall trends in results of operations.

**INTEL CORPORATION**  
**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — Unaudited (Continued)**

***Legal Proceedings***

We are currently a party to various legal proceedings, including those noted in this section. While management presently believes that the ultimate outcome of these proceedings, individually and in the aggregate, will not materially harm the company's financial position, cash flows, or overall trends in results of operations, litigation is subject to inherent uncertainties, and unfavorable rulings could occur. An unfavorable ruling could include money damages or, in cases for which injunctive relief is sought, an injunction prohibiting us from selling one or more products. Were an unfavorable ruling to occur, our business or results of operations could be materially harmed.

*Advanced Micro Devices, Inc. (AMD) and AMD International Sales & Service, Ltd. v. Intel Corporation and Intel Kabushiki Kaisha, and Related Consumer Class Actions and Government Investigations*

In June 2005, AMD filed a complaint in the United States District Court for the District of Delaware alleging that we and our Japanese subsidiary engaged in various actions in violation of the Sherman Act and the California Business and Professions Code, including providing secret and discriminatory discounts and rebates and intentionally interfering with prospective business advantages of AMD. AMD's complaint seeks unspecified treble damages, punitive damages, an injunction, and attorneys' fees and costs. Subsequently, AMD's Japanese subsidiary also filed suits in the Tokyo High Court and the Tokyo District Court against our Japanese subsidiary, asserting violations of Japan's Antimonopoly Law and alleging damages in each suit of approximately \$55 million, plus various other costs and fees. At least 78 separate class actions have been filed in the U.S. District Courts for the Northern District of California, Southern District of California, and the District of Delaware, as well as in various California, Kansas, and Tennessee state courts. These actions generally repeat AMD's allegations and assert various consumer injuries, including that consumers in various states have been injured by paying higher prices for Intel microprocessors. All the federal class actions have been consolidated by the Multidistrict Litigation Panel to the District of Delaware. All California class actions have been consolidated to the Superior Court of California in Santa Clara County. We dispute AMD's claims and the class-action claims, and intend to defend the lawsuits vigorously.

We are also subject to certain antitrust regulatory inquiries. In 2001, the European Commission commenced an investigation regarding claims by AMD that we used unfair business practices to persuade clients to buy our microprocessors. The European Commission sent us a Statement of Objections dated July 25, 2007 alleging that certain Intel marketing and pricing practices amounted to an abuse of a dominant position that infringed European law. We will now have an opportunity to respond to those allegations, which the Statement recognized were preliminary conclusions. We are reviewing those allegations and intend to contest this matter vigorously in the administrative procedure which has now begun and, if necessary, in European courts. In June 2005, we received an inquiry from the Korea Fair Trade Commission requesting documents from our Korean subsidiary related to marketing and rebate programs that we entered into with Korean PC manufacturers. We are cooperating with this agency in its investigation. We expect that these matters will be acceptably resolved.

*Barbara's Sales, et al. v. Intel Corporation, Gateway Inc., Hewlett-Packard Co. and HPDirect, Inc.*

In June 2002, plaintiffs filed a putative class action against us, Gateway Inc., Hewlett-Packard Company, and HPDirect, Inc. in the Third Judicial Circuit Court, Madison County, Illinois. The lawsuit alleges that the defendants' advertisements and statements misled the public by suppressing and concealing the alleged material fact that systems containing Intel® Pentium® 4 processors are less powerful and slower than systems containing Intel® Pentium® III processors and a competitor's microprocessors. In July 2004, the court certified against us an Illinois-only class of certain end-use purchasers of certain Pentium 4 processors or computers containing these microprocessors. In January 2005, the Circuit Court granted a motion filed jointly by the plaintiffs and Intel that stayed the proceedings in the trial court pending review of the Circuit Court's class certification order. In July 2006, the Illinois Appellate Court, Fifth District, vacated the Circuit Court's class certification order and remanded the case to the Circuit Court with instructions to reconsider its class certification ruling applying California law. In August 2006, the Illinois Supreme Court agreed to review the Appellate Court's decision, and that review is pending. The plaintiffs seek unspecified damages and attorneys' fees and costs. We dispute the plaintiffs' claims and intend to defend the lawsuit vigorously.

**INTEL CORPORATION**  
**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — Unaudited (Continued)**

*Transmeta Corporation v. Intel Corporation*

In October 2006, Transmeta Corporation filed a lawsuit against us in the United States District Court for the District of Delaware. Transmeta alleges that our P6, Pentium 4, Pentium® M, Intel® Core™, and Intel® Core™ 2 processors infringe 10 Transmeta patents alleged to cover computer architecture and power-efficiency technologies. In December 2006, Transmeta filed an amended complaint alleging that our processors infringe an eleventh Transmeta patent. We filed counterclaims against Transmeta alleging that Transmeta's Crusoe, Efficeon, and Efficeon 2 families of microprocessors infringe seven of our patents. Transmeta seeks damages, treble damages, an injunction, and attorneys' fees. We dispute Transmeta's allegations of infringement and intend to defend the lawsuit vigorously.

*BIAX Corporation v. Intel Corporation and Analog Devices, Inc.*

In May 2005, BIAx Corporation filed a lawsuit against us and Analog Devices, Inc. in the United States District Court for the Eastern District of Texas. The complaint alleged that certain Hyper-Threading-enabled processors, including Intel's Pentium® and Xeon® processors supporting Hyper-Threading Technology, and Itanium® and Itanium® 2 processors, infringed four BIAx patents. The complaint sought unspecified damages, injunctive and other relief including enhanced damages for alleged willful infringement. In June 2007, the parties reached a settlement agreement pursuant to which, among other terms, we made a payment to BIAx and, in exchange, we received a license to BIAx's patent portfolio. The settlement agreement did not significantly impact our results of operations or cash flows.

**Note 19: Operating Segment Information**

Our operating segments include the Digital Enterprise Group, Mobility Group, Flash Memory Group, Digital Home Group, and Digital Health Group. The Digital Home Group and Digital Health Group operating segments are included within the "all other" category. In the first quarter of 2007, the Channel Platforms Group began directly supporting our operating segments. We adjusted prior-period amounts to reflect certain minor reorganizations.

The Chief Operating Decision Maker (CODM), as defined by SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" (SFAS No. 131), is our President and Chief Executive Officer. The CODM allocates resources to and assesses the performance of each operating segment using information about its revenue and operating income (loss) before interest and taxes.

We report the financial results of the following operating segments:

- *Digital Enterprise Group.* Includes microprocessors and related chipsets and motherboards designed for the desktop and enterprise computing market segments; communications infrastructure components such as network processors, communications boards, and embedded processors; wired connectivity devices; and products for network and server storage.
- *Mobility Group.* Includes microprocessors and related chipsets designed for the notebook computing market segment and wireless connectivity products. Results of the Mobility Group for the first half of 2006 include sales of cellular baseband processors and application processors. In the fourth quarter of 2006, we completed the sale of certain assets of our communications and application processor business lines to Marvell Technology Group, Ltd. Related to the sale, we entered into a manufacturing and transition services agreement with Marvell. As a result, the Mobility Group's sales for first half of 2007 include only sales of application and cellular baseband processors to Marvell.
- *Flash Memory Group.* Includes NOR flash memory products designed for cellular phones and embedded form factors; and NAND flash memory products manufactured by IMFT that are designed for memory cards, digital audio players, cellular phones, and computing and embedded platforms. In the second quarter of 2007, we agreed to sell certain NOR flash memory assets to a new flash memory company that we plan to form with STMicroelectronics N.V. and Francisco Partners L.P. See "Note 13: Pending Divestiture" for further discussion.

**INTEL CORPORATION**  
**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS — Unaudited (Continued)**

We have sales and marketing, manufacturing, finance, and administration groups. Expenses for these groups are generally allocated to the operating segments and the expenses are included in the operating results reported below. Additionally, in the first quarter of 2007, we began allocating share-based compensation to the operating segments and adjusted results to reflect this change. Revenue for the “all other” category primarily relates to microprocessors and related chipsets sold by the Digital Home Group. The “all other” category also includes certain corporate-level operating expenses and charges. These expenses and charges include:

- a portion of profit-dependent bonuses and other expenses not allocated to the operating segments;
- results of operations of seed businesses that support our initiatives;
- acquisition-related costs, including amortization and any impairment of acquisition-related intangibles and goodwill;
- charges for purchased in-process research and development; and
- amounts included within restructuring and asset impairment charges on the consolidated condensed statements of income.

With the exception of goodwill, we do not identify or allocate assets by operating segment, nor does the CODM evaluate operating segments using discrete asset information. We do not report inter-segment revenue because the operating segments do not record it. We do not allocate interest and other income, interest expense, or taxes to operating segments. Although the CODM uses operating income to evaluate the segments, operating costs included in one segment may benefit other segments. Except as discussed above, the accounting policies for segment reporting are the same as for Intel as a whole.

Segment information is summarized as follows:

<b>(In Millions)</b>	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30, 2007</b>	<b>July 1, 2006</b>	<b>June 30, 2007</b>	<b>July 1, 2006</b>
<b>Net revenue</b>				
<b>Digital Enterprise Group</b>				
Microprocessor revenue	\$ 3,465	\$ 3,338	\$ 7,026	\$ 7,230
Chipset, motherboard and other revenue	1,178	1,283	2,371	2,538
	<u>4,643</u>	<u>4,621</u>	<u>9,397</u>	<u>9,768</u>
<b>Mobility Group</b>				
Microprocessor revenue	2,398	1,958	4,839	4,305
Chipset and other revenue	898	731	1,764	1,363
	<u>3,296</u>	<u>2,689</u>	<u>6,603</u>	<u>5,668</u>
<b>Flash Memory Group</b>	494	536	963	1,080
<b>All other</b>	247	163	569	433
<b>Total net revenue</b>	<u>\$ 8,680</u>	<u>\$ 8,009</u>	<u>\$ 17,532</u>	<u>\$ 16,949</u>
<b>Operating income (loss)</b>				
Digital Enterprise Group	\$ 817	\$ 751	\$ 1,748	\$ 1,926
Mobility Group	1,250	851	2,631	1,901
Flash Memory Group	(291)	(169)	(574)	(294)
All other	(426)	(361)	(780)	(743)
<b>Total operating income</b>	<u>\$ 1,350</u>	<u>\$ 1,072</u>	<u>\$ 3,025</u>	<u>\$ 2,790</u>



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

Our Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is provided in addition to the accompanying consolidated condensed financial statements and notes to assist readers in understanding our results of operations, financial condition, and cash flows. The MD&A is organized as follows:

- *Overview.* Discussion of our business and overall analysis of financial and other highlights affecting the company in order to provide context for the remainder of MD&A.
- *Strategy.* Overall strategy and the strategy for our operating segments.
- *Critical Accounting Estimates.* Accounting estimates that we believe are important to understanding the assumptions and judgments incorporated in our reported financial results and forecasts.
- *Results of Operations.* An analysis of our financial results for the quarter and six months ended June 30, 2007.
- *Liquidity and Capital Resources.* An analysis of changes in our balance sheets and cash flows, and discussion of our financial condition.
- *Business Outlook.* Our forecasts for selected data points for the third quarter of 2007 and the 2007 fiscal year.

The various sections of this MD&A contain a number of forward-looking statements. Words such as "expects," "goals," "plans," "believes," "continues," "may," and variations of such words and similar expressions identify forward-looking statements. In addition, any statements that refer to projections of our future financial performance, our anticipated growth and trends in our businesses, and other characterizations of future events or circumstances are forward-looking statements. Such statements are based on our current expectations and could be affected by the uncertainties and risk factors described throughout this filing and particularly in the "Business Outlook" section (see also "Risk Factors" in Part II, Item 1A of this Form 10-Q). Our actual results may differ materially, and these forward-looking statements do not reflect the potential impact of any divestitures, mergers, acquisitions, or other business combinations that had not been completed as of July 31, 2007.

### Overview

We make, market, and sell advanced integrated digital technology products, primarily integrated circuits, for the computing and communications industries. Integrated circuits are semiconductor chips etched with interconnected electronic switches, and these chips perform various functions such as acting as the brains of a computer. Our goal is to be the preeminent provider of semiconductor chips and processor technology solutions to the worldwide digital economy. Intel's products include chips, boards, and other semiconductor products that are the building blocks integral to computers, servers, handheld devices, and networking and communications products. Our component-level products include microprocessors, chipsets, and flash memory. We offer products at various levels of integration, allowing our customers the flexibility to create advanced computing and communications systems and products. Our operating segments include the Digital Enterprise Group, Mobility Group, Flash Memory Group, Digital Home Group, and Digital Health Group.

### Financial Highlights

Net revenue and gross margin for the first and second quarters of 2007 and the second quarter of 2006 were as follows:

<u>(In Millions)</u>	<u>Q2 2007</u>	<u>Q1 2007</u>	<u>Q2 2006</u>
Net revenue	\$ 8,680	\$ 8,852	\$ 8,009
Gross margin	\$ 4,075	\$ 4,432	\$ 4,171

Our net revenue for the second quarter of 2007 was \$8.7 billion, a decrease of 2% compared to the first quarter of 2007 and an increase of 8% compared to the second quarter of 2006. Revenue decreased compared to the first quarter of 2007 primarily due to lower microprocessor average selling prices, partially offset by higher mobile and server unit sales, and higher chipset revenue. Revenue increased compared to the second quarter of 2006 primarily due to higher microprocessor unit sales and higher server microprocessor average selling prices, partially offset by lower desktop and mobile microprocessor average selling prices.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Our overall gross margin dollars for the second quarter of 2007 decreased 8% compared to the first quarter of 2007 and decreased 2% compared to the second quarter of 2006. Our overall gross margin percentage for the second quarter of 2007 was 46.9%, compared to 50.1% in the first quarter of 2007 and 52.1% in the second quarter of 2006. The gross margin in the second quarter of 2007 decreased compared to the first quarter of 2007 primarily due to gross margin declines in the Mobility Group and Digital Enterprise Group operating segments. Unit sales for the second quarter of 2007 exceeded our expectations, however, gross margin came in below expectations primarily due to lower than expected average selling prices for microprocessors, chipsets, and flash memory. Additionally, demand in the NOR flash memory market segment was weaker than expected. The gross margin decreased compared to the second quarter of 2006 primarily due to gross margin declines in the Digital Enterprise Group and Flash Memory Group operating segments. Overall gross margin decreased primarily due to lower microprocessor average selling prices and higher start-up costs, partially offset by higher microprocessor unit sales and lower microprocessor unit costs.

Chipset unit sales were strong in the second quarter of 2007, a leading indicator of microprocessor orders in the third quarter of 2007, and a solid second half demand environment. Growth in our chipset unit sales occurred within the desktop, server, and mobile market segments. Our notebook and server revenue increased by double digit percentages compared to the second quarter of 2006. Our server revenue also increased by a double digit percentage compared to the first quarter of 2007. We have experienced, and expect to continue to experience, an overall shift in sales mix from desktop processors to mobile microprocessors. Due to the wide price differences among mobile, desktop, and server microprocessors, the mix and types of performance capabilities of microprocessors sold affect the average selling price of our products and have a substantial impact on our revenue.

In the server market, our Quad-Core Intel® Xeon® processor unit sales doubled compared to the first quarter of 2007. We continue to advance our server processor technologies as we expect to launch our first MP server processor on Intel Core microarchitecture in the third quarter of 2007. We plan to extend our technology leadership as we launch our Penryn family of processors using our next-generation 45-nanometer process technology in the second half of 2007. As we ramp our 45-nanometer process technology, we expect improvements in our gross margin as our startup costs decrease and we transition costs from manufacturing to research and development. The semiconductor industry is characterized by rapid advances in technology and new product introductions. Our failure to respond quickly to technological developments and incorporate new features into our products could harm our ability to compete.

Results for the second quarter of 2007 include restructuring and asset impairment charges of \$82 million as we continue to implement plans to increase our business efficiencies to reduce costs. Our headcount has decreased by 12,200 employees compared to the second quarter of 2006. Spending as a percentage of revenue has decreased from 39% in the second quarter of 2006 to 30% in the second quarter of 2007. Additionally, our operating income has increased by 26% from the second quarter of 2006.

Our efficiency efforts have also contributed to faster factory throughput times, higher yields, and improved equipment utilization. Improvements in our equipment utilization have allowed us to lower our future capital spending outlook for fiscal 2007. Improved throughput times allow us to meet customer demands with lower inventory on hand. Due in part to these efficiencies and to higher unit demand, our raw materials, work in progress, and finished goods inventory levels were all down compared to the first quarter of 2007.

From a financial condition perspective, we ended the second quarter of 2007 with \$8.9 billion in cash and short-term investments, and returned \$500 million to stockholders through stock repurchases and \$1.3 billion as dividends during the first half of 2007.

### *Other Highlights & Product Releases*

- Intel, STMicroelectronics N.V. and Francisco Partners L.P. announced an agreement to form a new independent company by combining Intel's NOR flash memory business and STMicroelectronics' NOR and NAND flash businesses. See "Note 13: Pending Divestiture" for further discussion.
- We introduced a new generation of Intel® Centrino® processor technology (formerly codenamed Santa Rosa) that delivers faster Intel® Core™ 2 Duo processors, high-bandwidth 802.11n WiFi connectivity, richer graphics processing and optional Intel® Turbo Memory.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

- We launched the first Intel® Core™ 2 Extreme processors for mobile, enabling notebook PCs for gamers, digital artists and media enthusiasts.
- Intel introduced the Intel® 3 Series chipset family which brings new capabilities to today's systems and provides manufacturers with a socket-compatible migration path to Intel's upcoming Penryn family of processors based on the industry's first 45nm logic process technology.

### Strategy

Some of the key strategic initiatives that we are focusing on are listed below and may change over time:

- *Customer Orientation.* Our strategy focuses on developing our next generation of products based on the needs and expectations of our customers. In turn, our products help enable the design and development of new form factors and usage models for businesses and consumers. We believe that end users, original equipment manufacturers (OEMs), third-party vendors, and service providers of computing and communications systems and devices want processor technologies that are designed and configured to work together to provide an optimized end-user solution as compared to ingredients that are sold separately. Our processor technologies typically include a microprocessor, a chipset, a connectivity device, and enabling software. The success of our strategy to offer processor technologies is dependent on our ability to select and incorporate ingredients that our customers value, and to market the processor technologies effectively. To further our strategy to offer products and processor technologies that address customer needs, we offer products at various market price points.
- *Energy-Efficient Performance.* We believe that users of computing and communications systems and devices want improved overall performance and energy-efficient performance. Improved overall performance can include faster processing performance and other capabilities such as multithreading and multitasking. Performance can also be improved through enhanced connectivity, security, manageability, reliability, ease of use, and interoperability among devices. Improved energy-efficient performance involves balancing the addition of these and other types of improved performance factors with lower power consumption. Additionally, we continue to develop multi-core microprocessors that enable improved multitasking and energy efficiency.
- *Design and Manufacturing Technology Leadership.* Our strategy for developing microprocessors with improved performance is to synchronize the introduction of a new microarchitecture with improvements in silicon process technology. We use the term "microarchitecture" when referring to the layout, density, and logical design of each product generation. We plan to introduce a new microarchitecture approximately every two years and ramp the next generation of silicon process technology in the intervening years. This coordinated schedule allows us to develop and introduce new products based on a common microarchitecture quickly, without waiting for the next generation of silicon process technology.
- *Strategic Investments.* We make equity investments in companies around the world to further our strategic objectives and to support our key business initiatives, including investments through our Intel Capital program. We generally focus on investing in companies and initiatives to stimulate growth in the digital economy, create new business opportunities for Intel, and expand global markets for our products. Our current investment focus areas include helping to enable mobile wireless devices, including expanding and proliferating WiMAX technologies and products; helping to advance the digital home; provide access to premium digital content; enhance the digital enterprise; advance high-performance communications infrastructures; and develop the next generation of silicon processor technologies. Our focus areas tend to develop and change over time due to rapid advancements in technology.
- *Business Environment.* We plan to continue to cultivate new businesses and work with the computing, communications, and consumer electronics industries through standards bodies, trade associations, OEMs, original design manufacturers, and independent software and operating system vendors, to encourage the industry to offer products that take advantage of the latest market trends and usage models. These efforts include helping to expand the infrastructure for wireless connectivity, including wireless broadband. We also provide development tools and support to help software developers create software applications and operating systems that take advantage of our processor technologies. We frequently participate in industry initiatives designed to discuss and agree upon technical specifications and other aspects of technologies that could be adopted as standards by standards-setting organizations. In addition, we work collaboratively with other companies to protect digital content and the consumer.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

The semiconductor industry is characterized by rapid advances in technology and new product introductions. Our ability to compete depends on our ability to improve our products and processor technologies faster than our competitors, anticipate changing customer requirements, develop and launch new products with features that customers want, and invest in technologies that will enhance our product offerings. See the risks described in "Risk Factors" in Part II, Item 1A of this Form 10-Q for additional discussion.

### *Strategy by Business Segment*

The **Digital Enterprise Group** (DEG) offers computing and communications products for businesses, service providers, and consumers. DEG products are incorporated into desktop computers, enterprise computer servers, workstations, and the infrastructure for the Internet. We also offer products for the embedded market segment. Within DEG, our largest market segments are in desktop and enterprise computing. Our strategy for the desktop computing market segment is to offer products that provide increased manageability, security, and/or energy-efficient performance while at the same time lowering total cost of ownership for businesses. Our strategy for the enterprise computing market segment is to provide products that provide energy-efficient performance, ease of use, manageability, reliability, and security for entry-level to high-end servers and workstations.

The strategy for the **Mobility Group** is to offer notebook PC products designed to improve performance, battery life, and wireless connectivity, as well as to allow for the design of reduced form factors. We are also increasing our focus on notebooks designed for the business environment by offering products that provide increased manageability and security. For the ultra-mobile market segment we offer energy-efficient products that are designed primarily for mobile processing of digital content and Internet access, and we are developing new products to support this evolving market segment including products for mobile internet devices.

The strategy for the **Flash Memory Group** is to offer advanced NOR and NAND flash memory for products such as cellular phones, memory cards, digital audio players, and embedded form factors. In support of our strategy to provide advanced flash memory products we continue to focus on the development of innovative products designed to address the needs of customers for reliable, non-volatile, low cost, high density memory. In the second quarter of 2007, we agreed to sell certain NOR flash memory assets to a new flash memory company that we plan to form with STMicroelectronics N.V. and Francisco Partners L.P. See "Note 13: Pending Divestiture" in the Notes to Consolidated Condensed Financial Statements of this Form 10-Q for further discussion.

The strategy for the **Digital Home Group** is to offer products for use in PCs and in-home consumer electronics devices designed to access and share Internet, broadcast, optical media, and personal content through a variety of linked digital devices within the home. We are focusing on the design of components for high-end enthusiast PCs, mainstream PCs with rich audio/video capabilities, and consumer electronic devices such as digital TVs, high-definition media players, and set-top boxes.

The strategy for the **Digital Health Group** is to design and deliver technology-enabled products and explore global business opportunities in healthcare information technology, healthcare research, diagnostics, and productivity, as well as personal healthcare. In support of this strategy, we are focusing on the design of technology solutions and platforms for the digital hospital and consumer/home health products.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

### Critical Accounting Estimates

The methods, estimates, and judgments we use in applying our accounting policies have a significant impact on the results we report in our financial statements. Some of our accounting policies require us to make difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Our most critical accounting estimates include:

- the valuation of non-marketable equity investments, which impacts net gains (losses) on equity investments when we record impairments;
- the recognition and measurement of current and deferred income tax assets and liabilities, which impact our tax provision;
- the assessment of recoverability of long-lived assets, which primarily impacts gross margin or operating expenses when we record impairments of assets or accelerate their depreciation;
- the valuation of inventory, which impacts gross margin; and
- the valuation and recognition of share-based compensation, which impact gross margin, research and development expenses, and marketing, general and administrative expenses.

Below, we discuss these policies further, as well as the estimates and judgments involved. We also have other policies that we consider key accounting policies, such as those for revenue recognition, including the deferral of revenue on sales to distributors; however, these policies typically do not require us to make estimates or judgments that are difficult or subjective.

*Non-Marketable Equity Investments.* We regularly invest in non-marketable equity investments of private companies, which range from early-stage companies that are often still defining their strategic direction to more mature companies whose products or technologies may directly support an Intel product or initiative. The carrying value of our portfolio of strategic investments in non-marketable equity investments, excluding equity derivatives, totaled \$2.8 billion at June 30, 2007 and December 30, 2006 and consists primarily of our investment in IM Flash Technologies, LLC (IMFT). Our non-marketable equity investments are classified under other long-term assets.

In the first quarter of 2007, Clearwire Corporation became a public company and therefore is no longer considered a non-marketable equity investment. Our investment in Clearwire remains classified under other long-term assets. See "Note 8: Equity Investments" in the Notes to Consolidated Condensed Financial Statements of this Form 10-Q for further discussion.

Non-marketable equity investments are inherently risky, and a number of these companies are likely to fail. Their success is dependent on product development, market acceptance, operational efficiency, and other factors. In addition, depending on their future prospects and market conditions, they may not be able to raise additional funds when needed or they may receive lower valuations, with less favorable investment terms than in previous financings, and our investments would likely become impaired.

We review our investments quarterly for indicators of impairment; however, for non-marketable equity investments, the impairment analysis requires significant judgment to identify events or circumstances that would significantly harm the fair value of the investment. The indicators that we use to identify those events or circumstances include:

- the investee's revenue and earnings trends relative to predefined milestones and overall business prospects;
- the technological feasibility of the investee's products and technologies;
- the general market conditions in the investee's industry or geographic area, including regulatory or economic changes;
- factors related to the investee's ability to remain in business, such as the investee's liquidity, debt ratios, and the rate at which the investee is using its cash; and
- the investee's receipt of additional funding at a lower valuation.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Investments identified as having an indicator of impairment are subject to further analysis to determine if the investment is other than temporarily impaired, in which case we write down the investment to its estimated fair value. When an investee is not considered viable from a financial or technological point of view, we write off the investment, since we consider the estimated fair value to be nominal. If an investee obtains additional funding at a valuation lower than our carrying amount or requires a new round of equity funding to stay in operation and the new funding does not appear imminent, we presume that the investment is other than temporarily impaired, unless specific facts and circumstances indicate otherwise. Impairments of investments in our portfolio of non-marketable equity investments were \$44 million in the second quarter of 2007 and \$80 million for the first half of 2007 (\$10 million in the second quarter of 2006 and \$33 million for the first half of 2006). Over the past twelve quarters, including the second quarter of 2007, impairments of investments in our portfolio of non-marketable equity investments have ranged between \$10 million and \$44 million per quarter.

*Income Taxes.* We adopted Financial Accounting Standards Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109" (FIN 48), and related guidance in the first quarter of 2007. See "Note 15: Taxes" in the Notes to Consolidated Condensed Financial Statements of this Form 10-Q for further discussion.

We must make certain estimates and judgments in determining income tax expense for financial statement purposes. These estimates and judgments occur in the calculation of tax credits, benefits, and deductions, and in the calculation of certain tax assets and liabilities, which arise from differences in the timing of recognition of revenue and expense for tax and financial statement purposes, as well as the interest and penalties relating to these uncertain tax positions. Significant changes to these estimates may result in an increase or decrease to our tax provision in a subsequent period.

We must assess the likelihood that we will be able to recover our deferred tax assets. If recovery is not likely, we must increase our provision for taxes by recording a valuation allowance against the deferred tax assets that we estimate will not ultimately be recoverable. We believe that we will ultimately recover a substantial majority of the deferred tax assets recorded on our consolidated condensed balance sheets. However, should there be a change in our ability to recover our deferred tax assets, our tax provision would increase in the period in which we determined that the recovery is not probable.

In addition, the calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax regulations. As a result of the implementation of FIN 48, we recognize liabilities for uncertain tax positions based on the two-step process prescribed within the interpretation. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step requires us to estimate and measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement. It is inherently difficult and subjective to estimate such amounts, as this requires us to determine the probability of various possible outcomes. We reevaluate these uncertain tax positions on a quarterly basis. This evaluation is based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, effectively settled issues under audit, and new audit activity. Such a change in recognition or measurement would result in the recognition of a tax benefit or an additional charge to the tax provision in the period.

*Long-Lived Assets.* We assess the impairment of long-lived assets when events or changes in circumstances indicate that the carrying value of the assets or the asset grouping may not be recoverable. Factors that we consider in deciding when to perform an impairment review include significant under-performance of a business or product line in relation to expectations, significant negative industry or economic trends, and significant changes or planned changes in our use of the assets. Recoverability of assets that will continue to be used in our operations is measured by comparing the carrying amount of the asset grouping to our estimate of the related total future undiscounted net cash flows. If an asset grouping's carrying value is not recoverable through the related undiscounted cash flows, the asset grouping is considered to be impaired. The impairment is measured by the difference between the asset grouping's carrying amount and its fair value, based on the best information available, including market prices or discounted cash flow analysis.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Impairments of long-lived assets are determined for groups of assets related to the lowest level of identifiable independent cash flows. Due to our asset usage model and the interchangeable nature of our semiconductor manufacturing capacity, we must make subjective judgments in determining the independent cash flows that can be related to specific asset groupings. In addition, as we make manufacturing process conversions and other factory planning decisions, we must make subjective judgments regarding the remaining useful lives of assets, primarily process-specific semiconductor manufacturing tools and building improvements. When we determine that the useful lives of assets are shorter than we had originally estimated, and there are sufficient cash flows to support the carrying value of the assets, we accelerate the rate of depreciation charges in order to depreciate the assets over their new shorter useful lives. Impairments and accelerated depreciation of long-lived assets were \$14 million during the second quarter of 2007 and \$70 million for the first half of 2007 (less than \$15 million in the second quarter of 2006 and the first half of 2006). Over the past twelve quarters, including the second quarter of 2007, impairments and accelerated depreciation of long-lived assets have ranged between \$1 million and \$320 million per quarter. This range includes restructuring charges for asset impairments occurring since the fourth quarter of 2006.

*Inventory.* The valuation of inventory requires us to estimate obsolete or excess inventory as well as inventory that is not of saleable quality. The determination of obsolete or excess inventory requires us to estimate the future demand for our products. The demand forecast is included in the development of our short-term manufacturing plans to enable consistency between inventory valuation and build decisions. Product-specific facts and circumstances reviewed in the inventory valuation process include a review of the customer base, the stage of the product life cycle of our products, consumer confidence, and customer acceptance of our products as well as an assessment of the selling price in relation to the product cost. If our demand forecast for specific products is greater than actual demand and we fail to reduce manufacturing output accordingly, or if we fail to forecast accurately the demand, we could be required to write off inventory, which would have a negative impact on our gross margin.

*Share-Based Compensation.* Total share-based compensation was \$237 million in the second quarter of 2007 and \$521 million for the first half of 2007 (\$332 million in the second quarter of 2006 and \$706 million for the first half of 2006). Determining the appropriate fair-value model and calculating the fair value of employee stock options and rights to purchase shares under stock purchase plans at the date of grant requires judgment. We use the Black-Scholes option pricing model to estimate the fair value of these share-based awards consistent with the provisions of Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004), "Share-Based Payment" (SFAS No. 123(R)). Option pricing models, including the Black-Scholes model, also require the use of input assumptions, including expected volatility, expected life, expected dividend rate, and expected risk-free rate of return. The assumptions for expected volatility and expected life are the two assumptions that significantly affect the grant date fair value. The expected dividend rate and expected risk-free rate of return are not significant to the calculation of fair value.

We use implied volatility based on freely traded options in the open market, as we believe implied volatility is more reflective of market conditions and a better indicator of expected volatility than historical volatility. In determining the appropriateness of implied volatility, we considered the following:

- the volume of market activity of freely traded options, and determined that there was sufficient market activity;
- the ability to reasonably match the input variables of freely traded options to those of options granted by the company, such as the date of grant and the exercise price, and determined that the input assumptions were comparable; and
- the term of freely traded options used to derive implied volatility, which is generally one to two years, and determined that the length of term was sufficient.

We use the simplified calculation of expected life described in the U.S. Securities and Exchange Commission's Staff Accounting Bulletin 107 (SAB 107), due to differences in the vesting terms and contractual life of current option grants compared to our historical grants. If we determined that another method used to estimate expected volatility or expected life was more reasonable than our current methods, or if another method for calculating these input assumptions was prescribed by authoritative guidance, the fair value calculated for share-based awards could change significantly. In addition, the simplified calculation of expected life is only allowed under SAB 107 through the end of fiscal 2007, after which time we will use an alternate method for estimating the useful life of options granted.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Higher volatility and longer expected lives result in an increase to share-based compensation determined at the date of grant. The effect that changes in the volatility and the expected life would have on the weighted average fair value of grants and the increase in total fair value during the second quarter and the first half of 2007 is as follows:

	Q2 2007		First Half 2007	
	Weighted Average Fair Value	Increase in Total Fair Value <sup>1</sup> (in millions)	Weighted Average Fair Value	Increase in Total Fair Value <sup>1</sup> (in millions)
As reported	\$ 5.18		\$ 5.24	
Hypothetical:				
Increase expected volatility by 5 percentage points <sup>2</sup>	\$ 5.93	\$ 13	\$ 6.01	\$ 14
Increase expected lives by 1 year	\$ 5.64	\$ 8	\$ 5.70	\$ 8

<sup>1</sup> Amounts represent the hypothetical increase in the total fair value determined at the date of grant, which is amortized over the vesting period, net of estimated forfeitures.

<sup>2</sup> For example, an increase from 25% as reported volatility for Q2 2007 to a hypothetical 30% volatility.

In addition, SFAS No. 123(R) requires us to develop an estimate of the number of share-based awards that will be forfeited due to employee turnover. Quarterly changes in the estimated forfeiture rate can have a significant effect on reported share-based compensation, as we recognize the cumulative effect of adjusting the rate for all expense amortization after January 1, 2006 in the period the forfeiture estimate is changed. We estimate and adjust forfeiture rates based on a quarterly review of recent forfeiture activity and expected future employee turnover. If a revised forfeiture rate is higher than the previously estimated forfeiture rate, we make an adjustment that will result in a decrease to the expense recognized in the financial statements. If a revised forfeiture rate is lower than the previously estimated forfeiture rate, we make an adjustment that will result in an increase to the expense recognized in the financial statements. These adjustments affect our gross margin; research and development expenses; and marketing, general and administrative expenses. The effect of forfeiture adjustments in the second quarter and the first half of 2007 was insignificant. We record cumulative adjustments to the extent that the related expense is recognized in the financial statements, beginning with implementation of SFAS No. 123(R) in the first quarter of 2006. Therefore, the potential impact from cumulative forfeiture adjustments will increase in future periods. The expense that we recognize in future periods could also differ significantly from the current period and from our forecasts due to adjustments in the assumed forfeiture rates.



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Results of Operations - Second Quarter of 2007 Compared to Second Quarter of 2006

The following table sets forth certain consolidated statements of income data as a percentage of net revenue for the periods indicated:

(Dollars in Millions, Except Per Share Amounts)	Q2 2007		Q2 2006	
	Dollars	% of Net Revenue	Dollars	% of Net Revenue
<b>Net revenue</b>	<b>\$ 8,680</b>	<b>100.0%</b>	<b>\$ 8,009</b>	<b>100.0%</b>
Cost of sales	4,605	53.1%	3,838	47.9%
<b>Gross margin</b>	<b>4,075</b>	<b>46.9%</b>	<b>4,171</b>	<b>52.1%</b>
Research and development	1,353	15.5%	1,496	18.7%
Marketing, general and administrative	1,284	14.8%	1,593	19.9%
Restructuring and asset impairment charges	82	0.9%	—	—%
Amortization of acquisition-related intangibles and costs	6	0.1%	10	0.1%
<b>Operating income</b>	<b>1,350</b>	<b>15.6%</b>	<b>1,072</b>	<b>13.4%</b>
Gains (losses) on equity investments, net	(1)	—%	37	0.4%
Interest and other, net	180	2.0%	144	1.8%
<b>Income before taxes</b>	<b>1,529</b>	<b>17.6%</b>	<b>1,253</b>	<b>15.6%</b>
Provision for taxes	251	2.9%	368	4.5%
<b>Net income</b>	<b>\$ 1,278</b>	<b>14.7%</b>	<b>\$ 885</b>	<b>11.1%</b>
<b>Diluted earnings per share</b>	<b>\$ 0.22</b>		<b>\$ 0.15</b>	

The following table sets forth information of geographic regions for the periods indicated:

(Dollars In Millions)	Q2 2007		Q2 2006	
	Revenue	% of Total	Revenue	% of Total
Asia-Pacific	\$ 4,457	51%	\$ 4,015	50%
Americas	1,823	21%	1,713	22%
Europe	1,485	17%	1,375	17%
Japan	915	11%	906	11%
<b>Total</b>	<b>\$ 8,680</b>	<b>100%</b>	<b>\$ 8,009</b>	<b>100%</b>

Our net revenue for Q2 2007 was \$8.7 billion, an increase of 8% compared to Q2 2006. Higher microprocessor unit sales and higher server microprocessor average selling prices were partially offset by lower desktop and mobile microprocessor average selling prices.

Revenue in the Asia-Pacific region increased 11%, revenue in the Europe region increased 8%, revenue in the Americas region increased 6%, and revenue in Japan was approximately flat compared to Q2 2006. Revenue from both mature and emerging markets increased in Q2 2007 compared to Q2 2006. While the increase in mature markets occurred in all four geographic regions, the majority of the growth occurred in the Asia-Pacific region. Most of the increase in the emerging markets also occurred in the Asia-Pacific region.

Our overall gross margin dollars decreased slightly by 2% in Q2 2007 compared to Q2 2006. Our overall gross margin percentage decreased to 46.9% in Q2 2007, from 52.1% in Q2 2006. The decline in gross margin percentage was primarily attributable to gross margin declines in the Digital Enterprise Group and Flash Memory Group operating segments. We derived most of our overall gross margin dollars and operating profit from the sale of microprocessors in Q2 2006, and substantially all of our overall gross margin dollars and operating profit from the sale of microprocessors in Q2 2007. See "Business Outlook" later in this section for a discussion of gross margin expectations.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

*Digital Enterprise Group*

The revenue and operating income for the Digital Enterprise Group operating segment for the second quarter of 2007 and the second quarter of 2006 were as follows:

<u>(In Millions)</u>	<u>Q2 2007</u>	<u>Q2 2006</u>
Microprocessor revenue	\$ 3,465	\$ 3,338
Chipset, motherboard, and other revenue	1,178	1,283
<b>Net revenue</b>	<b>\$ 4,643</b>	<b>\$ 4,621</b>
<b>Operating income</b>	<b>\$ 817</b>	<b>\$ 751</b>

Net revenue for the Digital Enterprise Group operating segment was approximately flat in Q2 2007 compared to Q2 2006. Higher microprocessor revenue was offset by lower chipset, motherboard, and other revenue. The increase in microprocessor revenue was due to higher unit sales of microprocessors, and to a lesser extent, an increase in server average selling prices, partially offset by lower desktop average selling prices in a competitive pricing environment. The decrease in chipset, motherboard, and other revenue was due to a decrease in communications infrastructure revenue, and to a lesser extent, lower motherboard unit sales, slightly offset by higher chipset revenue. Microprocessors within the Digital Enterprise Group include microprocessors designed for the desktop and enterprise computing market segments as well as embedded microprocessors.

Operating income increased by \$66 million, or 9%, in Q2 2007 compared to Q2 2006. The increase in operating income was primarily due to lower operating expenses, partially offset by approximately \$220 million of higher start-up costs, primarily related to our 45-nanometer process technology.

*Mobility Group*

The revenue and operating income for the Mobility Group operating segment for the second quarter of 2007 and the second quarter of 2006 were as follows:

<u>(In Millions)</u>	<u>Q2 2007</u>	<u>Q2 2006</u>
Microprocessor revenue	\$ 2,398	\$ 1,958
Chipset and other revenue	898	731
<b>Net revenue</b>	<b>\$ 3,296</b>	<b>\$ 2,689</b>
<b>Operating income</b>	<b>\$ 1,250</b>	<b>\$ 851</b>

Net revenue for the Mobility Group operating segment increased by \$607 million, or 23%, in Q2 2007 compared to Q2 2006. Microprocessor revenue increased by \$440 million, or 22%, in Q2 2007 compared to Q2 2006, and chipset and other revenue increased by \$167 million, or 23%, in Q2 2007 compared to Q2 2006. The increase in microprocessor revenue was due to higher unit sales, partially offset by lower average selling prices. Most of the increase in chipset and other revenue was due to higher revenue from sales of chipsets and cellular baseband processors, and to a lesser extent, higher revenue from sales of wireless connectivity products. In the fourth quarter of 2006, we sold certain assets of the business line that included application and cellular baseband processors used in handheld devices, however we continue to manufacture and sell these processors as part of a manufacturing and transition services agreement.

Operating income increased significantly by \$399 million, or 47%, in Q2 2007 compared to Q2 2006. The substantial majority of the increase in operating income was due to higher revenue, and to a lesser extent, lower unit costs and lower operating expenses. These increases were partially offset by approximately \$115 million of higher start-up costs, primarily related to our 45-nanometer process technology.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)****Flash Memory Group**

The revenue and operating loss for the Flash Memory Group operating segment for the second quarter of 2007 and the second quarter of 2006 were as follows:

<u>(In Millions)</u>	<u>Q2 2007</u>	<u>Q2 2006</u>
<b>Net revenue</b>	<b>\$ 494</b>	<b>\$ 536</b>
<b>Operating loss</b>	<b>\$ (291)</b>	<b>\$ (169)</b>

Net revenue for the Flash Memory Group operating segment decreased by \$42 million, or 8%, in Q2 2007 compared to Q2 2006. The decrease in revenue was due to lower average selling prices for NOR flash memory products, partially offset by higher NAND revenue. In Q1 2006, we began shipping NAND flash memory products manufactured by IMFT. Operating loss increased from \$169 million in Q2 2006 to \$291 million in Q2 2007. The operating loss increase was driven by lower overall revenue and higher costs related to our new NAND flash memory business, partially offset by lower NOR flash memory unit costs.

In the second quarter of 2007, we agreed to sell certain NOR flash memory assets to a new flash memory company that we plan to form with STMicroelectronics N.V. and Francisco Partners L.P. See "Note 13: Pending Divestiture" in the Notes to Consolidated Condensed Financial Statements of this Form 10-Q for further discussion.

**Share-Based Compensation**

Share-based compensation decreased by \$95 million to \$237 million in Q2 2007 from \$332 million in Q2 2006. This decrease was due primarily to fewer options vesting in Q2 2007. Additionally, the weighted average fair value of vesting options was lower in Q2 2007 compared to Q2 2006 mainly attributable to a lower weighted average volatility rate and shorter option vesting life. This decrease was partially offset by lower share-based compensation costs capitalized as part of inventory.

**Operating Expenses**

Operating expenses for the second quarter of 2007 and the second quarter of 2006 were as follows:

<u>(In Millions)</u>	<u>Q2 2007</u>	<u>Q2 2006</u>
<b>Research and development</b> (includes share-based compensation of \$94 in 2007 and \$126 in 2006)	<b>\$ 1,353</b>	<b>\$ 1,496</b>
<b>Marketing, general and administrative</b> (includes share-based compensation of \$79 in 2007 and \$140 in 2006)	<b>\$ 1,284</b>	<b>\$ 1,593</b>
<b>Restructuring and asset impairment charges</b>	<b>\$ 82</b>	<b>\$ —</b>
<b>Amortization of acquisition-related intangibles and costs</b>	<b>\$ 6</b>	<b>\$ 10</b>

*Research and Development.* Research and development spending decreased \$143 million, or 10%, in Q2 2007 compared to Q2 2006. This decrease was primarily due to lower development costs as we transition from research and development to manufacturing using our 45-nanometer process technology, and lower headcount.

*Marketing, General and Administrative.* Marketing, general and administrative expenses decreased \$309 million, or 19%, in Q2 2007 compared to Q2 2006. This decrease was primarily due to lower headcount, lower cooperative advertising expenses, and lower marketing program expenses.

Research and development along with marketing, general and administrative expenses were 30% of net revenue in Q2 2007 (39% of net revenue in Q2 2006).

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)**

*Restructuring and Asset Impairment Charges.* During the second quarter of 2007, we recorded \$82 million of restructuring and asset impairment charges, net of adjustments. We recorded \$80 million related to employee severance and benefit arrangements and \$2 million related to asset impairments. See Management's Discussion and Analysis of Financial Condition and Results of Operations 'First Half of 2007 compared to First Half of 2006' of this Form 10-Q for further discussion.

***Gains (Losses) on Equity Investments, Interest and Other, and Provision for Taxes***

Gains (losses) on equity investments, net; interest and other, net; and provision for taxes for the second quarter of 2007 and the second quarter of 2006 were as follows:

<u>(In Millions)</u>	<u>Q2 2007</u>	<u>Q2 2006</u>
Gains (losses) on equity investments, net	\$ (1)	\$ 37
Interest and other, net	\$ 180	\$ 144
Provision for taxes	\$ 251	\$ 368

Gains (losses) on equity investments, net, which includes investments accounted for under the equity method and certain equity derivatives, for Q2 2007 was a net loss of \$1 million compared to a net gain of \$37 million for Q2 2006. The decrease was due to higher impairment charges on equity investments (\$44 million in Q2 2007 and \$10 million in Q2 2006) and losses on equity method investments partially offset by higher gains on sales of equity investments.

Interest and other, net increased to \$180 million in Q2 2007 compared to \$144 million in Q2 2006 reflecting higher interest income as a result of higher average investment balances and higher rates.

Our effective income tax rate for Q2 2007 was 16.4%, compared to 29.4% for Q2 2006. The Q2 2007 tax rate includes the reversal of previously accrued taxes of \$155 million. The reversal relates to "effectively settling" several uncertain tax positions. See "Note 15: Taxes" in the Notes to Consolidated Condensed Financial Statements of this Form 10-Q for further discussion. In addition, the tax rate for the second quarter of 2007 was positively impacted by an increase in the expected percentage of profits in low tax jurisdictions as well as an increase in expected research and development credits.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Results of Operations - First Half of 2007 Compared to First Half of 2006

The following table sets forth certain consolidated statements of income data as a percentage of net revenue for the periods indicated:

(Dollars in Millions, Except Per Share Amounts)	YTD 2007		YTD 2006	
	Dollars	% of Net Revenue	Dollars	% of Net Revenue
<b>Net revenue</b>	<b>\$ 17,532</b>	<b>100.0%</b>	<b>\$ 16,949</b>	<b>100.0%</b>
Cost of sales	9,025	51.5%	7,835	46.2%
<b>Gross margin</b>	<b>8,507</b>	<b>48.5%</b>	<b>9,114</b>	<b>53.8%</b>
Research and development	2,753	15.7%	3,058	18.0%
Marketing, general and administrative	2,561	14.6%	3,237	19.1%
Restructuring and asset impairment charges	157	0.8%	—	—%
Amortization of acquisition-related intangibles and costs	11	0.1%	29	0.2%
<b>Operating income</b>	<b>3,025</b>	<b>17.3%</b>	<b>2,790</b>	<b>16.5%</b>
Gains on equity investments, net	28	0.1%	39	0.2%
Interest and other, net	349	2.0%	298	1.7%
<b>Income before taxes</b>	<b>3,402</b>	<b>19.4%</b>	<b>3,127</b>	<b>18.4%</b>
Provision for taxes	488	2.8%	885	5.2%
<b>Net income</b>	<b>\$ 2,914</b>	<b>16.6%</b>	<b>\$ 2,242</b>	<b>13.2%</b>
<b>Diluted earnings per share</b>	<b>\$ 0.49</b>		<b>\$ 0.38</b>	

The following table sets forth information of geographic regions for the periods indicated:

(Dollars In Millions)	YTD 2007		YTD 2006	
	Revenue	% of Total	Revenue	% of Total
Asia-Pacific	\$ 8,889	51%	\$ 8,308	49%
Americas	3,550	20%	3,618	21%
Europe	3,207	18%	3,076	18%
Japan	1,886	11%	1,947	12%
<b>Total</b>	<b>\$ 17,532</b>	<b>100%</b>	<b>\$ 16,949</b>	<b>100%</b>

Our net revenue of \$17.5 billion in the first half of 2007 increased 3% compared to the first half of 2006. Higher microprocessor unit sales were mostly offset by lower microprocessor average selling prices. Higher mobile chipset revenue also contributed to the increase in net revenue.

Revenue in the Asia-Pacific region increased 7% and revenue in the Europe region increased 4% compared to the first half of 2006. These increases were partially offset by lower revenue in Japan, which decreased 3% compared to the first half of 2006. Revenue in the Americas region was approximately flat compared to the first half of 2006. Revenue in mature markets increased in the first half of 2007 compared to the first half of 2006, with substantially all of the growth occurring in the Asia-Pacific region. There were declines in the first half of 2007 compared to the first half of 2006 in emerging markets in the Asia-Pacific region.

Our overall gross margin dollars decreased 7% in the first half of 2007 compared to the first half of 2006. Our overall gross margin percentage decreased to 48.5% in the first half of 2007, from 53.8% in the first half of 2006. The decline in gross margin percentage was primarily attributable to gross margin declines in the Digital Enterprise Group and Flash Memory Group operating segments. We derived most of our overall gross margin dollars and operating profit from the sale of microprocessors in the first half of 2006, and substantially all of our overall gross margin dollars and operating profit from the sale of microprocessors in the first half of 2007. See "Business Outlook" later in this section for a discussion of gross margin expectations.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

*Digital Enterprise Group*

The revenue and operating income for the Digital Enterprise Group operating segment for the first half of 2007 and the first half of 2006 were as follows:

<u>(In Millions)</u>	<u>YTD 2007</u>	<u>YTD 2006</u>
Microprocessor revenue	\$ 7,026	\$ 7,230
Chipset, motherboard, and other revenue	2,371	2,538
<b>Net revenue</b>	<b>\$ 9,397</b>	<b>\$ 9,768</b>
<b>Operating income</b>	<b>\$ 1,748</b>	<b>\$ 1,926</b>

Net revenue for the Digital Enterprise Group operating segment decreased by \$371 million, or 4%, in the first half of 2007 compared to the first half of 2006. The decrease in microprocessor revenue was due to lower desktop average selling prices in a competitive pricing environment, partially offset by an increase in server average selling prices and higher microprocessor unit sales. The decrease in chipset, motherboard, and other revenue was due to a decrease in communications infrastructure revenue, and to a lesser extent, lower motherboard unit sales and lower chipset revenue.

Operating income decreased by \$178 million, or 9%, in the first half of 2007 compared to the first half of 2006. The decrease in operating income was primarily due to the revenue decline. Approximately \$400 million of higher start-up costs, primarily related to our 45-nanometer process technology, as well as approximately \$180 million of higher factory underutilization charges, were offset by lower operating expenses. Sales of desktop microprocessor inventory that had been previously written off further offset the effect of the revenue decline.

*Mobility Group*

The revenue and operating income for the Mobility Group operating segment for the first half of 2007 and the first half of 2006 were as follows:

<u>(In Millions)</u>	<u>YTD 2007</u>	<u>YTD 2006</u>
Microprocessor revenue	\$ 4,839	\$ 4,305
Chipset and other revenue	1,764	1,363
<b>Net revenue</b>	<b>\$ 6,603</b>	<b>\$ 5,668</b>
<b>Operating income</b>	<b>\$ 2,631</b>	<b>\$ 1,901</b>

Net revenue for the Mobility Group operating segment increased by \$935 million, or 16.5%, in the first half of 2007 compared to the first half of 2006. Microprocessor revenue increased by \$534 million, or 12%, in the first half of 2007 compared to the first half of 2006, while chipset and other revenue increased significantly by \$401 million, or 29%, in the first half of 2007 compared to the first half of 2006. The increase in microprocessor revenue was due to higher unit sales, partially offset by lower average selling prices. The substantial majority of the increase in chipset and other revenue was due to higher revenue from sales of chipsets and cellular baseband processors, and to a lesser extent, higher revenue from sales of wireless connectivity products.

Operating income increased significantly by \$730 million, or 38%, in the first half of 2007 compared to the first half of 2006. The substantial majority of the increase in operating income was due to higher revenue. Lower operating expenses were more than offset by approximately \$200 million of higher start-up costs, primarily related to our 45-nanometer process technology.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

*Flash Memory Group*

The revenue and operating loss for the Flash Memory Group operating segment for the first half of 2007 and the first half of 2006 were as follows:

<u>(In Millions)</u>	<u>YTD 2007</u>	<u>YTD 2006</u>
<b>Net revenue</b>	\$ 963	\$ 1,080
<b>Operating loss</b>	\$ (574)	\$ (294)

Net revenue for the Flash Memory Group operating segment decreased by \$117 million, or 11%, in the first half of 2007 compared to the first half of 2006. The decrease in revenue was due to lower average selling prices of NOR flash memory products and lower NOR royalties, partially offset by higher NAND revenue. Operating loss increased from \$294 million in the first half of 2006 to \$574 million in the first half of 2007. The operating loss increase was driven by lower overall revenue and higher costs related to our new NAND flash memory business, partially offset by lower NOR flash memory unit costs.

*Share-Based Compensation*

Share-based compensation decreased by \$185 million to \$521 million in the first half of 2007 from \$706 million in the first half of 2006. There were fewer options vesting in the first half of 2007 compared to the first half of 2006. Additionally, the weighted average fair value of vesting options was lower in the first half of 2007 compared to the first half of 2006 mainly attributable to a lower weighted average volatility rate and shorter option vesting life. These decreases were partially offset by lower share-based compensation costs capitalized as part of inventory.

*Operating Expenses*

Operating expenses for the first half of 2007 and the first half of 2006 were as follows:

<u>(In Millions)</u>	<u>YTD 2007</u>	<u>YTD 2006</u>
<b>Research and development</b> (includes share-based compensation of \$208 in 2007 and \$261 in 2006)	\$ 2,753	\$ 3,058
<b>Marketing, general and administrative</b> (includes share-based compensation of \$171 in 2007 and \$293 in 2006)	\$ 2,561	\$ 3,237
<b>Restructuring and asset impairment charges</b>	\$ 157	\$ —
<b>Amortization of acquisition-related intangibles and costs</b>	\$ 11	\$ 29

*Research and Development.* Research and development spending decreased \$305 million, or 10% in the first half of 2007 compared to the first half of 2006. The decrease was primarily due to lower development costs as we transition from research and development to manufacturing using our 45-nanometer process technology, and lower headcount.

*Marketing, General and Administrative.* Marketing, general and administrative expenses decreased \$676 million, or 21%, in the first half of 2007 compared to the first half of 2006. This decrease was primarily due to lower headcount, lower cooperative advertising expenses, and lower marketing program expenses.

Research and development along with marketing, general and administrative expenses were 30% of net revenue in the first half of 2007 (37% of net revenue in the first half of 2006).

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)**

*Restructuring and Asset Impairment Charges.* In the third quarter of 2006, management approved several actions as part of a restructuring plan designed to improve operational efficiency and financial results. Under the plan, during the first half of 2007, we recorded \$157 million in restructuring and asset impairment charges, net of adjustments. We recorded \$101 million related to employee severance and benefit arrangements and \$56 million related to asset impairments. During the first quarter of 2007, we incurred \$54 million in asset impairment charges as a result of softer than anticipated market conditions relating to the Colorado Springs, Colorado facility, which was originally placed for sale and written down in the fourth quarter of 2006. We did not incur restructuring charges in the first half of 2006.

The following table summarizes the restructuring and asset impairment activity for the first half of 2007:

<b>(In Millions)</b>	<b>Employee Severance and Benefits</b>	<b>Asset Impairments</b>	<b>Total</b>
<b>Accrued restructuring balance as of December 30, 2006</b>	<b>\$ 48</b>	<b>\$ —</b>	<b>\$ 48</b>
Additional accruals	106	56	162
Adjustments	(5)	—	(5)
Cash payments	(73)	—	(73)
Non-cash settlements	—	(56)	(56)
<b>Accrued restructuring balance as of June 30, 2007</b>	<b>\$ 76</b>	<b>\$ —</b>	<b>\$ 76</b>

The additional accruals, net of adjustments, have been reflected as restructuring and asset impairment charges on the consolidated condensed statements of income. The remaining accrual as of June 30, 2007 relates to severance benefits that are recorded as a current liability within accrued compensation and benefits on the consolidated condensed balance sheets.

From the third quarter of 2006 through the second quarter of 2007, we incurred a total of \$712 million in restructuring and asset impairment charges related to this plan. These charges include a total of \$339 million related to employee severance and benefit arrangements due to the termination of approximately 7,900 employees, of which 4,800 employees have left as of June 30, 2007. A substantial majority of these employee terminations relate to employees within manufacturing, marketing, and information technology. Of the employee severance and benefit charges incurred to date, we have paid \$263 million. These charges also include \$373 million in asset impairment charges.

We estimate that actions taken to date under the restructuring plan will result in gross annual savings of approximately \$840 million, a portion of which we began to realize in the third quarter of 2006. We are realizing these savings within cost of sales; marketing, general and administrative expenses; and research and development expenses. We may record additional restructuring and asset impairment charges of approximately \$150 million in the third quarter of 2007. We may incur additional restructuring charges in the future for employee severance and benefit arrangements, and facility-related or other exit activities.

***Gains on Equity Investments, Interest and Other, and Provision for Taxes***

Gains on equity investments, net; interest and other, net; and provision for taxes for the first half of 2007 and the first half of 2006 were as follows:

<b>(In Millions)</b>	<b>YTD 2007</b>	<b>YTD 2006</b>
Gains on equity investments, net	\$ 28	\$ 39
Interest and other, net	\$ 349	\$ 298
Provision for taxes	\$ 488	\$ 885

Gains on equity investments, net for the first half of 2007 were \$28 million compared to \$39 million for the first half of 2006. The decrease was primarily due to higher impairment charges on equity investments (\$80 million in the first half of 2007 and \$33 million in the first half of 2006) partially offset by higher gains on sales of equity investments.



## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Interest and other, net increased to \$349 million in the first half of 2007 compared to \$298 million in the first half of 2006 due to higher interest income as a result of higher rates and higher average investment balances.

Our effective income tax rate for the first half of 2007 was 14.3%, compared to 28.3% for the first half of 2006. The rate for the first half of 2007 includes the reversal of previously accrued taxes of \$481 million relating to settlements with the U.S. Internal Revenue Service (IRS). See "Note 15: Taxes" in the Notes to Consolidated Condensed Financial Statements of this Form 10-Q for further discussion. The tax rate for the first half of 2007 was also positively impacted by higher domestic manufacturing deduction benefits, research and development credits, and expected higher profits in low tax jurisdictions; however, this was partially offset by the elimination of the tax benefit for export sales. The rate for the first half of 2006 includes a tax benefit related to non-U.S. research and development tax credits.

### Liquidity and Capital Resources

Our financial condition remains strong. Cash, short-term investments, fixed income debt instruments included in trading assets, and debt at the end of each period were as follows:

<u>(Dollars in Millions)</u>	<u>June 30, 2007</u>	<u>Dec. 30, 2006</u>
Cash, short-term investments and fixed income debt instruments included in trading assets	\$ 10,182	\$ 9,552
Short-term and long-term debt	\$ 2,069	\$ 2,028
Debt as % of stockholders' equity	5.2%	5.5%

In summary, our cash flows were as follows:

<u>(In Millions)</u>	<u>Six Months Ended</u>	
	<u>June 30, 2007</u>	<u>July 1, 2006</u>
Net cash provided by operating activities	\$ 3,969	\$ 3,638
Net cash used for investing activities	(5,596)	(2,723)
Net cash used for financing activities	(262)	(4,803)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$ (1,889)</b>	<b>\$ (3,888)</b>

### Operating Activities

Cash provided by operating activities is net income adjusted for certain non-cash items and changes in assets and liabilities. The increase in cash provided by operating activities for the first half of 2007 compared to the first half of 2006 was primarily due to an increase in inventory that occurred in the first half of 2006 and higher net income for the first half of 2007 partially offset by higher purchases of trading assets for the first half of 2007.

Inventories as of June 30, 2007 decreased slightly compared to December 30, 2006 levels, primarily due to lower microprocessor inventory partially offset by higher chipset inventory. Trading assets increased compared to December 30, 2006, primarily due to purchases exceeding maturities. Additionally, accounts receivable as of June 30, 2007 decreased compared to December 30, 2006, due to lower revenue in the second quarter of 2007. For the first half of 2007, our two largest customers accounted for 34% of net revenue, with one of these customers accounting for 18% of revenue and another customer accounting for 16%. For the first half of 2006, these two largest customers accounted for 36% of net revenue. Additionally, these two largest customers accounted for 45% of net accounts receivable at June 30, 2007 (44% at July 1, 2006).

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

### *Investing Activities*

Investing cash flows consist primarily of capital expenditures, the proceeds from investment maturities and disposals, and purchases and investments in non-marketable and other equity investments. The increase in cash used in investing activities in the first half of 2007, compared to the first half of 2006, was primarily due to an increase in purchases and a decrease in sales and maturities of available-for-sale investments, partially offset by lower capital spending. Purchases and investments in non-marketable equity investments for the first half of 2007 included \$511 million for our investment in IMFT (\$790 million in the first half of 2006) and \$67 million for our investment in IM Flash Singapore, LLP (IMFS).

### *Financing Activities*

Financing cash flows consist primarily of repurchases and retirement of common stock and payment of dividends to stockholders, partially offset by proceeds from sales of shares through employee equity incentive plans. The lower cash used in financing activities in the first half of 2007, compared to the first half of 2006, was primarily due to a decrease in repurchases and retirement of common stock and an increase in proceeds from sales of shares through employee equity incentive plans. For the first half of 2007, we purchased 23.8 million shares of common stock for \$500 million compared to 192.8 million shares for \$3.9 billion in the first half of 2006. We base our level of stock repurchases on internal cash management decisions and this level may fluctuate from quarter to quarter. At June 30, 2007, \$16.8 billion remained available for repurchase under the existing repurchase authorization. For the first half of 2007, proceeds from the sale of shares pursuant to employee equity incentive plans were \$1.4 billion compared to \$494 million during the first half of 2006 as a result of a higher volume of employee exercises of stock options. Our dividend payments were \$1.3 billion in the first half of 2007, higher than the \$1.2 billion paid in the same period of the prior year, due to an increase from \$0.10 to \$0.1125 in quarterly cash dividends per common share effective for the first quarter of 2007.

### *Liquidity*

During the first half of 2007, our level of cash declined as our cash provided by operations was less than our cash used for investing and financing activities. We use cash generated by operations as our primary source of liquidity. Another potential source of liquidity is authorized borrowings, including commercial paper of up to \$3.0 billion. There were no borrowings under our commercial paper program during the first half of 2007. We also have a shelf registration on file with the Securities and Exchange Commission (SEC) pursuant to which we may offer an indeterminate amount of debt, equity, and other securities.

We believe that we have the financial resources needed to meet business requirements for the next 12 months, including capital expenditures for the expansion or upgrading of worldwide manufacturing and assembly and test capacity, working capital requirements, the dividend program, potential stock repurchases and potential future acquisitions or strategic investments, and cash payments associated with our restructuring plan.

### **Contractual Obligations**

As a result of the adoption of FIN 48, we reclassified unrecognized tax benefits to long-term income taxes payable. Long-term income taxes payable includes uncertain tax positions, reduced by the associated federal deduction of state taxes and foreign tax credits, and may also include other certain long-term tax liabilities. As of June 30, 2007, we have \$1.2 billion of income tax liabilities. We expect to settle/make payments on approximately \$300 million of these income tax liabilities during 2007. Most of the remaining balance is expected to be settled/paid one to three years after December 28, 2007.

**Business Outlook**

Our future results of operations and the other forward-looking statements contained in this Form 10-Q, including this MD&A, involve a number of risks and uncertainties—in particular, the statements regarding our goals and strategies, new product introductions, plans to cultivate new businesses, pending divestitures, future economic conditions, revenue, pricing, gross margin and costs, capital spending, depreciation, research and development expenses, potential impairment of investments, the tax rate, and pending legal proceedings. Our future results of operations may also be affected by the amount, type, and valuation of share-based awards granted as well as the amount of awards cancelled due to employee turnover and the timing of award exercises by employees. We are focusing on efforts to improve operational efficiency and reduce spending that may result in several actions that could have an impact on expense levels and gross margin. In addition to the various important factors discussed above, a number of other important factors could cause actual results to differ significantly from our expectations. See the risks described in “Risk Factors” in Part II, Item 1A of this Form 10-Q.

For the third quarter of 2007, we expect revenue to be between \$9.0 billion and \$9.6 billion, compared to our second quarter revenue of \$8.7 billion. The midpoint of this range would be a sequential increase of 7%, which is consistent with seasonal patterns. Our microprocessor business generally has followed a seasonal trend; however, there can be no assurance that this trend will continue. Historically, our sales of microprocessors have been higher in the second half of the year than in the first half of the year. Consumer purchases of PCs have been higher in the second half of the year, primarily due to back-to-school and holiday demand. In addition, technology purchases from businesses have tended to be higher in the second half of the year.

Our financial results are substantially dependent on sales of microprocessors. Revenue is partly a function of the mix of types and performance capabilities of microprocessors sold, as well as the mix of chipsets, flash memory and other semiconductor products sold, all of which are difficult to forecast. Because of the wide price differences among mobile, desktop, and server microprocessors, the mix of types and performance levels of microprocessors sold affects the average selling price that we will realize and has a large impact on our revenue and gross margin. Revenue is affected by the timing of new Intel product introductions and the demand for and market acceptance of our products; actions taken by our competitors, including new product offerings and introductions, marketing programs and pricing pressures, and our response to such actions; our ability to respond quickly to technological developments and to incorporate new features into our products; and the availability of sufficient components from suppliers to meet demand. Factors that could cause demand to be different from our expectations include customer acceptance of our products and our competitors products; changes in customer order patterns, including order cancellations; changes in the level of inventory at customers; and changes in business and economic conditions.

We expect the gross margin percentage in the third quarter of 2007 to be approximately 52%, plus or minus a couple of points. The 52% midpoint is higher than the gross margin of 46.9% in the second quarter, primarily due to lower start-up costs related to our 45-nanometer process technology, lower microprocessor unit costs, and higher unit volumes from microprocessors and chipsets. We expect the increases to our gross margin percentage to be partially offset by lower microprocessor average selling prices and higher inventory write-offs related to pre-production of products not yet qualified for sale. Our gross margin expectation for 2007 is 51%, plus or minus a few points.

Our gross margin varies primarily with revenue levels. Variability of other factors will also continue to affect cost of sales and the gross margin percentage, including product mix and pricing; capacity utilization; variations in inventory valuation, including variations related to the timing of qualifying products for sale; excess or obsolete inventory; manufacturing yields; changes in unit costs; impairment of long-lived assets, including manufacturing, assembly and test, and intangible assets; and the timing and execution of the manufacturing ramp and associated costs, including start-up costs.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

We have continued to expand our semiconductor manufacturing and assembly and test capacity over the last few years, and we continue to plan capacity based on our overall strategy and the acceptance of our products in specific market segments. We currently expect that capital spending in 2007 will be approximately \$4.9 billion, plus or minus \$200 million, which is lower than our previous expectations of \$5.5 billion. The majority of the decrease in capital spending expectations is due to capital efficiencies from various projects, including more efficient use of tools and better yields. This capital-spending plan is dependent on expectations regarding production efficiencies and delivery times of various machinery and equipment, and construction schedules. If the demand for our products does not grow and continue to move toward higher performance products in the various market segments, revenue and gross margin would be harmed, manufacturing and assembly and test capacity would be underutilized, and the rate of capital spending could be reduced. We could be required to record an impairment of our manufacturing or assembly and test equipment and facilities, or factory-planning decisions may cause us to record accelerated depreciation. In addition, if demand for our products is reduced or we fail to accurately forecast demand, we could be required to write off inventory, which would have a negative impact on our gross margin. However, in the long term, revenue and gross margin may also be affected if we do not add capacity fast enough to meet market demand.

We expect depreciation expense to be approximately \$1.1 billion for the third quarter of 2007. We expect depreciation expense for the full year 2007 to be approximately \$4.6 billion, plus or minus \$100 million, which is lower than the previous expectation of \$4.8 billion due to suspended depreciation for NOR flash manufacturing assets that are being held for sale. See "Note 13: Pending Divestiture" in the Notes to Consolidated Condensed Financial Statements of this Form 10-Q for further discussion.

Spending on research and development, plus marketing, general and administrative expenses (total spending) in the third quarter of 2007 is expected to be between \$2.7 billion and \$2.8 billion, slightly higher compared to \$2.6 billion in the second quarter of 2007. Research and development spending in 2007 is expected to be approximately \$5.7 billion, which is higher than our previous expectation of approximately \$5.6 billion. Marketing, general and administrative expenses in 2007 are expected to be approximately \$5.1 billion. We continue to focus on controlling our total spending through cost-saving actions. Restructuring and asset impairment charges in the third quarter of 2007 are expected to be approximately \$150 million. Expenses, particularly certain marketing and compensation expenses vary depending on the level of demand for our products, the level of revenue and profit, and impairments of long-lived assets.

We expect the net gains from equity investments and interest and other for the third quarter of 2007 to be approximately \$320 million. Our expectations for gains (losses) from equity investments include our expectations for mergers, stock offerings, equity method income/loss, and impairment charges on public and private equity investments, and are based on our experience. It is not possible to know at the present time whether specific investments are likely to be impaired or the extent or timing of individual impairments. In addition, our expectations for gains or losses from equity investments and interest and other could vary depending on equity market levels and volatility; gains or losses realized on the sale or exchange of securities; gains or losses from equity method investments; impairment charges related to marketable, non-marketable and other investments; interest rates, cash balances, and changes in the fair value of derivative instruments.

The tax rate for the third and fourth quarters is expected to be approximately 29%, lower than the previous expectation of approximately 31%. The estimated effective tax rate is based on tax law in effect at June 30, 2007 and current expected income. The tax rate may also be affected by the closing of acquisitions or divestitures; changes in 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.

We believe that we have the product offerings and introductions, facilities, personnel, and competitive and financial resources for continued business success, but future revenue, costs, gross margin, and profits are all influenced by a number of factors, including those discussed above, all of which are inherently difficult to forecast.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

### Status of Business Outlook and Scheduled Business Update

We expect that our corporate representatives will, from time to time, meet privately with investors, investment analysts, the media and others, and may reiterate the forward-looking statements contained in the Business Outlook section and elsewhere in this Form 10-Q, including any such statements that are incorporated by reference in this Form 10-Q. At the same time, we will keep this Form 10-Q and our most current Business Outlook publicly available on our Investor Relations Web site ([www.intc.com](http://www.intc.com)). The public can continue to rely on the Business Outlook published on the Web site as representing our current expectations on matters covered, unless we publish a notice stating otherwise. The statements in the Business Outlook and other forward-looking statements in this Form 10-Q are subject to revision during the course of the year in our quarterly earnings releases and SEC filings and at other times.

From the close of business on September 14, 2007 until our quarterly earnings release is published, presently scheduled for October 16, 2007, we will observe a "quiet period." During the quiet period, the Business Outlook and other forward-looking statements first published in our Form 8-K filed on July 17, 2007, as reiterated or updated as applicable should be considered historical, speaking as of prior to the quiet period only and not subject to update. During the quiet period, our representatives will not comment on the Business Outlook or our financial results or expectations. The exact timing and duration of the routine quiet period, and any others that we utilize, from time to time, may vary at our discretion.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information in this section should be read in connection with the information on financial market risk related to changes in interest rates and non-U.S. currency exchange rates in Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risk, in our Annual Report on Form 10-K for the year ended December 30, 2006. Not all estimates below are necessarily indicative of future performance, and actual results may differ materially.

#### Marketable Equity Investments

Our marketable investments may be classified as strategic or not strategic. The marketable equity securities included in trading assets, as well as certain equity derivatives, both not considered strategic, are held to generate returns that offset changes in liabilities related to the equity market risk of certain deferred compensation arrangements. The gains and losses from changes in fair value of these equity securities are generally offset by the gains and losses on the related liabilities, resulting in a net exposure of less than \$10 million as of both June 30, 2007 and December 30, 2006, assuming a reasonably possible decline in market prices of approximately 10% in the near term.

Our marketable strategic investments include marketable strategic equity securities, derivative equity instruments such as warrants and options, and marketable equity method investments. We invest in companies that develop software, hardware, or services supporting our technologies. Our current investment focus areas include helping to enable mobile wireless devices, advance the digital home, provide access to premium digital content, enhance the digital enterprise, advance high-performance communications infrastructures, and develop the next generation of silicon process technologies. Our focus areas tend to develop and change over time due to rapid advancements in technology.

To the extent that our marketable strategic equity securities continue to have strategic value, we typically do not attempt to reduce or eliminate our market exposure, however, for our investments in strategic equity derivatives, including warrants, we may enter into transactions to reduce or eliminate the market risks. For securities that we no longer consider strategic, we evaluate legal, market, and economic factors in our decision on the timing of disposal and whether it is possible and appropriate to hedge the equity market risk. As of June 30, 2007, the fair value of our total marketable strategic investments, including marketable equity method investments, was \$970 million (\$427 million as of December 30, 2006).

To assess the market price sensitivity of our marketable strategic equity investments, we analyzed the historical movements over the past several years of high-technology stock indices that we considered appropriate. The market price sensitivity of our investment in Clearwire has been analyzed separately as described below due to the short period of time it has been publicly traded. The market price sensitivity for the remaining portion of our marketable strategic equity investments is largely affected by Micron Technology Inc.'s stock price volatility given the weight of our investment in Micron. The fair value of our investment in Micron was \$212 million as of June 30, 2007 and represented 22% of our total marketable strategic investments. Based on an analysis of the high-technology stock indices and the historical volatility of Micron's stock, we estimated that it was reasonably possible that the prices of the stocks of our marketable strategic investments, other than Clearwire, could experience a loss of 30% in the near term (30% as of December 30, 2006). This estimate is not necessarily indicative of future performance, and actual results may differ materially. Assuming a loss of 30% in market prices, and after reflecting the impact of hedges and offsetting positions, the aggregate value of our marketable strategic investments, other than Clearwire, could decrease by \$114 million, based on the value as of June 30, 2007 (a decrease in value of \$134 million, based on the value as of December 30, 2006).

The carrying value of our investment in Clearwire was \$609 million as of June 30, 2007 and represented 63% of our total marketable strategic investments. Based on the quoted stock price as of June 29, 2007, the fair value of our ownership interest in Clearwire was \$896 million. A 30% adverse change in market value, based on the June 30, 2007 fair value, would result in a fair value decline of \$269 million. Our investment balance in Clearwire does not fluctuate based on market price changes as the investment is accounted for under the equity method of accounting. Therefore, the potential fair value decline would not be indicative of the impact to our financial statements, unless an other-than temporary impairment was deemed necessary.

## **Non-Marketable Equity Investments**

Many of the same factors that could result in an adverse movement of equity market prices affect our strategic investments in non-marketable equity investments, although we cannot quantify the impact directly. Such a movement and the underlying economic conditions would negatively affect the prospects of the companies we invest in, their ability to raise additional capital, and the likelihood of our being able to realize our investments through liquidity events such as initial public offerings, mergers, or private sales. These types of investments involve a great deal of risk, and there can be no assurance that any specific company will grow or become successful; consequently, we could lose all or part of our investment. Our strategic investments in non-marketable equity investments had a carrying amount of \$2.8 billion as of June 30, 2007 and December 30, 2006. The carrying amount of these investments approximated fair value as of June 30, 2007 and December 30, 2006. As of June 30, 2007, our non-marketable equity investment portfolio was concentrated in one company, IMFT. IMFT is a manufacturer of NAND flash memory, with a carrying amount of \$1.8 billion, or 64% of the total value of the non-marketable equity investment portfolio at June 30, 2007. See “Note 17: Ventures” in the Notes to Consolidated Condensed Financial Statements of this Form 10-Q for further discussion. The terms of our investment in IMFT contain contractual conditions that restrict our ability to sell the investment.

## **ITEM 4. CONTROLS AND PROCEDURES**

### **Evaluation of Disclosure Controls and Procedures**

Based on management’s evaluation (with the participation of our Chief Executive Officer (CEO) and Chief Financial Officer (CFO)), as of the end of the period covered by this report, our CEO and CFO have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, (the “Exchange Act”)) are effective to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

### **Changes in Internal Control over Financial Reporting**

There were no changes to our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### **Inherent Limitations on Effectiveness of Controls**

Our management, including the CEO and CFO, does not expect that our Disclosure Controls or our internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system’s objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

## PART II — OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings, see “Note 18: Contingencies” in the Notes to Consolidated Condensed Financial Statements of this Form 10-Q.

### ITEM 1A. RISK FACTORS

We describe our business risk factors below. This description includes any material changes to and supersedes the description of the risk factors associated with our business previously disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 30, 2006.

***Fluctuations in demand for our products may harm our financial results and are difficult to forecast.***

If demand for our products fluctuates, our revenue and gross margin could be harmed. Important factors that could cause demand for our products to fluctuate include:

- competitive pressures, including pricing pressures, from companies that have competing products, chip architectures, manufacturing technologies, and marketing programs;
- changes in customer product needs;
- changes in the level of customers’ component inventory;
- changes in business and economic conditions, including a downturn in the semiconductor industry;
- strategic actions taken by our competitors; and
- market acceptance of our products.

If product demand decreases, our manufacturing and/or assembly and test capacity could be underutilized, and we may be required to record an impairment on our long-lived assets including facilities and equipment, as well as intangible assets, which would increase our expenses. In addition, factory-planning decisions may shorten the useful lives of long-lived assets including facilities and equipment and cause us to accelerate depreciation. In the long term, if product demand increases, we may not be able to add manufacturing and/or assembly and test capacity fast enough to meet market demand. These changes in demand for our products, and changes in our customers’ product needs, could have a variety of negative effects on our competitive position and our financial results, and, in certain cases, may reduce our revenue, increase our costs, lower our gross margin percentage, or require us to recognize impairments of our assets. In addition, if product demand decreases or we fail to forecast demand accurately, we could be required to write off inventory or record underutilization charges, which would have a negative impact on our gross margin.

***The semiconductor industry and our operations are characterized by a high percentage of costs that are fixed or difficult to reduce in the short term, and by product demand that is highly variable and subject to significant downturns that may harm our business, results of operations, and financial condition.***

The semiconductor industry and our operations are characterized by high costs, such as those related to facility construction and equipment, research and development, and employment and training of a highly skilled workforce, that are either fixed or difficult to reduce in the short term. At the same time, demand for our products is highly variable and there have been downturns, often in connection with maturing product cycles as well as downturns in general economic market conditions. These downturns have been characterized by reduced product demand, manufacturing overcapacity, high inventory levels, and lower average selling prices. The combination of these factors may cause our revenue, gross margin, cash flow, and profitability to vary significantly in both the short and long term.



***We operate in intensely competitive industries, and our failure to respond quickly to technological developments and incorporate new features into our products could harm on our ability to compete.***

We operate in intensely competitive industries that experience rapid technological developments, changes in industry standards, changes in customer requirements, and frequent new product introductions and improvements. If we are unable to respond quickly and successfully to these developments, we may lose our competitive position, and our products or technologies may become uncompetitive or obsolete. To compete successfully, we must maintain a successful R&D effort, develop new products and production processes, and improve our existing products and processes at the same pace or ahead of our competitors. We may not be able to successfully develop and market these new products, the products we invest in and develop may not be well received by customers, and products developed and new technologies offered by others may affect demand for our products. These types of events could have a variety of negative effects on our competitive position and our financial results, such as reducing our revenue, increasing our costs, lowering our gross margin percentage, and requiring us to recognize impairments of our assets.

***Fluctuations in the mix of products sold may harm our financial results.***

Because of the wide price differences among mobile, desktop, and server microprocessors, the mix and types of performance capabilities of microprocessors sold affect the average selling price of our products and have a substantial impact on our revenue. Our financial results also depend in part on the mix of other products we sell, such as chipsets, flash memory, and other semiconductor products. In addition, more recently introduced products tend to have higher associated costs because of initial overall development and production ramp. Fluctuations in the mix and types of our products may also affect the extent to which we are able to recover our fixed costs and investments that are associated with a particular product, and as a result can negatively affect our financial results.

***Our global operations subject us to risks that may negatively affect our results of operations and financial condition.***

We have sales offices, research and development, manufacturing, and assembly and test facilities in many countries, and as a result, we are subject to risks associated with doing business globally. Our global operations may be subject to risks that may limit our ability to manufacture, assemble and test, design, develop, or sell products in particular countries, which could in turn harm our results of operations and financial condition, including:

- security concerns, such as armed conflict and civil or military unrest, crime, political instability, and terrorist activity;
- health concerns;
- natural disasters;
- inefficient and limited infrastructure and disruptions, such as large-scale outages or interruptions of service from utilities or telecommunications providers and supply chain interruptions;
- differing employment practices and labor issues;
- local business and cultural factors that differ from our normal standards and practices;
- regulatory requirements and prohibitions that differ between jurisdictions; and
- restrictions on our operations by governments seeking to support local industries, nationalization of our operations, and restrictions on our ability to repatriate earnings.

In addition, although most of our products are priced and paid for in U.S. dollars, a significant amount of certain types of expenses, such as payroll, utilities, tax, and marketing expenses, are paid in local currencies. Our hedging programs reduce, but do not always entirely eliminate, the impact of currency exchange rate movements, and therefore fluctuations in exchange rates, including those caused by currency controls, could negatively affect our business operating results and financial condition by resulting in lower revenue or increased expenses. In addition, changes in tariff and import regulations and to U.S. and non-U.S. monetary policies may also negatively affect our revenue. Varying tax rates in different jurisdictions could negatively affect our overall tax rate.

***Failure to meet our production targets, resulting in undersupply or oversupply of products, may harm our business and results of operations.***

Production of integrated circuits is a complex process. Disruptions in this process can result from difficulties in our development and implementation of new processes, errors, and interruptions in the processes; defects in materials; and disruptions in our supply of materials or resources—all of which could affect the timing of production ramps and yields. We may not be successful or efficient in developing or implementing new production processes. The occurrence of any of the foregoing may result in our failure to increase production as desired, resulting in higher costs or substantial decreases in yields, which could affect our ability to produce sufficient volume to meet specific product demand. The unavailability or reduced availability of certain products could make it more difficult to implement our processor technology strategy. We may also experience increases in yields. A substantial increase in yields could result in higher inventory levels and the possibility of resulting excess capacity charges as we slow production to reduce inventory levels. The occurrence of any of these events could harm our business and results of operations.

***We may have difficulties obtaining the resources or products we need for manufacturing or assembling our products or operating other aspects of our business, which could harm our ability to meet demand for our products and may increase our costs.***

We have thousands of suppliers providing various materials that we use in production of our products and other aspects of our business, and we seek, where possible, to have several sources of supply for all of these materials. However, we may rely on a single or a limited number of suppliers, or upon suppliers in a single country, for these materials. The inability of such suppliers to deliver adequate supplies of production materials or other supplies could disrupt our production processes or could make it more difficult for us to implement our strategy. In addition, production could be disrupted by the unavailability of the resources used in production, such as water, silicon, electricity, and gases. The unavailability or reduced availability of the materials or resources we use in our business may require us to reduce production of products or may require us to incur additional costs in order to obtain an adequate supply of these materials or resources. The occurrence of any of these events could harm our business and results of operations.

***Costs related to product defects and errata may harm our results of operations and business.***

Costs associated with unexpected product defects and errata (deviations from published specifications) include, for example, the costs of:

- writing off the value of inventory of defective products;
- disposing of defective products that cannot be fixed;
- recalling defective products that have been shipped to customers;
- providing product replacements for, or modifications to, defective products; and/or
- defending against litigation related to defective products.

These costs could be substantial and may therefore increase our expenses and lower our gross margin. In addition, our reputation with our customers or end users of our products could be damaged as a result of such product defects and errata, and the demand for our products could be reduced. These factors could negatively affect our financial results and the prospects for our business.

***We may be subject to claims of infringement of third-party intellectual property rights, which could harm our business.***

From time to time, third parties may assert against us or our customers alleged patent, copyright, trademark, and other intellectual property rights to technologies that are important to our business. We may be subject to intellectual property infringement claims from certain individuals and companies who have acquired patent portfolios for the sole purpose of asserting such claims against other companies. Any claims that our products or processes infringe the intellectual property rights of others, regardless of the merit or resolution of such claims, could cause us to incur significant costs in responding to, defending, and resolving such claims, and may divert the efforts and attention of our management and technical personnel away from our business. As a result of such intellectual property infringement claims, we could be required or otherwise decide it is appropriate to:

- pay third-party infringement claims;
- discontinue manufacturing, using, or selling particular products subject to infringement claims;
- discontinue using the technology or processes subject to infringement claims;
- develop other technology not subject to infringement claims, which could be time-consuming and costly or may not be possible; and/or
- license technology from the third party claiming infringement, which license may not be available on commercially reasonable terms.

The occurrence of any of the foregoing could result in unexpected expenses or require us to recognize an impairment of our assets, which would reduce the value of our assets and increase expenses. In addition, if we alter or discontinue our production of affected items, our revenue could be negatively impacted.

***We may be subject to litigation proceedings that could harm our business.***

In addition to the litigation risks mentioned above, we may be subject to legal claims or regulatory matters involving stockholder, consumer, antitrust, and other issues. As described in “Note 18: Contingencies” in the Notes to Consolidated Condensed Financial Statements of this Form 10-Q, we are currently engaged in a number of litigation matters. Litigation is subject to inherent uncertainties, and unfavorable rulings could occur. An unfavorable ruling could include monetary damages or, in cases for which injunctive relief is sought, an injunction prohibiting us from manufacturing or selling one or more products. Were an unfavorable ruling to occur, our business and results of operations could be materially harmed.

***We may not be able to enforce or protect our intellectual property rights, which may harm our ability to compete and harm our business.***

Our ability to enforce our patents, copyrights, software licenses, and other intellectual property is subject to general litigation risks, as well as uncertainty as to the enforceability of our intellectual property rights in various countries. When we seek to enforce our rights, we are often subject to claims that the intellectual property right is invalid, is otherwise not enforceable, or is licensed to the party against whom we are asserting a claim. In addition, our assertion of intellectual property rights often results in the other party seeking to assert alleged intellectual property rights of its own against us, which may harm our business. If we are not ultimately successful in defending ourselves against these claims in litigation, we may not be able to sell a particular product or family of products due to an injunction, or we may have to pay material amounts of damages which could in turn negatively affect our results of operations. In addition, governments may adopt regulations or courts may render decisions requiring compulsory licensing of intellectual property to others, or governments may require that products meet specified standards that serve to favor local companies. Our inability to enforce our intellectual property rights under these circumstances may negatively affect our competitive position and our business.

***Our licenses with other companies and our participation in industry initiatives may allow other companies, including competitors, to use our patent rights.***

Companies in the semiconductor industry often rely on the ability to license patents from each other in order to compete. Many of our competitors have broad licenses or cross-licenses with us, and under current case law, some of these licenses may permit these competitors to pass our patent rights on to others. If one of these licensees becomes a foundry, our competitors might be able to avoid our patent rights in manufacturing competing products. In addition, our participation in industry initiatives may require us to license our patents to other companies that adopt certain industry standards or specifications, even when such organizations do not adopt standards or specifications proposed by us. As a result, our patents implicated by our participation in industry initiatives might not be available for us to enforce against others who might otherwise be deemed to be infringing those patents, our costs of enforcing our licenses or protecting our patents may increase, and the value of our intellectual property may be impaired.

***Changes in our decisions with regard to our announced restructuring and efficiency efforts, and other factors, could affect our results of operations and financial condition.***

Factors that could cause actual results to differ materially from our expectations with regard to our announced restructuring include:

- timing and execution of plans and programs that may be subject to local labor law requirements, including consultation with appropriate works councils;
- assumptions related to severance and post-retirement costs;
- future acquisitions, dispositions, or investments;
- new business initiatives and changes in product roadmap, development, and manufacturing;
- changes in employment levels and turnover rates;
- assumptions related to product demand and the business environment; and
- assumptions related to the fair value of certain property, plant and equipment.

***In order to compete, we must attract, retain, and motivate key employees, and our failure to do so could harm our results of operations.***

In order to compete, we must attract, retain, and motivate executives and other key employees, including those in managerial, technical, sales, marketing, and support positions. Hiring and retaining qualified executives, scientists, engineers, technical staff, and sales representatives are critical to our business, and competition for experienced employees in the semiconductor industry can be intense. To help attract, retain, and motivate qualified employees, we use share-based incentive awards such as employee stock options and non-vested share units (restricted stock units). If the value of such stock awards does not appreciate as measured by the performance of the price of our common stock or if our share-based compensation otherwise ceases to be viewed as a valuable benefit, our ability to attract, retain, and motivate employees could be weakened, which could negatively affect our results of operations.

***Our results of operations could vary as a result of the methods, estimates, and judgments we use in applying our accounting policies.***

The methods, estimates, and judgments we use in applying our accounting policies have a significant impact on our results of operations (see “Critical Accounting Estimates” in Part I, Item 2 of this Form 10-Q). Such methods, estimates, and judgments are, by their nature, subject to substantial risks, uncertainties, and assumptions, and factors may arise over time that lead us to change our methods, estimates, and judgments. Changes in those methods, estimates, and judgments could significantly affect our results of operations. In particular, the calculation of share-based compensation expense under SFAS No. 123(R) requires us to use valuation methodologies and a number of assumptions, estimates, and conclusions regarding matters such as expected forfeitures, expected volatility of our share price, the expected dividend rate with respect to our common stock, and the expected exercise behavior of our employees. Under applicable accounting principles, we cannot compare and adjust our expense when we learn about additional information affecting our previous estimates, with the exception of changes in expected forfeitures of share-based awards. Factors may arise over time that lead us to change our estimates and assumptions with respect to future share-based compensation arrangements, resulting in variability in our share-based compensation expense over time. Changes in forecasted share-based compensation expense could affect our gross margin percentage; research and development expenses; marketing, general and administrative expenses; and our tax rate.

***Our failure to comply with applicable environmental laws and regulations worldwide could harm our business and results of operations.***

The manufacturing and assembling and testing of our products require the use of hazardous materials that are subject to a broad array of environmental, health, and safety laws and regulations. Our failure to comply with any of these applicable laws or regulations could result in:

- regulatory penalties, fines, and legal liabilities;
- suspension of production;
- alteration of our fabrication and assembly and test processes; and
- curtailment of our operations or sales.

In addition, our failure to manage the use, transportation, emission, discharge, storage, recycling, or disposal of hazardous materials could subject us to increased costs or future liabilities. Existing and future environmental laws and regulations could also require us to acquire pollution abatement or remediation equipment, modify our product designs, or incur other expenses associated with such laws and regulations. Many new materials that we are evaluating for use in our operations may be subject to regulation under existing or future environmental laws and regulations that may restrict our use of certain materials in our manufacturing, assembly and test processes, or products. Any of these restrictions could harm our business and results of operations by increasing our expenses or requiring us to alter our manufacturing and assembly and test processes.

***Changes in our effective tax rate may harm our results of operations.***

A number of factors may harm our future effective tax rates including:

- the jurisdictions in which profits are determined to be earned and taxed;
- the resolution of issues arising from tax audits with various tax authorities;
- changes in the valuation of our deferred tax assets and liabilities;
- adjustments to estimated taxes upon finalization of various tax returns;
- increases in expenses not deductible for tax purposes, including write-offs of acquired in-process research and development and impairment of goodwill in connection with acquisitions;
- changes in available tax credits;
- changes in share-based compensation expense;
- changes in tax laws or the interpretation of such tax laws and changes in generally accepted accounting principles; and
- the repatriation of non-U.S. earnings for which we have not previously provided for U.S. taxes.

Any significant increase in our future effective tax rates could harm net income for future periods.

***We invest in companies for strategic reasons and may not realize a return on our investments.***

We make investments in companies around the world to further our strategic objectives and support our key business initiatives. Such investments include investments in equity securities of public companies and non-marketable equity investments in private companies, which range from early-stage companies that are often still defining their strategic direction to more mature companies whose products or technologies may directly support an Intel product or initiative. The success of these companies is dependent on product development, market acceptance, operational efficiency, and other key business factors. The private companies in which we invest may fail because they may not be able to secure additional funding, obtain favorable investment terms for future financings, or take advantage of liquidity events such as initial public offerings, mergers, and private sales. If any of these private companies fail, we could lose all or part of our investment in that company. If we determine that an other-than-temporary decline in the fair value exists for the equity investments of the public and private companies in which we invest, we write down the investment to its fair value and recognize the related write-down as an investment loss. Furthermore, when the strategic objectives of an investment have been achieved, or if the investment or business diverges from our strategic objectives, we may decide to dispose of the investment. Our non-marketable equity investments in private companies are not liquid, and we may not be able to dispose of these investments on favorable terms or at all. The occurrence of any of these events could negatively affect our results of operations.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS****Issuer Purchases of Equity Securities (Shares in Millions)**

<b>Period</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans</b>	<b>Dollar Value of Shares that May Yet Be Purchased Under the Plans</b>
April 1, 2007–April 28, 2007	0.2	\$ 21.86	0.2	\$ 16,866
April 29, 2007–May 26, 2007	2.8	\$ 21.84	2.8	\$ 16,805
May 27, 2007–June 30, 2007	1.6	\$ 22.16	1.6	\$ 16,770
<b>Total</b>	<b>4.6</b>	<b>\$ 21.95</b>	<b>4.6</b>	

We have an ongoing authorization, as amended in November 2005, from the Board of Directors to repurchase up to \$25 billion in shares of our common stock in open market or negotiated transactions. As of June 30, 2007, \$16.8 billion remained available under the existing repurchase authorization.

**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

At Intel Corporation’s Annual Stockholders’ Meeting held on May 16, 2007, stockholders elected each of the director nominees, ratified the selection of our independent registered public accounting firm, amended and extended the 2006 Equity Incentive Plan, approved the 2007 Executive Officer Incentive Plan, and voted against the stockholder proposal requesting limitation on executive compensation.

	Number of Shares		
	Voted For	Voted Against	Abstain
1. To elect a board of directors to hold office until the next annual stockholders’ meeting or until their respective successors have been elected or appointed.			
C. Barrett	4,891,764,804	148,077,847	53,460,579
C. Barshefsky	3,561,030,243	1,465,229,194	67,043,793
S. Decker	4,949,452,358	87,698,563	56,152,309
J. Guzy	4,903,909,813	121,138,198	68,255,219
R. Hundt	4,914,185,563	112,362,222	66,755,445
P. Otellini	4,931,391,534	108,084,441	53,827,255
J. Plummer	4,956,145,743	80,496,998	56,660,489
D. Pottruck	4,888,202,530	137,861,961	67,238,739
J. Shaw	4,922,332,400	113,017,182	57,953,648
J. Thornton	4,919,154,539	117,039,934	57,108,757
D. Yoffie	4,885,730,571	149,796,231	57,776,428

	Number of Shares			Broker Non-Votes
	Voted For	Voted Against	Abstain	
2. To ratify the selection of independent registered public accounting firm.	4,984,502,117	60,845,452	47,955,661	—
3. To amend and extend the 2006 Equity Incentive Plan.	2,949,348,827	632,674,351	56,516,381	1,454,763,671
4. To approve the 2007 Executive Officer Incentive Plan.	4,771,858,979	252,742,521	68,701,730	—
5. To approve the stockholder proposal requesting limitation on the executive compensation.	167,661,074	3,404,358,848	66,498,876	1,454,784,432

<sup>1</sup> The affirmative vote of the majority of the votes cast was required to pass each of the proposals. Significantly fewer shares were voted on Proposals 3 and 5 than voted on Proposals 1, 2, and 4. “Broker non-votes” accounted for this difference in voted shares, and are not considered “votes cast” for purposes of Section 216 of the Delaware General Corporation Law. For certain types of “non-routine” proposals, such as Proposals 3 and 5, brokers do not have the discretionary authority to vote their clients’ shares, and therefore they must refrain from voting on such proposals in the absence of instructions from their clients.

## ITEM 6. EXHIBITS

- 3.1 Intel Corporation Third Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K as filed on May 22, 2006)
- 3.2 Intel Corporation Bylaws, as amended on January 17, 2007 (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K as filed on January 18, 2007)
- 10.1 Intel Corporation 2006 Equity Incentive Plan As Amended and Restated Effective May 16, 2007 (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K as filed on May 16, 2007, File No. 000-06217)
- 10.2 Intel Corporation 2007 Executive Officer Incentive Plan, Effective as of January 1, 2007, (incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K as filed on May 16, 2007, File No. 000-06217)
- 10.3 Form of Asset Transfer Agreement By and Between Newco and Intel Corporation
- 10.4 Master Agreement By and Between STMicroelectronics N.V., Intel Corporation, Redwood Blocker S.A.R.L., and Francisco Partners II (Cayman) L.P., Dated May 22, 2007
- 12.1 Statement Setting Forth the Computation of Ratios of Earnings to Fixed Charges
- 31.1 Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) of the Exchange Act
- 31.2 Certification of Chief Financial Officer and Principal Accounting Officer Pursuant to Rule 13a-14(a) of the Exchange Act
- 32.1 Certification of Chief Executive Officer and Chief Financial Officer and Principal Accounting Officer Pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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*Intel, the Intel logo, Celeron, Intel Centrino, Intel Core, Intel Core Duo, Intel Core 2 Duo, Intel Core 2 Quad, Intel StrataFlash, Intel Viiv, Intel vPro, Intel Xeon, Intel XScale, Itanium, and Pentium are trademarks or registered 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.*



**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: August 3, 2007

By: /s/ Andy D. Bryant  
Andy D. Bryant  
Executive Vice President,  
Chief Financial and Enterprise Services  
Officer and Principal Accounting Officer

FORM OF  
ASSET TRANSFER AGREEMENT

By and Between

NEWCO,

and

INTEL CORPORATION

Dated as of \_\_\_\_\_, 200 \_\_\_\_\_

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**FORM OF  
INTEL ASSET TRANSFER AGREEMENT<sup>1</sup>**

THIS INTEL ASSET TRANSFER AGREEMENT (the "Intel Asset Transfer Agreement" and, as referred to herein, this "Agreement"), dated as of \_\_\_\_\_, 200\_\_\_\_, is by and between Intel Corporation, a Delaware corporation ("Intel"), and [NEWCO], a company with limited liability organized under the laws of The Netherlands ("Newco"). Intel and Newco are sometimes referred to herein as the "Parties" and each individually as a "Party."

A. Intel desires to transfer, and to cause certain of its Affiliates to transfer (Intel and such Affiliates, collectively, the "Intel Transferors") to Newco and its Affiliates, and Newco desires to acquire, and to cause its Affiliates to acquire, from Intel and such Intel Affiliates, the Intel Transferred Assets in consideration for the issuance by Newco of the Intel Newco Shares, the payment by Newco of the Intel Cash Consideration, and the assumption by Newco or its Affiliates of the Intel Transferred Liabilities, all on the terms and conditions set forth in this Agreement.

B. Intel, ST, FP and FP Holdco entered into that certain Master Agreement, dated May 22, 2007, that provides, among other things, for the simultaneous consummation of the transactions contemplated by this Agreement, the ST Asset Contribution Agreement and the Share Purchase Agreement, subject to the terms and conditions set forth in such agreements and the Master Agreement.

C. The Parties intend that, for United States federal income tax purposes, the transfer of the Intel Transferred Assets and issuance of the Intel Consideration, as contemplated by this Agreement, be treated as described on Schedule 2.6 to the Intel ATA Disclosure Letter.

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements contained herein, the Parties hereby agree as follows:

**ARTICLE I  
DEFINITIONS**

1.1 Definitions. Capitalized terms used in this Agreement shall have the respective meanings ascribed to such terms in Appendix A to this Agreement.

1.2 Defined Terms Generally. The definitions set forth or referred to in Appendix A shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed

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<sup>1</sup> Intel Transferors and Newco Affiliates to be added as Parties.

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by the phrase “without limitation”. All references herein to Articles, Sections and Exhibits and Schedules shall be deemed to be references to Articles and Sections of, and Exhibits and Schedules to, this Agreement unless the context shall otherwise require. Unless the context shall otherwise require, any reference to any contract, instrument, statute, rule or regulation is a reference to it as amended and supplemented from time to time (and, in the case of a statute, rule or regulation, to any successor provision). Any reference in this Agreement to a “day” or a number of “days” (without the explicit qualification of “Business”) shall be interpreted as a reference to a calendar day or number of calendar days.

## ARTICLE II TRANSFER OF ASSETS

2.1 Intel Transferred Assets. Upon the terms and subject to the conditions of this Agreement, at the Closing, Newco (or, to the extent indicated on Schedule 2.6 of the Intel ATA Disclosure Letter, an Affiliate of Newco) shall acquire from the Intel Transferors, and Intel shall transfer, assign and convey to Newco (or, to the extent indicated on Schedule 2.6 of the Intel ATA Disclosure Letter, a Subsidiary of Newco), or cause to be transferred, assigned and conveyed by the other Intel Transferors to Newco (or an Affiliate of Newco, in each case, as set forth on Schedule 2.6 of the Intel ATA Disclosure Letter), free and clear of all Liens other than Permitted Liens, all right, title and interest of the Intel Transferors in, to and under the following assets, as the same shall exist at the Effective Time, after giving effect to any changes therein pursuant to Sections 4.9 and 4.12 of the Master Agreement (subject to the ultimate paragraph hereof with respect to assets transferred, assigned and conveyed to a Intel Transferred Entity prior to the Closing) (collectively, the “Intel Transferred Assets”):

- (a) the Intel Equipment;
- (b) the Intel Transferred Purchase Orders;
- (c) the Intel Transferred Sales Orders, including any rights that Intel or any Subsidiary of Intel may have in any Post-Closing Accounts Receivable of Newco and its Subsidiaries or the Intel Business (including those of the Intel Transferred Entities);
- (d) subject to Section 2.5, the Owned Intel Real Property, the Leased Intel Real Property, and the Intel Leases, in each case as and to the extent contemplated by the Intel Facility Transfer Term Sheets;
- (e) subject to Section 2.5, the Intel Transferred Contracts;
- (f) the Intel Prepayments;
- (g) the Intel Transferred Patents;
- (h) the Intel Transferred Trade Secrets;
- (i) the Intel Transferred Copyrights;
- (j) the Intel Transferred Trademarks;



- (k) the Intel Transferred Permits;
- (l) the Intel Books and Records;
- (m) the Intel Transferred Interests;
- (n) the Intel Transferred Inventory;
- (o) the Intel Transferred Claims;
- (p) the Intel Transferred Entity Books and Records;
- (q) the Intel Transferred Systems;
- (r) the licenses and other rights transferred by Intel to Newco pursuant to the Intel Intellectual Property Agreement; and
- (s) any assets or properties listed in any new schedule to the Intel ATA Disclosure Letter delivered to Newco pursuant to Section 4.12 of the Master Agreement;

*provided* that in no event shall the Intel Transferred Assets include any Intel Excluded Asset.

The Intel Transferred Intellectual Property shall be subject to any (i) licenses retained by Intel or its Affiliates or granted to Intel or its Affiliates pursuant to any Intel Ancillary Agreement, (ii) licenses and Contracts with use restrictions existing on the date hereof granted to or by Intel or its Subsidiaries and (iii) licenses and Contracts with use restrictions entered into by Intel or its Subsidiaries in the ordinary course of business not in violation of this Agreement prior to the Closing Date. The Intel Transferred Intellectual Property may be further obligated (either prior to the date of the Master Agreement or in the ordinary course of business between such date and the Closing Date) to be non-exclusively licensed as a result of Intel's or its Affiliate's participation in various Special Interest Groups (SIGs), Standard Definition Organizations (SDOs), and similar organizations which may impose obligations to non-exclusively license Intel Transferred Intellectual Property to third parties. To the extent that Intel is required to ensure that successors with respect to the Intel Transferred Patents assume such obligations to license, Newco hereby assumes such obligations.

Notwithstanding the foregoing, with respect to any Intel Transferred Asset owned by a Intel Transferred Entity at the Effective Time, in lieu of transferring such Intel Transferred Asset, Intel shall transfer, assign and convey, or cause another Intel Transferor to transfer, assign and convey, free and clear of all Liens other than Permitted Liens, all of the outstanding equity interests of such Intel Transferred Entity, which interests shall be included in the Intel Transferred Interests.

2.2 Intel Excluded Assets. Newco and Intel expressly understand and agree that all assets of Intel and its Subsidiaries other than the Intel Transferred Assets (collectively, the "Intel Excluded Assets"), shall be excluded from the Intel Transferred Assets, including, but not limited to:

(a) all assets, tangible or intangible, real or personal, that are not specifically identified under Section 2.1, including all of Intel's Intellectual Property other than the Intel Transferred Intellectual Property;

(b) all Contracts that are not Intel Transferred Contracts;

(c) all Prepayments of Intel associated with Contracts that are not Intel Transferred Contracts or other obligations not assumed by Newco;

(d) all Pre-Closing Accounts Receivable of Intel and its Subsidiaries;

(e) all Cash and Cash Equivalents of Intel and its Subsidiaries;

(f) all bank accounts of Intel and its Subsidiaries, other than bank accounts of the Intel Transferred Entities;

(g) all Intel Employee Plans;

(h) all Intel Excluded Claims;

(i) all rights to or claims for refunds or credits of Taxes (including penalties) paid by Intel or any of its Subsidiaries, or any member of any consolidated, affiliated, combined or unitary group of which Intel is or has been a member, other than refunds of Taxes with respect to a Post-Closing Tax Period paid by the Intel Transferred Entities or Newco or any of its Subsidiaries;

(j) all rights, properties, and assets which have been used in the Intel Business and which shall have been transferred (including transfers by way of sale), licensed or otherwise disposed of in the ordinary course of business (other than to Intel or any Subsidiary of Intel) prior to the Effective Time and not in violation of the terms of this Agreement or Section 4.9 of the Master Agreement;

(k) except as expressly provided in Section 2.1(q), all enterprise software, database management systems and networks of Intel or its Subsidiaries, including all sales management, engineering, materials, business planning, manufacturing, logistics, finance and accounting systems utilized by the Intel Business;

(l) the minute books, stock ledgers, accounting records, Tax Returns and others records relating to Taxes, in each case of Intel or any of its Subsidiaries (other than the Intel Transferred Entities), other than the Intel Books and Records;

(m) internal reports relating to the business activities of Intel and its Subsidiaries that are not Intel Transferred Assets;

(n) insurance policies and rights, claims or causes of action thereunder, including Claims which Intel or any of its Affiliates may have under any insurance contracts or policies insuring the Intel Transferred Assets;

- (o) all of the assets specifically identified on Schedule 2.2(o) of the Intel ATA Disclosure Letter; and
- (p) any asset of the Intel Transferred Entities that is not a Intel Transferred Asset.

On the Closing Date, immediately prior to the Closing, each Intel Transferred Entity holding Intel Excluded Assets shall transfer, assign and convey all of its right, title and interest in and to such Intel Excluded Assets, including any and all intercompany Accounts Receivable of such Intel Transferred Entity, to Intel or a Subsidiary of Intel designated by Intel, such that no Intel Transferred Entity shall hold any Intel Excluded Asset as of the Closing Date.

2.3 Intel Transferred Liabilities. Upon the terms and subject to the conditions of this Agreement and the Intel Ancillary Agreements, effective at the Effective Time, Newco (or, to the extent indicated on Schedule 2.6 of the Intel ATA Disclosure Letter, a Subsidiary of Newco) shall assume, and shall fully pay, perform, fulfill and discharge when due, the following Liabilities of Intel or its Subsidiaries, it being understood that certain of the Liabilities set forth below may be a Liability of a Intel Transferred Entity, the interests in which are transferred to Newco (or a Subsidiary of Newco as indicated on Schedule 2.6 to the Intel ATA Disclosure Letter) (collectively, the “Intel Transferred Liabilities”):

- (a) all Liabilities under or arising out of the Intel Transferred Contracts that are required to be paid or performed on and after the Effective Time;
- (b) all Liabilities that are expressly assumed under this Agreement;
- (c) all Liabilities to the extent accruing, arising out of, or relating to the operation and ownership of the Intel Business and the Intel Transferred Assets by Newco and its Subsidiaries on and after the Effective Time;
- (d) all Liabilities (including any Intel Employee Agreements) that are assumed by operation of Applicable Law related to the Intel Transferred Employees;
- (e) any Taxes (x) of a Intel Transferred Entity, or arising from the Intel Transferred Assets or Intel Business, in either case allocable to a Post-Closing Tax Period, except to the extent otherwise allocated to Intel pursuant to Section 5.8 or as described in clauses (i) and (ii) of Section 6.2(g) and (y) otherwise allocated to Newco, pursuant to Section 5.8;
- (f) the Intel Post-Closing Product Obligations; and
- (g) all Intel Post-Closing Environmental Liabilities;

*provided* that in no event shall the Intel Transferred Liabilities include any Intel Excluded Liability.

Notwithstanding the foregoing, with respect to any Intel Transferred Liability owed by a Intel Transferred Entity at the Effective Time, in lieu of the assumption by Newco of such Intel

Transferred Liability from such Intel Transferred Entity, such Intel Transferred Liability shall be retained at the Effective Time by such Intel Transferred Entity, and Newco shall, or shall cause such Intel Transferred Entity, or successor thereto, to pay or otherwise satisfy and discharge such Intel Transferred Liability on a timely basis after the Effective Time.

2.4 Intel Excluded Liabilities. Except for those Liabilities expressly assumed by Newco pursuant to Section 2.3 and Section 5.8, Newco shall not assume and shall not be liable for, and Intel shall retain and remain, as between Intel and Newco, solely liable for and obligated to discharge, all of the debts, expenses, contracts, agreements, commitments, obligations and other Liabilities of any nature of Intel or any of its Subsidiaries (collectively, the “Intel Excluded Liabilities”), including the following:

(a) any Liability for breaches by Intel or its Subsidiaries prior to the Effective Time of any Contract or any Liability for payments or amounts due under any Contract prior to the Effective Time;

(b) any Liability for Taxes attributable to or imposed upon Intel or any of its Subsidiaries, or attributable to or imposed upon the Intel Business, the Intel Transferred Entities or the Intel Transferred Assets for any Pre-Closing Tax Period other than any Liability for Taxes allocated to Newco pursuant to Section 5.8 and any Liability for Taxes otherwise allocated to Intel pursuant to Section 5.8;

(c) all Pre-Closing Accounts Payable of Intel and its Subsidiaries;

(d) any and all Liabilities under Intel Employee Plans and Intel Employee Agreements, including any Liabilities arising in connection with any change-in-control or similar compensatory payment arrangement which is triggered in whole or in part by the transactions contemplated by this Agreement and the other Transaction Documents, including any retention bonus, stay bonus or similar payment (other than the Intel Transferred Employee Payment Liabilities, the Intel Funded Employee Plan Amounts, or those Liabilities assumed by Newco pursuant to Section 5.11(c));

(e) any Liabilities or obligations with respect to the Intel Business Employees including the Intel Transferred Employees that arise prior to the Effective Time (or, with respect to each Intel Transferred Employee, such other date on which the Intel Transferred Employee ceases to be employed by Intel, if later) (other than the Intel Transferred Employee Payment Liabilities, the Intel Funded Employee Plan Amounts, or those Liabilities assumed by Newco pursuant to Section 5.11(c));

(f) any Liabilities or obligations with respect to any Intel Business Employees who do not become Intel Transferred Employees and any Liabilities of the Intel Transferred Entities with respect to any employee who does not become a Intel Transferred Employee;

(g) any Liability for or in respect of any Indebtedness, other than the Contemplated Financing;

(h) any Liability to the extent arising out of the Intel Excluded Assets;

- (i) the Intel Pre-Closing Product Obligations;
- (j) any Liability of the Intel Transferred Entities that is not a Intel Transferred Liability;
- (k) any Intel Pre-Closing Environmental Liabilities; and

(l) any Liability of Intel or any of its Subsidiaries that is the subject of any existing Proceedings as of the Closing Date, including the Proceedings set forth in Schedule 3.7 and the claims against Intel or its Subsidiaries set forth in Schedule 3.11 to the Intel ATA Disclosure Letter, in each case, to the extent arising or accruing prior to the Effective Time, but in any event not including any Liability to the extent arising or accruing after the Effective Time.

On the Closing Date, immediately prior to the Closing, Intel, or a Subsidiary of Intel designated by Intel and reasonably acceptable to Newco shall assume, and shall thereafter pay, perform, fulfill and discharge when due any Intel Excluded Liability of each Intel Transferred Entity, including any and all Indebtedness of, and intercompany Accounts Payable to, Intel and its Subsidiaries, pursuant to an assumption of liability agreement in a form to be mutually agreed between Intel and Newco ("Intel Assumption of Excluded Liabilities").

#### 2.5 Assignment of Contracts and Rights.

(a) Anything in this Agreement or any other Transaction Document to the contrary notwithstanding, this Agreement shall not constitute an agreement to assign any Intel Transferred Contract, Intel Transferred Permit, or other Intel Transferred Asset, or any claim, right or benefit arising thereunder or resulting therefrom if an attempted assignment thereof, without the consent of a party thereto or the receipt of any Governmental Approvals or the satisfaction of any other requirement applicable to such assignment, would constitute a breach or other contravention thereof or in any way result in the loss of any material benefit under, or any material modification to, the rights of Newco, Intel or any of Intel's Subsidiaries thereunder. Intel and Newco will use commercially reasonable efforts (but without any payment of money by Intel) to obtain the consent of the other parties to any such Intel Transferred Contract, Intel Transferred Permit or other Intel Transferred Asset or any claim, right or benefit arising thereunder for the assignment thereof to Newco as Newco may reasonably request; *provided, however*, that except as provided in Section 2.5 of the Intel Intellectual Property Agreement with respect to the sublicensing of certain Third Party Claims to Newco, Intel shall have no obligation to transfer or assign any license of any Intellectual Property other than the Intel Transferred Intellectual Property or any licenses granted by Intel in connection with the sale, distribution and license of the Intel Products in the ordinary course of business that are not Intel Transferred Contracts. Subject to the obligations of Intel set forth in Section 5.6, Section 4.3 of the Master Agreement, Section 2.6 of the Intel Intellectual Property Agreement, the Intel Transition Services Agreement and the Intel Supply Agreement, Newco agrees that Intel shall not have any liability to Newco arising out of or relating to the failure to obtain any such consent or to satisfy any other such requirement that may be required in connection with the transactions contemplated

by this Agreement or the Intel Ancillary Agreements or because of any circumstances resulting from any such failure; *provided, however*, that nothing in this Section 2.5(a) is intended to affect Intel's representation in Section 3.8(b) regarding Intel Contractual Consents.

(b) If any such consent is not obtained, or any such other requirement is not satisfied, prior to the Closing and as a result thereof Newco shall be prevented by such third party from receiving the rights and benefits with respect to such Intel Transferred Contract, Intel Transferred Permit or other Intel Transferred Asset intended to be transferred hereunder, or if any attempted assignment would adversely affect the rights of Intel or any of its Subsidiaries thereunder so that Newco would not in fact receive all such rights or Intel or any of its Subsidiaries would forfeit or otherwise lose the benefit of rights that Intel or any such Subsidiary is entitled to retain, Intel and Newco shall cooperate to discuss, determine and implement in good faith a mutually agreeable reasonable arrangement to the extent practicable, under which (i) Newco would obtain the economic claims, rights and benefits under such asset and assume the economic burdens and obligations with respect thereto in accordance with this Agreement, including potentially by subcontracting, sublicensing or subleasing to Newco (but not more extensive than the existing rights of Intel and its Subsidiaries with respect to the Intel Business), or (ii) Intel would enforce for the benefit of Newco, with Newco assuming Intel's obligations, any and all rights of Intel and its Subsidiaries against a third party thereto; *provided*, that Newco shall reimburse Intel for all reasonable out-of-pocket expenses that are imposed on Intel and any of its Subsidiaries in bearing such economic burdens and obligations that otherwise would have been borne by Newco if the applicable asset had been transferred to Newco at the Effective Time. Newco agrees that neither Intel nor any of its Subsidiaries shall have any liability to Newco arising out of or relating to the failure to obtain any such consent, and no condition set forth in the Master Agreement, other than the conditions set forth in Section 5.1(f) and Section 5.2(f) shall be deemed not satisfied, as a result of (x) the failure to obtain any such consent or any circumstances resulting therefrom or (y) any suit, action or proceeding commenced or threatened by or on behalf of any Person arising out of or relating to the failure to obtain any such consent or any circumstances resulting therefrom; *provided, however*, that nothing in this Section 2.5(b) is intended to affect Intel's representation in Section 3.8(b) regarding Intel Contractual Consents.

(c) No other rights are granted hereunder, by implication, estoppel, statute or otherwise, except as expressly provided in this Agreement or in any other Transaction Document.

2.6 Consideration. The consideration payable at the Closing by Newco and its Affiliates to Intel and the other Intel Transferors for the Intel Transferred Assets shall consist of:

(a) [45.10% of the Shares] Ordinary Shares of Newco (the "Intel Newco Shares"), reduced by the number of Ordinary Shares purchased by Intel or its Affiliates pursuant to the Intel Option (the "Intel Option Shares");

(b) cash in the amount of \$432,000,000, increased by the amount, if any, of the consideration paid by Intel or its Affiliates for Ordinary Shares pursuant to the Intel Option (the “Intel Cash Consideration”); and

(c) the assumption by Newco and certain of its Subsidiaries of the Intel Transferred Liabilities being assumed by Newco (together with the Intel Newco Shares, the Intel Option and the Intel Cash Consideration, the “Intel Consideration”).

Such consideration shall be allocated among Intel and the other Intel Transferors as described in Schedule 2.6 of the Intel ATA Disclosure Letter (as such allocation shall be determined pursuant to Section 4.13 of the Master Agreement and attached hereto at the Closing), and shall be treated as having been paid by Newco on behalf of certain of its Subsidiaries also as provided in Schedule 2.6 of the Intel ATA Disclosure Letter, which Schedule 2.6 shall be prepared in a manner consistent with the Third Party Appraisal. Each of the Parties hereto agrees to report the transactions contemplated hereby for U.S. federal, state and foreign Tax purposes in accordance with such allocation of the Intel Consideration and as set forth on such schedule. Intel shall prepare Schedule 2.6 of the Intel ATA Disclosure Letter subject to Newco’s approval, which approval shall not be unreasonably withheld. Such schedule shall be adjusted for any changes to the Intel Cash Consideration, in a manner consistent with the Third Party Appraisal and otherwise as Intel determines in its reasonable discretion.

2.7 Inventory Adjustment to Consideration. The Intel Cash Consideration shall be subject to adjustment after the Closing Date in accordance with the following procedure:

(a) Promptly after the Closing Date, Intel will prepare and present to Newco a statement in reasonable detail of the Intel Inventory Value as of the end of Intel’s first fiscal quarter of 2007 and as of the Effective Time (the “Preliminary Intel Inventory Statement”). The Preliminary Intel Inventory Statement shall be delivered to Newco no later than 90 days after the Closing Date.

(b) Newco and its accountants shall have the right to review the work papers of Intel and its accountants utilized in preparing the Preliminary Intel Inventory Statement and shall have full access to the books, records, properties and personnel of Intel for purposes of verifying the accuracy and fairness of the presentation of the Intel Inventory Value in the Preliminary Intel Inventory Statement. The Preliminary Intel Inventory Statement shall be binding on Newco, unless Newco presents to Intel written notice of disagreement with the Preliminary Intel Inventory Statement (“Intel Notice of Disagreement”) within 120 days after the Closing Date specifying in reasonable detail the nature and extent of the disagreement.

(c) During the 30-day period following the delivery of a Intel Notice of Disagreement, Intel and Newco shall seek in good faith to resolve in writing any differences which they may have with respect to any amount specified in the Intel Notice of Disagreement. If Newco and Intel are unable to resolve any such disagreement within 30 days after Intel receives the Newco Notice of Disagreement, the disagreement shall be referred for final determination to Deloitte & Touche USA LLP or if Deloitte & Touche

USA LLP is unable or unwilling to make such final determination, to such other independent accounting firm as the parties shall mutually designate. The accounting firm so designated to make the final determination is hereinafter referred to as the "Independent Accountants."

(d) Intel Inventory Value as of the end of Intel's first fiscal quarter of 2007 and as of the Effective Time shall be deemed to have been finally determined upon the first to occur of (i) acceptance of the Preliminary Intel Inventory Statement, (ii) Newco's failure to object thereto within 150 days after the Closing Date, (iii) resolution by mutual agreement of the parties after timely delivery of the Newco Notice of Disagreement or (iv) notification by the Independent Accountants of their final determination thereof.

(e) If the Intel Inventory Value as of the Effective Time, as finally determined, is less than the Minimum Committed Intel Inventory Value, the Intel Cash Consideration shall be deemed reduced by such difference. Intel shall cause the amount of any such reduction in the Intel Cash Consideration to be refunded to Newco by the Intel Transferor responsible for such reduction, as determined by Intel, within 10 days after such final determination. If the Intel Inventory Value as of the Effective Time, as finally determined, is equal to or greater than the Minimum Committed Intel Inventory Value, there shall be no adjustment in the Intel Cash Consideration.

(f) The fees and disbursements of the accountants of Newco shall be paid by Newco. The fees and disbursements of Intel's accountants shall be paid by Intel. The fees and disbursements of the Independent Accountants shall be paid based on a ratable allocation made as a part of its determination, based on the proportion by which the amount in dispute was determined in favor of Newco or Intel.

2.8 Intel Transferred Employee Purchase Price Adjustment. The Intel Cash Consideration shall be subject to adjustment after the Closing Date in accordance with the following procedure:

(a) Promptly after the Closing Date, Intel shall prepare a statement (the "Intel Preliminary Closing Statement") setting forth the Intel Transferred Employee Payment Liabilities as of the Effective Time, and containing reasonably detailed supporting information, documents and calculations. Intel shall use commercially reasonable efforts to cause such preparation and review to be completed and the Preliminary Closing Statement to be delivered to Newco within 150 days after the Closing Date. The Preliminary Closing Statement shall be prepared by Intel from the books and records of Intel consistent with past practice and the Intel Financial Information and in accordance with GAAP.

(b) Newco and its accountants shall have the right to review the work papers of Intel and its accountants utilized in preparing the Intel Preliminary Closing Statement and shall have full access to the books, records, properties and personnel of Intel and its Subsidiaries for purposes of verifying the accuracy and fairness of the presentation of the information in the Intel Preliminary Closing Statement. The Intel Preliminary Closing Statement shall be binding on Newco, unless Newco delivers to Intel written notice of



disagreement with any Intel Transferred Employee Payment Liabilities set forth therein ("Notice of Disagreement") within 150 days the Closing Date specifying in reasonable detail the nature and extent of the disagreement, in which case the Intel Preliminary Closing Statement shall be binding on Newco only in respect of the Intel Transferred Employee Payment Liabilities set forth therein which are not the subject of a Notice of Disagreement.

(c) During the 30-day period following the delivery of a Notice of Disagreement, Intel and Newco shall seek in good faith to resolve in writing any differences which they may have with respect to any Intel Transferred Employee Payment Liabilities specified in the Notice of Disagreement. If Newco and Intel are unable to resolve any such disagreement within 30 days after Intel receives a Notice of Disagreement, the disagreement shall be referred for final determination to Deloitte & Touche USA LLP or if Deloitte & Touche USA LLP is unable or unwilling to make such final determination, to such other independent accounting firm as the parties shall mutually designate. The accounting firm so designated to make the final determination is hereinafter referred to in this Section 2.8 as the "Intel Cash Independent Accountants."

(d) The Intel Transferred Employee Payment Liabilities shall be deemed to have been finally determined upon the first to occur of (i) Newco's failure to deliver to Intel a Notice of Disagreement with respect to such Intel Transferred Employee Payment Liabilities 150 days after the Closing Date, (ii) resolution by mutual agreement of the parties after timely delivery of a Notice of Disagreement or (iii) notification by the Intel Cash Independent Accountants of their final determination thereof. Within ten days after the date on which all of the Intel Transferred Employee Payment Liabilities (as they may be revised pursuant to this Section 2.8) shall have become final and binding (the "Final Payment Date"), Intel shall pay Newco an amount equal to the Intel Transferred Employee Payment Liabilities.

#### 2.9 Capital Expenditures.

(a) Within 90 days after the Closing Date, Intel shall deliver to Newco a schedule setting forth in reasonable detail the amount of all capital expenditures made by Intel in accordance with the Intel Business Capital Expenditures Plan between April 1, 2007 and the Closing Date ("Actual Intel Capital Expenditures"). For purposes hereof, "Planned Intel Capital Expenditures" means (i) the planned amount of capital expenditures set forth in the Intel Business Capital Expenditures Plan for each fiscal quarter completed during the period from April 1, 2007 through the end of the last full fiscal quarter ending prior to the Closing Date plus (ii) a prorated amount equal to the planned amount of capital expenditures set forth in the Intel Business Capital Expenditures Plan for the fiscal quarter in which the Closing Date occurs multiplied by a fraction the numerator of which is the number of days elapsed in such fiscal quarter through the Closing Date and the denominator of which is the total number of days in such fiscal quarter. In the event that the Closing shall not have occurred on or before the expiration of the then current Intel Business Capital Expenditures Plan, the Parties will agree in good faith on the modification of such Intel Business Capital Expenditures Plan to add additional planned amounts of capital expenditures for the following fiscal quarter

or quarters. Newco shall have full access to the Intel Books and Records, for purposes of verifying the accuracy and fairness of the schedule of Actual Intel Capital Expenditures delivered by Intel to Newco hereunder.

(b) The schedule of Actual Intel Capital Expenditures shall be binding on Newco, unless Newco presents to Intel written notice of disagreement with the schedule of Actual Intel Capital Expenditures ("Intel Cap Ex Notice of Disagreement") within 150 days after the Closing Date specifying in reasonable detail the nature and extent of the disagreement.

(c) During the 30-day period following the delivery of a Intel Cap Ex Notice of Disagreement, Intel and Newco shall seek in good faith to resolve in writing any differences which they may have with respect to any amount specified in the Intel Cap Ex Notice of Disagreement. If Newco and Intel are unable to resolve any such disagreement within 30 days after Intel receives the Intel Cap Ex Notice of Disagreement, the disagreement shall be referred for final determination to Deloitte & Touche USA LLP or if Deloitte & Touche USA LLP is unable or unwilling to make such final determination, to such other independent accounting firm as the parties shall mutually designate. The accounting firm so designated to make the final determination is hereinafter referred to as the "Cap Ex Independent Accountants."

(d) Actual Intel Capital Expenditures as of the Effective Time shall be deemed to have been finally determined upon the first to occur of (i) acceptance of the schedule of Actual Intel Capital Expenditures, (ii) Newco's failure to object thereto within 150 days after the Closing Date, (iii) resolution by mutual agreement of the parties after timely delivery of the Intel Cap Ex Notice of Disagreement or (iv) notification by the Cap Ex Independent Accountants of their final determination thereof.

(e) In the event the Actual Intel Capital Expenditures are less than the Planned Intel Capital Expenditures for the period from April 1, 2007 through the Closing Date, Intel shall pay to Newco within 10 days after the final determination the amount of the difference.

(f) The fees and disbursements of the accountants of Newco shall be paid by Newco. The fees and disbursements of Intel's accountants shall be paid by Intel. The fees and disbursements of the Cap Ex Independent Accountants shall be paid based on a ratable allocation made as a part of its determination, based on the proportion by which the amount in dispute was determined in favor of Newco or Intel.

2.10 Deliveries by Newco. Newco shall, on or before the Closing, execute and deliver or cause to be delivered to the civil law notary ("civil law notary"), who shall execute and deliver the notarial deed of issue in respect of the Intel Newco Shares (with a copy to Intel):

(a) a certificate issued by a registered accountant as referred to in Section 2:204b Dutch Civil Code relating to the value of the Intel Transferred Assets to be contributed to Newco against the issuance of the Intel Newco Shares;<sup>2</sup>

(b) a true and complete copy of the resolutions duly and validly adopted by the Managing Director and the shareholders of Newco evidencing their authorization of the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby including the issuance of the Intel Newco Shares;

(c) a duly executed power of attorney by Newco with respect to the execution of the notarial deed of issue of shares in respect of the Intel Newco Shares; and

(d) a certificate of the Managing Director certifying the names and signatures of the Persons authorized to sign this Agreement and the other documents to be delivered hereunder.

2.11 Deliveries by Intel. Prior to the Closing, Intel shall deliver to the civil law notary executing the deed of issue in respect of the Intel Newco Shares, a duly executed power of attorney by Intel with respect to the execution of the notarial deed of issue in respect of the Intel Newco Shares, which power of attorney shall be legalized and affixed with an apostille and shall be accompanied by a legal opinion certifying that the signatory or signatories of the power has or have the authority to represent Intel with respect to the matters to which the power pertains.<sup>3</sup>

2.12 Closing. At the Closing:

(a) The Intel Transferors shall deliver to Newco and its Affiliates the Intel Bills of Sale and, Intel, through its officers, agents and employees, will, except as set forth on Schedule 2.12(a), put Newco and its Affiliates, as applicable, in possession of all tangible Intel Transferred Assets at the facilities where they are located as of the Effective Time (other than such Intel Transferred Assets that are already owned by Intel Transferred Entities);

(b) Intel and Newco and their respective Affiliates, as applicable, each shall execute and deliver each of the Intel Ancillary Agreements to which it is a party and shall make any deliveries required thereunder;

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<sup>2</sup> This provision assumes issuance of shares in consideration of assets contributed only to Intel, and not Intel Affiliates. If any Newco shares are issued to Affiliates, we will need similar certificates with respect to assets contributed by each Affiliate.

<sup>3</sup> If Newco shares will be issued to any Affiliates of Intel, each such Affiliate will also need to deliver a POA.

(c) on behalf of itself and its Affiliates, Newco shall pay to Intel for Intel's account and/or for the account of the applicable Intel Transferors the Intel Cash Consideration by wire transfer of immediately available funds to a bank account designated in writing by Intel prior to the Closing;

(d) Newco shall instruct the civil law notary to execute the notarial deed of issue in respect of the Intel Newco Shares and, upon the execution of such deed (i) register or cause to be registered the issue of the Intel Newco Shares in the share register of Newco and (ii) deliver a copy of the deed of issue in respect of the Intel Newco Shares and the registration of such issuance in the share register of Newco to Intel or one of its Affiliates;

(e) Newco and Intel shall execute and deliver a delivery protocol relating to the manner for delivery of any intangible property that is a Intel Transferred Asset;

(f) Intel shall deliver, or cause to be delivered, all certificates or instruments representing the Intel Transferred Interests duly endorsed and accompanied by necessary documentation for transfer;

(g) Intel shall furnish Newco with the following documents regarding the Intel Transferred Entities:

(i) the charter documents of each Intel Transferred Entity and all amendments thereto, duly certified by the proper officials of the jurisdiction of organization of each such Intel Transferred Entity;

(ii) resignations, effective on the Closing Date, of the officers and directors of each Intel Transferred Entity, unless otherwise specified by Newco prior to the Closing Date; and

(iii) the complete and correct corporate minute books and reports filed with Governmental Authorities as required by Applicable Law (including registration of stock transfers) of the Intel Transferred Entities.

2.13 Post Closing Registrations. Within eight days after the Closing, Newco shall (a) file with the Commercial Register the certificate issued by the registered accountant as referred to in Section 2.10(a) above and (b) register with the Commercial Register the increase in its capital.

### **ARTICLE III REPRESENTATIONS AND WARRANTIES OF INTEL**

Subject to the exceptions that are disclosed in the Intel ATA Disclosure Letter, Intel hereby makes the following representations and warranties to Newco. Such representations and warranties are made to Newco as if made and effective (a) on May 22, 2007 (except that with respect to any representation and warranty that specifies another date, such representation and warranty shall be made as of such specified date) and (b) as of the date hereof (except that with

respect to any representation and warranty that specifies another date, such representation and warranty shall be made as of such specified date), as follows:

3.1 Existence and Good Standing. Each of the Intel Transferors is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization (to the extent such concept is recognized in such jurisdiction) and has all requisite power and authority required to carry on its business as now conducted and to own and operate the Intel Business as now owned and operated by it. Each of the Intel Transferors is qualified to conduct business and is in good standing in each jurisdiction in which it conducts the Intel Business (to the extent such concept is recognized in such jurisdiction) other than such jurisdictions where the failure to be so qualified would not reasonably be expected to have a Intel Material Adverse Effect.

3.2 Authorization and Enforceability. Each of the Intel Transferors has all requisite power and authority to execute and deliver each of the Transaction Documents to which it is or will be a party, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution and delivery by each Intel Transferor of each of the Transaction Documents to which it is a party, and the performance by each Intel Transferor of its obligations contemplated hereby and thereby, have been duly and validly authorized by all necessary corporate action. The Transaction Documents have been duly and validly executed and delivered by the Intel Transferor which is a party thereto and, assuming the due execution and delivery of this Agreement and the other Transaction Documents to which it is a party by Newco (or a Subsidiary of Newco) and the other parties thereto, this Agreement constitutes, and each of the Transaction Documents to which a Intel Transferor is a party constitutes, the legal, valid and binding agreement of such Intel Transferor, enforceable against such Intel Transferor in accordance with their respective terms, except to the extent (a) that their enforceability may be subject to any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws now or hereafter in effect relating to creditors' rights generally or to general principles of equity or (b) indemnification provisions contained in the Shareholders' Agreement may be limited by applicable securities laws.

3.3 Governmental Authorization. Other than the Intel Approvals and ST Approvals, the execution, delivery and performance by each Intel Transferor of the Transaction Document(s) to which it is a party, and the consummation by it of the transactions contemplated thereby, require no Governmental Approval.

3.4 Non-Contravention.

(a) The execution, delivery and performance by the Intel Transferors of the Transaction Documents to which it is a party, and the consummation of the transactions contemplated thereby, do not and will not: (i) contravene or conflict with the certificate of incorporation, bylaws, articles of association or other corporate organizational or governing documents of any Intel Transferor or any Intel Transferred Entity; (ii) assuming receipt of the Intel Approvals, contravene or conflict with or constitute a material violation of any provision of any Applicable Law binding upon or applicable to any Intel Transferor, the Intel Transferred Assets or the Intel Transferred Entities; or (iii) assuming receipt of the Intel Approvals, the Newco Approvals and of the Intel Contractual Consents, (A) constitute a default under, give rise to any right of termination,

cancellation, modification, acceleration of, or a loss of any benefit under any Intel Contract, including the Intel Transferred Contracts or (B) result in the creation or imposition of any Lien (other than Permitted Liens) on any Intel Transferred Asset, or (C) constitute a breach, default or violation of any settlement agreement, judgment, injunction or decree, except in the case of clause (ii) or (iii), for matters that would not reasonably be expected to have a Intel Material Adverse Effect (*provided* that in determining whether a Intel Material Adverse Effect would result, any adverse effect otherwise excluded by clause (C) of the definition of “Intel Material Adverse Effect” shall be taken into account).

(b) The execution, delivery and performance by Intel of this Agreement and the other Transaction Documents to which Intel is a party, and the consummation of the transactions contemplated hereby and thereby, do not and will not, as of the Closing Date, constitute a default under, give rise to any right of termination, cancellation, modification, acceleration of, or a loss of any material benefit under any Contract identified on Schedule 3.4(b) of the Intel ATA Disclosure Letter; *provided, however*, that for the avoidance of doubt, the Parties acknowledge and agree that the representations and warranties set forth in this Section 3.4(b) shall not be deemed to be untrue or inaccurate in any respect as a result of (i) any action or omission by Newco that constitutes or results in a default by Intel or any Intel Affiliate or gives rise to any right of termination, cancellation, modification, acceleration of, or a loss of any material benefit under any such Contract; and (ii) any withdrawal or voiding after the Closing of any consent granted prior to the Closing by a party to such Contract, which withdrawal or voiding purports to have retroactive effect to the Closing.

**3.5 Personal Property.** The Intel Transferors and Intel Transferred Entities together have good and marketable title to, or a valid and subsisting leasehold interest in, all of the tangible personal property that is a Intel Transferred Asset free and clear of any Lien, except for (a) Permitted Liens and (b) any restriction contemplated by this Agreement or any of the other Transaction Documents.

**3.6 Real Property.**

(a) Schedule 3.6(a) of the Intel ATA Disclosure Letter lists (i) the street address of the Owned Intel Real Property and (ii) the current owner of such Owned Intel Real Property. Intel or one of its Subsidiaries has good and marketable fee title to the Owned Intel Real Property, free and clear of all Liens, other than Permitted Liens.

(b) Schedule 3.6(b) of the Intel ATA Disclosure Letter lists (i) the street address of the Leased Intel Real Property and (ii) the identity of the lessor, the lessee and the current occupant (if different from the lessee) of each such parcel of Leased Intel Real Property. Intel or one of its Subsidiaries has a valid leasehold estate in all Leased Intel Real Property, free and clear of all Liens, other than Permitted Liens. Each of the Intel Leases (i) is valid and binding on the Intel Transferor or Intel Transferred Entity which is party thereto and, to the Knowledge of Intel, on the counterparties thereto, and is in full force and effect and (ii) upon consummation of the transactions contemplated by this Agreement and the Intel Ancillary Agreements, except to the extent that any Intel

Contractual Consents are not obtained, shall continue in full force and effect without penalty or other adverse consequence. No Intel Transferor, nor any Intel Transferred Entity, is in breach of, or default under, any Intel Lease to which it is a party, except for such breaches or defaults that would not reasonably be expected to have a Intel Material Adverse Effect. Except as would not reasonably be expected to have a Intel Material Adverse Effect, to the Knowledge of Intel, no other party to any Intel Lease is in breach thereof or default thereunder and neither Intel nor any of its Subsidiaries has received any notice of termination, cancellation, breach or default under any Intel Lease.

3.7 Litigation. There is no Proceeding or to the Knowledge of Intel, investigation pending or, to the Knowledge of Intel, threatened in writing, by or against Intel or any of its Subsidiaries relating to the Intel Business or any Intel Transferred Asset (a) seeking to prevent, enjoin, alter or delay the transactions contemplated by this Agreement or any other Transaction Document or to materially encumber any Intel Transferred Asset, or (b) that would otherwise reasonably be expected to have a Intel Material Adverse Effect. There is no Proceeding pending or, to the Knowledge of Intel, threatened by or against any Intel Transferred Entity, except as would not reasonably be expected to have a Intel Material Adverse Effect.

### 3.8 Intel Transferred Contracts and Consents.

(a) Except as would not reasonably be expected to have a Intel Material Adverse Effect, each Intel Transferred Contract (i) is valid and binding on the Intel Transferor or the Intel Transferred Entity which is party thereto and, to the Knowledge of Intel, the counterparties thereto, and is in full force and effect and (ii) upon consummation of the transactions contemplated by this Agreement, except to the extent that any Intel Contractual Consents are not obtained, shall continue in full force and effect without penalty or other adverse consequence. No Intel Transferor, nor any Intel Transferred Entity is in breach of, or default under, any Intel Transferred Contract to which it is a party, except for such breaches or defaults that would not reasonably be expected to have a Intel Material Adverse Effect. Except as would not reasonably be expected to have a Intel Material Adverse Effect, to the Knowledge of Intel, no other party to any Intel Transferred Contract is in breach thereof or default thereunder and neither Intel, nor any of its Subsidiaries, has received any notice of termination, cancellation, breach or default under any Intel Transferred Contract.

(b) Schedule 3.8(b) of the Intel ATA Disclosure Letter lists each material Intel Transferred Contract that requires the consent of the other party or parties thereto to be obtained by Intel or one of its Subsidiaries in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby to avoid the loss of any material benefit under, or any material modification to, such Intel Transferred Contract (the "Intel Contractual Consents").

### 3.9 Compliance with Applicable Laws.

(a) Intel and its Subsidiaries have complied with any Applicable Laws relating to the Intel Business or the operation and use of the Intel Transferred Assets (including, in the case of the Intel Transferred Entities, Applicable Laws relating to their

business operations and employees) and the Intel Transferred Interests, except where the failure to comply would not reasonably be expected to have a Intel Material Adverse Effect. To the Knowledge of Intel, no Intel Transferor is subject to any order, writ, injunction or decree of any Governmental Authority directly relating to the Intel Transferred Assets. To the Knowledge of Intel, no Intel Transferred Entity is subject to any material order, writ, injunction or decree of any Governmental Authority.

(b) Intel and its Subsidiaries are in possession of all Permits, except where the failure to have, or the suspension or cancellation of, any of the Permits would not reasonably be expected to have a Intel Material Adverse Effect. Intel and its Subsidiaries are in compliance with all Permits and no suspension or cancellation of any of the Permits is pending or, to the Knowledge of Intel, threatened in writing, except, in each case, where the failure to so comply, or the suspension or cancellation of, any of the Permits would not reasonably be expected to have a Intel Material Adverse Effect. Except as would not reasonably be expected to have a Intel Material Adverse Effect, (i) none of the Intel Transferred Permits will, assuming the related Intel Approvals and Newco Approvals have been obtained prior to the Closing Date, be terminated or impaired or become terminable, in whole or in part, as a result of the transactions contemplated hereby and by the Intel Ancillary Agreements and (ii) upon consummation of such transactions, Newco or its Subsidiaries will, assuming the related Intel Approvals and Newco Approvals have been obtained prior to the Closing Date, have all of the right, title and interest in all of the Intel Transferred Permits.

(c) Except as would not reasonably be expected to have a Intel Material Adverse Effect, the Intel Transferred Permits constitute all material Governmental Approvals necessary for the ownership, lease or use of the Intel Transferred Assets and the operation of the Intel Business after the Closing Date.

### 3.10 Tax Matters.

(a) Intel has paid or caused to be paid all material Taxes relating to the Intel Transferred Assets and Intel Business allocable (as provided in Section 5.8(b)(iii)) to the Pre-Closing Tax Period that could become a liability of Newco or its Subsidiaries by reason of the transfer of the Intel Transferred Assets to Newco or its Subsidiaries as described herein or that would reasonably be expected to result in a Lien on any Intel Transferred Assets, other than non-delinquent Taxes incurred in the ordinary course of business since the Intel Financial Information Date in amounts consistent with prior periods (as adjusted for changes in Tax rates and ordinary course fluctuations in operating results). None of the Intel Transferors has an actual or contingent liability for Taxes that will become a liability of Newco or its Subsidiaries by reason of the transactions described herein, other than such non-delinquent Taxes described in the immediately preceding sentence for which Newco or its Subsidiaries may become liable by reason of statutory successor liability (or similar liability) under Applicable Law.

(b) No Governmental Authority has claimed that the Intel Transferred Assets are subject to Tax in a jurisdiction in which the required Tax Returns have not been filed by the Intel Transferors.



(c) No material issues have been raised in writing in any audits, examinations or disputes pertaining to Taxes arising from the Intel Transferred Assets that can reasonably be expected to be raised in similar examinations of Newco or its Subsidiaries following the Closing.

(d) With respect to each of the Intel Transferred Entities:

(i) Each Intel Transferred Entity has properly prepared and timely filed all Tax Returns required by law and has timely paid all Taxes due and payable (whether or not shown on any Tax Return). All such Tax Returns are true, correct and complete in all material respects. Each Intel Transferred Entity has complied in all material respects with all Applicable Laws relating to Taxes. None of the Intel Transferred Entities (A) is a party to or bound by any closing agreement, offer in compromise, gain recognition agreement or any other agreement with any Governmental Authority, except for those agreements identified on Schedule 3.10(e) of the Intel ATA Disclosure Letter, or any Tax indemnity or Tax sharing agreement with any Person, and (B) has actual or contingent liabilities for Taxes, other than (x) Taxes accrued as a liability in the Intel Financial Information, or (y) non-delinquent Taxes incurred in the ordinary course of business since the Intel Financial Information Date in amounts consistent with prior periods (if applicable), as adjusted for changes in Tax rates and ordinary course fluctuations in operating results.

(ii) There are and have been no (A) proposed, threatened or actual assessments, audits, examinations or disputes as to Taxes relating to the Intel Transferred Entities, (B) accounting method adjustments with respect to the Intel Transferred Entities, or (C) waivers or extensions of the statute of limitations with respect to Taxes for which the Intel Transferred Entities would reasonably be expected to be held liable following the date hereof. No issues have been raised in any audits, examinations or disputes pertaining to the Intel Transferred Entities that can reasonably be expected to be raised in similar examinations following the Closing. To the Knowledge of Intel, there is no basis for the assertion by a taxing authority of a material Tax deficiency against the Intel Transferred Entities. None of the Intel Transferred Entities is liable for Taxes of any other Person.

(iii) Schedule 3.10(d)(iii) of the Intel ATA Disclosure Letter sets forth, on an entity-by-entity basis, all jurisdictions in which each of the Intel Transferred Entities is subject to Tax and the type(s) of Tax. No Intel Transferred Entity has engaged (or been treated as engaged) in the conduct of a trade or business or had a permanent establishment (as defined in applicable tax treaty) in a jurisdiction with respect to which the required Tax Returns have not been filed.

(iv) Each Intel Transferred Entity has complied with all information reporting and record keeping requirements under all Applicable Laws, including retention and maintenance of required records with respect thereto.

(v) None of the Intel Transferred Entities is a party to any joint venture, partnership, other arrangement or which could be treated as a partnership for any applicable income Tax purposes.

(vi) There is no taxable income or other measure of Tax of any of the Intel Transferred Entities that will be reportable in the Post-Closing Tax Period that is attributable to a transaction or event that occurred in a Pre-Closing Tax Period.

(vii) No position has been taken on any Tax Return with respect to the Intel Business or the Intel Transferred Assets that is contrary to any publicly announced position of a Governmental Authority, or that is substantially similar to any position that a Governmental Authority has successfully challenged in the course of an examination of a Tax Return of the Intel Transferred Entities.

(e) Schedule 3.10(e) of the Intel ATA Disclosure Letter sets forth in reasonable detail, as to each Intel Transferred Entity, the Intel Business and the Intel Transferred Assets, each applicable agreement, ruling or other arrangement with respect to Taxes entered into with or received from any Governmental Authority, including the terms of any agreement governing the pricing of products sold to Affiliates of Intel (each, an "Intel Tax Agreement"). Each of Intel, its Affiliates and the Intel Transferred Entities is in compliance with each Intel Tax Agreement in all material respects, and no Governmental Authority has claimed or is expected to claim that any material breach of a Intel Tax Agreement has occurred. None of Intel, its Affiliates or the Intel Transferred Entities currently has outstanding any requests for Tax rulings pertaining to the Intel Transferred Entities, the Intel Business or the Intel Transferred Assets that would reasonably be expected to affect the liability for Taxes of Newco or its Subsidiaries after the Closing Date.

(f) The representations and warranties contained in this Section 3.10 are the only representations and warranties being made with respect to compliance with or liability under Applicable Laws relating to the Tax matters contemplated by this Section 3.10.

### 3.11 Intellectual Property.

(a) All material Intel Transferred Intellectual Property is free and clear of any Liens other than Permitted Liens. One of the Intel Transferors owns or, to Intel's Knowledge, is licensed to use, all works of authorship and all associated Copyrights that are embodied in the Intel Products. One of the Intel Transferors has good and marketable sole title to the Intel Transferred Intellectual Property (other than with respect to any moral rights therein or relating thereto). With respect to the Intel Transferred Intellectual Property, Schedule 3.11(a) identifies all material exclusive licenses granted by Intel or its Subsidiaries. Except as provided in the Intel Intellectual Property Agreement or other Transaction Documents, upon the Closing hereof, neither Intel nor any of its Affiliates shall retain any material rights under the Intel Transferred Intellectual Property.

(b) To the Knowledge of Intel, neither (i) the current use of the Intel Transferred Intellectual Property by Intel or any of its Subsidiaries in its current operation of the Intel Transferred Assets nor (ii) the current manufacture, marketing, distribution or sale of any of the Intel Products by Intel or its Subsidiaries in their current operation of the Intel Transferred Assets infringes any Copyrights or Trade Secret rights of any third party. To the Knowledge of Intel, Intel has not received any written claims currently pending from any Person claiming that the Intel Products infringe or misappropriate the Copyrights, Trade Secrets or Patents of such Person.

(c) Intel has taken commercially reasonable steps to protect its rights in Trade Secrets of Intel embodied in the Intel Products including taking commercially reasonable steps to have all of its current and former employees, consultants and contractors employed in the Intel Business execute and deliver to Intel a proprietary information and invention assignment agreement. To the Knowledge of Intel, it has not received written notice of any violation of or non-compliance with such agreements.

(d) To Intel's Knowledge, neither Intel nor any of its Subsidiaries is subject to any outstanding decree, order, or judgment that (i) restricts in any material manner the use, transfer or licensing of the Intel Transferred Copyrights, the Intel Transferred Patents, the Intel Transferred Trade Secrets or the Intel Products, or (ii) adjudges any of the Intel Transferred Intellectual Property to be unenforceable or invalid.

(e) All Intel Transferred Patents are currently in material compliance with formal legal requirements involving the payment of fees to Governmental Authorities (including the payment of filing, examination and maintenance fees). To the Knowledge of Intel, there are no proceedings or actions pending before any court or tribunal (including the PTO or equivalent authority anywhere in the world) that involve the validity, scope or priority of Intel Transferred Intellectual Property. None of the Intel Transferred Copyrights are registered Copyrights.

(f) To Intel's Knowledge, no software source code of material proprietary value to the Intel Business is subject to obligations of public disclosure or distribution, under any "open source license" or otherwise.

### 3.12 Employee Matters.

(a) Pension Plans. At no time has Intel or any other Person or entity under common control with Intel within the meaning of Section 414(b), (c), (m) or (o) of the Internal Revenue Code of 1986 and the regulations issued thereunder, contributed to or been obligated to contribute to any Multiemployer Plan or any plan maintained pursuant to a collective bargaining agreement or any plan subject to Title IV of ERISA.

(b) Labor. No work stoppage or labor strike against Intel or any of its Subsidiaries is pending or, to Intel's Knowledge, threatened in writing or reasonably anticipated with respect to the Intel Business Employees. Intel has no Knowledge of any activities or proceedings of any labor union to organize any Intel Business Employees who are not currently represented by a labor or trade union or employee representative

body. There are no actions, suits, claims, labor disputes or grievances pending, or, to the Knowledge of Intel, threatened in writing or reasonably anticipated relating to any labor, safety or discrimination matters involving any Intel Business Employee, including charges of unfair labor practices or discrimination complaints, which, if adversely determined, would reasonably be expected to have a Intel Material Adverse Effect. Neither Intel nor any of its Subsidiaries is presently, nor has it been in the past, a party to, or bound by, any collective bargaining agreement, collective agreement or recognition arrangement with any labor or trade union, works council, European works council or other employee representative body or union contract with respect to Intel Business Employees and no such agreement is being negotiated by Intel with respect to the Intel Business Employees. The consent, notice or opinion of any such employee representative body with respect to the Intel Business Employees is not required to consummate any of the transactions contemplated by this Agreement or any of the other Transaction Documents.

(c) Intel Business Employee List, Schedule 3.12(c) of the Intel ATA Disclosure Letter (i) sets forth the Intel Business Employees as of the date hereof and identifies the country (and state, for those in the United States) in which each such Intel Business Employee is based and primarily performs his or her duties and (ii) identifies certain Newco Allocated Positions which shall be offered to certain employees of Intel in accordance with Section 4.11(b) of the Master Agreement. Schedule 3.12(c) shall be updated solely to reflect the change in employment status of any Intel Business Employee, the amendments permitted by Section 4.11(b) of the Master Agreement and such other changes as may reasonably be agreed upon by the Parties.

(d) Nature of Representations and Warranties. The representations and warranties contained in this Section 3.12 are the only representations and warranties being made with respect to compliance with or liability under Applicable Laws relating to the employment matters contemplated by this Section 3.12.

### 3.13 Financial Information.

(a) Intel has delivered to Newco copies of the *estimated* unaudited consolidated statement of net revenue and direct expenses of the Intel Business for the year ended December 30, 2006 (the "Intel Financial Information Date") and the related *estimated* net book value of the fixed assets and inventories of the Intel Business as of the Intel Financial Information Date (collectively, the "Intel Financial Information"). The Intel Financial Information has been prepared internally by Intel for management reporting purposes only and has not been audited by any independent certified public accountants or auditors.

(b) The Intel Financial Information has been derived from the books and records of Intel and have not been separately audited. The Intel Financial Information does not contain all adjustments necessary to comply with GAAP. The Intel Financial Information does not reflect the assets, liabilities, revenues and expenses that would have resulted if the Intel Business had operated as an unaffiliated independent company;

*provided, however,* that the Intel Financial Information includes estimations for allocation of various revenues, costs and expenses on a reasonable basis.

3.14 Absence of Certain Changes. Since the Intel Financial Information Date, other than with respect to the transactions contemplated by the Transaction Documents, the Intel Business has been conducted in the ordinary course of business, and there has not been:

(a) (i) any sale, assignment or transfer of any of the material Intel Transferred Assets or any license of any of the Intel Transferred Intellectual Property, except, in each case, in the ordinary course of business and the transfer of Intel Transferred Assets to Intel Transferred Entities as contemplated hereby, or (ii) any creation, assumption or sufferance of (whether by action or omission) the existence of any Lien on any of the Intel Transferred Assets, other than Permitted Liens;

(b) any waiver, amendment, termination or cancellation of any material Intel Transferred Contract or any relinquishment of any material rights thereunder by Intel or its Subsidiary which is party thereto, or, to the Knowledge of Intel, any other party, other than, in each such case, actions taken with respect to any such Intel Transferred Contract in the ordinary course of business that are not material to the Intel Business;

(c) any material change by Intel or any Subsidiary of Intel in its accounting principles, methods or practices relating to the Intel Business or in the manner it keeps its accounting books and records relating to the Intel Business, except (i) any such change required by a change in GAAP or (ii) any change that results from the audit contemplated by Section 5.2(h) of the Master Agreement;

(d) any damage, destruction or other casualty loss that is material to the Intel Transferred Assets taken as a whole;

(e) (i) any failure to make an amount of capital expenditures described in the Intel Business Capital Expenditures Plan that is material, in the aggregate, to the Intel Business or (ii) any incurrence of any additional Intel Transferred Liabilities for capital expenditures that are material, in the aggregate, to the Intel Business, except for those described in the Intel Business Capital Expenditures Plan;

(f) any failure to maintain the Intel Transferred Assets as a whole, in all material respects in at least as good condition as they were being maintained on the Intel Financial Information Date, subject to normal wear and tear;

(g) any acquisition, directly or indirectly, of all or substantially all of the assets of any business or of equity interests in any Person or business, whether by merger, consolidation or otherwise, that relates to the Intel Business;

(h) any creation, incurrence, assumption or guarantee, or modification of the terms, of any Indebtedness with respect to the Intel Business, other than the Contemplated Financing, except in the ordinary course of business;

(i) any Intel Material Adverse Effect; or

(j) any agreement for Intel or any of its Subsidiaries to take any of the actions specified in paragraphs (a) through (h) above.

3.15 Environmental Matters.

(a) Except as would not reasonably be expected to have a Intel Material Adverse Effect: (i) Intel and each of its Subsidiaries, in each case with respect to the Intel Transferred Assets or the Intel Business, and each Intel Transferred Entity is in compliance with all applicable Environmental Laws; (ii) Intel and each of its Subsidiaries, in each case with respect to the Intel Transferred Assets or Intel Business, and each Intel Transferred Entity has obtained, and is in material compliance with, all Environmental Permits; (iii) neither Intel nor any of its Subsidiaries, in each case with respect to the Intel Transferred Assets or the Intel Business nor any Intel Transferred Entity is conducting or funding, or is required to conduct or fund, any Remedial Action pursuant to any Environmental Law; (iv) to Intel's Knowledge, no property to which a Intel Transferred Entity or, in connection with the Intel Business, Intel has, directly or indirectly, transported or arranged for the transportation of any Hazardous Substances is listed on any list of sites requiring investigation or cleanup promulgated by any relevant Governmental Authority; (v) there are no claims relating to any Environmental Law pending or, to the Knowledge of Intel, threatened in writing against Intel or any of its Subsidiaries, in each case with respect to the Intel Transferred Assets or the Intel Business, or any Intel Transferred Entity; and (vi) to Intel's Knowledge, there has been no environmental investigation, study, audit, test, review or other analysis conducted within the past five years that documents conditions giving rise to any material Environmental Liability, that relates to the Intel Transferred Assets, the Leased Intel Real Property, the Intel Business, any Intel Transferred Entity or any other property or facility now or previously owned or leased by Intel in connection with the Intel Business, and that has not been delivered to Newco within at least five days of the date hereof.

(b) The representations and warranties contained in this Section 3.15 are the only representations and warranties being made with respect to compliance with or liability under Environmental Laws, including natural resources, related to the Intel Business, the Intel Transferred Assets or Intel's or its Subsidiaries' ownership or operation thereof.

3.16 Product Warranties. A copy of Intel's product warranties currently in effect with respect to the Intel Products as set forth in the order acknowledgement forms for the Intel Products (the "Intel Standard Form Product Warranties") is set forth on Schedule 3.16 of the Intel ATA Disclosure Letter. Neither Intel nor any of its Subsidiaries has given any written product warranty with respect to the Intel Products other than the Intel Standard Form Product Warranties. The Intel Products, taken as a whole, comply in all material respects with all such product warranties and all material specifications applicable to the Intel Products. To the Knowledge of Intel, there are no outstanding material claims with respect to product warranties relating to the Intel Products. As of the Closing Date, the Intel Products constitute all of the products produced or sold by Intel or any of its Subsidiaries exclusively related to the Intel Business.

3.17 Intel Transferred Assets. The Intel Transferred Assets and the assets made available to Newco or its Subsidiaries under, or to be used by Intel and its Subsidiaries in the performance of, the Intel Ancillary Agreements will, as of the Closing, constitute all of the material assets (other than any Intellectual Property) necessary for the conduct of the Intel Business as it is conducted by Intel and its Subsidiaries as of the Closing Date.

3.18 Customers. Schedule 3.18 of the Intel ATA Disclosure Letter lists the names of the 10 largest customers to whom the Intel Business has sold products during the year ended December 30, 2006 (based on dollar amount of revenue recognized in connection with the sale of such Intel Products during such year). To Intel's Knowledge, neither Intel nor any of its Subsidiaries has received any written statement from any customer whose name appears on Schedule 3.18 of the Intel ATA Disclosure Letter that such customer will not continue as a customer of the Intel Business after the Closing.

3.19 Insurance. Intel has delivered to Newco summaries of all material insurance policies and fidelity bonds relating to the Intel Transferred Assets and the Intel Business. There are no material Claims by Intel or any of its Subsidiaries pending under any of such policies or bonds as to which coverage has been questioned, denied or disputed by the underwriters of such policies or bonds or in respect of which such underwriters have reserved their rights.

3.20 Inventories. The *estimated*, unaudited book value of the Intel Transferred Inventories set forth in the Intel Financial Information were determined in a manner not materially inconsistent with GAAP. As of the end of Intel's first fiscal quarter of 2007, the *estimated* unaudited Intel Inventory Value is as set forth on Schedule 3.20 to the Intel ATA Disclosure Letter. Such *estimated*, unaudited book value of the Intel Transferred Inventories and the Intel Inventory Value were prepared internally by Intel for management reporting purposes only, have not been audited by any independent certified public accountants or auditors and are further qualified by the limitations set forth in Section 3.13(b). Since the Intel Financial Information Date, the levels of Intel Transferred Inventory have been maintained in the ordinary course of business. The Intel Transferred Inventories are owned free and clear of all Liens other than Permitted Liens.

3.21 Advisory Fees. There is no investment banker, broker, finder or other intermediary or advisor that has been retained by or is authorized to act on behalf of Intel, who will be entitled to any fee, commission or reimbursement of expenses from any Person other than Intel upon consummation of the transactions contemplated by this Agreement.

3.22 Representations Regarding Intel Transferred Entities and Intel Transferred Interests.

(a) Organization. Each Intel Transferred Entity is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization (to the extent such concept is recognized in such jurisdiction) and has all requisite power and authority required to carry on its business as now conducted and to own and operate the Intel Business as now owned and operated by it. Each Intel Transferred Entity is, or will be, as of the Closing Date, qualified to conduct business and in good standing (to the extent such concept is recognized in such jurisdiction) in each jurisdiction in which it

conducts the Intel Business other than such jurisdictions where the failure to be so qualified would not reasonably be expected to have a Intel Material Adverse Effect. The Intel Transferred Entities and their respective jurisdictions of organization are identified on Schedule 3.22(a).

(b) Capitalization.

(i) As of the Closing, the authorized share capital of the Intel Transferred Entities shall be as set forth in Schedule 3.22(b) of the Intel ATA Disclosure Letter, and of such authorized share capital, only the Intel Transferred Interests shall be issued and outstanding. As of the Closing, no other shares of the Intel Transferred Entities shall have been authorized or designated as a series or shall be issued and outstanding. As of the Closing, all of the Intel Transferred Interests shall have been duly authorized, validly issued, fully paid and non-assessable, shall have been issued in material compliance with all Applicable Laws and shall have been issued in compliance with all applicable preemptive rights created by statute, the charter or other governing instruments of the Intel Transferred Entities and any agreement to which such Intel Transferred Entities are bound or by which their properties or assets are bound.

(ii) As of the Closing, there shall not be outstanding (A) any options, warrants or other rights to purchase from any Intel Transferred Entity any capital stock or other securities of such Intel Transferred Entity, (B) any securities, notes or other indebtedness convertible into or exchangeable for shares of such capital stock or securities, (C) any other commitments or rights of any kind for any Intel Transferred Entity to issue additional shares of capital stock, options, warrants or other securities or (D) any equity equivalent or other ownership interests in any Intel Transferred Entity or similar rights.

(iii) As of the Closing, Intel and its Subsidiaries shall be the sole registered and beneficial owners of the Intel Transferred Interests and the Intel Transferred Interests shall be free and clear of all Share Encumbrances. Upon delivery of certificates evidencing certificated Intel Transferred Interests to Newco or a Subsidiary of Newco together with any executed share transfer deeds or instruments for the Intel Transferred Interests necessary to transfer the Intel Transferred Interests under Applicable Law, and payment by Newco of the amount due and payable to Intel pursuant to Section 2.6, Newco or a Subsidiary of Newco will acquire good and marketable title to such Intel Transferred Interests, free and clear of any Share Encumbrance.

(c) Ownership, Schedule 3.22(c) of the Intel ATA Disclosure Letter sets forth the identity of each of the holders of equity interests in the Intel Transferred Entities and their respective ownership interests in the Intel Transferred Entities. The Intel Transferred Entities do not have any Subsidiaries and do not, directly or indirectly, own any equity investment or other ownership interest in any Person. No Intel Transferred Entity is a participant in any joint venture, partnership or similar arrangement.



(d) Indebtedness. No Intel Transferred Entity has any outstanding Indebtedness.

3.23 Investment Representations.

(a) Investigation: Economic Risk. Intel acknowledges that it has had an opportunity to discuss the business, affairs and current prospects of Newco with Newco's officers. Intel further acknowledges having had access to information about Newco that it has requested. Intel acknowledges that it is able to fend for itself in the transactions contemplated by this Agreement and has the ability to bear the economic risks of its investment in Newco pursuant to this Agreement. Intel is an "accredited investor," as such term is defined in Rule 501 of Regulation D promulgated under the Securities Act.

(b) Purchase for Own Account. The Intel Newco Shares will be acquired for the account of Intel or an Affiliate of Intel, not as a nominee or agent, and not with a view to or in connection with the sale or distribution of any part thereof. The Intel Option Shares will be acquired for the account of the holder of the Intel Option, not as a nominee or agent, and not with a view to or in connection with the sale or distribution of any part thereof.

(c) Exempt from Registration: Restricted Securities. Intel understands that the Intel Newco Shares and Intel Option Shares will not be registered under the Securities Act, on the basis that the sale provided for in this Agreement is exempt from registration under the Securities Act, and that the reliance of Newco on such exemption is predicated in part on Intel's representations set forth in this Agreement. Intel understands that the Intel Newco Shares and Intel Option Shares being issued hereunder are restricted securities within the meaning of Rule 144 under the Securities Act; that the Intel Newco Shares and Intel Option Shares are not registered and must be held indefinitely unless they are subsequently registered or an exemption from such registration is available.

3.24 Disclaimer of Warranties. EXCEPT WITH RESPECT TO THE WARRANTIES AND REPRESENTATIONS SPECIFICALLY SET FORTH IN THIS ARTICLE III (WHICH MAY BE RELIED UPON BY NEWCO), ALL OF THE TRANSFERRED ASSETS ARE BEING SOLD "AS IS, WHERE IS," AND NEITHER INTEL NOR ANY OF ITS SUBSIDIARIES MAKES ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, ORAL OR WRITTEN, WHETHER OF MERCHANTABILITY, SUITABILITY, NONINFRINGEMENT OR FITNESS FOR A PARTICULAR PURPOSE, OR QUALITY AS TO THE TRANSFERRED ASSETS OR ANY PART OR ITEM THEREOF, OR AS TO THE CONDITION, DESIGN, OBSOLESCENCE, WORKING ORDER OR WORKMANSHIP THEREOF, OR THE ABSENCE OF ANY DEFECTS THEREIN, WHETHER LATENT OR OTHERWISE.

**ARTICLE IV  
REPRESENTATIONS AND WARRANTIES OF NEWCO**

Newco hereby represents and warrants to Intel, as of the date of this Agreement, as follows:

4.1 Existence and Good Standing. Newco has been duly organized and is validly existing as a private company with limited liability *besloten vennootschap met beperkte aansprakelijkheid*) under Dutch law and has all requisite power and authority required to carry on its business as now conducted and to own and operate its businesses as now owned and operated by it. Newco has heretofore delivered to Intel complete and correct copies of its articles of association and governance rules as currently in effect. Each Subsidiary of Newco has been duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation and has all requisite power and authority required to carry on its business as now conducted and to own and operate its business as now owned and operated by it. Newco has heretofore delivered to Intel complete and correct copies of the articles of incorporation and bylaws or other organizational documents of each Subsidiary of Newco.

4.2 Authorization and Enforceability. Newco has all requisite corporate power and authority to execute and deliver this Agreement and each of the Transaction Documents to which it is or will be a party and to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution and delivery by Newco of this Agreement and each of the Transaction Documents to which it is a party and the performance by Newco of its obligations contemplated hereby and thereby have been duly and validly authorized by all necessary corporate action. This Agreement has been, and when executed at the Closing the other Transaction Documents to which Newco is a party will have been, duly and validly executed and delivered by Newco, and assuming the due execution and delivery of this Agreement and the other Transaction Documents to which it is a party by Intel and each of the other parties thereto, this Agreement constitutes, and as of the Closing each of the Transaction Documents to which Newco is a party will constitute, the legal, valid and binding agreement of Newco, enforceable against Newco in accordance with their respective terms, except to the extent (a) that their enforceability may be subject to applicable bankruptcy, insolvency, reorganization, moratorium or similar laws now or hereafter in effect relating to creditors' rights generally or to general principles of equity or (b) indemnification provisions contained in the Shareholders' Agreement may be limited by applicable securities laws.

4.3 Non-Contravention. The execution, delivery and performance by each of Newco and its Subsidiaries of the other Transaction Documents to which it is a party, and the consummation of the transactions contemplated hereby and thereby, do not and will not contravene or conflict with the articles of association or governance rules of Newco or the organizational documents of any of its Subsidiaries.

4.4 Capitalization. Immediately following the Closing, the capitalization of Newco will consist of the following:

(a) Ordinary Shares. A total of \_\_\_\_\_ Ordinary Shares of Newco will be authorized, of which \_\_\_\_\_ shares will be issued and outstanding, of which \_\_\_\_\_ Ordinary Shares will be held by Intel \_\_\_\_\_ and Ordinary Shares will be held by ST. Newco will have sufficient authorized share capital with respect to its Ordinary Shares upon a conversion of the Preferred Shares in accordance with the terms and conditions of the Shareholders Agreement and sufficient authorized share capital with respect to its Ordinary Shares for issuance under the Equity Plan (of which no such shares shall be subject to outstanding options, and all of which shares shall

be available for future issuance). The Outstanding Ordinary Shares will have been validly issued, will be fully paid upon transfer of the Intel Transferred Assets and the ST Transferred Assets to Newco, and will have been issued in accordance with the registration or qualification provisions of all applicable securities laws, or pursuant to valid exemptions therefrom.

(b) Preferred Shares. A total of \_\_\_\_\_ Preferred Shares will be authorized, of which \_\_\_\_\_ Preferred Shares will be issued and outstanding all of which will be held by FP. The Outstanding Preferred Shares will have been validly issued, will be fully paid upon receipt of the Purchase Price by Newco, and will have been issued in accordance with the registration or qualification provisions of all applicable securities laws, or pursuant to valid exemptions therefrom.

(c) Options, Warrants, Reserved Shares. Except for (i) the conversion privileges of the Preferred Shares; (ii) the rights to purchase new securities set forth in the Shareholders' Agreement and mandatory provisions of the laws of The Netherlands; and (iii) the Intel Option, there are no options, warrants, conversion privileges or other rights (or agreements for any such rights) outstanding to purchase or otherwise obtain from Newco any of Newco 's securities. There exists no Newco obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its equity securities or any interest therein.

#### 4.5 Valid Issuance of Shares.

(a) The Intel Newco Shares and the Intel Option, when issued, sold and delivered in accordance with the terms of this Agreement, and the Intel Option Shares, when issued, sold and delivered in accordance with the terms of the Intel Option, will be duly and validly issued, fully paid upon receipt of the Exercise Price (as defined in the Intel Option), and will be free of restrictions on transfer other than restrictions on transfer under the Equity Transaction Documents, the laws of The Netherlands and applicable securities laws.

(b) The outstanding shares of Newco are duly and validly issued and fully paid upon receipt of the Purchase Price and the consummation of the Intel Asset Transfer Agreement and the ST Asset Contribution Agreement, and such shares of such capital stock, and all outstanding shares, options and other securities of Newco have been issued in full compliance with exemptions from the registration requirements of the Securities Act, and are exempt from registration or qualification under the registration, permit or qualification requirements of all applicable state securities laws and all other provisions of applicable federal and state securities laws and applicable laws of The Netherlands, including, without limitation, anti-fraud provisions.

4.6 Exempt Offering. Based in part upon Intel's representations in Section 3.23, the offer and sale of the Intel Newco Shares and Intel Option pursuant to this Agreement and the Intel Option Shares pursuant to the Intel Option are exempt from the registration requirements of Section 5 of the Securities Act by virtue of Regulation D thereunder, from the qualification requirements of the California Corporate Securities Law of 1968, by virtue of Section 25102(f)

thereof, and from the registration or qualification requirements of any other applicable foreign or state securities laws.

4.7 Lack of Registration Rights and Voting Agreements. Except as set forth in the Shareholders' Agreement, Newco has not granted or agreed to grant any registration rights to any Person. There is no agreement or restriction relating to the voting of any shares of Newco other than as set forth in the Shareholders' Agreement.

4.8 Reliance. In executing this Agreement and the Intel Ancillary Agreements to which it is a party, Newco and its Subsidiaries are relying on the investigations by ST and FP (or its Affiliates), and on the provisions set forth herein and therein and not on any other statements, presentations, representations, warranties or assurances of any kind made by Intel, its representatives or any other Person. Newco acknowledges that (a) the representations and warranties of Intel contained in Article III hereof constitute the sole and exclusive representations and warranties of Intel to Newco in connection with this Agreement and the transactions contemplated hereby and (b) all other representations and warranties are specifically disclaimed and may not be relied upon or serve as a basis for a claim against Intel. NEWCO ACKNOWLEDGES THAT INTEL DISCLAIMS ALL WARRANTIES OTHER THAN THOSE EXPRESSLY CONTAINED IN THIS AGREEMENT AS TO THE INTEL TRANSFERRED ASSETS, WHETHER EXPRESS OR IMPLIED, ORAL OR WRITTEN, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR WARRANTY FOR FITNESS FOR A PARTICULAR PURPOSE. EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES CONTAINED EXPRESSLY IN THIS AGREEMENT, NEWCO IS ACQUIRING THE INTEL TRANSFERRED ASSETS ON AN "AS IS, WHERE IS" BASIS.

## ARTICLE V COVENANTS

### 5.1 Access to Information.

(a) Newco shall permit Intel to retain copies of Intel Books and Records for its internal use or for audit, tax or regulatory purposes or for any use required by Applicable Law and shall maintain for six years after the Closing Date all of the Intel Books and Records pertaining to the Intel Transferred Entities, Intel Transferred Assets and the Intel Transferred Liabilities relating to periods prior to the Closing. Newco shall provide Intel and its representatives, during normal business hours and upon reasonable notice from Intel, with reasonable access to such Intel Books and Records. If, at any time after the sixth anniversary of the Closing Date, Newco proposes to dispose of any of such books and records, Newco shall first offer to deliver the same to Intel at the expense of Intel.

(b) Each Party (the "Possessing Party") will afford the other Party (the "Receiving Party"), its counsel and its accountants, during normal business hours, reasonable access to information in the Possessing Party's possession or control relating to the Intel Transferred Assets, the Intel Transferred Liabilities, the Intel Transferred Entities and the Intel Business, and, to the extent reasonably requested, at the Receiving Party's expense, will provide copies and extracts therefrom, all to the extent that such

access may be reasonably required by the Receiving Party in connection with (i) the preparation of Tax Returns, (ii) compliance with the requirements of any Governmental Authority or (iii) to facilitate the resolution of claims made by a third party against or incurred by Intel or Newco pertaining to the Intel Transferred Assets, the Intel Transferred Liabilities, the Intel Transferred Entities or the Intel Business; *provided, however*, that nothing in this Section 5.1(b) shall be deemed to require any Party to disclose any information that it is prohibited from disclosing under any non-disclosure agreement entered into prior to the date of the Master Agreement or in the ordinary course of business after the date of the Master Agreement.

5.2 Compliance with Terms of Governmental Approvals and Consents. From and after the Closing Date, Newco shall comply at its own expense with all conditions and requirements imposed on Newco as set forth in (a) Newco Approvals that are Governmental Approvals, to the extent necessary such that all such Governmental Approvals will remain in full force and effect assuming, if applicable, continued compliance with the terms thereof by Intel and (b) all Newco Approvals of Persons other than Governmental Authorities, to the extent necessary such that all such consents and approvals will remain effective and enforceable against the Persons giving such consents and approvals, assuming, if applicable, continued compliance with the terms thereof by Intel.

5.3 Use of Marks. Notwithstanding any other provision, no interest in or right to use the name "INTEL" or any derivation thereof or any other Trademarks, service marks or tradenames of Intel, other than the Intel Transferred Trademarks, (the "Intel Retained Marks") is being transferred or otherwise licensed to Newco pursuant to the transactions contemplated by this Agreement. Newco agrees not to use any materials bearing Intel Retained Marks or sell, transfer or ship any products bearing Intel Retained Marks (a) unless requested to do so by Intel, (b) except to the extent displayed on the hardcopy (non-electronic) form of such materials delivered to Newco at the Closing, (c) except as required under Intel Transferred Contracts with customers or (d) except on Intel Transferred Inventory, product instructions, labeling, containers, data sheets, specifications and any similar materials directly related to the Intel Transferred Inventory in existence as of the Closing Date until, in all cases, the earliest of (i) the sale or disposition of such Inventory or other materials, (ii) such time as Newco shall have qualified the use of its logo, Trademark or tradenames with each such customer and (iii) 180 days after the Closing Date or such other period as is permitted under the Intel Transition Services Agreement or the Intel Intellectual Property Agreement solely for the purposes set forth therein. Further, dies manufactured by or for Newco using mask sets included in the Intel Transferred Assets may bear Intel Retained Marks only to the extent that it is not commercially reasonable to manufacture dies using such mask sets that do not bear such Intel Retained Marks. The foregoing rights are subject to Intel's standard Trademark usage guidelines, a copy of which has been provided to Newco, to any applicable provisions of the Intel Transition Services Agreement, and to any applicable provisions of the Intel Intellectual Property Agreement, and Intel reserves the right to practice quality control with regard to its marks and any products or services marketed or sold thereunder. Newco shall comply with any reasonable instructions of which it is notified by Intel relating to Intel's exercising of such quality control rights. Upon the expiration of the foregoing license, all materials bearing any Intel Retained Mark in the possession or control of Newco or its agents shall be promptly destroyed. Prior to any distribution of any materials bearing Intel Retained Marks, Newco shall use commercially

reasonable efforts to redact or modify such materials in order to minimize or eliminate the use of the Intel Retained Marks.

5.4 Cooperation in Third Party Litigation Each Party shall provide such assistance and cooperation as the other Party or its counsel may reasonably request in connection with any claims, Proceedings or investigations relating to the Intel Business or the Intel Transferred Assets, Intel Transferred Liabilities, Intel Transferred Entities; *provided*, that the Party making such request shall reimburse each such other Party for its reasonable and documented out-of-pocket costs and expenses in providing such assistance; *provided* that such assistance shall not unreasonably interfere with the business and operations of any such other Party.

5.5 Assignments

(a) Intel will reasonably cooperate with Newco in transferring applications and registrations for the Intel Transferred Copyrights, Intel Transferred Trademarks and the Intel Transferred Patents to the extent that Intel has applied for or obtained registrations therefor; *provided, however*, that following the Closing, subject to Section 5.4, Intel shall not have or incur any further obligations or expenses in connection therewith, and it shall be the sole responsibility of Newco to pursue, protect or perfect any such rights as it may see fit in its sole discretion.

(b) Following the Closing, in the event that (i) Intel identifies Intel Excluded Assets that have been erroneously identified for delivery or delivered to Newco, Newco shall use commercially reasonable efforts to return such Intel Excluded Assets to Intel at Intel's expense or (ii) Newco identifies Intel Transferred Assets that any Intel Transferor has failed to deliver to Newco or a Subsidiary of Newco or a Intel Transferred Entity, such Intel Transferor shall use commercially reasonable efforts to deliver such Intel Transferred Assets to Newco or such Subsidiary of Newco at Intel's expense.

5.6 Reasonable Efforts. Each of Newco and Intel will cooperate and use its commercially reasonable efforts to take, or cause to be taken, all appropriate actions (and to make, or cause to be made, all filings and notifications necessary, proper or advisable under Applicable Law) to consummate and make effective the transactions contemplated by this Agreement and the Transaction Documents, including its commercially reasonable efforts to obtain, as promptly as practicable, all licenses, permits, consents, approvals, authorizations, qualifications and orders of Governmental Authorities and parties to contracts, as are necessary for the consummation of the transactions contemplated by this Agreement and the Transaction Documents to which it is a party.

5.7 Allocation of Non-Tax Operating Expenses. All utility charges, gas charges, electric charges, water charges, water rents and sewer rents, if any, shall be apportioned between Newco and Intel as of the Closing Date, computed on the basis of the most recent meter charges or, in the case of annual charges, on the basis of the established fiscal year. All Prepayments (including lease expenses but excluding Taxes and Intel Prepayments) paid by Intel prior to the Closing Date and all other operating expenses paid by Newco with respect to the Intel Business shall be apportioned between Newco and Intel as of the Closing Date computed on the basis of the applicable time period to which expenses apply. Within 90 days after the Closing, each Party

shall present a statement to the other Party setting forth the amount of reimbursement to which each is entitled under this Section 5.7, together with such supporting evidence as is reasonably necessary to calculate the proration amount. Such amount shall be paid by the Party owing it to the other within 10 days after delivery of such statement.

5.8 Tax Matters.

(a) Tax Returns. Intel shall prepare or cause to be prepared all Tax Returns with respect to the Intel Transferred Assets and the Intel Business for the Pre-Closing Tax Period, other than the Tax Returns of the Intel Transferred Entities for taxable periods that end following the Closing Date. Newco shall prepare or cause to be prepared all Tax Returns with respect to the Intel Transferred Assets and the Intel Business for the Post-Closing Tax Period and of the Intel Transferred Entities for taxable periods ending after the Closing Date. All Tax Returns with respect to the Intel Transferred Entities, Intel Transferred Assets or Intel Business prepared by Newco for taxable periods that include but do not end on the Closing Date (each such period, a “Straddle Period”) shall be prepared in a manner consistent with prior Tax Returns filed by the Intel Transferred Entities, except as otherwise required by Applicable Law. To the extent Intel would be liable for all or any portion of the Taxes shown on any Straddle Period Tax Return, such Tax Return shall be provided to Intel no later than 30 days prior to the filing thereof, and any disputes concerning the manner in which such Tax Returns are prepared shall be resolved as provided in Section 5.8(h). Newco shall not amend or permit to be amended any Tax Returns with respect to a Intel Transferred Entity to the extent such amendment could increase the liability of Intel hereunder.

(b) Responsibility for Payment of Taxes. Except as otherwise provided in this Section 5.8:

(i) Intel shall be liable for and shall indemnify, defend and hold Newco harmless from and against (A) all Taxes arising from the Intel Transferred Assets or the Intel Business with respect to the Pre-Closing Tax Period, including all Taxes of the Intel Transferred Entities attributable to the Pre-Closing Tax Period to the extent not paid prior to the Closing, (B) all Taxes imposed on any Intel Transferred Entity as a result of being or having been a member of an affiliated, consolidated, combined, unitary, fiscal unity or similar group of which Intel or any of its Affiliates is or was a member, other than Taxes arising from the income, assets or operations of Newco and its Subsidiaries during the Post-Closing Tax Period, and (C) all Taxes imposed on any Intel Transferred Entity as a result of being or having been party to any tax sharing, tax indemnity or tax allocation agreement or any other express or implied agreement to indemnify any other Person for Taxes that was entered into prior to the Closing, other than Taxes arising from the income, assets or operations of Newco and its Subsidiaries during the Post-Closing Tax Period; *provided, however,* that Taxes arising on the Closing Date by reason of actions taken by or at the request of Newco out of the ordinary course of business following the Closing and without the consent of Intel shall be the responsibility of Newco.

(ii) Newco shall be liable for and shall indemnify, defend and hold Intel harmless from and against all Taxes arising from the Intel Transferred Assets or the Intel Business with respect to the Post-Closing Tax Period, including all Taxes of the Intel Transferred Entities attributable to the Post-Closing Tax Period, except to the extent that such Taxes are Intel's obligation under Section 5.8(b)(i) or are subject to indemnification from Intel pursuant to Section 6.2(a) (but subject to Section 6.2(g)) and except for any Taxes imposed on Intel or its Affiliates by virtue of their ownership of equity in Newco.

(iii) Taxes with respect to any of the Intel Transferred Entities for a Straddle Period shall be calculated by means of a closing of the books and records of such Intel Transferred Entity as of the close of the Closing Date, as if such Straddle Period ended as of the close of the Closing Date; provided that exemptions, allowances or deductions that are calculated on an annual basis (including depreciation and amortization deductions computed as if the Closing Date was the last day of the taxable period) shall be allocated between the portion of the period ending on the Closing Date and the portion of the period after such day in proportion to the number of days in each such period; and, provided, further, that personal property, ad valorem and other similar Taxes that are not based on income, revenue, expenses or any combination thereof ("Property Taxes") for a Straddle Period shall be allocated between the Pre-Closing Tax Period and the Post-Closing Tax Period in proportion to the number of days in each such period (except as provided in the immediately succeeding sentence). Property Taxes with respect to the Intel Transferred Assets other than those owned by the Intel Transferred Entities shall be allocated similarly. Intel shall be liable for the amount of such Taxes that is attributable to the Pre-Closing Tax Period (other than to the extent of any increase in Property Taxes attributable to the transactions described herein), and Newco shall be liable for the proportionate amount of such Taxes that is attributable to the Post-Closing Tax Period (including any increase in Property Taxes attributable to the transactions described herein).

(iv) Within a reasonable period after the Closing, and from time to time thereafter upon the receipt by a Party of a bill, assessment or other notice of Tax due, Intel and Newco shall present a statement to the other setting forth the amount of reimbursement to which each is entitled under this Section 5.8(b), together with such supporting evidence as is reasonably necessary to calculate the amount owed. The amount owed shall be paid by the Party owing it to the other within 10 days after delivery of such statement or, if later, 3 days prior to the time such Taxes are required to be paid to the appropriate Governmental Authority. In the event that either Intel or Newco makes a payment for which it is entitled to reimbursement under this Section 5.8(b), the other Party shall pay such reimbursement promptly, but in no event later than 30 days after the presentation of a statement setting forth the amount of reimbursement to which the presenting Party is entitled along with such supporting evidence as is reasonably necessary to calculate the amount of reimbursement. Any payment required under this Section 5.8(b) and not made when due shall bear interest at the rate of 10% per annum.



(c) Sales and Use Taxes. All Sales Taxes incurred by Intel or its Affiliates in connection with the transfer of Intel Transferred Assets to a Intel Transferred Entity (whether such Sales Taxes arise upon such transfer or upon the transfer of the underlying Intel Transferred Interests to Newco or its Subsidiaries) shall be borne by Intel or its Affiliates (but not the Intel Transferred Entities) to the extent such Sales Taxes exceed the Sales Taxes that would have been incurred if the underlying Intel Transferred Assets were transferred directly by the historical owner thereof to Newco or a Subsidiary of Newco (located in the same jurisdiction as such Intel Transferred Entity) without the intervening transfer to such Intel Transferred Entity. All other Sales Taxes incurred by the Parties or their Affiliates as a consequence of the transfer of the Intel Transferred Assets (including the Intel Transferred Interests) to Newco shall be determined as soon as practicable after the Closing based on the allocation described in Section 5.9 and shall be borne 50% by Newco and 50% by Intel; *provided, however*, that in no event shall Newco's share of such Sales Taxes exceed \$5,000,000. Notwithstanding the foregoing, Newco or its Subsidiaries shall pay 100% of all Sales Taxes to the extent the payment thereof by Newco or such Subsidiaries gives rise to a right to claim a refund of or credit against Taxes otherwise payable by Newco or its Subsidiaries under Applicable Law (and such amount shall not count toward the \$5,000,000 cap in the preceding sentence). To the extent permitted by Applicable Law, Newco and Intel shall cooperate and use commercially reasonable efforts to minimize such Sales Taxes. To the extent a taxing authority provides notice to Intel or Newco of an audit of Sales Taxes for which the other Party has any responsibility hereunder, the Party receiving the notice shall promptly notify the other Party. The Parties shall cooperate as reasonably requested to defend any audit with respect to Sales Taxes described herein, and the Party responsible therefor shall pay when due any additional Sales Taxes ultimately assessed (together with any interest, penalties or additions to tax with respect thereto) in the ratios described above. Intel shall control all Sales Tax audits where Intel or its Affiliates bear 100% of the underlying Sales Tax, and Intel and Newco shall jointly control all other Sales Tax audits (and share equally all related professional fees, interest, penalties and additions to tax) pertaining to the transfer of the Intel Transferred Assets to Newco. With respect to Sales Taxes for which the Parties bear joint responsibility hereunder, neither Party shall settle any proposed adjustment to such Sales Taxes without the other Party's prior written approval, not to be unreasonably withheld or delayed.

(d) Cooperation. As to the Taxes for which Intel is liable hereunder or that arise in a Straddle Period, the Parties hereto agree to furnish or cause to be furnished to one another, upon request, as promptly as practicable, such information and assistance relating to the Intel Transferred Assets, the Intel Business and the Intel Transferred Entities as is reasonably necessary for the filing of all Tax Returns, the preparation for any audit by any taxing authority, and the prosecution or defense of any claim or Proceeding relating to any Tax Return. The Parties hereto shall cooperate with each other in the conduct of any audit or other Proceeding related to Taxes involving the Intel Business.

(e) Allocation of Intel Consideration among the Intel Transferred Assets. The Intel Consideration (including the Intel Transferred Liabilities to the extent treated as "amount realized" for United States federal income tax purposes) shall be allocated

among the Intel Transferred Assets and the Intel Transferred Interests in accordance with Schedule 5.8(e) of the Intel ATA Disclosure Letter (as such allocation shall be determined prior to Closing and attached hereto immediately prior to the Closing). Such schedule shall be prepared in a manner consistent with the Third Party Appraisal. Each of the Parties hereto agrees to report the transactions contemplated hereby for state, federal and foreign Tax purposes in accordance with such allocation of the Intel Consideration. Intel shall prepare Schedule 5.8(e) of the Intel ATA Disclosure Letter subject to Newco's approval, which approval shall not be unreasonably withheld. Such schedule shall be adjusted for any changes to the Intel Cash Consideration, in a manner consistent with the Third Party Appraisal and otherwise as Intel determines in its reasonable discretion.

(f) Treatment of Indemnity Payments. The Parties shall treat all indemnification payments made under this Agreement as an adjustment to the Intel Cash Consideration for applicable Tax purposes.

(g) Tax Dispute Resolution. If the Parties are unable to resolve any disputes regarding the content of Tax Returns for which Intel has a right of review pursuant to Section 5.8(a), the issue or issues shall be referred for resolution to a partner at a "Big 4" accounting firm (or other nationally recognized accounting firm) reasonably acceptable to the Parties, who shall be requested to resolve open issues, on the basis of the position most likely to be sustained if challenged in a court having initial jurisdiction over the matter (which for federal income tax issues shall be deemed to be the United States Tax Court). The decision of such accounting firm shall be final and binding on the Parties, and the costs of such accounting firm shall be Newco costs. If such Tax Returns become due (taking into account extensions of time to file, which Newco shall seek as necessary to avoid the delinquent filing of its Tax Returns) they shall be filed as determined by Newco and shall be amended and re-filed as required by the outcome of the referral to the accounting firm as provided herein.

5.9 Accounts Receivable. Following the Closing, (a) if Intel or any of its Subsidiaries receives any payment, refund or other amount that is a Intel Transferred Asset or is otherwise properly due and owing to Newco in accordance with the terms of this Agreement, Intel promptly shall remit, or shall cause to be remitted, such amount to Newco and (b) if Newco or any of its Subsidiaries receives any payment, refund or other amount that is a Intel Excluded Asset or is otherwise properly due and owing to Intel or any of its Subsidiaries in accordance with the terms of this Agreement, Newco promptly shall remit, or shall cause to be remitted, such amount to Intel. Without limiting the foregoing, Newco shall forward to Intel, immediately upon receipt thereof, any payments of Pre-Closing Accounts Receivable of Intel or any of its Subsidiaries, and Intel shall forward to Newco, immediately upon receipt thereof, any payments of Post-Closing Accounts Receivable of Newco or any of its Subsidiaries unless otherwise set forth in the Intel Transition Services Agreement. Following the Closing, the Parties shall cooperate in promptly advising customers to direct to the appropriate Party any future payments by such customers. In determining whether a payment received by either Party is a payment of an Account Receivable of Intel or Newco, the receiving Party may rely on any invoice or contract number referred to on the payment or in correspondence accompanying such payment. To the extent any payment, refund or other amount received by Intel or Newco from a customer

or other account debtor does not specify which outstanding invoice or receivable it is in payment of, such payment shall be applied to the earliest invoice outstanding with respect to indebtedness of such customer or other account debtor, except for those invoices which are subject to a dispute to the extent of such dispute. Following the Closing, Newco will provide such cooperation as Intel shall reasonably request in connection with Intel's collection of outstanding Pre-Closing Accounts Receivable of Intel and its Subsidiaries.

5.10 Accounts Payable. To the extent that Newco receives any invoices for Pre-Closing Accounts Payable of Intel or any of its Subsidiaries or statements evidencing amounts owed by Intel or any of its Subsidiaries to another Person, Newco will promptly deliver such documents to Intel. To the extent that Intel receives any invoices for Accounts Payable of Newco or any of its Subsidiaries or statements evidencing amounts owed by Newco or any of its Subsidiaries to another Person, Intel will promptly deliver such documents to Newco unless otherwise set forth in the Intel Transition Services Agreement.

5.11 Employees.

(a) To the greatest extent permitted by Applicable Law, Newco shall provide service credit for all periods of service by the Intel Transferred Employees under Newco's employee policies and plans except to the extent such service credit would result in the duplication of benefit accrual for the same period of service. Newco shall be responsible for all Liabilities, salaries, benefits and similar employer obligations that arise after Closing under Newco's compensation and benefit plans and policies for all Intel Transferred Employees or pursuant to Section 2.3(d). In particular, Newco shall be responsible for liabilities with respect to the termination of any Intel Transferred Employees by Newco after the Closing, including health care continuation coverage with respect to plans established or maintained by Newco after the Closing to the extent that the Intel Transferred Employees participate therein, and damages or settlements arising out of any claims of wrongful, constructive or illegal termination or dismissal by Newco following the Closing, and for complying with the requirements of all Applicable Laws with respect to any such termination by Newco after the Closing. Subject to Section 2.3(d), Intel shall be solely responsible for any liabilities or obligations with respect to Intel Transferred Employees under the Intel Employee Plans or the Intel Employee Agreements that arise following the Closing.

(b) Non- U.S. Intel Business Employees. With respect to Intel Business Employees located outside the United States, each of Newco and Intel agrees to comply with all covenants, agreements and obligations set forth in Schedule 5.11(b) of the Intel ATA Disclosure Letter.

(c) Funded Employee Plans. To the extent that Newco is required under Applicable Law to assume Liabilities with respect to a Intel Funded Employee Plan relating to service of Intel Transferred Employees prior to the Closing Date, and unless such obligations are not otherwise satisfied at or prior to the Closing Date among Intel, Newco and the relevant Intel Transferred Employees, Intel shall, or shall cause the applicable Intel Subsidiary to, pay to Newco an amount in cash or cash equivalents equal to such Liabilities as of the Closing Date as determined in accordance with this Section

5.11(c) (the “Intel Funded Employee Plan Amount”). Intel shall, or shall cause the applicable Intel Subsidiary to, cause the Intel Funded Employee Plan Amount to be transferred to Newco as soon as practicable following the Closing Date, but in no event more than 15 days following the determination of the amount due hereunder. The Intel Funded Employee Plan Amount shall be determined in accordance with Applicable Law and the relevant provisions of the Intel Funded Employee Plan. To the extent required by Applicable Law or by the Intel Funded Employee Plan, Intel shall, or shall cause the applicable Intel Subsidiary to, require the actuary of each Intel Funded Employee Plan (each, an “Intel Actuary”) to determine, prior to the Closing Date, the Intel Funded Employee Plan Amount for the relevant Intel Funded Employee Plan in accordance with FAS 158 on a projected benefit obligation basis based on actuarial assumptions no less favorable than those used in the most recent actuarial report prepared for the relevant Intel Funded Employee Plan. The actuarial calculations and assumptions of the Intel Actuary may be reviewed for accuracy by an actuary designated by Newco (the “Newco Actuary”). If the Intel Actuary and the Newco Actuary cannot reach an agreement as to the proper determination for the Intel Funded Employee Plan Amount with respect to a Intel Funded Employee Plan, Intel and Newco shall refer such matter to an independent third-party actuary (which actuary shall be mutually agreeable to Intel and Newco) (the “Third Actuary”) for resolution. Promptly, but in no event later than 45 days after such referral, the Third Actuary shall review the Intel Actuary’s calculation of the relevant Intel Funded Employee Plan Amount and the Newco Actuary’s objection and calculations with respect thereto, and shall provide each of Intel and Newco a written statement of its decision as to the issues in dispute and the determination of the Intel Funded Employee Plan Amount. Such determination shall be final and binding for all purposes. The fees and expenses of the Intel Actuary and the Newco Actuary shall be borne by Intel. The fees and expenses of the Third Actuary shall be borne equally by Intel and Newco.

(d) Consultation Obligations. Intel and Newco shall where and to the extent required by Applicable Law or by an applicable collective bargaining, collective agreement, recognition arrangement or other similar agreement or arrangement inform and consult with employees, trade unions, works councils or other employee representative bodies regarding the transactions contemplated by this Agreement, including the offers of employment made pursuant to the Master Agreement.

(e) Non-Solicitation of Employees.

(i) Subject to Applicable Law, for two years following the Closing, without the prior written consent of Newco, Intel shall not, nor shall it permit any of its Subsidiaries to, directly or indirectly, recruit or solicit any employee of Newco or any of its Subsidiaries (collectively, for purposes of this Agreement, the “Newco Restricted Employees”) to leave his or her employment with Newco or such Subsidiary.

(ii) Except as (A) may be otherwise provided herein, (B) otherwise agreed by Intel and Newco, or (C) prohibited by Applicable Law, for two years following the Closing Date, Newco shall not, nor shall it permit any of its Subsidiaries to, directly or indirectly, recruit or solicit (x) any employee of Intel

or any of its Subsidiaries other than those Intel Business Employees who become employed by Newco in accordance with the terms of the Master Agreement, (y) any Intel Business Employee who declines an offer of employment from or objects to his or her transfer to Newco, or (z) any employee of IM Flash Technologies, LLC, IM Flash Singapore, LLP, or any of their respective Subsidiaries, to leave his or her employment with Intel, IM Flash Technologies, LLC, IM Flash Singapore, LLP, or any such Subsidiary (collectively, for purposes of this Agreement, the “Intel ATA Restricted Employees”).

(iii) Neither the placement of employment advertisements or other general solicitation for employees not specifically targeted to any Newco Restricted Employee or Intel ATA Restricted Employee, as the case may be, by any means, including through the use of hiring agencies or through employees of each Party who are unaware of the prohibitions against the solicitation of the Newco Restricted Employees or Intel ATA Restricted Employees, as the case may be, shall be a recruitment or solicitation prohibited by this Section 5.11(e) provided that any such hiring agencies and employees are not instructed by persons who knew about the prohibition on the solicitation of such Restricted Employees to solicit for hire such Restricted Employees. If a Party (or any Subsidiary thereof) inadvertently violates the prohibition against the solicitation of Restricted Employees, such Party shall (or it shall cause its applicable Subsidiary to), as soon as it is aware it has committed a violation of this section, notify the other Party who formerly employed such Restricted Employee and either withdraw any offer to the solicited individual or ensure that such person, if hired, is restricted from working on, consulting on, or having any knowledge with respect to matters which are designated by written notice by the Party that formerly employed such employee in its reasonable discretion as competitively sensitive matters, in which event such inadvertent action shall not be deemed to be a breach of this Section 5.11(e) so long as there is no repetitive pattern of such actions.

(f) Newco Employee Recruitment. For a period of six months following the Closing Date, Newco agrees to notify Intel of any employment opportunities at Newco within a reasonable period of time before the placement of employment advertisements or other general solicitation, including the use of hiring agencies, with respect to such employment opportunities.

5.12 Protection of Privacy. The Customer Data of Intel has been collected by Intel over the Internet under the conditions set forth in the Intel Privacy Policy attached to Schedule 5.12 of the Intel ATA Disclosure Letter (the “Intel Privacy Policy”) and is transferred to Newco subject to the obligations set forth in the Intel Privacy Policy. Newco covenants and agrees that it will not use such Customer Data in any manner that conflicts with the terms of the Intel Privacy Policy.

5.13 Export Compliance. From and after the Closing Date, Newco shall comply at its own expense with all conditions and requirements imposed on Newco required to comply with all applicable U.S. Export Administration Regulations and such other similar regulations,

including any applicable export regulations of foreign jurisdictions, that are imposed on the Intel Transferred Assets. Newco agrees that it will not export, either directly or indirectly, any Intel Product or associated technology or systems incorporating such Intel Product without first obtaining any required license or other approval from the appropriate host Governmental Authority with appropriate authority.

5.14 Satisfaction of Intel Pre-Closing Product Obligations. After the Closing, Newco agrees to satisfy any and all Intel Pre-Closing Product Obligations. Unless otherwise agreed by the Parties in the Transaction Documents, Newco shall, on a monthly basis, following the month in which the transactions occur, or any other periodic basis as agreed by the Parties, deliver to Intel a written statement of costs reasonably incurred by Newco in satisfying any such Intel Pre-Closing Product Obligations, which statement shall set forth all such Intel Pre-Closing Product Obligations satisfied by Newco during such period. Promptly following receipt of such statement, Intel shall reimburse Newco for all such costs.

5.15 Additional Intel Financial Statements. For 12 months following the Closing Date (or if later, the date of completion of the audit of the Intel annual financial statements for the year in which the Closing Date occurs), Intel shall, in good faith, use commercially reasonable efforts to assist Newco with Newco's preparation of such financial statements, for such periods prior to the Closing Date as may be required for Newco to undertake a registered public offering of debt securities or Ordinary Shares, as the case may be, it being understood that in connection with any such registered offering Newco shall use commercially reasonable efforts to obtain waivers from certain financial statement requirements, provided that any failure by Newco to obtain any such waiver shall not relieve Intel from its obligations under this Section 5.15. Notwithstanding the foregoing, nothing herein shall obligate Intel to provide any audited financial statement or information to Newco or to submit to an audit by Newco's auditors of any financial statement or information or books and records of Intel.

5.16 Settlement of Claims. Intel shall not settle, or make any binding offer to settle, any material Claim or Proceeding relating to the Intel Business unless such settlement would not encumber any assets of Newco, impose any obligation or other Liability on Newco, impose any restriction that would apply to Newco or the conduct of Newco's business, or include any acknowledgment of validity, enforceability, infringement, or Claim interpretation with regard to any of the Intellectual Property relating to such Claim or Proceeding.

5.17 Back-end Equipment.

(a) From and after the Closing Date, Intel shall, and shall cause its Subsidiaries to, retain physical possession of the D2 Equipment until the earlier of (i) the date upon which such D2 Equipment is removed therefrom pursuant to a Newco Removal Notice (as defined below) and (ii) 60 days after completion of sorted wafer manufacturing for Newco using the D2 Equipment and the receipt by Newco from Intel of written notice of such completion; *provided, however*, that in the event that any Governmental Approval is required for the removal of any of such D2 Equipment, Newco and Intel shall use their reasonable commercial efforts to obtain such Governmental Approval as soon as practicable after the Closing Date, and in the event that such Governmental Approvals are not obtained within 45 days prior to the Removal

Date set forth above, the Removal Date shall be extended to that date which is 45 days after all such Governmental Approvals have been obtained.

(b) Newco shall use commercially reasonable efforts to make all arrangements necessary to ensure that the D2 Equipment is removed from the premises of Intel and its Subsidiaries as soon as reasonably practicable following the completion of the applicable sorted wafer manufacturing set forth in Section 5.17(a) and the receipt of notice thereof from Intel and in any event prior to the Removal Date applicable thereto.

(c) From and after the Closing Date until 15 days prior to each applicable Removal Date, Newco may notify Intel in writing of Newco's intention to remove the D2 Equipment from the premises of Intel or its Subsidiaries. Each such notice (a "Newco Removal Notice") shall describe in reasonable detail the arrangements for the removal and transportation of the D2 Equipment, including (i) the dates on which Newco proposes to begin and complete the removal of the D2 Equipment, (ii) the identity of any third party contractors that Newco proposes to engage in connection therewith and (iii) a reasonable estimate of the third party costs expected to be incurred by Newco in connection therewith.

(d) All reasonable and documented third party costs of removing D2 Equipment from the premises of Intel or its Subsidiaries and transporting D2 Equipment to the premises of Newco or its Subsidiaries shall be borne by Intel. Newco shall remove the D2 Equipment in its entirety from the premises of Intel and its Subsidiaries prior to the Removal Date applicable thereto. The removal of the D2 Equipment shall be effected during regular business hours in a manner reasonably intended to minimize disruption and without causing damage to the affected Intel facility. Intel shall have the right to approve in advance (which approval shall not be unreasonably withheld or delayed) any third party contractors that Newco proposes to engage to complete such removal or transportation. In the event that any D2 Equipment is not removed from the premises of Intel or its Subsidiaries prior to the Removal Date applicable thereto, Intel may treat such D2 Equipment as abandoned property and may have such D2 Equipment removed from the applicable Intel facility or may sell such D2 Equipment and remit the proceeds of such sale (net of all direct and indirect costs of sale and expenses incurred by Intel and its Subsidiaries) to Newco.

5.18 Master Agreement Covenants. Newco agrees to be bound by and shall be a third party beneficiary of the following Sections of the Master Agreement: Section 4.5 (Press Releases), Section 4.8 (Tax Matters), Section 4.9 (Operations of the Intel Business Prior to the Closing), Section 4.10 (Operations of the ST Business Prior to the Closing), Section 4.12 (Additions to and Modifications of the Schedules), Section 4.14 (Notices of Certain Intel Events), Section 4.15 (Notices of Certain ST Events), Section 4.17 (Newco Tax Election), Section 4.19 (Cooperation with Financing), Section 4.21 (Hynix JV Matters), Section 4.22 (Facility Transfer Term Sheets), Section 4.25 (ST Litigation), Section 4.26 (Intel Litigation) and Section 4.28 (Further Assurances) of the Master Agreement as though it were a party thereto.

5.19 Further Assurances. Each Party agrees to execute and deliver, or cause to be executed and delivered, such other documents, certificates, agreements and other writings and to

take, or cause to be taken, such other commercially reasonable actions as may be necessary or desirable in order to consummate or implement expeditiously the transactions contemplated by this Agreement.

5.20 Outstanding Checks: Bank Accounts.

- (a) Intel shall cause all checks written but not cashed before the Closing in respect of obligations of any Intel Transferred Entity to be paid.
- (b) Intel shall cause all bank accounts of the Intel Transferred Entities to have zero balances on the Closing Date.

5.21 Release of Liens. On the Closing Date, the Intel Transferors shall deliver the Intel Transferred Assets to Newco and its Subsidiaries free and clear of Liens, other than Permitted Liens, except as otherwise provided herein.

**ARTICLE VI  
INDEMNIFICATION**

6.1 General Survival. The representations and warranties of the Parties contained in this Agreement and the covenants set forth in Section 4.9 of the Master Agreement shall survive the Closing for a period of 12 months after the Closing Date; *provided, however* that (a) representations and warranties set forth in Section 3.10 (Tax Matters) shall survive until the expiration of the statute of limitations for the collection of the Tax that is the subject of such representation or warranty, (b) representations and warranties set forth in each of Section 3.2 (Authorization and Enforceability), Section 3.12(a) (Pension Plans), and Section 3.22(a) and (b) (Organization and Capitalization of the Intel Transferred Entities) shall survive until the expiration of the applicable statute of limitations, (c) representations and warranties set forth in Section 3.15 (Environmental Matters) shall survive until the date that is 10 years following the Closing Date, and (d) any claim arising out of the fraudulent misrepresentation of Intel contained in this Agreement or any other Transaction Document shall survive until the expiration of the applicable statute of limitations. In addition, any indemnity with respect to any Intel Pre-Closing Environmental Liability described in Section 2.4(k) hereof shall survive until the date that is 10 years following the Closing Date and shall thereupon expire. Upon such expiration, unless written notice of a claim for indemnification based on such representation, warranty, covenant or indemnity specifying in reasonable detail the facts on which the claim is based shall have been delivered to the Indemnitor prior to the expiration of such representation, warranty, covenant, or indemnity, such representation, warranty, covenant or indemnity shall be deemed to be of no further force or effect, as if never made, and no action may be brought based on the same, whether for indemnification, breach of contract, tort or under any other legal theory. All covenants and agreements of the Parties otherwise set forth in this Agreement with respect to Excluded Liabilities or actions of the Parties following the Closing shall survive indefinitely to the extent necessary to give effect to their terms.

6.2 Indemnification.

- (a) Indemnification Provisions for Newco. Subject to the provisions of Section 6.1, from and after the Closing Date, the Newco Indemnitees shall be



indemnified and held harmless by Intel from and against and in respect of any and all Losses (as defined below) incurred by any Newco Indemnitee resulting from:

(i) any inaccuracy or breach of any of Intel's representations or warranties contained in this Agreement or in the certificates furnished to Newco pursuant to Sections 5.2(a) and 5.3(a) of the Master Agreement (disregarding the qualifications as to Intel Material Adverse Effect expressly set forth in such certificates in accordance with Sections 5.2(a) and 5.3(a));

(ii) any breach of any covenant or agreement made or to be performed by Intel pursuant to this Agreement or any of the Sections of the Master Agreement set forth in Section 5.18 of this Agreement;

(iii) any failure of Intel to satisfy any Intel Excluded Liabilities; and

(iv) any Taxes or expenses required to be paid by Intel under this Agreement.

(b) Indemnification Provisions for Intel. Subject to the provisions of Section 6.1, from and after the Closing Date, the Intel Indemnitees shall be indemnified and held harmless by Newco from and against and in respect of any and all Losses (as defined below) incurred by any Intel Indemnitee, resulting from:

(i) any inaccuracy or breach of any of Newco's representations or warranties contained in this Agreement other than any such inaccuracy or breach that results from any action that (A) Newco is required to take hereunder or (B) Intel has approved under the Master Agreement;

(ii) any breach of any covenant or agreement made or to be performed by Newco pursuant to this Agreement;

(iii) any failure of Newco to satisfy any Intel Transferred Liabilities, other than the Intel Excluded Liabilities; and

(iv) any Taxes or expenses required to be paid by Newco under this Agreement.

(c) For purposes of this Agreement, the term "Indemnitee" shall mean either a Newco Indemnitee or a Intel Indemnitee, as the case may be, and the term "Indemnitor" shall mean either Newco or Intel, as the case may be.

(d) Notwithstanding the above, Losses shall not include expenses incurred in connection with investigations unless a claim is made by a third party against the Indemnitee.

(e) No Newco Indemnitee shall be entitled to indemnification for any Losses covered by Section 6.2(a)(i) until the aggregate amount of all such Losses of the Newco Indemnitees shall exceed \$15,000,000 (the "Intel ATA Basket"), at which time all such

Losses incurred in excess of the Intel ATA Basket shall be subject to indemnification by the relevant Indemnitor hereunder. The Intel ATA Basket shall not apply to Losses covered by [Section 3.2](#) (Authorization and Enforceability), [Section 3.10](#) (Tax Matters), [Section 3.12\(a\)](#) (Pension Plans), [Section 3.15](#) (Environmental Matters), [Section 3.22\(a\)](#) and [\(b\)](#) (Organization and Capitalization of the Transferred Entities) or [Sections 6.2\(a\)\(ii\)-\(iv\)](#). No Intel Indemnitee shall be entitled to indemnification for any Losses covered by [Section 6.2\(b\)\(i\)](#) until the aggregate amount of all such losses of the Intel Indemnitees shall exceed \$15,000,000 (“Newco ATA Basket”), at which time all such losses incurred in excess of the Newco ATA Basket shall be subject to indemnification by the relevant Indemnitor hereunder. The Newco ATA Basket shall not apply to Losses covered by [Sections 6.2\(b\)\(ii\)-\(iv\)](#).

(f) The amount of any Losses otherwise recoverable under this [Section 6.2](#) shall be reduced by (i) any amounts which the Indemnitees actually receive under insurance policies, net of all reasonable and documented costs and expenses of recovery, the Parties hereby acknowledging and agreeing that as soon as practicable after becoming aware of such Losses and in any event prior to payment of any amount of Losses otherwise recoverable under this [Section 6.2](#), the Indemnitee must first seek reimbursement for any and all Losses from any applicable insurance coverage (and that any compensation provided under this Agreement is not to be deemed insurance for any purpose), and (ii) any reduction in Tax otherwise actually payable by the Indemnitees (or their Subsidiaries) (net of related Tax and out of pocket costs incurred in connection with such reduction) with respect to the taxable year of such Persons in which the payment of such indemnity is due or a prior taxable year, including refunds of Taxes (net of such Tax and other out-of-pocket costs) previously paid by such Persons with respect to such taxable years to the extent the claim for refund may be filed in such years.

(g) Notwithstanding anything to the contrary in [Section 6.2\(a\)](#), Losses for which Newco may claim indemnification under this Agreement shall not include Taxes arising in Post-Closing Tax Periods, determined in the manner provided in [Section 5.8\(b\)](#), except for (i) interest, penalties and additions to Tax accrued with respect to Taxes arising in a Pre-Closing Tax Period, (ii) Losses arising from a breach of the representation set forth in [Section 3.10\(d\)\(vi\)](#), and (iii) Losses for Taxes that are allocated to Intel pursuant to [Section 5.8](#).

(h) For any additions or modifications to the schedules to the Intel ATA Disclosure Letter made by Intel under [Section 4.12\(d\)](#) of the Master Agreement (i) to correct inaccuracies of the Specified Intel Representations (including those representations and warranties which are expressed with respect to a date prior to the date of the Master Agreement) for facts, events or circumstances occurring prior to or existing on and as of the date of the Master Agreement, and, in the case of a representation or warranty made to the Knowledge of Intel, of which Intel had Knowledge on such date), (ii) to reflect any facts, events or circumstances which resulted from a breach of [Section 4.9](#) of the Master Agreement, or (iii) to update, correct or otherwise modify any of the representations and warranties set forth in [Section 3.2](#) (Authorization and Enforceability), [Section 3.4](#) (Non-contravention), [Section 3.7](#) (Litigation), [Section 3.9](#) (Compliance with Applicable Laws), [Section 3.10](#) (Tax Matters), [Section 3.11](#) (Intellectual Property),

Section 3.13 (Financial Information), Section 3.14 (Absence of Certain Changes), Section 3.17 (Intel Transferred Assets), Section 3.20 (Inventories), Section 3.21 (Advisory Fees), Section 3.22 (Transferred Entities and Transferred Interests), and Section 3.23 (Investment Representations), for any reason, then, in each case, Newco shall be entitled to indemnification therefor pursuant to, and subject to the limitations set forth in this Article VI, to the same extent as if such additions and modifications had not been made.

### 6.3 Manner of Indemnification.

(a) Each indemnification claim shall be made only in accordance with this Article VI.

(b) If an Indemnitee wishes to make a claim for Losses under Article VI of this Agreement, Indemnitee shall deliver a Notice of Claim to the applicable Indemnitor promptly after becoming aware of the facts giving rise to such claim. The Notice of Claim shall (i) specify in reasonable detail the nature of the claim being made, and (ii) state the aggregate dollar amount of such claim.

(c) Following receipt by an Indemnitor of a Notice of Claim, the Parties shall promptly meet to agree on the rights of the respective Parties with respect to each of such claims. If the Parties should so agree, a memorandum setting forth such agreement shall be prepared and signed by both Parties and amounts agreed upon shall be promptly paid. Any unresolved dispute between the Parties shall be resolved in accordance with Section 7.10 and Section 7.11 and the other applicable provisions of this Agreement.

6.4 Third-Party Claims. If Newco becomes aware of a claim of a third party (including for all purposes of this Section 6.4, any Governmental Authority) that Newco believes, in good faith, may result in a claim by it or any other Newco Indemnitee against Intel, Newco shall notify Intel of such claim as promptly as practicable; *provided*, that any failure to so notify Intel shall not relieve Intel of its obligations hereunder, except to the extent such failure shall have materially adversely prejudiced Intel. Intel shall have the right, but not the duty, to assume and conduct the defense of such claim at its expense; *provided, however*, that Intel may not assume control of the defense of a suit or proceeding involving criminal liability. Intel shall conduct such defense in a commercially reasonable manner, and shall be authorized to settle any such claim without the consent of Newco, *provided, however*, that: (a) Intel shall not be authorized to encumber any assets of Newco or agree to any restriction that would apply to Newco or the conduct of Newco's business; (b) Intel shall have paid or caused to be paid any amounts arising out of such settlement; (c) a condition to any such settlement shall be a complete release of Newco and any other Newco Indemnitee against whom such claim has been made with respect to such third party claim; and (d) Intel shall not be authorized to settle any claim that would reasonably be expected to have a material effect on a Tax liability of Newco that is not subject to indemnification by Intel hereunder without Newco's consent, which consent shall not be unreasonably withheld or delayed. With respect to any claim for which Intel assumes the defense of Newco, Newco shall be entitled to participate in (but not control) the defense of such third party claim, with its own counsel and at its own expense, and Newco shall take such action as Intel shall reasonably request to assist Intel in the defense of any such third party claim, provided that Intel shall reimburse Newco for any reasonable out-of-pocket expenses incurred in

taking any such requested action. If Intel does not assume the defense of any third party claim in accordance with the provisions hereof, Newco may defend such third party claim in a commercially reasonable manner and may settle such third party claim after giving written notice of the terms thereof to Intel, and such legal expenses shall be indemnifiable Losses hereunder to the extent that Newco is determined to be entitled to indemnification hereunder for such third party claim.

#### 6.5 Exclusive Remedy and Waiver and Release of Certain Claims

(a) Notwithstanding any other provision of this Agreement to the contrary, the provisions of this Article VI shall be the sole and exclusive remedy for monetary damages of the Indemnitees from and after the Closing Date for any Losses arising under this Agreement or relating to the transactions contemplated by this Agreement, including claims of breach of any representation or warranty in this Agreement or any covenant set forth in Section 4.9 of the Master Agreement; *provided, however*, that the foregoing clause of this sentence shall not be deemed a waiver by any Party of any right to specific performance or injunctive relief but shall be deemed a waiver of any rights of rescission. Notwithstanding any other provision of this Agreement, (i) the maximum aggregate liability of Intel to Newco Indemnitees pursuant to this Article VI or otherwise under this Agreement, Applicable law or otherwise (other than Uncapped Intel Losses) shall be limited to \$86,400,000 (the “Intel ATA Cap”); and (ii) the maximum aggregate liability of Newco to the Intel Indemnitees for Losses pursuant to this Article VI or otherwise under this Agreement (other than with respect to Losses pursuant to a breach of Section 4.2 (Authorization and Enforceability) and Section 4.6 (Capitalization) and Losses pursuant to Section 6.2(b)(iii)), Applicable Law or otherwise shall be limited to the Intel ATA Cap. Nothing in this Agreement limits or otherwise affects in any way the rights and remedies of either Party with respect to causes of action arising under the Intel Intellectual Property Agreement, the Intel Facility Transfer Agreements and the Intel Transition Services Agreement, or any rights and remedies of Intel or Newco vis-à-vis any Person other than Intel or Newco or their respective Affiliates with respect to any infringement or misappropriation of any Intellectual Property of Intel or Newco, as the case may be (including any right of Intel or Newco to seek equitable or injunctive relief in connection therewith), all of which rights and remedies are expressly reserved. Notwithstanding the foregoing, the existence of this Section 6.5 and the rights and restrictions set forth in this Article VI do not limit any other potential remedies of the Indemnitees with respect to fraud by any Party.

(b) Except with respect to the specific remedies identified in Section 6.5(a) above, the Parties hereby waive and release any and all claims, causes of action, and rights as against one another for the transactions contemplated by this Agreement, including the assets and liabilities that are allocated herein, based upon statute or common law. This waiver and release specifically includes, without in any way limiting the scope of the foregoing waiver and release, any claims the Parties may have against one another based upon the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601 et seq. or any other Applicable Law under which the Parties or their Affiliates would otherwise have any cause of action against one another.

6.6 Subrogation. If the Indemnitor makes any payment under this Article VI in respect of any Losses, the Indemnitor shall be subrogated, to the extent of such payment, to the rights of the Indemnitee against any insurer or third party with respect to such Losses; *provided, however*, that the Indemnitor shall not have any rights of subrogation with respect to the other Party hereto or any of its Affiliates or any of its or its Affiliates' officers, directors, agents or employees.

6.7 Damages. Notwithstanding anything to the contrary elsewhere in this Agreement or any other Transaction Document, no Party (or its Affiliates) shall, in any event, be liable to the other Party (or its Affiliates) for any consequential damages, including, but not limited to, loss of revenue or income, cost of capital, or loss of business reputation or opportunity relating to the breach or alleged breach of this Agreement. Each Party agrees that it will not seek punitive damages as to any matter under, relating to or arising out of the transactions contemplated by this Agreement or the other Transaction Documents.

6.8 Environmental Indemnification Procedures.

(a) Intel and Newco agree that the Indemnitor shall have the sole right to disclose, report, further investigate, negotiate, perform and settle any Intel Facility Environmental Liability or conduct any Remedial Action in connection therewith for which such Indemnitor may have liability hereunder, and the Indemnitee will provide the Indemnitor access and any other rights, as necessary, to the Owned Intel Real Property, the Leased Intel Real Property, or any other real property under the Indemnitee's control for purposes of investigating and performing any such Remedial Action. Such terms of access shall provide for reasonable protections to the Indemnitee's operations to minimize disruption and protect its employees. Nonetheless, if at any time following the Closing Date, the Indemnitor has not taken action to disclose, report, further investigate, negotiate, perform and settle any Intel Facility Environmental Liability or conduct any Remedial Action in connection therewith for which such Indemnitor may have liability hereunder, to the reasonable satisfaction of the Indemnitee, then the Indemnitee will have the right, after first providing written notice to the Indemnitor and a reasonable period for the Indemnitor to respond (at a minimum 30 days) and subject to the rights of the Indemnitor set forth in Section 6.8(c) below, to disclose, report, further investigate, negotiate, perform and settle any Intel Facility Environmental Liability or conduct any Remedial Action in connection therewith, *provided* that the Indemnitor's duty to indemnify under Section 6.1 of the Agreement for Intel Facility Environmental Liabilities shall not apply to the extent that the Indemnitee's actions fail to comply with paragraph (b), below. Without limiting the generality of the foregoing, in connection with any action taken pursuant to the third sentence of this Section 6.8(a) the Indemnitee will, subject to the rights of the Indemnitor pursuant to the terms of Section 6.8(c) below, have the right to: report the results of any testing to the appropriate Governmental Authorities if required by an applicable Environmental Law; enter the property into a voluntary remediation or similar program; take whatever steps are necessary to obtain a NFA Letter from the appropriate Governmental Authorities or, in the event such Governmental Authorities do not provide a NFA Letter in comparable situations or in the event they refuse to do so, comply with any obligations of any Applicable Law, including any Environmental Law, in effect at the time; and respond to any claim by any third party

with respect to any Intel Facility Environmental Liability, *provided* that the Indemnitor's duty to indemnify under Section 6.1 of the Agreement for Intel Facility Environmental Liabilities shall not apply to the extent that the Indemnitee's actions fail to comply with paragraph (b), below.

(b) The Parties agree that any Remedial Action undertaken by Intel or Newco to obtain any NFA Letter (to the extent permitted by the Governmental Authority issuing such NFA Letter) or comply with any Applicable Law, including any Environmental Law, in effect at the time: shall employ a reasonably cost-effective method under the circumstances, based on the use of the property for industrial (as opposed to residential or commercial) purposes, shall not exceed the least stringent requirement imposed by any clearly applicable Environmental Laws in effect at the time, including as applicable, within the context of obtaining a NFA Letter or complying with Applicable Law, shall make reasonable use of institutional and engineering controls reasonably acceptable to both Newco and Intel, such as deed restrictions, signs, fencing, buffers, and controls, to the extent permitted by Governmental Authorities, *provided* that such institutional and engineering controls shall not (i) unreasonably restrict or limit the industrial activities currently being performed and those which Intel or Newco expects to perform on any Owned Intel Real Property or any Leased Intel Real Property or associated services shared in any fashion between Intel and Newco, or (ii) fail to address a material risk of off-site migration of any Hazardous Substances, and shall take advantage of applicable risk assessment principles, where practicable, set forth in applicable Environmental Laws in effect at the time.

(c) After the Closing, on any Remedial Action that either Party undertakes pursuant to the third sentence of Section 6.8(a), the acting Party shall:

(i) cooperate with the other Party as much as possible, including, but not limited to, keeping the other Party reasonably informed related to the progress of such matters (including, providing the other Party with copies of material plans, reports and external correspondence), permitting the other Party to be present at the property during, and providing Intel reasonable advance notice prior to, the execution of any significant Remedial Actions (including testing), and ensuring that the other Party is provided reasonable advance notice of any scheduled voice or in-person conferences with regulators or other third parties;

(ii) ensure that such conferences are held on dates, and at places and times, mutually convenient to the other Party, that the other Party is provided all relevant information relating to such conferences, as and when generated or received by the acting Party (but in all events reasonably far in advance of any conference to permit the other Party's informed participation therein), and that Intel and its agents are afforded a reasonable opportunity to participate therein. The Parties shall use reasonable efforts, including by making their respective agents available on a mutually convenient basis, to work together on the strategy and conduct of such conferences; and

(iii) ensure that the other Party is given the opportunity to obtain duplicate soil, groundwater and other samples if such samples are taken in connection with any Remedial Action (including testing).

**ARTICLE VII  
MISCELLANEOUS**

7.1 Notices. All notices and other communications pursuant to this Agreement shall be in writing and shall be deemed given if delivered personally, telecopied, sent by nationally-recognized overnight courier or mailed by U.S. registered or certified mail (return receipt requested), postage prepaid, to the Parties at the addresses set forth below or to such other address as the Party to whom notice is to be given may have furnished to the other Party in writing in accordance herewith. Any such notice or communication shall be deemed to have been delivered and received (a) in the case of personal delivery, on the date of such delivery, (b) in the case of telecopier, on the date sent if confirmation of receipt is received and such notice is also promptly mailed by registered or certified mail (return receipt requested), (c) in the case of a nationally-recognized overnight courier in circumstances under which such courier guarantees next Business Day delivery, on the next Business Day after the date when sent and (d) in the case of mailing, on the fifth Business Day following that on which the piece of mail containing such communication is posted to the address provided herein or to such other address as the Person to whom notice is given may have previously furnished to the others in writing in the manner set forth above. Any Party hereto may give any notice, request, demand, claim or other communication hereunder using any other means (including ordinary mail or electronic mail), but no such notice, request, demand, claim or other communication shall be deemed to have been duly given unless and until it actually is received by the individual for whom it is intended. Notices to Parties pursuant to this Agreement shall be given:

if to Intel, to:

Intel Corporation  
2200 Mission College Boulevard  
Santa Clara, CA 95054  
Attention: Treasurer  
Telephone: (408) 765-8080  
Fax: (408) 765-6038

with a copy to:

Intel Corporation  
2200 Mission College Boulevard  
Santa Clara, CA 95054  
Attention: General Counsel  
Telephone: (408) 765-8080  
Fax: (408) 653-8050

and a copy to (which shall not constitute notice to Intel):

Gibson, Dunn & Crutcher LLP  
1881 Page Mill Rd.  
Palo Alto, CA 94304  
Attention: Russell C. Hansen  
Telephone: (650) 849-5300  
Fax: (650) 849-5333

if to Newco, to:

[Newco]

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Attention:

Telephone: (\_\_\_\_\_) \_\_\_\_\_

Fax: (\_\_\_\_\_) \_\_\_\_\_

with a copy to (which shall not constitute notice to Newco):

ST Microelectronics N.V.  
Chemin du Champ-des-Filles, 39  
1228 Plan-les-Ouates  
Geneva, Switzerland  
Attention: Pierre Ollivier, Group Vice President and General Counsel  
Telephone: 41 22 929 58 76  
Fax: 41 22 929 59 06

with copies to (which shall not constitute notice to Newco or ST)

ST Microelectronics N.V.  
1310 Electronics Drive  
Mail Station  
Carrollton, TX 75006  
Attention: Steven K. Rose, Vice President, Secretary and General Counsel  
Telephone: (972) 466-6412  
Fax: (972) 466-7044

Shearman & Sterling LLP  
525 Market Street  
San Francisco, CA 94105  
Attention: John D. Wilson  
Telephone: (415) 616-1100  
Facsimile: (415) 616-1199



with copies to (which shall not constitute notice to Newco)

Francisco Partners  
2882 Sand Hill Road  
Suite 289  
Menlo Park, CA 94025  
Attention: David ibnAle  
Telephone: (650) 233-2900  
Fax: (650) 233-2999

Francisco Partners  
40 Berkeley Square  
London W1J 5AL  
United Kingdom  
Attention: Phokion Potamianos  
Telephone: 44 0 207 907 8600  
Fax: 44 0 207 907 8650

with a copy to (which shall not constitute notice to Newco or FP)

Davis Polk & Wardwell  
1600 El Camino Real  
Menlo Park, CA 94025  
Attention: William M. Kelly  
Martin A. Wellington  
Telephone: (650) 752-2000  
Facsimile: (650) 752-2112

7.2 Amendments; Waivers.

(a) Any provision of this Agreement may be amended or waived if, and only if, such amendment or waiver is in writing and signed, in the case of an amendment, by all Parties, or in the case of a waiver, by the Party against whom the waiver is to be effective.

(b) No waiver by a Party of any default, misrepresentation or breach of a warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation or breach of a warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent occurrence. No failure or delay by a Party hereto in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided under Applicable Law.

7.3 Expenses. Except as set forth in Section 5.8(c) hereof and Section 7.3 of the Master Agreement, all costs and expenses incurred in connection with this Agreement and the other Transaction Documents and in closing and carrying out the transactions contemplated hereby and thereby shall be paid by the Party incurring such cost or expense.

7.4 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors, heirs, personal representatives and permitted assigns. No Party hereto may transfer or assign either this Agreement or any of its rights, interests or obligations hereunder, whether directly or indirectly, by operation of law, merger or otherwise, without the prior written approval of each other Party; *provided, however*, that Newco may assign, delegate or transfer in whole or in part its rights and interests under this Agreement and the Transaction Documents to any of its lenders for collateral assignment purposes. No such transfer or assignment shall relieve the transferring or assigning Party of its obligations hereunder if such transferee or assignee does not perform such obligations.

7.5 Governing Law. This Agreement shall be construed in accordance with and this Agreement and any disputes or controversies related hereto shall be governed by the internal laws of the State of New York without giving effect to the conflicts of laws principles thereof that would apply the laws of any other jurisdiction.

7.6 Counterparts: Effectiveness. This Agreement may be signed in any number of counterparts and the signatures delivered by telecopy, each of which shall be an original, with the same effect as if the signatures were upon the same instrument and delivered in person. This Agreement shall become effective when each Party hereto shall have received a counterpart hereof signed by the other Parties.

7.7 Entire Agreement. This Agreement (including the schedules and exhibits referred to herein, which are hereby incorporated by reference), the other Transaction Documents and the Confidentiality Agreement constitute the entire agreement between the Parties with respect to the subject matter hereof and thereof and supersede all prior agreements, understandings and negotiations, both written and oral, express or implied, between and among the Parties with respect to the subject matter of this Agreement. No representation, warranty, promise, inducement or statement of intention has been made by either Party that is not embodied in this Agreement or such other documents, and neither Party shall be bound by, or be liable for, any alleged representation, warranty, promise, inducement or statement of intention not embodied herein or therein.

7.8 Captions. The captions herein are included for convenience of reference only and shall be ignored in the construction or interpretation hereof.

7.9 Severability. If any provision of this Agreement, or the application thereof to any Person, place or circumstance, shall be held by a court of competent jurisdiction to be invalid, unenforceable or void, the remainder of this Agreement and such provisions as applied to other Persons, places and circumstances shall remain in full force and effect only if, after excluding the portion deemed to be unenforceable, the remaining terms shall provide for the consummation of the transactions contemplated hereby in substantially the same manner as originally set forth at the later of the date this Agreement was executed or last amended.

7.10 Dispute Resolution.

(a) With the exception of disputes involving intellectual property ownership and infringement issues, and disputes governed by Section 2.7, Section 2.8, Section 2.9 or Section 5.8(g) hereof, any dispute arising under this Agreement shall be finally resolved by arbitration. The Parties waive their right to any form of appeal to a court on any questions of law arising out of the arbitration award. Any dispute or claim between the Parties which is beyond the scope of this Section shall be submitted to the exclusive jurisdiction of the courts of the State of New York and the Federal courts of the United States of America located in the State of New York. The Parties hereby consent to and grant any such court jurisdiction over such Parties and over the subject matter of such dispute and agree that mailing of process or other papers in connection with any such action or proceeding in the manner provided in Section 7.1 or in such other manner as may be permitted by Applicable Law, shall be valid and sufficient service thereof.

(b) Mediation. Prior to arbitration, however, the Party making the original claim shall provide the other Party with a written description of the dispute or claim and the senior executives of the Parties shall meet in an attempt to resolve such dispute or claim. If the disagreements cannot be resolved by the senior management after 90 days from the date any Party made a written demand for resolution, a binding arbitration shall be held.

(c) Arbitration Rules. The rules of the arbitration shall be agreed upon by the Parties prior to the arbitration and shall be based upon the nature of the disagreement. To the extent that the Parties cannot agree on the rules of the arbitration after 30 days from the date any party makes a written demand for resolution, then, subject to Section 7.10(d), the Rules of Arbitration of the ICC in effect as of the Closing Date shall apply.

(d) Mandatory Rules. As a minimum set of rules in the arbitration the Parties agree as follows:

(i) The arbitration shall be held by one arbitrator appointed by mutual agreement of the Parties. If the Parties cannot agree on a single arbitrator within 15 days from the date written demand for arbitration has been received by the other Party, each Party shall identify one independent individual. The individuals appointed by the Parties shall then meet to appoint a single arbitrator. If an arbitrator still cannot be agreed upon within an additional 15 day period, he or she shall be appointed by the ICC.

(ii) The place of arbitration shall be New York, New York. Hearings and meetings shall be held in New York or at such other place as the Parties may agree.

(iii) The English language shall be used in the proceedings. Documents and written testimonies may be submitted in any language provided that the Party submitting such documents and testimonies shall provide, at its own expense, a translation of the same in the English language.

(iv) The arbitrator shall specify the basis for the award, the basis for the damages award and a breakdown of the damages awarded, and the basis of any other remedy authorized under this section. The award shall be considered as a final and binding resolution of the dispute or claim.

(v) The Parties agree to maintain the confidentiality of the arbitral proceedings, the existence of the same and the status of the hearings. In addition, the Parties undertake to maintain the confidentiality of any document exchanged in, produced in, or created by the Parties for the arbitration proceedings as well as the confidentiality of the award. Notwithstanding the foregoing, if the disclosure of the arbitral proceedings, or of any of the documents exchanged in, produced in or created for the arbitration proceedings or if the disclosure of the award is required by applicable law, rule or regulation or is compelled by a court or governmental agency, authority or body: (A) the Parties shall use the legitimate and legal means available to minimize the scope of their disclosure to third parties; and (B) the Party compelled to make the disclosure shall inform the other Party and the arbitrator at least 20 Business Days in advance of the disclosure (or if 20 Business Days' notice is not practicable because the Party is required to make the disclosure less than 20 Business Days after becoming aware of the event or occurrence giving rise to such disclosure requirement, then notice to the other Party and the arbitrator shall be provided as soon as practicable after such event or occurrence).

(vi) The duty of the Parties to arbitrate any dispute or claim within the scope of this Section shall survive the expiration or termination of this Agreement for any reason. The Parties specifically agree that any action must be brought, if at all, within two years from discovery of the cause of action.

(vii) The discretion of the arbitrator to fashion remedies shall be no broader than the legal and equitable remedies available to a court (unless the parties expressly agree otherwise prior to the start of arbitration). In no event, however, shall the arbitrator award a remedy which enjoins a Party or its customers to stop manufacturing, using, marketing, selling, offering for sale, or importing such Party's products. In addition, notwithstanding anything herein to the contrary, in no event, shall the arbitrator award a remedy which enjoins a Party to license to the other Party any of its intellectual property rights of whatever nature. The arbitrator will have no authority to award damages in excess of compensatory damages and each Party expressly waives and foregoes any right to punitive, exemplary or similar damages, except as such damages may be required by statute. In no event shall the amount of damages awarded to the prevailing Party exceed or otherwise be inconsistent with any of the applicable limitations on damages set forth in this Agreement, including Sections 6.2 and 6.5.

(viii) The arbitrator may not order any conservatory or interim relief measures of any kind. In any event, however, either Party may apply for conservatory or interim relief measures to the courts of the State of New York or

the Federal courts of the United States of America located in the State of New York which shall have exclusive jurisdiction to grant such injunctive relief.

(ix) The Parties shall agree upon what, if any, disclosure to the other parties to the arbitration shall be permitted. If the Parties can not agree on the form of disclosure within 30 days after the appointment of the arbitrator, then the Parties agree that in addition to the Rules of Arbitration of the ICC, the arbitrators shall apply the IBA Rules of Evidence. In case of conflict between Rules of Arbitration of the ICC and the IBA Rules of evidence, the Rules of Arbitration of the ICC shall prevail. Notwithstanding anything herein to the contrary, in no event shall anything verbally or in writing used strictly for settlement purposes between the Parties be permitted by the arbitration to be used as evidence for either Party's case.

(x) The Parties shall equally bear the costs of the arbitration. Each Party shall bear the fees and expenses of its appointed experts and shall bear its own legal expenses. For the purpose of this clause, the term "costs of arbitration" includes only: (A) the fees and expenses of the arbitrator; (B) in the case of an arbitration governed by the ICC Rules, the ICC administrative expenses fixed by the Court of Arbitration of the ICC; and (C) the fees and expenses of any experts appointed by the arbitrator.

7.11 Waiver of Jury Trial. EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (a) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (b) EACH SUCH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (c) EACH SUCH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (d) EACH SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE WAIVERS AND CERTIFICATIONS IN THIS SECTION 7.11.

7.12 Third Party Beneficiaries. Notwithstanding any other provision in this Agreement to the contrary, neither ST nor FP shall be deemed to be a third party beneficiary under this Agreement for any purpose. No provision of this Agreement shall create any third party beneficiary rights in any other Person, including any employee or former employee of Intel or ST or any of their respective Affiliates (including any beneficiary or dependent thereof).

7.13 Specific Performance. The Parties hereby acknowledge and agree that the failure of any Party to perform its agreements and covenants hereunder, including its failure to take all actions as are necessary on its part to the consummation of the transactions contemplated herein,

may cause irreparable injury to the other Party, for which damages, even if available, may not be an adequate remedy. Accordingly, each Party hereby consents to the issuance of injunctive relief by any court of competent jurisdiction to compel performance of such Party's obligations and to the granting by any court of the remedy of specific performance of its obligations hereunder.

7.14 No Presumption Against Drafting Party. Intel and Newco acknowledge that Intel and each of the other shareholders of Newco have been represented by counsel in connection with the negotiation and execution of this Agreement and the other Transaction Documents. Accordingly, any rule of law or any legal decision that would require interpretation of any claimed ambiguities in this Agreement against the drafting party has no application and is expressly waived.

*[Remainder of page intentionally left blank]*

IN WITNESS WHEREOF, the Parties hereto have caused this Intel Asset Transfer Agreement to be duly executed and delivered as of the date set forth above.

**INTEL CORPORATION**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**[NEWCO]**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

*[Signature Page to Intel Asset Transfer Agreement]*

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**APPENDIX A**

**INTEL ASSET TRANSFER AGREEMENT**

**DEFINITIONS**

“Accounts Payable” means all accounts payable owing by a Person for raw materials or supplies received by or services rendered to such Party or any of its Subsidiaries.

“Accounts Receivable” means all accounts receivable, notes receivable and other current rights to payment of a Person, together with any unpaid interest or fees accrued thereon or other amounts due with respect thereto, and any claim, remedy or other right related to any of the foregoing.

“Actual Intel Capital Expenditures” shall have the meaning set forth in Section 2.9 of the Intel Asset Transfer Agreement.

“Affiliate”, with respect to any Person, means any other Person directly or indirectly controlling, controlled by or under common control with, such Person. For purposes of this definition, “control” (including, with correlative meanings, the terms “controlling”, “controlled by” or “under common control with”), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or by contract or otherwise.

“Applicable Law” means, with respect to any Person, any federal, state, local or foreign statute, law, ordinance, rule, administrative interpretation, regulation, order, writ, injunction, directive, judgment, decree or other requirement of any Governmental Authority applicable to such Person or any of its Affiliates or any of their respective properties, assets, officers, directors, employees, consultants or agents.

“Articles of Association” means the Articles of Association of Newco, in substantially the form attached to Schedule 2.4 of both of the Master Agreement Disclosure Letters, as amended from time to time.

“Business Day” means each day other than a Saturday, Sunday or other day on which commercial banks in New York, New York or Geneva, Switzerland are authorized or required by law to close.

“Cash and Cash Equivalents” means all cash on hand and cash equivalents of a Person (whether or not related to the applicable Business), including currency and coins, negotiable checks, bank accounts, marketable securities, commercial paper, certificates of deposit, treasury bills, surety bonds and money market funds.

“Claims” means all rights to causes of action, claims, demands, rights and privileges against third parties, whether liquidated or unliquidated, fixed or contingent, choate or inchoate.

APPENDIX A

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“Closing” shall have the meaning set forth in Section 2.5 of the Master Agreement.

“Closing Date” means the date of the Closing, as further described in Section 2.5 of the Master Agreement.

“Confidentiality Agreement” means that certain Confidentiality Agreement among Intel, ST and FP dated as of May 22, 2007.

“Contemplated Financing” means either of: (i) the debt financing pursuant to the Commitment Letter; or (ii) substitute debt financing on substantially equivalent economic terms that is adequate to provide working capital requirements and funds for other general corporate purposes of Newco and its Subsidiaries following the Closing.

“Contract” means each contract, agreement, option, lease, license, cross-license, sale and purchase order, commitment and other instrument of any kind, whether written or oral.

“Copyrights” means copyrights and mask work rights (whether or not registered) and registrations and applications therefor, worldwide.

“Customer Data” means the data related to customers of a Party’s Business which is included in such Party’s Transferred Assets.

“D2 Equipment” means the machinery, laboratory and other equipment, tools and other tangible personal property set forth under the heading “D2” in Schedule 2.1(a) to the Intel ATA Disclosure Letter.

“Effective Time” means, unless otherwise agreed by the Parties, 12:01 a.m. GMT on the Closing Date.

“Environmental Laws” means any Applicable Laws of any Governmental Authority in effect as of the Closing Date, unless otherwise noted, relating to pollution, protection or remediation of the environment, the use, storage, treatment, generation, manufacture, distribution, transportation, processing, handling, Release, disposal of or exposure to Hazardous Substances or, as such relate to Hazardous Substances, public and occupational health and safety.

“Environmental Liability” means any Liability or Loss, including the cost of any Remedial Action, arising in connection with (i) the use, generation, storage, treatment, manufacture, distribution, transportation, processing, handling, disposal or Release of any Hazardous Substances, (ii) the violation of or liability under any Environmental Laws or any Governmental Approval relating to any Hazardous Substances or (iii) any third party claim, litigation or proceeding relating to any Hazardous Substance or Environmental Laws.

“Environmental Permits” means all permits, licenses or other authorizations of any Governmental Authority required pursuant to applicable Environmental Law.

“Equity Plan” means an equity compensation plan for Newco, with terms reasonably satisfactory to Newco, Intel, ST, and FP, pursuant to which no more than 6% of the outstanding share capital of Newco at the Closing Date shall be reserved for issuance.

“Equity Transaction Documents” means the Share Purchase Agreement, the Shareholders’ Agreement, the Articles of Association and the Internal Rules.

“Final Payment Date” has the meaning set forth in Section 2.8 of the Intel Asset Transfer Agreement.

“FP” means Redwood Blocker S.a.r.l., a limited liability company organized under the laws of The Grand-Duchy of Luxembourg.

“GAAP” means generally accepted accounting principles in the United States of America, applied on a consistent basis, as in effect as of the date hereof.

“Governmental Approval” means an authorization, consent, approval, permit or license issued by, or a registration or filing with, or notice to, or waiver from, any Governmental Authority.

“Governmental Authority” means any United States or non-United States federal, territorial, state or local governmental authority, quasi-governmental authority, instrumentality, court, government or self-regulatory organization, commission, tribunal or organization or any regulatory, administrative or other agency, or any political or other subdivision, department or branch of any of the foregoing.

“Hazardous Substance” shall mean any hazardous substance within the meaning of Section 101(14) of the United States Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. § 9601(14), and any chemical, substance, material, agent or waste defined or regulated as toxic, hazardous, extremely hazardous or radioactive, or as a pollutant or contaminant, under any applicable Environmental Law, including petroleum, petroleum derivatives, petroleum by-products or other hydrocarbons, asbestos or asbestos-containing material and polychlorinated biphenyls.

“Indebtedness” means any (i) indebtedness for borrowed money, (ii) indebtedness evidenced by any bond, debenture, note, mortgage, indenture or other debt instrument or debt security, or (iii) guarantees with respect to any indebtedness or obligation of a type described in clauses (i) through (ii) above of any other Person.

“Indemnitee” shall (i) for purposes of the Intel Asset Transfer Agreement, have the meaning set forth in Section 6.2(c) of the Intel Asset Transfer Agreement, and (ii) for purposes of the ST Asset Contribution Agreement, have the meaning set forth in Section 6.2(c) of the ST Asset Contribution Agreement.

“Indemnitor” shall (i) for purposes of the Intel Asset Transfer Agreement, have the meaning set forth in Section 6.2(c) of the Intel Asset Transfer Agreement, and (ii) for purposes of the ST Asset Contribution Agreement, have the meaning set forth in Section 6.2(c) of the ST Asset Contribution Agreement.

“Independent Accountants” shall have the meaning set forth in Section 2.7(c) of the Intel Asset Transfer Agreement.

“Intel Actuary” shall have the meaning set forth in Section 5.11(c) of the Intel Asset Transfer Agreement.

“Intel Ancillary Agreements” means the Intel Assignment and Assumption Agreement, Intel Bills of Sale, Intel Intellectual Property Agreement, Intel Transition Services Agreements, Intel Facility Transfer Agreements, Intel Joint Development Agreement, Intel Supply Agreement, Intel Assumption of Excluded Liabilities, Intel Copyright Assignment, Intel Patent Assignment and Intel Trademark Assignment.

“Intel Approvals” means the required consents, waivers and approvals of Intel set forth on Schedule 3.3 of the Intel ATA Disclosure Letter and Schedule 3.1(c) of the Intel Master Agreement Disclosure Letter.

“Intel Assignment and Assumption Agreement” means, collectively, the Assignment and Assumption Agreements to be entered into by Newco or its Affiliates, on one hand, and Intel or its Affiliates, on the other hand, as of the Closing Date, in substantially the form attached as Exhibit A to the Intel Asset Transfer Agreement.

“Intel Assumption of Excluded Liabilities” shall have the meaning set forth in Section 2.4 of the Intel Asset Transfer Agreement.

“Intel ATA Disclosure Letter” means the disclosure letter, as agreed to between the Parties as of the date of the Master Agreement (with such amendments or new schedules as may be subsequently made pursuant to Section 4.12 of the Master Agreement), containing the Schedules required by the provisions of such agreement.

“Intel ATA Restricted Employees” shall have the meaning set forth in Section 5.11(c)(ii) of the Intel Asset Transfer Agreement.

“Intel Bill of Sale” means any bill of sale or other similar document reasonably requested by any Party and reasonably necessary to transfer any Intel Transferred Asset in accordance with applicable law to be executed by one or more Intel Transferors in favor of Newco or a Subsidiary of Newco as of the Closing Date, each in substantially the form attached as Exhibit B to the Intel Asset Transfer Agreement.

“Intel Books and Records” means all of the books of account, general and financial records, invoices, shipping records, customer records, supplier lists, correspondence and other documents, records and files of Intel and its Subsidiaries whether in hard copy or computer format which relate exclusively to the Intel Business and are necessary for the conduct of such Intel Business after the Closing (excluding all personnel records or any employee information for Intel Business Employees who are not Intel Transferred Employees employed by an Intel Transferred Entity as of the Closing Date).

“Intel Business” means the sale, manufacture, design and or development of NOR Flash Memory Products, Phase Change Memory technology (subject to Schedule 2.2(o) to the Intel ATA Disclosure Letter), and Stacked Memory Products.

“Intel Business Capital Expenditures Plan” means the plan set forth on Schedule 3.14(e) of the Intel ATA Disclosure Letter setting forth (i) the actual capital expenditures of Intel with respect to the Intel Business for its first fiscal quarter of 2007; and (ii) the budgeted capital expenditures of Intel with respect to the Intel Business for the second, third and fourth fiscal quarters of 2007.

“Intel Business Employees” means the employees who are identified on Schedule 3.12(c) of the Intel ATA Disclosure Letter.

“Intel Cash Independent Accountants” has the meaning set forth in Section 2.8 of the Intel Asset Transfer Agreement.

“Intel Consideration” shall have the meaning set forth in Section 2.6(c) of the Intel Asset Transfer Agreement.

“Intel Contractual Consents” shall have the meaning set forth in Section 3.8(b) of the Intel Asset Transfer Agreement.

“Intel Copyright Assignment” means any agreement for the assignment of Intel Transferred Copyrights by an Intel Transferor to Newco or a Subsidiary of Newco, dated as of the Closing Date, in the form agreed among Intel, ST and FP.

“Intel Employee Agreement” means each management, employment, severance, consulting, relocation, repatriation, expatriation or other agreement or Contract between Intel or any of its Subsidiaries and any Intel Business Employee directly relating to such Intel Business Employee’s terms or conditions of employment.

“Intel Employee Plan” means any plan, program, policy, practice, agreement or other arrangement providing for compensation, severance, termination pay, vacation pay, paid time off, pension benefits, retirement benefits, deferred compensation, variable compensation, bonuses, performance awards, stock or stock-related awards, fringe benefits (including health, dental, vision, life, disability, sabbatical, accidental death and dismemberment benefits), or other employee benefits or remuneration of any kind, whether written, unwritten or otherwise, funded or unfunded, including each “employee benefit plan,” within the meaning of Section 3(3) of ERISA, excluding any Intel Employee Agreement, which is or has been maintained or contributed to by Intel or its Affiliates for the benefit of any Intel Business Employee.

“Intel Equipment” means (i) the machinery, laboratory and other equipment, tools and other tangible personal property set forth on Schedule 2.1(a) of the Intel ATA Disclosure Letter and (ii) each item of machinery, laboratory and other equipment, tools and other tangible personal property with a gross book value of less than \$10,000 that is exclusively related to the Intel Business and located at the Intel Transferred Facilities.

“Intel Excluded Assets” shall have the meaning set forth in Section 2.2 of the Intel Asset Transfer Agreement.

“Intel Excluded Claims” means all Claims to the extent that such claims relate to: (i) any Intel Excluded Assets; or (ii) events or breaches occurring on or prior to the Closing Date that

relate to the Intel Transferred Assets, provided that Claims for infringements of any Intel Transferred Patents, Intel Transferred Copyrights or Intel Transferred Trade Secrets occurring on or prior to the Closing Date shall not be Intel Excluded Claims.

“Intel Excluded Liabilities” shall have the meaning set forth in Section 2.4 of the Intel Asset Transfer Agreement.

“Intel Facility Environmental Liability” shall mean all Intel Pre-Closing Environmental Liabilities relating to the condition of the soil, soil gas, surface water (including sediments) or groundwater, with respect to the existence of any Hazardous Substances therein, at, on, or under the Owned Intel Real Property or the Leased Intel Real Property.

“Intel Facility Transfer Agreements” means the Intel Facility Transfer Agreements to be entered into by and between Intel and Newco on the Closing Date, based on the terms and conditions set forth in the Intel Facility Transfer Term Sheets.

“Intel Financial Information” shall have the meaning set forth in Section 3.13(a) of the Intel Asset Transfer Agreement.

“Intel Financial Information Date” shall have the meaning set forth in Section 3.13(a) of the Intel Asset Transfer Agreement.

“Intel Funded Employee Plan” means any Intel Employee Plan that is funded other than through book reserves or insurance and that is not subject to the laws of the United States.

“Intel Funded Employee Plan Amount” shall have the meaning set forth in Section 5.11(c) of the Intel Asset Transfer Agreement.

“Intel Indemnitees” means Intel and its Affiliates, officers, directors, stockholders, representatives and agents.

“Intel Intellectual Property Agreement” means the Intellectual Property Agreement to be entered into by and between Intel and Newco on the Closing Date, in substantially the form attached to Schedule 2.1 of the Intel Master Agreement Disclosure Letter.

“Intel Inventory Value” means, as of any date of determination, the gross book value of the Intel Transferred Inventory as of such date (less (x) reserves and (y) any amount in respect of depreciation allocated to the Intel Transferred Inventory) as determined as of such date (1) from the books and records of Intel maintained in the ordinary course of business and (2) in accordance with GAAP, applied in a manner consistent with the Intel Financial Information (as it may be adjusted by Intel in its sole discretion to reflect any changes consistent with the audited financial statements of the Intel Business to be delivered under this Agreement at and for the year ended December 31, 2006). Intel Inventory Value shall be determined without giving effect to the transactions contemplated by this Agreement. For purposes of this definition, the amount of reserves deducted under clause (x) above shall be determined as of such date (1) from the books and records of Intel maintained in the ordinary course of business and (2) in accordance with GAAP, applied in a manner consistent with the Intel Financial Information (as adjusted above). The Intel Inventory Value at the end of the first fiscal quarter of Intel and the Intel

Inventory Value at the Closing Date shall be determined on a consistent basis in all respects. Notwithstanding the foregoing, no amount shall be included in the Intel Inventory Value with respect to:

- (i) inventories of any Intel Product which, as of such date, is obsolete; or
- (ii) any units in inventory of any Intel Product which as of such date (A) are not first quality, (B) are not free from defects or (C) do not meet all applicable customer specifications.

“Intel Joint Development Agreement” means the Joint Development Agreement by and between Intel and Newco to be entered into on the Closing Date, in substantially the form attached to the Schedule 2.1 of the Intel Master Agreement Disclosure Letter.

“Intel Leases” means all leases or other occupancy agreements pursuant to which Intel or its Subsidiaries lease or occupy the Leased Intel Real Property.

“Intel Material Adverse Effect” means any event, change or circumstance that, individually or in the aggregate with all other such events, changes or circumstances, (i) results in a material adverse effect on, or material adverse change in, the Intel Transferred Assets, taken as a whole, or (ii) any event, change or circumstance that is materially adverse to the ability of Intel to perform its obligations under any Transaction Document to which it is or will be a party or to consummate the transactions contemplated thereby, other than, in the case of clause (i) above, such changes, effects or circumstances reasonably attributable to: (A) economic, capital market or political conditions generally in the United States or foreign economies in any locations where the Intel Business has material operations or sales, provided the changes, effects or circumstances do not have a materially disproportionate effect (relative to other industry participants) on the Intel Business, (B) conditions generally affecting the industry in which the Intel Business operates, provided that the changes, effects or circumstances do not have a materially disproportionate effect (relative to other industry participants) on the Intel Business; (C) the announcement or pendency of the transactions contemplated by the Transaction Documents; (D) outbreak of hostilities or war, acts of terrorism or acts of God; or (E) compliance with Intel’s obligations or the satisfaction of the conditions to the closing of the transactions contemplated by the Transaction Documents.

“Intel Newco Shares” shall have the meaning set forth in Section 2.6(a) of the Intel Asset Transfer Agreement.

“Intel Notice of Disagreement” shall have the meaning set forth in Section 2.7(b) of the Intel Asset Transfer Agreement.

“Intel Option” means that certain Option to Purchase Ordinary Shares to be entered into between Newco and Intel or one or more of Intel’s Affiliate(s), in substantially the form attached to Schedule 4.16(d) of the Intel Master Agreement Disclosure Letter.

“Intel Option Shares” shall have the meaning set forth in Section 2.6(a) of the Intel Asset Transfer Agreement.

“Intel Patent Assignment” means any agreement for the assignment of Intel Transferred Patents by an Intel Transferor to Newco or a Subsidiary of Newco, dated as of the Closing Date, in the form agreed among Intel, ST and FP.

“Intel Post-Closing Environmental Liability” shall mean any Environmental Liability, including a worsening of existing conditions, to the extent arising out of or relating to (i) Newco’s acts occurring after the Closing Date, (ii) Newco’s inaction occurring one year or later after the Closing Date, or (iii) Newco’s inaction occurring within one year after the Closing Date if Newco knew about the existing condition and its inaction worsened the existing condition; and in connection with a Newco Business or the Intel Business, the Owned Intel Real Property, the Leased Intel Real Property, the Intel Transferred Assets or the Intel Transferred Entities or the ownership or operation of a Newco Business or the Intel Business, the Owned Intel Real Property, the Leased Intel Real Property or the Intel Transferred Assets, the Intel Transferred Entities by, or the disposal or treatment of Hazardous Substances generated by, Newco or an Affiliate of Newco (including an Intel Transferred Entity) after the Closing Date.

“Intel Post-Closing Product Obligations” means (i) all obligations arising in respect of product support or maintenance obligations related to Intel Products sold or licensed on or after the Closing and required to be performed after the Closing, which obligations arise under any Intel Transferred Contract, and any Liabilities which may arise in connection with the performance of, or failure to perform, those obligations and (ii) Liabilities relating to any product liability, warranty, refund or similar claims or returns, adjustments, allowances, repairs made with respect to Intel Products sold after the Closing Date, including those sold by Intel on behalf of Newco after the Closing pursuant to the Intel Transition Services Agreements.

“Intel Pre-Closing Environmental Liability” shall mean any Environmental Liability which (i) relates to the ownership or operation of the Intel Business (as now or previously conducted), the Owned Intel Real Property, the Leased Intel Real Property, the Intel Transferred Assets, the Intel Transferred Entities, the Intel Shared Facilities or any other real property or facility owned, leased, operated or used in connection with the Intel Business (as now or previously conducted) or for the disposal or treatment of Hazardous Substances generated in connection with the Intel Business, the Owned Intel Real Property, the Leased Intel Real Property, the Intel Transferred Assets, or the Intel Transferred Entities, (ii) arises out of or relates to acts occurring or conditions existing on or prior to the Closing Date, but only to the extent that the Environmental Liability arising out of or relating to acts occurring or conditions existing on or prior to the Closing Date can be identified from (A) the Intel Environmental Reports so long as such reports are issued not later than one year subsequent to the Closing or (B) documents or data generated prior to the Closing and in the possession of Intel prior to the Closing, and (iii) is identified in the foregoing documents and/or data with sufficient specificity so as to clearly identify the scope of the Environmental Liability that is attributable to the Intel Business, the Owned Intel Real Property, the Leased Intel Real Property, the Intel Transferred Assets, or the Intel Transferred Entities. Notwithstanding the foregoing, Intel Pre-Closing Environmental Liability shall not include any Intel Post-Closing Environmental Liability.

“Intel Pre-Closing Product Obligations” means (i) all obligations arising in respect of product support or maintenance obligations related to Intel Products sold or licensed prior to the Closing and required to be performed after Closing, which obligations arise under any Intel

Transferred Contract, and any Liabilities which may arise in connection with the performance of, or failure to perform, those obligations and (ii) Liabilities relating to any product liability, warranty, refund or similar claims or returns, adjustments, allowances, repairs, or commercial accommodations or arrangements in respect of Epidemic Failures made with respect to Intel Products sold on or before the Closing Date.

“Intel Preliminary Closing Statement” has the meaning set forth in Section 2.8 of the Intel Asset Transfer Agreement.

“Intel Prepayments” means all Prepayments of Intel or any of its Subsidiaries (a) associated with the Intel Transferred Contracts and (b) set forth on Schedule 2.1(f) to the Intel ATA Disclosure Letter.

“Intel Privacy Policy” shall have the meaning set forth in Section 5.12 of the Intel Asset Transfer Agreement.

“Intel Products” means all NOR Flash Memory Products and all Stacked Memory Products, manufactured, sold, or under development by Intel as of the Effective Date including those listed on Schedule 1.1(c) of the Intel ATA Disclosure Letter.

“Intel Retained Marks” shall have the meaning set forth in Section 5.3 of the Intel Asset Transfer Agreement.

“Intel Standard Form Product Warranties” shall have the meaning set forth in Section 3.16 of the Intel Asset Transfer Agreement.

“Intel Supply Agreement” means the Supply Agreement identified on Schedule 2.1 of both of the Master Agreement Disclosure Letters to be entered into by and between Intel and Newco on the Closing Date, in substantially the form attached to such schedule.

“Intel Tax Agreement” shall have the meaning set forth in Section 3.10(e) of the Intel Asset Transfer Agreement.

“Intel Trademark Assignment” means any agreement for the assignment of Intel Transferred Trademarks by an ST Transferor to Newco or a Subsidiary of Newco, dated as of the Closing Date, in the form agreed among Intel, ST and FP.

“Intel Transferors” shall have the meaning set forth in the Recitals of the Intel Asset Transfer Agreement.

“Intel Transferors” shall have the meaning set forth in the Recitals of the Intel Asset Transfer Agreement.

“Intel Transferred Assets” shall have the meaning set forth in Section 2.1 of the Intel Asset Transfer Agreement.



“Intel Transferred Claims” means all Claims to the extent such Claims relate to the Intel Transferred Assets or the Intel Transferred Liabilities, other than the Intel Excluded Claims. For avoidance of doubt, Intel Transferred Claims shall include claims for infringement of any Intel Transferred Patent, Intel Transferred Copyright or Intel Transferred Trade Secret occurring on or prior to the Closing Date.

“Intel Transferred Contracts” means all unexpired contracts set forth on Schedule 2.1(e) of the Intel ATA Disclosure Letter, together with the Intel Transferred Purchase Orders, the Intel Transferred Sales Orders and the Intel Leases.

“Intel Transferred Copyrights” means the Copyrights identified on Schedule 2.1(i) of the Intel ATA Disclosure Letter.

“Intel Transferred Employee Payment Liabilities” means any and all payment obligations of Intel and its Affiliates (i) relating to the service of Intel Transferred Employees prior to the Effective Time, (ii) that are assumed by Newco by operation of Applicable Law at the Effective Time, (iii) that are unfunded or for which accruals are made on the employing company’s balance sheet (or which would be required to be made on a balance sheet prepared in accordance with GAAP, consistently applied), and (iv) that are not otherwise paid out or satisfied to the Intel Transferred Employees prior to or at the Effective Time, including retirement benefits, termination indemnities, unemployment, accrued vacation and paid-time off benefits, Christmas bonuses, thirteenth-month bonuses, vacation premium bonuses and any other non-incentive cash bonuses (other than salary), jubilee and long-service payments; *provided, however*, that Intel Transferred Employee Payment Liabilities shall not include (x) any contingent Liabilities on the part of Newco that arise solely as a result of providing service recognition under Section 5.11(a) of the Intel Asset Transfer Agreement, (y) any unearned incentive bonuses or variable pay and (z) the regular payroll of the Intel Transferred Entities as of the Effective Time.

“Intel Transferred Employees” means the Intel Business Employees who accept an offer of employment from Newco and who begin their employment with Newco at the Closing (or, to the extent permitted by Applicable Law with respect to inactive employees on short-term, medical or other leave of absence, at the time such employee returns to active status) or such other date as the parties may reasonably agree.

“Intel Transferred Entities” means the entities set forth on Schedule 1.1(a) of the Intel ATA Disclosure Letter.

“Intel Transferred Entity Books and Records” means the minute books, stock records, Tax Returns and other records related to Taxes, if any, in each case of each of the Intel Transferred Entities

“Intel Transferred Intellectual Property” means, collectively, the Intel Transferred Copyrights, Intel Transferred Patents, Intel Transferred Trademarks and Intel Transferred Trade Secrets.

“Intel Transferred Interests” means 100% of the outstanding equity, voting and profit interests in the Intel Transferred Entities.

“Intel Transferred Inventory” means all raw materials, work-in-process, finished goods, supplies, packaging materials and other inventories owned by Intel or its Subsidiaries relating exclusively to the Intel Business, whether in the possession of Intel, a Subsidiary of Intel or a third party (including consigned inventory and inventory held by subcontractors); *provided, however*, that in no event shall Intel Transferred Inventory include any raw materials (including RAM), work-in-process, supplies, packaging materials or other inventories (other than finished goods inventories) located at Intel’s D2 and IFO facilities.

“Intel Transferred Liabilities” shall have the meaning set forth in Section 2.3 of the Intel Asset Transfer Agreement.

“Intel Transferred Patents” means those Patents identified on Schedule 2.1(h) of the Intel ATA Disclosure Letter.

“Intel Transferred Permits” means those Permits identified on Schedule 2.1(l) of the Intel ATA Disclosure Letter.

“Intel Transferred Purchase Orders” means each purchase order or portion thereof issued by Intel or a Subsidiary of Intel to the extent relating to the Intel Business.

“Intel Transferred Sales Orders” means all pending and unfulfilled sales orders or portions thereof for Intel Products.

“Intel Transferred Systems” means factory support systems (for example, shop floor control applications governing work stream models, SPC charts, APC configuration), data, manufacturing station controllers linked to process equipment tools, and transferable elements of systems and software, in each case exclusively related to the Intel Business, provided under the Intel Transition Services Agreement which may be released to Newco in connection with the termination of such agreement.

“Intel Transferred Trade Secrets” means any Trade Secrets owned by Intel or any of its Subsidiaries as of the Closing Date (including any such Trade Secrets that consist of technical documentation of the nature of the files and other documentation identified on Schedule 2.1(h) to the Intel ATA Disclosure Letter) that are used exclusively in the Intel Business and not materially embodied or used in or with any other current product or service of Intel or any of its Subsidiaries.

“Intel Transferred Trademarks” means those Trademarks identified on Schedule 2.1(k) of the Intel ATA Disclosure Letter.

“Intel Transition Services Agreement” means the Intel Transition Services Agreement identified on Schedule 2.1 of both of the Master Agreement Disclosure Letters to be entered into

by and between Intel and Newco on the Closing Date, in substantially the form attached to such schedule.

“Intellectual Property” means intellectual property rights arising from or in respect of the following, whether protected, created or arising under the laws of the United States or any other jurisdiction: Copyrights, Trade Secrets, Patents and Trademarks.

“Internal Rules” means the internal rules (“reglement”) of Newco, in substantially the form attached to Schedule 2.4 to both of the Master Agreement Disclosure Letters, as amended from time to time.

“Knowledge” means, with respect to any Person, the actual knowledge of such Person. Notwithstanding the foregoing, with respect to any Person that is a corporation, limited liability company, partnership or other business entity, actual knowledge shall be deemed to mean the actual knowledge of all directors and officers of any such Person; *provided, however*, that (i) with respect to Intel, “Knowledge” shall be deemed to be solely the actual knowledge of the individuals identified in Section A of Schedule 1.1(b) of the Intel ATA Disclosure Letter, after obtaining from the individuals identified in Section B of Schedule 1.1(b) of the Intel ATA Disclosure Letter a certification as to their actual knowledge of each matter with respect to which Intel makes any representation or warranty as to its Knowledge under any Transaction Document, (ii) with respect to ST, “Knowledge” shall be deemed to be solely the actual knowledge of the individuals identified on Schedule 1.1(b) of the ST ACA Disclosure Letter, after obtaining from the individuals identified on Schedule 1.1(b) of the ST ACA Disclosure Letter a certification as to their actual knowledge of each matter with respect to which ST makes any representation or warranty as to its Knowledge under any Transaction Document, and (iii) with respect to FP, “Knowledge” shall be deemed to be solely the actual knowledge of David ibnAle, Phokion Potamianos, and Keith Toh.

“Leased Intel Real Property” means the Intel Real Property listed in Schedule 3.6(b) of the Intel ATA Disclosure Letter.

“Liability” means, with respect to any Person, any liability or obligation of such Person of any kind, character or description, whether known or unknown, absolute or contingent, asserted or unasserted, accrued or unaccrued, liquidated or unliquidated, secured or unsecured, joint or several, due or to become due, vested or unvested, absolute, contingent, executory, determined, determinable or otherwise and whether or not the same is required to be accrued on the financial statements of such Person.

“Lien” means, with respect to any asset, any lien, mortgage, pledge, hypothecation, right of others, claim, security interest, encumbrance, lease, sublease, license, interest, option, charge or other restriction or limitation of any nature whatsoever in respect of such asset, including any Share Encumbrance; *provided, however*, that any license of Intellectual Property shall not be considered a Lien on such Intellectual Property.

“Losses” means any and all deficiencies, judgments, settlements, demands, claims, suits, actions or causes of action, assessments, liabilities, losses, damages (excluding indirect, incidental or consequential damages), interest, fines, penalties, costs and expenses (including

reasonable legal, accounting and other costs and expenses) incurred in connection with investigating, defending, settling or satisfying any and all demands, claims, actions, causes of action, suits, proceedings, assessments, judgments or appeals, and in seeking indemnification therefor.

“Managing Director” means any member of Newco’s Management Board.

“Master Agreement” means that certain Master Agreement by and among Intel, ST, FP, and FP Holdco dated May 22, 2007.

“Minimum Committed Intel Inventory Value” means 91% of the Intel Inventory Value as of the end of Intel’s first fiscal quarter of 2007.

“Multiemployer Plan” means any employee pension benefit plan within the meaning of Section 3(2) of ERISA that is a “multiemployer plan,” as defined in Section 3(37) of ERISA.

“Newco Actuary” shall have the meaning set forth in Section 5.11(c) of the Intel Asset Transfer Agreement.

“Newco Allocated Positions” means those positions with Newco for which a Intel Business Employee or a ST Business Employee is not allocated on Schedule 3.12(c) to the Intel ATA Disclosure Letter or Schedule 3.12(c) to the ST ACA Disclosure Letter.

“Newco Approvals” means any Governmental Approval which Intel, ST and FP reasonably agree Newco must obtain in order to consummate the transactions contemplated by the Transaction Documents.

“Newco Indemnitees” means Newco and its Affiliates, officers, directors, shareholders, representatives and agents.

“Newco Restricted Employees” shall have the meaning set forth in Section 5.11(e)(i) of the Intel Asset Transfer Agreement.

“NFA Letter” shall mean a letter from an appropriate Governmental Authority stating that no further action is required to address any Intel Facility Environmental Liability or ST Facility Environmental Liability, as applicable.

“Notice of Claim” means a written notice by an Indemnitee to an Indemnitor of a claim for Losses.

“Ordinary Shares” means ordinary shares of Newco, par value [ ] eurocent per share.

“Outstanding” means, as of any date of determination, all Shares that have been issued on or prior to such date, other than Shares held, repurchased or otherwise reacquired by Newco on or prior to such date.

“Owned Intel Real Property” means the Intel Real Property listed in Schedule 3.6(a) of the Intel ATA Disclosure Letter.

“Patents” means patents and applications worldwide, including continuation, divisional, continuation in part, reexamination, or reissue patent applications and patents issuing thereon.

“Permits” means all permits, licenses, franchises, approvals, certificates, consents, waivers, concessions, exemptions, orders, registrations, notices or other authorizations of any Governmental Authority necessary for a Party or its Subsidiaries to own, lease and operate such Party’s Transferred Assets and to carry on such Party’s Business as currently conducted.

“Permitted Liens” means (i) Liens for Taxes or governmental assessments, charges or claims the payment of which is not yet due or which are both (A) being contested in good faith, and (B) described in reasonable detail on a Schedule to the applicable Transaction Document, (ii) statutory Liens of landlords and statutory Liens of carriers, warehousemen, mechanics or materialmen incurred in the ordinary course of business which are either for sums not yet due or are immaterial in amount, (iii) zoning, entitlement, and other land use laws, and (iv) easements and other imperfections of title or encumbrances, in each case, that do not materially detract from the value of the relevant Transferred Asset or materially interfere with any present or intended use of such Transferred Asset.

“Person” means an individual, corporation, partnership, association, limited liability company, trust, estate or other similar business entity or organization, including a Governmental Authority and any syndicate or group that would be deemed to be a person under Section 13(d)(3) of the Exchange Act.

“Planned Intel Capital Expenditures” shall have the meaning set forth in Section 2.9 of the Intel Asset Transfer Agreement.

“Post-Closing Tax Period” means any Tax period (or portion thereof) beginning after the Closing Date.

“Pre-Closing Accounts Payable” means all Accounts Payable accruing or arising prior to the Closing Date.

“Pre-Closing Accounts Receivable” means all Accounts Receivable accruing or arising prior to the Closing Date.

“Pre-Closing Tax Period” means any Tax period (or portion thereof) ending on or before the Closing Date.

“Preferred Shares” means convertible preferred shares of Newco, par value [ ] eurocent per share.

“Preliminary Intel Inventory Statement” has the meaning provided in Section 2.7(a) of the Intel Asset Transfer Agreement.

“Prepayments” means all prepaid items and deposits paid by a Party or any of its Subsidiaries to the extent relating to such Party’s Business, and any claim, remedy or other right related to any of the foregoing.

“Proceeding” means any action, suit, claim, charge, hearing, arbitration, audit, or proceeding (public or private).

“Property Taxes” shall have the meaning set forth in Section 5.8(b)(iii) of the Intel Asset Transfer Agreement.

“Purchase Price” shall have the meaning set forth in Section 2.2 of the Share Purchase Agreement.

“Receiving Party” shall (i) for purposes of the Intel Asset Transfer Agreement, have the meaning set forth in Section 5.1(b) of the Intel Asset Transfer Agreement, (ii) for purposes of the ST Asset Contribution Agreement, have the meaning set forth in Section 5.1(b) of the ST Asset Contribution Agreement and (iii) for purposes of the Intel Intellectual Property Agreement and the ST Intellectual Property Agreement, with respect to Confidential Information of a Party, mean another Party that is not a Licensing Affiliate of such Party and that receives (or receives access to) such Confidential Information pursuant to or in connection with the Intel Intellectual Property Agreement or the ST Intellectual Agreement.

“Remedial Action” means investigation, evaluation, risk assessment, monitoring, response, removal, clean-up, remediation, corrective action or other terms of similar import and any related closure, post-closure, operations and maintenance or engineering control activities.

“Restricted Employee” means any ST Restricted Employee, any Newco Restricted Employee or any Intel Restricted Employee.

“Sales Taxes” means any excise, value added, registration, stamp, recording, documentary, conveyancing, transfer, sales, use and any other similar Taxes arising out of the transfer of the applicable Transferred Assets.

“Share Encumbrances” means Liens, claims, options, rights of other parties, voting trusts, proxies, shareholder or similar agreements, encumbrances or other restrictions (other than restrictions imposed by applicable securities laws).

“Share Purchase Agreement” means the Share Purchase Agreement to be entered into by FP and Newco as of the Closing Date, in substantially the form attached to Schedule 2.3 to the Intel Master Agreement Disclosure Letter and to Schedule 2.3 to the ST Master Agreement Disclosure Schedule.

“Shareholders’ Agreement” means the Shareholders’ Agreement by and among Intel (as used in this definition, “Intel” has the meaning ascribed to such term in the Shareholders’ Agreement), ST (as used in this definition, “ST” has the meaning ascribed to such term in the Shareholders’ Agreement), FP (as used in this definition, “FP” has the meaning ascribed to such term in the Shareholders’ Agreement), FP Holdco and Newco to be entered into on the Closing Date, substantially in the form attached to Schedule 2.4 to both of the Master Agreement Disclosure Letters.

“Specified Intel Representations” means any representation or warranty made by Intel in Sections 3.1 through 3.24 (other than Section 3.17) of the Intel Asset Transfer Agreement or

Sections 3.1(a) through 3.1(g) of the Master Agreement (other than Section 3.17 of the Intel Asset Transfer Agreement).

“ST” means STMicroelectronics N.V., a limited liability company organized under the laws of The Netherlands, with corporate seat in Amsterdam, The Netherlands.

“ST Approvals” means the required consents, waivers and approvals of ST set forth on Schedule 3.3 of the ST ACA Disclosure Letter and Schedule 3.2(c) of the ST Master Agreement Disclosure Letter.

“ST Asset Contribution Agreement” means that certain Asset Contribution Agreement to be entered into by ST and Newco as of the Closing Date, in substantially the form attached to Schedule 2.4 to the ST Master Agreement Disclosure Letter.

“ST Transferred Assets” shall have the meaning set forth in Section 2.1 of the ST Asset Contribution Agreement.

“Straddle Period” shall have the meaning set forth in Section 5.8(a) of the Intel Asset Transfer Agreement.

“Subsidiary” means, with respect to any Person, (i) any corporation, limited liability company or other similar entity as to which more than 50% of the outstanding capital stock or other securities having voting rights or power is owned or controlled, directly or indirectly, by such Person and/or by one or more of such Person’s direct or indirect subsidiaries and (ii) any Person with a partnership, joint venture or other similar relationship between such Persons and any other Person, *provided, however*, that with respect to Intel, Silicon Philippines, Inc., a corporation organized and existing under Philippines law (“SPI”), shall be deemed to be a Subsidiary of Intel for purposes of the Transaction Documents and for convenience only, and such inclusion of SPI within this definition shall not imply that such entity is a subsidiary or affiliate of Intel for any purpose independent of the Transaction Documents.

“Taxes” means (i) all foreign, federal, state, local and other net income, gross income, gross receipts, sales, use, ad valorem, value added, intangible, unitary, capital gain, transfer, franchise, profits, license, lease, service, service use, withholding, backup withholding, payroll, employment, estimated, excise, severance, stamp, occupation, premium, property, prohibited transactions, windfall or excess profits, value added tax, goods and services tax, social service tax, import tax, export tax, or other taxes of any kind whatsoever, together with any interest and any penalties, additions to tax or additional amounts with respect thereto, (ii) any Liability for payment of amounts described in clause (i) whether as a result of transferee Liability, of being a member of an affiliated, consolidated, combined or unitary group for any period, or otherwise through operation of law, and (iii) any Liability for the payment of amounts described in clause (i) or (ii) as a result of any tax sharing, tax indemnity or tax allocation agreement or any other express or implied agreement to indemnify any other Person for Taxes; and the term “Tax” means any one of the foregoing Taxes.

“Tax Returns” means all returns, declarations, reports, statements, information statements, forms or other documents filed or required to be filed with respect to any Tax.

“Third Actuary” shall have the meaning set forth in Section 5.11(c) of the Intel Asset Transfer Agreement and the ST Asset Contribution.

“Third Party Appraisal Firm” shall have the meaning set forth in Section 4.13 of the Master Agreement.

“Trademarks” means trademarks and registrations and applications therefor.

“Trade Secrets” means confidential know how, inventions, discoveries, concepts, ideas, methods, processes, designs, formulae, technical data, source code, drawings, specifications (including logic specifications), data bases, data sheets, customer lists, Customer Data and other confidential information that constitute trade secrets under applicable law, in each case excluding any rights in respect of any of the foregoing that comprise Copyrights, mask work rights or Patents.

“Transaction Documents” means the Master Agreement, the Intel Asset Transfer Agreement, the ST Asset Contribution Agreement, the Share Purchase Agreement, the Intel Ancillary Agreements, the ST Ancillary Agreements, the Shareholders’ Agreement, the Confidentiality Agreement, and all of the documents contemplated by any such agreement or entered into by any of the Parties thereto or their Subsidiaries in connections with the transactions contemplated by such agreements.

“Uncapped Intel Losses” means Losses (i) pursuant to a breach of any of Sections 3.2 (Authorization and Enforceability), 3.10 (Tax Matters), 3.12(a) (Pension Plans), 3.15 (Environmental Matters), and 3.22(a) (Organization) and 3.22 (b) (Capitalization), (ii) pursuant to Section 6.2(a)(iii), (iii) resulting from a breach of any covenant other than those set forth in Section 4.9 of the Master Agreement and (iv) resulting from a willful breach of any covenant set forth in Section 4.9 of the Master Agreement).



**MASTER AGREEMENT**

**BY AND BETWEEN**

**STMICROELECTRONICS N.V.,**

**INTEL CORPORATION,**

**REDWOOD BLOCKER S.A.R.L.,**

**AND**

**FRANCISCO PARTNERS II (CAYMAN) L.P.**

**MAY 22, 2007**

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## MASTER AGREEMENT

THIS MASTER AGREEMENT, dated as of May 22, 2007 (the "Master Agreement" and, as referred to herein, this "Agreement"), is entered into by and among Intel Corporation, a Delaware corporation ("Intel"), STMicroelectronics N.V., a limited liability company organized under the laws of The Netherlands, with its corporate seat in Amsterdam, The Netherlands ("ST"), Redwood Blocker S.a.r.l., a limited liability company organized under the laws of The Grand-Duchy of Luxembourg ("FP"), and Francisco Partners II (Cayman) L.P., an exempted limited partnership organized under the laws of the Cayman Islands ("FP Holdco"). Intel, ST, FP and FP Holdco are sometimes referred to herein as the "Parties" and each individually as a "Party."

A. Intel currently designs, manufactures and produces the Intel Products for use in various consumer electronics and other end applications.

B. ST currently designs, manufactures and produces the ST Products for use in various consumer electronics and other end applications.

C. The parties desire to form a company under the laws of The Netherlands ("Newco"), on the terms and conditions set forth in this Agreement.

D. Intel desires to transfer, and to cause certain of its Affiliates to transfer to Newco and its Affiliates, the Intel Transferred Assets in consideration for the issuance by Newco of the Intel Newco Shares, the payment by Newco of the Intel Cash Consideration, and the assumption by Newco or its Affiliates of the Intel Transferred Liabilities, all on the terms and conditions set forth in the Intel Asset Transfer Agreement, the Intel Ancillary Agreements and this Agreement.

E. ST desires to transfer, and to cause certain of its Affiliates to transfer to Newco and its Affiliates, the ST Transferred Assets in consideration for the issuance by Newco of the ST Newco Shares, the payment by Newco of the ST Cash Consideration, and the assumption by Newco or its Affiliates of the ST Transferred Liabilities, all on the terms and conditions set forth in the ST Asset Contribution Agreement, the ST Ancillary Agreements and this Agreement.

F. FP desires to invest in Newco by purchasing and accepting from Newco the FP Newco Shares, on the terms and conditions set forth in the Share Purchase Agreement.

G. The Parties desire to enter into various agreements with one another and with Newco, to set forth the ongoing governance and operating relationships among the Parties and Newco relating to the business of Newco, all as contemplated by this Agreement.

NOW THEREFORE, in consideration of the foregoing and the mutual agreements contained herein, the parties hereto agree as follows:

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**ARTICLE I  
DEFINITIONS**

1.1 Definitions. Capitalized terms used in this Agreement shall have the respective meanings ascribed to such terms in Appendix A to this Agreement.

1.2 Defined Terms Generally. The definitions set forth in Appendix A or otherwise referred to in this Agreement shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”. All references herein to Articles, Sections, Exhibits and Schedules shall be deemed to be references to Articles and Sections of, and Exhibits and Schedules to, this Agreement unless the context shall otherwise require. Unless the context shall otherwise require, any reference to any contract, instrument, statute, rule or regulation is a reference to it as amended and supplemented from time to time (and, in the case of a statute, rule or regulation, to any successor provision). Any reference in this Agreement to a “day” or a number of “days” (without the explicit qualification of “Business”) shall be interpreted as a reference to a calendar day or number of calendar days.

**ARTICLE II  
AGREEMENTS**

2.1 Intel Asset Transfer. On the Closing Date, at the Closing, subject to (a) the fulfillment, or waiver by Intel, of each condition to the obligation of Intel to consummate the transactions contemplated by this Agreement, (b) the fulfillment, or waiver by ST, of each condition to the obligation of ST to consummate the transactions contemplated by this Agreement and (c) the fulfillment, or waiver by FP and FP Holdco, of each condition to the obligation of FP and FP Holdco to consummate the transactions contemplated by this Agreement, Intel shall, and the Parties shall cause Newco to, execute and deliver the Intel Asset Transfer Agreement, substantially in the form attached to Schedule 2.1 of the Intel Master Agreement Disclosure Letter and the Intel Ancillary Agreements contemplated thereby to which each, respectively, is a party, and Intel shall, and the Parties shall cause Newco to, consummate and cause their Affiliates to consummate, as applicable, each of the transactions contemplated by the Intel Asset Transfer Agreement and the Intel Ancillary Agreements to be consummated at the Closing.

2.2 ST Asset Contribution. On the Closing Date, at the Closing, subject to (a) the fulfillment, or waiver by ST, of each condition to the obligation of ST to consummate the transactions contemplated by this Agreement, (b) the fulfillment, or waiver by Intel, of each condition to the obligation of Intel to consummate the transactions contemplated by this Agreement and (c) the fulfillment, or waiver by FP and FP Holdco, of each condition to the obligation of FP and FP Holdco to consummate the transactions contemplated by this Agreement, ST shall, and the Parties shall cause Newco to, execute and deliver the ST Asset Contribution Agreement, substantially in the form attached to Schedule 2.2 of the ST Master Agreement Disclosure Letter and the ST Ancillary Agreements contemplated thereby to which each, respectively, is a party, and ST shall, and the Parties shall cause Newco to, consummate and cause their Affiliates to consummate, as applicable, each of the transactions contemplated by

the ST Asset Contribution Agreement and the ST Ancillary Agreements to be consummated at the Closing.

2.3 FP Share Purchase. On the Closing Date, at the Closing, subject to (a) the fulfillment, or waiver by FP and FP Holdco, of each condition to the obligations of FP and FP Holdco to consummate the transactions contemplated by this Agreement, (b) the fulfillment, or waiver by Intel, of each condition to the obligation of Intel to consummate the transactions contemplated by this Agreement and (c) the fulfillment, or waiver by ST, of each condition to the obligation of ST to consummate the transactions contemplated by this Agreement, FP shall, and the Parties shall cause Newco to, execute and deliver the Share Purchase Agreement, substantially in the form attached to Schedule 2.3 of each of the Master Agreement Disclosure Letters and consummate each of the transactions contemplated by the Share Purchase Agreement to be consummated at the Closing.

2.4 Other Agreements among the Parties and Newco. Except as otherwise set forth herein, on the Closing Date, at the Closing, the Parties shall, and shall cause (a) each of their respective Affiliates and (b) Newco to, as the case may be, execute and deliver the agreements identified on Schedule 2.4 to each of the Master Agreement Disclosure Letters to which each, respectively, is a party, substantially in the form attached thereto, to the extent such Party, Affiliate or Newco is a party to such respective agreements.

2.5 Closing. The closing of the transactions contemplated by this Agreement (the "Closing") shall take place at the offices of Gibson, Dunn & Crutcher LLP, Palo Alto, California, as soon as possible, but in no event later than five Business Days, after fulfillment of the conditions set forth in Article V hereof to each Party's obligation to close the transactions contemplated by this Agreement or the waiver thereof by such Party, or at such other time or place as the Parties may agree.

### **ARTICLE III REPRESENTATIONS AND WARRANTIES**

3.1 Intel Representations. Except as set forth in the Intel Master Agreement Disclosure Letter, Intel represents and warrants to ST, FP and FP Holdco, as of the date of this Agreement, as follows:

(a) Existence and Good Standing. Intel is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation and has all corporate power and authority required to carry on its business as now conducted and to own and operate its business as now owned and operated by it. Intel is qualified to conduct business and is in good standing in each jurisdiction in which it conducts business other than such jurisdictions where the failure to be so qualified would not reasonably be expected to have an Intel Material Adverse Effect.

(b) Authorization; Enforceability. Intel has all requisite corporate power and authority to execute and deliver this Agreement and each of the Transaction Documents to which it is or will be a party, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution and

delivery by Intel of this Agreement and each of the Transaction Documents to which Intel is a party, and the performance by Intel of its obligations contemplated hereby and thereby, have been duly and validly authorized by all necessary corporate action. This Agreement has been and, when executed at the Closing, the other Transaction Documents will have been, duly and validly executed and delivered by Intel and, assuming the due execution and delivery of this Agreement and the other Transaction Documents to which it is a party by the other parties thereto, this Agreement constitutes, and as of the Closing, each of the Transaction Documents to which Intel is a party will constitute, the legal, valid and binding agreement of Intel, enforceable against Intel in accordance with their respective terms, except to the extent (i) that their enforceability may be subject to any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws now or hereafter in effect relating to creditors' rights generally or to general principles of equity or (ii) indemnification provisions contained in the Shareholders' Agreement may be limited by applicable securities laws.

(c) Governmental Authorization. Other than the Intel Approvals, the execution, delivery and performance by Intel of this Agreement and the other Transaction Documents to which it is a party, and the consummation by it of the transactions contemplated hereby and thereby, require no Governmental Approval.

(d) Non-Contravention; Consents.

(i) The execution, delivery and performance by Intel of this Agreement and the other Transaction Documents to which Intel is a party, and the consummation of the transactions contemplated hereby and thereby, do not and will not: (A) contravene or conflict with the certificate of incorporation, bylaws or other organizational documents of Intel; (B) assuming receipt of the Intel Approvals, the Newco Approvals and the Intel Contractual Consents, contravene or conflict with or constitute a material violation of any provision of any Applicable Law binding upon or applicable to Intel, the Intel Transferred Assets; or (C) assuming receipt of the Intel Approvals and of the Intel Contractual Consents, (1) constitute a default under, give rise to any right of termination, cancellation, modification, acceleration of, or a loss of any benefit under any Intel Contract, including the Intel Transferred Contracts, (2) result in the creation or imposition of any Lien (other than Permitted Liens) on any Intel Transferred Asset or the assets of any Intel Transferred Entity, or (3) constitute a breach, default or violation of any settlement agreement, judgment, injunction or decree, except in the case of clause (B) or (C), for matters that would not reasonably be expected to have an Intel Material Adverse Effect (*provided* that in determining whether an Intel Material Adverse Effect would result, any adverse effect otherwise excluded by clause (C) of the definition of "Intel Material Adverse Effect" shall be taken into account).

(ii) The execution, delivery and performance by Intel of this Agreement and the other Transaction Documents to which Intel is a party, and the consummation of the transactions contemplated hereby and thereby, do not and will not, as of the Closing Date, constitute a default under, give rise to any right of



termination, cancellation, modification, acceleration of, or a loss of any material benefit under, any Contract identified on Schedule 3.1(d)(ii) of the Intel Master Agreement Disclosure Letter; *provided, however*, that for the avoidance of doubt, the Parties acknowledge and agree that the representations and warranties set forth in this Section 3.1(d)(ii) shall not be deemed to be untrue or inaccurate in any respect as a result of (A) any action or omission by Newco that constitutes or results in a default by Intel or any Intel Affiliate or gives rise to any right of termination, cancellation, modification, acceleration of, or a loss of any material benefit under any such Contract; and (B) any withdrawal or voiding after the Closing of any consent granted prior to the Closing by a party to such Contract, which withdrawal or voiding purports to have retroactive effect to the Closing.

(e) Litigation. As of the date hereof, there is no Proceeding or, to the Knowledge of Intel, investigation pending or, to the Knowledge of Intel, threatened in writing, by or against Intel or any of Intel's Subsidiaries seeking to prevent, enjoin, alter or delay the transactions contemplated by this Agreement or any of the other Transaction Documents or encumber the Intel Transferred Interests.

(f) Incorporation by Reference of Additional Representations and Warranties. As of the date hereof (except that with respect to any representation and warranty that specifies another date, such representation and warranty shall be made as of such specified date), subject to the exceptions set forth in the Intel ATA Disclosure Letter, Intel hereby represents and warrants that each of the representations and warranties set forth in Sections 3.1-3.24 of the Intel Asset Transfer Agreement attached to Schedule 2.1 of the Intel Master Agreement Disclosure Letter are true and correct. Upon the consummation of the Closing, the provisions of this Section 3.1(f) shall terminate and cease to be of any further force or effect, as if never made, and no action may be brought based on the same, whether for indemnification, breach of contract, tort or under any other legal theory.

(g) Reliance. Intel has conducted such investigation and inspection of the ST Transferred Assets, the ST Transferred Liabilities, the ST Business and the ST Products that Intel has deemed necessary or appropriate for the purpose of entering into this Agreement and the other Transaction Documents and consummating the transactions contemplated hereby and thereby. In executing this Agreement and the other Transaction Documents to which it is a party, Intel is relying on its own investigation and on the provisions set forth herein and therein and not on any other statements, presentations, representations, warranties or assurances of any kind made by ST, FP, any of their representatives or any other Person. Intel acknowledges that (i) the representations and warranties of (A) ST contained in Section 3.2 hereof and (B) FP and FP Holdco contained in Section 3.3 hereof, constitute the sole and exclusive representations and warranties of each such Party to Intel in connection with this Agreement and the transactions contemplated hereby, and (ii) all other representations and warranties are specifically disclaimed and may not be relied upon or serve as a basis for a claim against ST or FP. INTEL ACKNOWLEDGES THAT ST DISCLAIMS ALL WARRANTIES OTHER THAN THOSE EXPRESSLY CONTAINED IN SECTION 3.2 AS TO THE ST TRANSFERRED ASSETS, WHETHER EXPRESS OR IMPLIED, ORAL OR

WRITTEN, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR WARRANTY FOR FITNESS FOR A PARTICULAR PURPOSE. EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES CONTAINED EXPRESSLY IN SECTION 3.2, NEWCO WILL ACQUIRE THE ST TRANSFERRED ASSETS ON AN "AS IS, WHERE IS" BASIS. FROM AND AFTER THE CLOSING, INTEL SHALL HAVE NO RIGHTS OR REMEDIES FOR OR WITH RESPECT TO ANY BREACH BY ST OF ITS REPRESENTATIONS AND WARRANTIES SET FORTH IN SECTION 3.2(f) OF THIS AGREEMENT, AND INTEL SHALL HAVE NO RIGHTS OR REMEDIES FOR OR WITH RESPECT TO ANY BREACH OF ANY PROVISION OF THE SHARE PURCHASE AGREEMENT OR THE ST ASSET CONTRIBUTION AGREEMENT (INCLUDING THE REPRESENTATIONS, WARRANTIES AND INDEMNITIES SET FORTH IN SUCH AGREEMENTS); *PROVIDED, HOWEVER*, THAT NOTHING HEREIN SHALL AFFECT NEWCO'S RIGHTS AND REMEDIES FOR OR WITH RESPECT TO ANY BREACH OF SUCH AGREEMENTS.

3.2 ST Representations. Except as set forth in the ST Master Agreement Disclosure Letter, ST represents and warrants to Intel, FP and FP Holdco, as of the date of this Agreement, as follows:

(a) Existence and Good Standing. ST is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation and has all corporate power and authority required to carry on its business as now conducted and to own and operate its business as now owned and operated by it. ST is qualified to conduct business and is in good standing in each jurisdiction in which it conducts business other than such jurisdictions where the failure to be so qualified would not reasonably be expected to have an ST Material Adverse Effect.

(b) Authorization; Enforceability. ST has all requisite corporate power and authority to execute and deliver this Agreement and each of the Transaction Documents to which it is or will be a party, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution and delivery by ST of this Agreement and each of the Transaction Documents to which ST is a party, and the performance by ST of its obligations contemplated hereby and thereby, have been duly and validly authorized by all necessary corporate action. This Agreement has been and, when executed at the Closing, the other Transaction Documents will have been, duly and validly executed and delivered by ST and, assuming the due execution and delivery of this Agreement and the other Transaction Documents to which it is a party by the other parties thereto, this Agreement constitutes, and as of the Closing, each of the Transaction Documents to which ST is a party will constitute, the legal, valid and binding agreement of ST, enforceable against ST in accordance with their respective terms, except to the extent (i) that their enforceability may be subject to any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws now or hereafter in effect relating to creditors' rights generally or to general principles of equity or (ii) indemnification provisions contained in the Shareholders' Agreement may be limited by applicable securities laws.

(c) Governmental Authorization. Other than the ST Approvals, the execution, delivery and performance by ST of this Agreement and the other Transaction Documents to which it is a party, and the consummation by it of the transactions contemplated hereby and thereby, require no Governmental Approval.

(d) Non-Contravention; Consents.

(i) The execution, delivery and performance by ST of this Agreement and the other Transaction Documents to which ST is a party, and the consummation of the transactions contemplated hereby and thereby, do not and will not: (A) contravene or conflict with the articles of association, governance rules or other organizational documents of ST; (B) assuming receipt of the ST Approvals the Newco Approvals and the ST Contractual Consents, contravene or conflict with or constitute a material violation of any provision of any Applicable Law binding upon or applicable to ST, the ST Transferred Assets or the ST Transferred Entities; or (C) assuming receipt of the ST Approvals and of the ST Contractual Consents, (1) constitute a default under, give rise to any right of termination, cancellation, modification, acceleration of, or a loss of any benefit under any ST Contract, including the ST Transferred Contracts, (2) result in the creation or imposition of any Lien (other than Permitted Liens) on any ST Transferred Asset, or (3) constitute a breach, default or violation of any settlement agreement, judgment, injunction or decree, except in the case of clause (B) or (C), for matters that would not reasonably be expected to have an ST Material Adverse Effect (*provided* that in determining whether an ST Material Adverse Effect would result, any adverse effect otherwise excluded by clause (C) of the definition of "ST Material Adverse Effect" shall be taken into account).

(ii) The execution, delivery and performance by ST of this Agreement and the other Transaction Documents to which ST is a party, and the consummation of the transactions contemplated hereby and thereby, to the Knowledge of ST, do not and will not, as of the Closing Date: (A) contravene or conflict with the articles of association, joint venture agreement or other organizational or governing documents of the Hynix JV; or (B) constitute a default under, give rise to any right of termination, cancellation, modification, acceleration of, or a loss of any material benefit under, the Hynix JV Junior Credit Agreement or any other contract or agreement between ST or any Subsidiary of ST and the Hynix JV.

(e) Litigation. As of the date hereof, there is no Proceeding or to the Knowledge of ST, investigation pending or, to the Knowledge of ST, threatened in writing, by or against ST or any of ST's Subsidiaries seeking to prevent, enjoin, alter or delay the transactions contemplated by this Agreement or any of the other Transaction Documents or encumber the ST Transferred Interests.

(f) Incorporation by Reference of Additional Representations and Warranties. As of the date hereof (except that with respect to any representation and warranty that specifies another date, such representation and warranty shall be made as of such

specified date), subject to the exceptions set forth in the ST ATA Disclosure Letter, ST hereby represents and warrants that each of the representations and warranties set forth in Sections 3.1-3.24 of the ST Asset Contribution Agreement attached to Schedule 2.2 of the ST Master Agreement Disclosure Letter are true and correct. Upon the consummation of the Closing, the provisions of this Section 3.2(f) shall terminate and cease to be of any further force or effect, as if never made, and no action may be brought based on the same, whether for indemnification, breach of contract, tort or under any other legal theory.

(g) Reliance. ST has conducted such investigation and inspection of the Intel Transferred Assets, the Intel Transferred Liabilities, the Intel Business and the Intel Products that ST has deemed necessary or appropriate for the purpose of entering into this Agreement and the other Transaction Documents and consummating the transactions contemplated hereby and thereby. In executing this Agreement and the other Transaction Documents to which it is a party, ST is relying on its own investigation and on the provisions set forth herein and therein and not on any other statements, presentations, representations, warranties or assurances of any kind made by Intel, FP, any of their representatives or any other Person. Intel acknowledges that (i) the representations and warranties of (A) Intel contained in Section 3.1 hereof and (B) FP and FP Holdco contained in Section 3.3 hereof constitute the sole and exclusive representations and warranties of each such Party to ST in connection with this Agreement and the transactions contemplated hereby, and (ii) all other representations and warranties are specifically disclaimed and may not be relied upon or serve as a basis for a claim against Intel or FP. ST ACKNOWLEDGES THAT INTEL DISCLAIMS ALL WARRANTIES OTHER THAN THOSE EXPRESSLY CONTAINED IN SECTION 3.1 AS TO THE INTEL TRANSFERRED ASSETS, WHETHER EXPRESS OR IMPLIED, ORAL OR WRITTEN, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE. EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES CONTAINED EXPRESSLY IN SECTION 3.1, NEWCO WILL ACQUIRE THE INTEL TRANSFERRED ASSETS ON AN "AS IS, WHERE IS" BASIS. FROM AND AFTER THE CLOSING, ST SHALL HAVE NO RIGHTS OR REMEDIES FOR OR WITH RESPECT TO ANY BREACH BY INTEL OF ITS REPRESENTATIONS AND WARRANTIES SET FORTH IN SECTION 3.1(f) OF THIS AGREEMENT, AND ST SHALL HAVE NO RIGHTS OR REMEDIES FOR OR WITH RESPECT TO ANY BREACH OF ANY PROVISION OF THE SHARE PURCHASE AGREEMENT OR THE INTEL ASSET TRANSFER AGREEMENT (INCLUDING THE REPRESENTATIONS, WARRANTIES AND INDEMNITIES SET FORTH IN SUCH AGREEMENTS); *PROVIDED, HOWEVER*, THAT NOTHING HEREIN SHALL AFFECT NEWCO'S RIGHTS AND REMEDIES FOR OR WITH RESPECT TO ANY BREACH OF SUCH AGREEMENTS.

3.3 FP and FP Holdco Representations Each of FP and FP Holdco represents and warrants to Intel and ST, as of the date of this Agreement, as follows:

(a) Existence and Good Standing. FP is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of organization and FP Holdco is a limited partnership duly organized, validly existing and in good standing

under the laws of its jurisdiction of organization and each has all power and authority required to carry on its business as now conducted and to own and operate its business as now owned and operated by it. Each of FP and FP Holdco is qualified to conduct business and is in good standing in each jurisdiction in which such qualification is required other than such jurisdictions where the failure to be so qualified would not reasonably be expected to have an FP Material Adverse Effect.

(b) Authorization; Enforceability. Each of FP and FP Holdco has all requisite power and authority to execute and deliver this Agreement and each of the Transaction Documents to which it is or will be a party, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution and delivery by each of FP and FP Holdco of this Agreement and each of the Transaction Documents to which FP or FP Holdco is a party, and the performance by each of FP and FP Holdco of its obligations contemplated hereby and thereby, have been duly and validly authorized by all necessary action. This Agreement has been and, when executed at the Closing, the other Transaction Documents will have been, duly and validly executed and delivered by each of FP and FP Holdco and, assuming the due execution and delivery of this Agreement and the other Transaction Documents to which it is a party by the other Parties thereto, this Agreement constitutes, and as of the Closing, each of the Transaction Documents to which each of FP and FP Holdco is a party will constitute, the legal, valid and binding agreement of each of FP and FP Holdco, enforceable against FP and FP Holdco in accordance with their respective terms, except to the extent that (i) their enforceability may be subject to any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws now or hereafter in effect relating to creditors' rights generally or to general principles of equity or (ii) indemnification provisions contained in the Shareholders' Agreement may be limited by applicable securities laws.

(c) Governmental Authorization. Other than the Intel Approvals, the ST Approvals and compliance with any applicable Competition Laws, the execution, delivery and performance by each of FP and FP Holdco of this Agreement and the other Transaction Documents to which it is a party, and the consummation by it of the transactions contemplated hereby and thereby, require no Governmental Approval.

(d) Non-Contravention; Consents. The execution, delivery and performance by each of FP and FP Holdco of this Agreement and the other Transaction Documents to which each of FP and FP Holdco is a party, and the consummation of the transactions contemplated hereby and thereby, do not and will not: (i) contravene or conflict with the certificate of incorporation or bylaws of FP or the partnership agreement and other organizational documents of FP Holdco, (ii) assuming receipt of the Intel Approvals, the ST Approvals, the Newco Approvals and compliance with applicable Competition Laws, contravene or conflict with or constitute a material violation of any provision of any Applicable Law binding upon or applicable to FP or FP Holdco, or (iii) assuming receipt of the Intel Approvals, the ST Approvals, the Newco Approvals and compliance with applicable Competition Laws, contravene or constitute a default under any material agreement to which FP or FP Holdco is a party, except in the case of clause (ii) or (iii), for matters that would not reasonably be expected to have an FP Material Adverse Effect.

(e) Litigation. As of the date hereof, there is no Proceeding or to the Knowledge of FP or FP Holdco, investigation, pending or, to the Knowledge of FP or FP Holdco, threatened in writing, by or against FP or FP Holdco seeking to prevent, enjoin, alter or delay the transactions contemplated by this Agreement or any of the other Transaction Documents.

(f) Reliance. Each of FP and FP Holdco has conducted such investigation and inspection of the Intel Transferred Assets, the Intel Transferred Liabilities, the Intel Business, the Intel Products, the ST Transferred Assets, the ST Transferred Liabilities, the ST Business and the ST Products that FP and FP Holdco, respectively, has deemed necessary or appropriate for the purpose of entering into this Agreement and the other Transaction Documents and consummating the transactions contemplated hereby and thereby. In executing this Agreement and the other Transaction Documents to which it is a party, each of FP and FP Holdco is relying on its own investigation and on the provisions set forth herein and therein and not on any other statements, presentations, representations, warranties or assurances of any kind made by Intel, ST, their representatives or any other Person. Each of FP and FP Holdco acknowledges that (i) the representations and warranties of (A) Intel contained in Section 3.1 hereof and (B) ST contained in Section 3.2 hereof constitute the sole and exclusive representations and warranties of each such Party to FP and FP Holdco in connection with this Agreement and the transactions contemplated hereby, and (ii) all other representations and warranties are specifically disclaimed and may not be relied upon or serve as a basis for a claim against Intel or ST. EACH OF FP AND FP HOLDCO ACKNOWLEDGES THAT INTEL AND ST DISCLAIM ALL WARRANTIES OTHER THAN THOSE EXPRESSLY CONTAINED IN SECTION 3.1 AND SECTION 3.2, RESPECTIVELY, THE INTEL ASSET TRANSFER AGREEMENT AND THE ST ASSET CONTRIBUTION AGREEMENT AS TO THE INTEL TRANSFERRED ASSETS AND ST TRANSFERRED ASSETS, RESPECTIVELY, WHETHER EXPRESS OR IMPLIED, ORAL OR WRITTEN, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR WARRANTY FOR FITNESS FOR A PARTICULAR PURPOSE. EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES CONTAINED EXPRESSLY IN SECTION 3.1 AND SECTION 3.2, RESPECTIVELY, NEWCO WILL ACQUIRE THE INTEL TRANSFERRED ASSETS AND ST TRANSFERRED ASSETS, RESPECTIVELY, ON AN "AS IS, WHERE IS" BASIS. FROM AND AFTER THE CLOSING, NEITHER FP NOR FP HOLDCO SHALL HAVE ANY RIGHTS OR REMEDIES FOR OR WITH RESPECT TO ANY BREACH BY (I) INTEL OF ITS REPRESENTATIONS AND WARRANTIES SET FORTH IN SECTION 3.1(f) OF THIS AGREEMENT AND (II) ST OF ITS REPRESENTATIONS AND WARRANTIES SET FORTH IN SECTION 3.2(f) OF THIS AGREEMENT. NEITHER FP NOR FP HOLDCO SHALL HAVE ANY RIGHTS OR REMEDIES FOR OR WITH RESPECT TO ANY BREACH OF ANY PROVISION OF THE INTEL ASSET TRANSFER AGREEMENT OR THE ST ASSET CONTRIBUTION AGREEMENT (INCLUDING THE REPRESENTATIONS, WARRANTIES AND INDEMNITIES SET FORTH IN SUCH AGREEMENTS); *PROVIDED, HOWEVER*, THAT NOTHING HEREIN SHALL AFFECT NEWCO'S RIGHTS AND REMEDIES FOR OR WITH RESPECT TO ANY BREACH OF SUCH AGREEMENTS.

**ARTICLE IV  
COVENANTS**

**4.1 Access to Information.**

(a) Between the date hereof and the Closing, Intel agrees to provide FP and ST and their authorized representatives (including each of their attorneys and accountants and auditors) reasonable access to the offices and properties, employees and auditors of the Intel Business and the Intel Books and Records, upon reasonable prior notice, during normal business hours, under Intel's supervision and at ST or FP's expense, as applicable, in order to conduct a review of the Intel Transferred Assets and the Intel Business.

(b) Between the date hereof and the Closing, ST agrees to provide FP and Intel and their authorized representatives (including each of their attorneys and accountants and auditors) reasonable access to the offices and properties, employees and auditors of the ST Business and the ST Books and Records, upon reasonable prior notice, during normal business hours, under ST's supervision and at Intel or FP's expense, as applicable, in order to conduct a review of the ST Transferred Assets and the ST Business.

(c) Each of the Parties will hold, and will cause its representatives to hold, in confidence all documents and information furnished to it by or on behalf of another Party in connection with the transactions contemplated by this Agreement and the other Transaction Documents pursuant to the terms of the Confidentiality Agreement; *provided, however*, for the sake of clarification, that Intel and ST shall be permitted to respond to direct inquiries relating to the transaction from, and disclose the transaction immediately after the execution hereof to Intel Business Employees and ST Business Employees, respectively, and provided further that nothing herein shall prohibit any public announcement in accordance with Section 4.5 (Press Releases) hereof.

**4.2 Exclusive Dealing.** Prior to the earlier of the Closing or the termination of this Agreement, none of Intel, ST, or FP will, nor will any of them permit any of their respective Affiliates, officers, directors, agents or advisors to, directly or indirectly: (a) solicit, encourage, initiate or participate in any negotiations or discussions with respect to any possible debt or equity investment in the ST Business or the Intel Business or any possible sale, spin-off or other transfer of all or any material portion of the ST Business or the Intel Business (other than inventory sold in the ordinary course of business), whether by sale or transfer of assets, sale of stock, reorganization, merger or otherwise, other than in connection with the transactions contemplated by this Agreement and the other Transaction Documents including the Contemplated Financing (each such transaction described in this clause (a), a "Prohibited Transaction"); (b) provide or otherwise make available the corporate, legal or financial documents or information relating to the Intel Business, the ST Business or Newco or any analysis or summary thereof of Newco, Intel or ST or any of their respective Affiliates, to any Person who has expressed an interest in making a proposal to enter into any Prohibited Transaction or who could reasonably be expected to consider doing so; (c) assist or cooperate with any Person in making any proposal with respect to any Prohibited Transaction; or (d) enter into any Contract with any Person providing for any Prohibited Transaction. In the event that Intel, ST or FP or any of their respective Affiliates, officers, directors, agents or advisors shall

receive after the date hereof any offer or proposal with respect to any Prohibited Transaction, directly or indirectly, or any request for disclosure or access to any documents or information described in clause (b) above, such Party shall or shall cause its Affiliate, officer, director, agent or advisor to immediately inform the other Parties of such offer or proposal, the identity of the Person making such offer or proposal and the material terms thereof.

4.3 Reasonable Efforts. Each of Intel, ST, FP and FP Holdco will cooperate and use commercially reasonable efforts to take, or cause to be taken, all appropriate actions (and to make, or cause to be made, all filings and notifications necessary, proper or advisable under Applicable Law) to consummate and make effective the transactions contemplated by this Agreement and the Transaction Documents, including commercially reasonable efforts to satisfy all closing conditions and to obtain, as promptly as practicable, all licenses, permits, consents, approvals, authorizations, qualifications and orders of Governmental Authorities and parties to contracts, as are necessary for the consummation of the transactions contemplated by this Agreement and the Transaction Documents to which it is a party.

4.4 Certain Consents and Filings: Further Assurances. Each Party agrees to execute and deliver, or cause to be executed and delivered, such other documents, certificates, agreements and other writings and to take, or cause to be taken, such other commercially reasonable actions as may be necessary or desirable in order to (a) consummate or implement expeditiously the transactions contemplated by this Agreement and the other Transaction Documents and (b) obtain from any Governmental Authorities and other Persons all consents, approvals, authorizations, qualifications and orders as are necessary for the consummation of the transactions contemplated by this Agreement and the Transaction Documents and to promptly make all necessary filings and notifications, and to supply as promptly as practicable any additional information or documentary material that may be reasonably requested to comply with the HSR Act or any applicable Competition Law. Subject to Applicable Laws, and as necessary to address reasonable privilege or confidentiality concerns, prior to the making or submission of any analysis, appearance, presentation, memorandum, brief, argument, opinion or proposal by or on behalf of any Party in connection with Proceedings under or relating to the HSR Act or any other applicable Competition Law, each of Intel, ST, FP and FP Holdco will consult and cooperate with one another, and consider in good faith the views of one another, in connection with any such analyses, appearances, presentations, letters, white papers, memoranda, briefs, arguments, opinions or proposals. In this regard but without limitation, each Party hereto shall promptly inform the other of any material communication between such Party and the Federal Trade Commission, the Antitrust Division of the United States Department of Justice, or any other federal, foreign or state antitrust or competition Governmental Authority regarding the transactions contemplated by this Agreement or the Transaction Documents. Nothing in this Agreement or any of the other Transaction Documents, however, shall require or be construed to require any Party hereto, in order to obtain the consent or successful termination of any review of any such Governmental Authority regarding the transactions contemplated by this Agreement, to (x) sell or hold separate, or agree to sell or hold separate, before or after the Closing Date, any assets or businesses or any interests in any assets or businesses of such Party or any of its Affiliates (or to consent to any sale, or agreement to sell, any assets or businesses, or any interests in any assets or businesses), or to agree to any change in or restriction on the operation by such Party of any assets or businesses or (y) enter into any agreement or be bound by any obligation concerning the benefits to such Party of the transactions contemplated by this



Agreement. Each party shall have responsibility for its respective filing fees associated with the filings under the HSR Act and any other filings required under the Competition Laws of any other jurisdictions in connection with the transactions contemplated by this Agreement or any of the other Transaction Documents.

4.5 Press Releases. None of the Parties nor any of their respective Affiliates, officers, directors or securityholders shall issue any press release or otherwise make any public statement with respect to this Agreement, any of the Transaction Documents or any of the transactions contemplated hereby or thereby without the prior written consent of each of the other Parties, except as may be required by Applicable Law, or by the rules and regulations of, or pursuant to any agreement with, the Nasdaq National Market, the New York Stock Exchange or any other U.S. or non-U.S. securities exchange on which any securities of such Party are then listed or quoted. If any Party determines, with the advice of counsel, that it is required by Applicable Law to publicly disclose this Agreement, any of the Transaction Documents or any of the transactions contemplated by this Agreement or any of the other Transaction Documents, it shall, a reasonable time before making any public disclosure, consult with the other Parties regarding such disclosure and seek confidential treatment for such information to be so disclosed, as may be reasonably requested by any other Party. If any Party determines to make any public statements with respect to this Agreement, any of the Transaction Documents or any of the transactions contemplated hereby or thereby in accordance with the terms of this Agreement, then each other Party shall be entitled to make a public statement following such public statement; *provided* it coordinates the timing thereof with each other Party and obtains such other Party's prior written approval of the contents thereof, not to be unreasonably withheld or delayed. The Parties agree to announce the execution of this Agreement to the employees, customers, vendors and strategic partners of the Intel Business and the ST Business at such time and in such form as is mutually agreed upon by all of the Parties. Any disclosure of the existence or terms of this Agreement, any of the Transaction Documents or any of the transactions contemplated hereby or thereby to any person from whom consent shall be required, to whom notice shall be provided or from whom waiver shall be sought in order to comply with the requirements of this Agreement or any of the other Transaction Documents shall be made at such time and in such form and with such content as is mutually agreed upon by all of the Parties.

4.6 Certain Deliveries and Notices. From the date of this Agreement through the Closing Date, each Party shall promptly inform in writing the other Parties of (a) any event or occurrence that would reasonably be expected to have a material adverse effect on its ability to perform its or their obligations under any of the Transaction Documents, and (b) any breach that cannot or will not be cured by the time of the Closing or failure to satisfy any condition or covenant contained in this Agreement or in any other Transaction Document by such Party, if such failure cannot or will not be cured by the time of the Closing.

4.7 Non-Solicitation of Employees.

(a) Prior to the Closing and until the earlier of the date that is two years following the Closing Date or two years following termination of this Agreement, without the prior written consent of Intel, ST shall not, nor shall it permit any of its Subsidiaries to, directly or indirectly, recruit or solicit any employee of Intel or any of its

Subsidiaries identified on Schedule 4.7(a) to the Intel Master Agreement Disclosure Letter (collectively, for purposes of this Agreement, the “Intel Restricted Employees”) to leave his or her employment with Intel or such Subsidiary.

(b) Prior to the Closing and until the earlier of the date that is two years following the Closing Date or the date that is two years following termination of this Agreement, without the prior written consent of ST, Intel shall not, nor shall it permit any of its Subsidiaries to, directly or indirectly, recruit or solicit any employee of ST or any of its Subsidiaries identified on Schedule 4.7(b) to the ST Master Agreement Disclosure Letter (collectively, for purposes of this Agreement, the “ST Restricted Employees”) to leave his or her employment with ST or any such Subsidiary.

(c) Neither the placement of employment advertisements or other general solicitation for employees not specifically targeted to any Restricted Employee by any means, including through the use of hiring agencies or through employees of each Party who are unaware of the prohibitions against the solicitation of the Restricted Employees shall be a recruitment or solicitation prohibited by this Section 4.7; *provided* that any such hiring agencies and employees are not instructed by persons who knew about the prohibition on the solicitation of the Restricted Employees to solicit for hire Restricted Employees. If a Party (or any Subsidiary thereof) inadvertently violates the prohibition against the solicitation of Restricted Employees, such Party shall (or it shall cause its applicable Subsidiary to), as soon as it is aware it has committed a violation of this section, notify the other Party who formerly employed such Restricted Employee and either withdraw any offer to the solicited individual or ensure that such person, if hired, is restricted from working on, consulting on, or having any knowledge with respect to matters which are designated by the Party who formerly employed such employee in its reasonable discretion as competitively sensitive matters, in which event such inadvertent action shall not be deemed to be a breach of this Section 4.7 so long as there is no repetitive pattern of such actions.

#### 4.8 Tax Matters.

(a) Each Party hereto shall cooperate as reasonably requested by any other Party and at the requesting Party’s sole cost, liability and expense, to maximize the tax efficiency of the transactions contemplated by this Agreement and the other Transaction Documents and the structure of each of Intel’s (and/or its Affiliates), ST’s (and/or its Affiliates) and FP’s (or FP Holdco’s) investment in Newco, subject to the terms of the Shareholders’ Agreement. Requests made pursuant to this Section 4.8(a) shall not be deemed to be reasonable if they result in costs, liabilities and expense to any non-requesting Party (other than in insignificant amounts) that are not determinable with accuracy at the time of the request or that involve costs (other than in insignificant amounts) that will be incurred by any non-requesting Party in years following the year the first of such actions (or the first in a series of related actions) is requested.

(b) Upon the occurrence of a Consolidation, the successor to an entity that merges out of existence or liquidates in connection with such Consolidation shall succeed to all of such entity’s rights and obligations under the Transaction Documents, and shall

execute such joinders and other documents reasonably requested by the other Shareholders to evidence the same.

4.9 Operation of the Intel Business Prior to the Closing Between the date of this Agreement and the Closing Date, except as contemplated by this Agreement or any other Transaction Document or as set forth in Schedule 4.9 of the Intel Master Agreement Disclosure Letter, or unless ST and FP shall otherwise agree in writing (which consent shall not be unreasonably withheld or delayed), Intel shall, and shall cause its Subsidiaries to, (x) operate the Intel Business in the ordinary course of business in all material respects and (y) continue to make capital expenditures which are, in the aggregate, consistent in all material respects with the Intel Business Capital Expenditures Plan. Between the date of this Agreement and the Closing Date, except as otherwise agreed in this Agreement or any other Transaction Document or as set forth in Schedule 4.9 of the Intel Master Agreement Disclosure Letter, unless ST and FP shall otherwise consent in writing (which consent shall not be unreasonably withheld or delayed), Intel shall, and shall cause its Subsidiaries to:

- (a) pay the material debts and Taxes of the Intel Business and the Intel Transferred Entities in the ordinary course of business;
- (b) use commercially reasonable efforts to (i) maintain the tangible fixed assets included in the Intel Transferred Assets as a whole in all material respects in at least as good condition as they are being maintained on the date hereof, subject to normal wear and tear, (ii) maintain in effect all material Permits and Governmental Approvals of the Intel Business, (iii) not terminate, other than for cause, nor materially decrease the compensation of, the key executives of the Intel Business, and (iv) maintain satisfactory relationships with the customers, partners, suppliers and others having material business relationships with the Intel Business;
- (c) not sell, assign, or transfer any of the Intel Transferred Assets, or license any of the Intel Transferred Intellectual Property, except, in each case, in the ordinary course of business and except for the transfer of Intel Transferred Assets to Intel Transferred Entities as contemplated or permitted hereby, and not permit any of the Intel Transferred Assets to be subjected (whether by action or omission) to any Lien, other than the Permitted Liens;
- (d) not sell, assign, or transfer any of the Intel Transferred Interests and not permit any of the Intel Transferred Interests to be subjected to any Share Encumbrances;
- (e) not fail to pay or discharge when due any Liability of which the failure to pay or discharge would cause any material damage or loss to the Intel Transferred Assets and the Intel Transferred Entities, taken as a whole;
- (f) not waive or amend any material term of or terminate any material Intel Transferred Contract or relinquish any material rights thereunder, other than in the ordinary course of business;
- (g) not make any material change in its accounting principles, methods or practices relating to the Intel Business, and maintain the Intel Books and Records in the

usual, regular and ordinary manner on a basis consistent with prior years, except, in either case, for any change required by a change in GAAP, a change in the accounting practices of Intel generally, or a change resulting from the preparation of the Intel Business Audited Financial Statements;

(h) not grant to any Intel Business Employee any increase in compensation or in severance or termination pay, grant any severance or termination pay (or amend in any material respect any existing arrangement for the foregoing), or enter into any employment deferred compensation or similar agreement with any such employee, except as may be required under Applicable Law, any termination policy of Intel (whether existing as of the date hereof or adopted hereafter) or any employment or termination agreement in effect on the date hereof or in the ordinary course of business, or establish, adopt or amend (except as required by Applicable Law) any collective bargaining, bonus, profit-sharing, thrift, pension, retirement, deferred compensation, compensation, stock option, restricted stock or other benefit plan or arrangement covering any director, officer or employee of the Intel Business, that is material in the aggregate to the Intel Business;

(i) not enter into or renew (other than automatic renewal) any Intel Transferred Contracts that exclusively relate to the Intel Business that provide for payment obligations (whether by Intel or any of its Subsidiaries or the counterparty thereto) that are material, in the aggregate, to the Intel Business, except for those described the Intel Business Capital Expenditures Plan;

(j) not make any acquisition, directly or indirectly, of all or substantially all of the assets of any business or equity interests in any Person or any business, whether by merger, consolidation or otherwise, that relates to the Intel Business;

(k) not incur any additional Intel Transferred Liabilities for capital expenditures that are material, in the aggregate, to the Intel Business, except for those described in the Intel Business Capital Expenditures Plan;

(l) not make any loans or advances to or capital contributions or investments in, any other Person with respect to the Intel Business that are material in the aggregate to the Intel Business, other than in the ordinary course of business or as contemplated by the Transaction Documents;

(m) not agree to any exclusivity, non-competition or similar provision or covenant restricting the Intel Business from competing in any line of business or with any Person or in any location or engaging in any activity or business (including with respect to the development, manufacture, marketing or distribution of their respective products or services), or pursuant to which any benefit or right is required to be given or lost as a result of so competing or engaging, the effect of which would be binding on Newco or any of its Affiliates after the Closing Date;

(n) not settle, or make a binding offer to settle, any material Claim or Proceeding relating to the Intel Business unless such settlement would not encumber any assets of Newco, impose any obligation or other Liability on Newco, impose any

restriction that would apply to Newco or the conduct of the Newco Business or include any acknowledgment of validity, enforceability, infringement or Claim interpretation with regard to any of the Intellectual Property relating to such Claim or Proceeding;

(o) not engage in (i) any trade loading practices or any other promotional sales or discount activity with any customers or distributors with any intent of accelerating to prior fiscal quarters (including the current fiscal quarter) sales to the trade or otherwise than would otherwise reasonably be expected to occur in subsequent fiscal quarters, or (ii) any other promotional sales or discount activity, in each case, in a manner outside the ordinary course of business, and not significantly inconsistent with past practices;

(p) maintain sales incentive plans and programs and sales quotas or incentives for Intel Products, in each case, in the ordinary course of business, and not significantly inconsistent with past practices;

(q) use commercially reasonable efforts to prevent any representation or warranty of Intel hereunder or under the Intel Asset Transfer Agreement from being inaccurate in any material respect at the Closing; *provided, however*, that this covenant shall not be satisfied solely by virtue of any amendment of any schedule to the Intel ATA Disclosure Letter; and

(r) not enter into any agreement to take any action that would violate in any material respect any of the foregoing.

For purposes of Sections 4.9(a)-(f), and (i), all references therein to "Intel Transferred Assets," "Intel Transferred Entities," "Intel Transferred Interests," "Intel Transferred Intellectual Property," and "Intel Transferred Contracts," shall be deemed to mean all applicable assets or properties owned by Intel or any of its Subsidiaries prior to the Closing which would be included in the applicable section of the Intel ATA Disclosure Letter on the Determination Date if such asset or property was owned by Intel or any of its Subsidiaries on the Determination Date.

4.10 Operation of the ST Business Prior to the Closing. Between the date of this Agreement and the Closing Date, except as contemplated by this Agreement or any other Transaction Document or as set forth in Schedule 4.10 of the ST Master Agreement Disclosure Letter, or unless Intel and FP shall otherwise agree in writing (which consent shall not be unreasonably withheld or delayed), ST shall, and shall cause its Subsidiaries to, (x) operate the ST Business in the ordinary course of business in all material respects (y) continue to make capital expenditures which are, in the aggregate, consistent in all material respects with the ST Business Capital Expenditures Plan. Between the date of this Agreement and the Closing Date, except as otherwise agreed in this Agreement or any other Transaction Document or as set forth in Schedule 4.10 of the ST Master Agreement Disclosure Letter, unless Intel and FP shall otherwise consent in writing (which consent shall not be unreasonably withheld or delayed), ST shall, and shall cause its Subsidiaries to:

(a) pay the material debts and Taxes of the ST Business and the ST Transferred Entities in the ordinary course of business;

(b) use commercially reasonable efforts to (i) maintain the tangible fixed assets included in the ST Transferred Assets as a whole in all material respects in at least as good condition as they are being maintained on the date hereof, subject to normal wear and tear, (ii) maintain in effect all material Permits and Governmental Approvals of the ST Business, (iii) not terminate, other than for cause, nor materially decrease the compensation of, the key executives of the ST Business, and (iv) maintain satisfactory relationships with the customers, partners, suppliers and others having material business relationships with the ST Business;

(c) not sell, assign, or transfer any of the ST Transferred Assets, or license any of the ST Transferred Intellectual Property, except, in each case, in the ordinary course of business and except for the transfer of ST Transferred Assets to ST Transferred Entities as contemplated or permitted hereby, and not permit any of the ST Transferred Assets to be subjected (whether by action or omission) to any Lien, other than the Permitted Liens;

(d) not sell, assign, or transfer any of the ST Transferred Interests and not permit any of the ST Transferred Interests to be subjected to any Share Encumbrances;

(e) not fail to pay or discharge when due any Liability of which the failure to pay or discharge would cause any material damage or loss to the ST Transferred Assets and the ST Transferred Entities, taken as a whole;

(f) not waive or amend any material term of or terminate any material ST Transferred Contract or relinquish any material rights thereunder, other than in the ordinary course of business;

(g) not make any material change in its accounting principles, methods or practices relating to the ST Business, and maintain the ST Books and Records in the usual, regular and ordinary manner on a basis consistent with prior years, except, in either case, for any change required by a change in GAAP, a change in the accounting practices of ST generally, or a change resulting from the preparation of the ST Business Audited Financial Statements;

(h) not grant to any ST Business Employee any increase in compensation or in severance or termination pay, grant any severance or termination pay (or amend in any material respect any existing arrangement for the foregoing), or enter into any employment deferred compensation or similar agreement with any such employee, except as may be required under Applicable Law, any termination policy of ST (whether existing as of the date hereof or adopted hereafter) or any employment or termination agreement in effect on the date hereof or in the ordinary course of business, or establish, adopt or amend (except as required by Applicable Law) any collective bargaining, bonus, profit-sharing, thrift, pension, retirement, deferred compensation, compensation, stock option, restricted stock or other benefit plan or arrangement covering any director, officer or employee of the ST Business, that is material in the aggregate to the ST Business;

(i) not enter into or renew (other than automatic renewal) any ST Transferred Contracts that exclusively relate to the ST Business that provides for payment obligations

(whether by ST or any of its Subsidiaries or the counterparty thereto) that are material, in the aggregate, to the ST Business, except for those described the ST Business Capital Expenditures Plan;

(j) not make any acquisition, directly or indirectly, of all or substantially all of the assets of any business or equity interests in any Person or business, whether by merger, consolidation or otherwise, that relates to the ST Business;

(k) not incur any additional ST Transferred Liabilities for capital expenditures that are material, in the aggregate, to the ST Business, except for those described in the ST Business Capital Expenditures Plan;

(l) not make any loans or advances to or capital contributions or investments in, any other Person with respect to the ST Business that are material in the aggregate to the ST Business, other than in the ordinary course of business or as contemplated by the Transaction Documents;

(m) not agree to any exclusivity, non-competition or similar provision or covenant restricting the ST Business from competing in any line of business or with any Person or in any location or engaging in any activity or business (including with respect to the development, manufacture, marketing or distribution of their respective products or services), or pursuant to which any benefit or right is required to be given or lost as a result of so competing or engaging, the effect of which would be binding on Newco or any of its Affiliates after the Closing Date;

(n) not settle, or make any binding offer to settle, any material Claim or Proceeding relating to the ST Business unless such settlement would not encumber any assets of Newco, impose any obligation or other Liability on Newco, impose any restriction that would apply to Newco or the conduct of the Newco Business or include any acknowledgment of validity, enforceability, infringement, or Claim interpretation with regard to any of the Intellectual Property relating to such Claim or Proceeding;

(o) not engage in (i) any trade loading practices or any other promotional sales or discount activity with any customers or distributors with any intent of accelerating to prior fiscal quarters (including the current fiscal quarter) sales to the trade or otherwise than would otherwise reasonably be expected to occur in subsequent fiscal quarters, (ii) any other promotional sales or discount activity, (iii) any practice which would have the effect of accelerating to the period prior to the Closing collections of receivables of any ST Transferred Entity that would otherwise be reasonably expected (based on past practice) to be made after the Closing, or (iv) any practice which would have the effect of postponing to the period after the Closing payments by any ST Transferred Entity that would otherwise be reasonably expected (based on past practice) to be made in the period prior to the Closing, in each case, in a manner outside the ordinary course of business, and not significantly inconsistent with past practices;

(p) maintain sales incentive plans and programs and sales quotas or incentives for ST Products, in each case, in the ordinary course of business, and not significantly inconsistent with past practices;

(q) use commercially reasonable efforts to prevent any representation or warranty of ST hereunder or under the ST Asset Contribution Agreement from being inaccurate in any material respect at the Closing; *provided, however*, that this covenant shall not be satisfied solely by virtue of any amendment of any schedule to the ST ACA Disclosure Letter; and

(r) not enter into any agreement to take any action that would violate in any material respect any of the foregoing.

For purposes of Sections 4.10(a)-(f), and (i), all references therein to “ST Transferred Assets,” “ST Transferred Entities,” “ST Transferred Interests,” “ST Transferred Intellectual Property,” and “ST Transferred Contracts,” shall be deemed to mean all applicable assets or properties owned by ST or any of its Subsidiaries prior to the Closing which would be included in the applicable section of the ST ATA Disclosure Letter on the Determination Date if such asset or property was owned by ST or any of its Subsidiaries on the Determination Date.

#### 4.11 Employee Matters.

(a) Employment Offers. Subject to Applicable Law, within 10 days following Newco’s formation pursuant to Section 4.16 (Newco Formation and Preparation), or such other period of time after the date hereof as may be reasonably agreed by Newco, Intel, ST and FP, Newco may make offers of employment to Intel Business Employees (other than any Intel Excluded Employees) and ST Business Employees (other than any ST Excluded Employees), to be effective as of the Closing or on such later date specified in the offer as may reasonably be agreed by Newco, Intel, ST and FP, provided that to the extent permitted by Applicable Law, the offers to any inactive Intel Business Employee or ST Business Employee shall be effective on the date such Business Employee returns to active employment. Notwithstanding the foregoing, ST Designated Employees (to the extent employed by ST immediately prior to the Closing) shall automatically transfer to Newco on the Closing (or if such ST Designated Employee is inactive, at such time as specified by Applicable Law). Schedule 4.11(a) of the ST Master Agreement Disclosure Letter sets forth the ST Designated Employees. Notwithstanding anything in this Agreement to the contrary, in no event shall the acceptance of employment by any Intel Business Employee or ST Business Employee be a condition to the Closing. The offers of employment for each such Intel Business Employee (other than Intel Excluded Employees) and ST Business Employee (other than ST Excluded Employees) will (i) be subject to requirements of Applicable Law for the jurisdiction in which the Intel Business Employee or ST Business Employee is located and include employment terms reasonably determined by Newco, and (ii) supersede, to the extent permitted by Applicable Law any prior agreements regarding the terms and conditions of employment with such Intel Business Employee or ST Business Employee as in effect prior to the Closing Date; *provided, however*, that in no event shall any prior agreement with respect to Intellectual Property be superseded, except that unless otherwise agreed by Intel and Newco or ST



and Newco, as the case may be, all Intel Transferred Employees and ST Transferred Employees shall be permitted to disclose to Newco all information in their possession or otherwise known by them which is directly related to the Intel Business or ST Business, as applicable, and not related to Patents or Confidential Information of Intel or ST, respectively, in each case, to the extent not an Intel Transferred Asset or ST Transferred Asset. As of the Closing Date, the Intel Transferred Entities shall employ only Intel Transferred Employees, and the ST Transferred Entities shall employ only ST Transferred Employees.

(b) Excluded Employees; Allocated Positions. Prior to the Closing, the Parties shall cooperate in good faith, and in accordance with the provisions set forth in Schedule 4.11(b) of each of the Intel Master Agreement Disclosure Schedule and the ST Master Agreement Disclosure Schedule, to (i) identify those Intel Business Employees to whom an employment offer shall not be made pursuant to Section 4.11(a) (collectively, the “Intel Excluded Employees”) and those ST Business Employees to whom an employment offer shall not be made pursuant to Section 4.11(a) (collectively, the “ST Excluded Employees”), (ii) identify such other employees of Intel and ST who shall be offered Newco Allocated Positions and (iii) avoid any transfer of employees to Newco or any of its Subsidiaries in excess of the number of employees reasonably necessary to operate the Newco Business at the Closing.

(c) Executive Agreements. Intel, ST, FP, and FP Holdco agree to recommend to Newco that, within 10 days following the formation of Newco, Newco should (i) negotiate in good faith offers of employment with the individuals identified in Schedule 4.11(c) of each of the Intel Master Agreement Disclosure Letter and ST Master Agreement Disclosure Letter for the positions identified on such Schedule; and (ii) adopt and execute employment and severance agreements with such individuals in substantially the forms attached to Schedule 4.11(c) to each of the Master Agreement Disclosure Letters, to be effective on the Closing Date as of the Effective Time.

(d) Employee Information and Access. Each of Intel and ST agrees to provide to each other and to FP and Newco certain general information concerning their respective compensation and benefit programs and specific information relating to individual Business Employees, subject to Applicable Law and, to the extent required, any such employee’s proper consent, solely for the purpose of Newco formulating offers of employment to such employees; *provided, however*, that neither Intel nor ST will make personnel records available for inspection or copying except with respect to Intel Transferred Employees who are employed by an Intel Transferred Entity as of the Closing Date and ST Transferred Employees who are employed by an ST Transferred Entity as of the Closing Date.

(e) Equity Plan. The Parties shall cause Newco to implement the Equity Plan at or prior to the Closing.

#### 4.12 Additions to and Modifications of Schedules.

(a) If on any date on or prior to the date two Business Days prior to the Closing Date (the "Determination Date"), any of the information provided by Intel in any of the Specified Intel Schedules or by ST in any of the Specified ST Schedules or by Newco in any of the Specified Newco Schedules, as the case may be, is not true, accurate and complete in all material respects on and as of such date, the Party that provided such schedule shall be entitled to amend such schedule to make additions to or modifications of such schedule necessary to make the information set forth therein true, accurate and complete in all material respects and shall promptly deliver such amended schedule to the other Party, and such schedule shall be deemed amended to reflect such additions and modifications for all purposes. If any of the Specified Intel Representations made by Intel, the Specified ST Representations made by ST, or the Specified Newco Representations made by Newco, as the case may be, would not be true, accurate and complete in all material respects on and as of the Closing Date unless additional information with respect thereto were set forth in a new schedule not previously included in the applicable Disclosure Letter, such Party shall be entitled to amend such Disclosure Letter to add such new schedule, and shall promptly deliver such new schedule to the other Party, which schedule shall thereupon be deemed to be a part of such Disclosure Letter for all purposes.

(b) On the Determination Date, each of Intel and ST may, but shall not be obligated to, (i) amend and deliver to Newco any schedule to the Intel ATA Disclosure Letter or ST ACA Disclosure Letter, as applicable, upon which any Intel Transferred Assets or ST Transferred Assets described in Section 2.1 (and to the extent of such amendments, any Liabilities associated with such Intel Transferred Assets or ST Transferred Assets that would be Intel Transferred Liabilities or ST Transferred Liabilities under Section 2.3 of the Intel Asset Transition Agreement or ST Asset Contribution Agreement, as the case may be, including Liabilities under any Intel Transferred Contract or ST Transferred Contract included in such amendment, shall be Intel Transferred Liabilities or ST Transferred Liabilities, as applicable) of each of the Intel Asset Transfer Agreement and the ST Asset Contribution Agreement are listed or identified, and (ii) deliver any such new schedule to the Intel ATA Disclosure Letter or ST ACA Disclosure Letter, as applicable, upon which any Intel Transferred Assets or ST Transferred Assets described in Section 2.1 (and to the extent of such amendments, any Liabilities associated with such Intel Transferred Assets or ST Transferred Assets that would be Intel Transferred Liabilities or ST Transferred Liabilities under Section 2.3 of the Intel Asset Transition Agreement or ST Asset Contribution Agreement, as the case may be, including Liabilities under any Intel Transferred Contract or ST Transferred Contract included in such amendment, shall be Intel Transferred Liabilities or ST Transferred Liabilities, as applicable) of each of the Intel Asset Transfer Agreement and the ST Asset Contribution Agreement are listed or identified, if Intel or ST, as the case may be, in its sole discretion, determines that such amendments will provide greater assurances that the representations made by Intel in Section 3.17 (Intel Transferred Assets) of the Intel Asset Transfer Agreement and by ST in Section 3.17 (ST Transferred Assets) of the ST Asset Contribution Agreement, respectively, are accurate on the Closing Date, or in order that each such schedule shall more accurately reflect the

removal of any assets or Liabilities on any such schedule which have, in the ordinary course of the Intel Business or the ST Business, as the case may be, ceased to exist or which have been disposed of or extinguished by the Intel Business or the ST Business in accordance with Section 4.9 and Section 4.10, respectively, as applicable, in the ordinary course of business between the date hereof (or, if such schedule was prepared as of an earlier date, such earlier date) and the Determination Date.

(c) On or within 30 days after the Closing Date, each of Intel and ST may (i) further amend and deliver to Newco any schedule to the Intel ATA Disclosure Letter or ST ACA Disclosure Letter, as applicable, upon which any Intel Transferred Assets or ST Transferred Assets described in Section 2.1 (and to the extent of such amendments, any Liabilities associated with such Intel Transferred Assets or ST Transferred Assets that would be Intel Transferred Liabilities or ST Transferred Liabilities under Section 2.3 of the Intel Asset Transition Agreement or ST Asset Contribution Agreement, as the case may be, including Liabilities under any Intel Transferred Contract or ST Transferred Contract included in such amendment, shall be Intel Transferred Liabilities or ST Transferred Liabilities, as applicable) of each of the Intel Asset Transfer Agreement and the ST Asset Contribution Agreement are listed or identified, and (ii) deliver any such new schedule to the Intel ATA Disclosure Letter or ST ACA Disclosure Letter, as applicable, upon which any Intel Transferred Assets or ST Transferred Assets described in Section 2.1 (and to the extent of such amendments, any Liabilities associated with such Intel Transferred Assets or ST Transferred Assets that would be Intel Transferred Liabilities or ST Transferred Liabilities under Section 2.3 of the Intel Asset Transition Agreement or ST Asset Contribution Agreement, as the case may be, including Liabilities under any Intel Transferred Contract or ST Transferred Contract included in such amendment, shall be Intel Transferred Liabilities or ST Transferred Liabilities, as applicable) of each of the Intel Asset Transfer Agreement and the ST Asset Contribution Agreement are listed or identified, if Intel or ST, as the case may be, in its sole discretion, determines that such amendments will provide greater assurances that the representations made by Intel in Section 3.17 (Intel Transferred Assets) of the Intel Asset Transfer Agreement and by ST in Section 3.17 (ST Transferred Assets) of the ST Asset Contribution Agreement, respectively, are accurate as of the Closing Date, or in order that, each such schedule shall more accurately reflect the removal of any assets or Liabilities on any such schedule which have, in the ordinary course of the Intel Business or the ST Business, as the case may be, ceased to exist or which have been disposed of or extinguished by the Intel Business or the ST Business, as applicable, in the ordinary course of business between the Determination Date (or, if such schedule was prepared as of an earlier date, such earlier date) and the Closing Date in accordance with Section 4.9 and Section 4.10, respectively.

(d) For any additions or modifications made by a Party (i) to correct inaccuracies of the Specified Intel Representations or Specified ST Representations, as the case may be (including those representations and warranties which are expressed with respect to a date prior to the date hereof) for facts, events or circumstances occurring prior to or existing on and as of the date hereof, and, in the case of a representation or warranty made to the Knowledge of a Party, of which such Party had Knowledge on and as of the date hereof, (ii) to reflect any facts, events or circumstances which resulted from

a breach of Section 4.9 or Section 4.10 hereof, as applicable, or (iii) to update, correct or otherwise modify any of the representations set forth in Section 3.2 (Authorization and Enforceability), Section 3.4 (Non-contravention), Section 3.7 (Litigation), Section 3.9 (Compliance with Applicable Laws), Section 3.10 (Tax Matters), Section 3.11 (Intellectual Property), Section 3.13 (Financial Information), Section 3.14 (Absence of Certain Changes), Section 3.17 (Intel Transferred Assets or ST Transferred Assets, as applicable), Section 3.20 (Inventories), Section 3.21 (Advisory Fees), Section 3.22 (Transferred Entities and Transferred Interests) and Section 3.23 (Investment Representations) of the Intel Asset Transfer Agreement or ST Asset Contribution Agreement, then in each such case, Newco shall be entitled to indemnification therefor pursuant to, and subject to the limitations set forth in, Article VI of the Intel Asset Transfer Agreement or ST Asset Contribution Agreement, as applicable, to the same extent as if such additions and modifications had not been made.

(e) Notwithstanding anything in this Agreement to the contrary, any addition or modification to the Specified Intel Schedules and/or the Specified ST Schedules shall be disregarded for purposes of determining whether (i) the conditions set forth in Section 5.1(a) (Performance by ST) shall have been satisfied in respect of the representations and warranties set forth in Section 3.14(i) (Absence of Certain Changes) of the ST Asset Contribution Agreement, (ii) the conditions set forth in Section 5.2(a) (Performance by Intel) shall have been satisfied in respect of the representations and warranties set forth in Section 3.14(i) (Absence of Certain Changes) of the Intel Asset Transfer Agreement, and (iii) the conditions set forth in Section 5.3(a) (Performance by Intel) and Section 5.3(b) (Performance by ST) shall have been satisfied in respect of the representations and warranties set forth in Section 3.14(i) of the ST Asset Contribution Agreement or Section 3.14(i) of the Intel Asset Transfer Agreement.

(f) Other than as set forth in Section 4.12(a), (b), (c), and (d) without the consent of the other Party or Parties, as applicable, no Party may make any changes, supplements, amendments or modifications to any Disclosure Letter with respect to any fact, event or circumstance occurring after the date hereof.

#### 4.13 Third Party Appraisal and Allocation: Dutch Auditors

(a) As soon as practicable but no later than 20 days following the date hereof, ST shall identify to Intel three “internationally-recognized” firms, at least two of which are “Big 4” firms reasonably believed not to have a conflict of interest; and (b) as soon as reasonably practicable, but no later than 10 days after the receipt of the names, Intel, in its sole discretion, shall select one of the firms (the “Third Party Appraisal Firm”) for each of Intel and ST to retain to perform the Third Party Appraisals.

(b) Intel and ST shall each select an office of the Third Party Appraisal Firm that will jointly: (i) value Newco’s net assets; and (ii) allocate the value of Newco’s net assets to Newco’s individual assets and liabilities, in accordance with GAAP, which allocation shall become Newco’s opening balance sheet.

(c) Each Party agrees to pursue and timely obtain, or to cause Newco or its Affiliates to pursue and timely obtain, such auditor's certificates pursuant to article 2.204b and 2.204c (as applicable) of the Dutch Civil Code as are required to give effect to the transactions contemplated in this Agreement and the other Transaction Documents.

4.14 Notices of Certain Intel Events. Intel shall promptly notify ST and FP of:

(a) any notice or other communication from any Person alleging the consent of such Person is or may be required in connection with the transactions contemplated by this Agreement or the Intel Asset Transfer Agreement to the extent such consent would have been required to have been disclosed on Schedule 3.8(b) of the Intel ATA Disclosure Letter;

(b) any notice or other communication from any Governmental Authority regarding any material Governmental Approval in connection with the transactions contemplated by this Agreement;

(c) any Claims, investigations or Proceedings commenced or, to its Knowledge, threatened against, relating to or involving or otherwise affecting Intel or the Intel Business that, if pending on the date of this Agreement, would have been required to have been disclosed pursuant to Section 3.7 (Litigation) of the Intel Asset Transfer Agreement or that challenge or in any manner seek to prohibit the transactions contemplated hereby or the consummation of the Closing; and

(d) any damage, destruction or other casualty loss that is material to the Intel Transferred Assets, taken as a whole;

*provided, however*, that the delivery of any notice pursuant to this Section 4.14 shall not limit or otherwise affect the remedies available to Newco under the Intel Asset Transfer Agreement.

4.15 Notices of Certain ST Events. ST shall promptly notify Intel and FP of:

(a) any notice or other communication from any Person alleging the consent of such Person is or may be required in connection with the transactions contemplated by this Agreement or the ST Asset Contribution Agreement to the extent such consent would have been required to have been disclosed on Schedule 3.8(b) of the ST ACA Disclosure Letter;

(b) any notice or other communication from any Governmental Authority regarding any material Governmental Approval in connection with the transactions contemplated by this Agreement;

(c) any Claims, investigations or Proceedings commenced or, to its Knowledge, threatened against, relating to or involving or otherwise affecting ST or the ST Business that, if pending on the date of this Agreement, would have been required to have been disclosed pursuant to Section 3.7 (Litigation) of the ST Asset Contribution Agreement or that challenge the consummation of the transactions contemplated hereby or thereby;

(d) any damage, destruction or other casualty loss that is material to the ST Transferred Assets, taken as a whole;

*provided, however,* that the delivery of any notice pursuant to this Section 4.15 shall not limit or otherwise affect the remedies available to Newco under the ST Asset Contribution Agreement.

**4.16 Newco Formation and Preparation.** As soon as reasonably practicable following the expiration or termination of the waiting period (and any extension thereof) applicable to the consummation of the transactions contemplated hereby under the HSR Act and any other applicable similar merger notification laws or regulations of foreign Governmental Authorities, the Parties hereto shall take any and all actions necessary in order to incorporate Newco as a private company with limited liability organized under the laws of The Netherlands and prepare Newco to commence its operations immediately following the Closing, including without limitation, to:

(a) cause a civil law notary (i) to execute a Deed of Incorporation in a form reasonably agreed by the Parties in which the Parties each shall be named as joint incorporators of Newco, (ii) to register Newco with the Dutch Trade Register and (iii) to execute a deed of issuance of shares in Newco's capital, which shall reflect the shareholdings of the Parties in Newco in the following manner: ST 48.58%, Intel 45.10% and FP Holdco 6.32%, and take all other actions reasonably necessary in connection therewith;

(b) provide the initial capitalization to Newco as provided in the Deed of Incorporation, which capitalization shall be at least equal to the minimum capitalization provided by the laws of The Netherlands, in the respective percentages as provided in subsection (a) above;

(c) cause Newco to purchase and maintain directors and officers insurance as required by Section 6.9 of the Shareholders' Agreement;

(d) establish upon incorporation of Newco the Management Board of Newco which shall, prior to the Closing, have a sole Managing Director, who shall be FP; *provided* that FP shall not, in its capacity as the Managing Director, cause Newco to take any action or execute any agreement or document that is not contemplated by this Agreement unless each of Intel and ST shall consent thereto in writing, and in no event shall Newco conduct operations or engage in the conduct of any business prior to the Closing; *provided, further,* that each of Intel and ST shall advance 50% of all costs or expenses incurred by or on behalf of FP on behalf of or for the benefit of Newco in the performance of the activities set forth in this Section 4.16, and immediately after the Closing, Newco shall reimburse Intel and ST for all amounts so advanced; *provided, further* that prior to the Closing, to the maximum extent permitted by Applicable Law, the Managing Director of Newco shall not be personally liable for any obligations of Newco and ST and Intel shall each indemnify FP and its directors, officers, employees and agents, solely in respect of actions in its capacity as sole Managing Director (the "Indemnified Persons") against 50% of all Losses resulting from or arising out of, and

shall hold the Indemnified Persons harmless from, any action taken or any failure to take any action at or prior to the Closing; *provided, however*, that no indemnification shall be provided to any Indemnified Person for a Loss if such Loss resulted primarily from any action not permitted by this Agreement or approved by Intel and ST or resulted primarily from an act of fraud, dishonesty or other willful misconduct by FP; *provided, further*, that to the extent permitted by Applicable Law, 50% of all expenses (including legal fees) actually and reasonably incurred by an Indemnified Person in defending any claim, demand, action, suit or proceeding shall, from time to time, be advanced by each of ST and Intel prior to the final disposition of such claim upon receipt by ST and Intel of an undertaking by or on behalf of an Indemnified Person to repay such amount if it shall be determined that the Indemnified Person is not entitled to be indemnified therefor pursuant to this Section 4.16(d);

(e) FP shall, in its capacity as Managing Director, cause Newco to take all actions required by this Agreement to be taken by Newco prior to the Closing and any other such actions as are reasonably necessary to consummate the transactions contemplated by this Agreement and the other Transaction Documents;

(f) vote at a general meeting of shareholders of Newco the shares of which such Party is the registered holder or for which such Party shall otherwise have the ability to control or direct the voting thereof at any such general meeting of shareholders, or execute a written resolution with respect to such shares, in favor of any resolution required by or necessary pursuant to the Transaction Documents to effect the Closing; *provided*, that the foregoing shall not require any Party to waive any right that such Party has under any Transaction Document, or to consent (or withhold its consent) to any waiver requested by any party under any Transaction Document;

(g) FP shall, in its capacity as Managing Director, adopt any resolution required or necessary to be adopted by Newco to effect the Closing, to the extent required by Applicable Law;

(h) cause Newco to organize such Subsidiaries as reasonably requested by the Parties;

(i) cause Newco to open bank accounts as reasonably requested by any Party in order to facilitate the actions set forth herein and to carry out the transactions contemplated by the Transaction Documents;

(j) cause Newco to execute and deliver the Intel Option Agreement to Intel or an Affiliate of Intel at least five days prior to the Closing Date;

(k) cause Newco to execute each Transaction Document to which it is to become a party as well as any other instruments, certificates, authorizations and other documents or papers required to be executed and delivered by Newco on or before the Closing;

(l) cause Newco to execute any waivers or consents, including in connection with the waiver of closing conditions as set forth in the Transaction Documents, (i) with

respect to any obligation or duty of ST, if Intel and FP each consents in writing to Newco granting such waiver or consent, (ii) with respect to any obligation or duty of Intel, if ST and FP each consents in writing to Newco granting such waiver or consent, and (iii) with respect to any obligation or duty of FP, if Intel and ST each consents in writing to Newco granting such waiver or consent; *provided, further*, that Newco shall refrain from executing or otherwise granting any waiver or consent without the prior written consent of the Parties as set forth in the preceding clause; and

(m) cause Newco to take all actions set forth in Section 2.10 (Deliveries by Newco) of the Intel Asset Transfer Agreement and Section 2.10 (Deliveries by Newco) of the ST Asset Contribution Agreement;

*provided* that, in addition to the provisions set forth above in this Section 4.16, the Parties shall use reasonable efforts to prevent Newco from taking any actions not set forth above without the prior consent of each of the Parties, which consent shall not be unreasonably withheld or delayed.

4.17 Newco Tax Election. The Parties agree that, unless Intel otherwise directs, (a) the organizational documents of Newco shall authorize Newco to elect, and Newco will elect, effective upon its formation, to be treated as a partnership for U.S. income tax purposes, and (b) Newco's principal operating subsidiary will elect, effective upon its formation, to be treated as a disregarded entity for U.S. income tax purposes, and the Parties shall cooperate as reasonably requested by Intel (including by executing any such election) in order to effectuate such elections. The Parties acknowledge that any such election shall be filed on Internal Revenue Service Form 8832 (or any successor form) no later than 75 days after the formation under Dutch law of Newco or such principal operating subsidiary, as the case may be. The Parties further agree that they will notify Intel prior to the direct or indirect acquisition or formation by Newco or its Subsidiaries of any entity that will become a Subsidiary of Newco, and shall cooperate as Intel may request to cause any such entity to be an "eligible entity" as defined in U.S. Treasury Regulation Section 301.7701-3(a) and to elect such tax status with respect to such entity (either as a disregarded entity, partnership or corporation) for U.S. federal income tax purposes as Intel may request, effective as of the date of formation of such entity unless otherwise requested by Intel.

4.18 Newco Closing Reorganization. On or immediately prior to the Closing Date, the Parties shall cause Newco to take the actions contemplated by Schedule 4.18 to each Master Agreement Disclosure Letter.

4.19 Cooperation with Financing. Each Party shall, and shall cause its Subsidiaries, and cause Newco and its Subsidiaries, and their respective appropriate representatives to, provide, reasonable cooperation in connection with the arrangement of the Contemplated Financing as may be reasonably requested by any other Party, including, using reasonable efforts to: (a) provide due diligence materials to the parties to the Commitment Letter or other potential financing sources; (b) assist Newco and its financing sources in the preparation, if applicable, of an offering document for such Contemplated Financing and materials for rating agency presentations; (c) cooperate with the marketing efforts of Newco and its financing sources for such Contemplated Financing; (d) provide such other documents as may be reasonably requested



by Newco; and (e) facilitate the pledge of collateral owned by Newco or its Subsidiaries to secure the Contemplated Financing at and after the Effective Time.

4.20 Environmental Consultants. As promptly as practicable (but in no event later than 40 days) after the date hereof, (a) Intel shall select and engage the Environmental Consultant to conduct the ST Environmental Reports and (b) ST shall select and engage the Environmental Consultant to conduct the Intel Environmental Reports.

4.21 Hynix JV Matters. As soon as practicable following the date hereof, ST shall agree to maintain such minimum ownership interest in Newco for such minimum period of time (not to exceed two years) as Hynix may reasonably require in order for Newco to be a "Designated Third Party" for purposes of the agreements set forth in both (a) that certain letter agreement between Hynix and ST dated March 23, 2007 amending the Joint Venture Agreement, dated as of November 16, 2004 (as supplemented and amended by letter agreements dated April 8, 2005, April 19, 2005, April 27, 2005 and June 10, 2005) of the Hynix JV and (b) the Agreement on the Amendment of the Articles of Association of the Hynix JV between Hynix and ST dated March 23, 2007.

4.22 Facility Transfer Term Sheets.

(a) Intel shall, and shall cause its Subsidiaries to effect the transfer of the Intel Real Property at the Closing in accordance with the terms of the Facility Transfer Term Sheets attached to Schedule 4.22(a) of the Intel Master Agreement Disclosure Letter, subject to the terms and conditions thereof.

(b) ST shall, and shall cause its Subsidiaries to effect the transfer of the ST Transferred Facilities at the Closing in accordance with the terms of the Facility Transfer Term Sheets attached to Schedule 4.22(b) of the ST Master Agreement Disclosure Letter, subject to the terms and conditions thereof.

4.23 Governmental Consents. From the date hereof until the earlier of the Closing Date or the date upon which this Agreement is terminated in accordance with Section 6.1(c), Intel shall, and shall cause its Subsidiaries to, use commercially reasonable efforts to take or cause to be taken all actions, and do or cause to be done all things necessary on their part to obtain the Governmental Consents on the terms and conditions that satisfy the requirements set forth in Schedule 5.1(f) of the Intel Master Agreement Disclosure Letter and Schedule 5.2(f) of the ST Master Agreement Disclosure Letter as soon as reasonably practicable, including preparing and filing as soon as reasonably practicable all documentation to effect all necessary notices, reports and other filings.

4.24 Release of Liens. On the Closing Date, the Intel Transferors and ST Transferors shall deliver the Intel Transferred Assets and ST Transferred Assets, respectively, to Newco and its Subsidiaries free and clear of Liens, other than Permitted Liens, except as otherwise provided in the Intel Asset Transfer Agreement and the ST Asset Contribution Agreement.

4.25 ST Litigation. ST shall be financially responsible for any and all costs and liabilities, including but not limited to license fees, royalties, and damages awarded by a court or administrative agency, that accrue in or as a result of Proceedings with respect to ST Products

imported, used or sold prior to Closing. Newco shall be financially responsible for any and all costs and liabilities, including but not limited to license fees, royalties, and damages awarded by a court or administrative agency, that accrue in or as a result of Proceedings with respect to ST Products imported, used or sold by Newco or any of its Subsidiaries on or subsequent to Closing. Notwithstanding the above, each Party shall be responsible for their respective legal fees and associated costs related to such Proceedings regardless of when incurred.

4.26 Intel Litigation. Intel shall be financially responsible for any and all costs and liabilities, including but not limited to license fees, royalties, and damages awarded by a court or administrative agency, that accrue in or as a result of Proceedings with respect to Intel Products imported, used or sold prior to Closing. Newco shall be financially responsible for any and all costs and liabilities, including but not limited to license fees, royalties, and damages awarded by a court or administrative agency, that accrue in or as a result of Proceedings with respect to Intel Products imported, used or sold by Newco or any of its Subsidiaries on or subsequent to Closing. Notwithstanding the above, each Party shall be responsible for their respective legal fees and associated costs related to such Proceedings regardless of when incurred.

4.27 Confidentiality Agreement. Immediately following the formation of Newco pursuant to Section 4.16, the Parties shall cause Newco to become a party to the Confidentiality Agreement.

4.28 Further Assurances. Each Party agrees to execute and deliver, or cause to be executed and delivered, such other documents, certificates, agreements and other writings and to take, or cause to be taken, such other commercially reasonable actions as may be necessary or desirable in order to consummate or implement expeditiously the transactions contemplated by this Agreement.

## ARTICLE V CONDITIONS TO CLOSING

5.1 Conditions to Obligations of Intel. The obligations of Intel to consummate the Closing are subject to the satisfaction or waiver of each of the following conditions:

(a) Performance by ST. (i) ST shall have performed and satisfied in all material respects its obligations and covenants hereunder to the extent such obligations and covenants are required to be performed and satisfied by it on or prior to the Closing Date, (ii) the representations and warranties of ST contained in Section 3.2 shall be true and correct at and as of the Closing as if made at and as of the Closing Date (rather than at and as of the date hereof), *provided, however*, that those representations and warranties set forth in Sections 3.1 — 3.24 of the ST Asset Contribution Agreement (incorporated herein by reference) and which within such sections address matters only as of a certain date specific shall be true and correct as of such certain date), except, in any case, for failures of such representations and warranties (disregarding any materiality or ST Material Adverse Effect qualifications contained in any such representation or warranty) to be true and correct that have not had and would not reasonably be expected to have an ST Material Adverse Effect, and (iii) Newco shall have received a certificate signed by a duly authorized executive officer of ST to the foregoing effect.

(b) Performance by FP and FP Holdco (i) Each of FP and FP Holdco shall have performed and satisfied in all material respects its obligations and covenants hereunder to the extent such obligations and covenants are required to be performed and satisfied by it on or prior to the Closing Date, (ii) the representations and warranties of FP and FP Holdco contained in Section 3.3 shall be true and correct at and as of the Closing as if made at and as of such date (other than those representations and warranties which address matters only as of a certain date which shall be true and correct as of such certain date), except, in any case, for failures of such representations and warranties (disregarding any materiality or FP Material Adverse Effect qualifications contained in any such representation or warranty) to be true and correct that have not had and would not reasonably be expected to have an FP Material Adverse Effect, and (iii) Newco shall have received a certificate signed by a duly authorized executive officer of each of FP and FP Holdco to the foregoing effect.

(c) No Violation. No Governmental Authority shall have enacted, issued, promulgated or entered any Applicable Law which is in effect on the Closing Date which has or would have the effect of prohibiting, restraining or enjoining the consummation of the transactions contemplated by this Agreement. No temporary restraining order, preliminary or permanent injunction, cease and desist order or other order issued by any court or other Governmental Authority that has the effect of making the transactions contemplated hereby illegal or otherwise prohibiting consummation of the transfers contemplated hereby or the consummation of the Closing, or imposing upon Intel material fines or penalties in respect thereof, shall be in effect as of the Closing Date, and there shall be no pending or threatened actions or proceedings by any Governmental Authority (or determinations by any Governmental Authority) challenging or in any manner seeking to prohibit the transfer contemplated hereby or the consummation of the Closing.

(d) Transaction Documents. Each of ST, FP, FP Holdco and Newco (and each of their respective Affiliates) shall have executed and delivered to Intel each Transaction Document, substantially in the form attached hereto, or attached to the form of Intel Asset Transfer Agreement or ST Asset Contribution Agreement, to which each of them, respectively, is a party.

(e) Governmental Approvals. The waiting period (and any extension thereof) applicable to the consummation of the transactions contemplated hereby under the HSR Act shall have expired or been terminated, and any waiting period (and any extension thereof) under any other applicable similar merger notification laws or regulations of foreign Governmental Authorities shall have expired or been terminated. Any Governmental Approvals required under any such laws or regulations in connection with the consummation of the transactions contemplated hereby shall have been obtained.

(f) Consents. Intel shall have received the Consents identified on Schedule 5.1(f) of the Intel Master Agreement Disclosure Letter on terms and conditions that satisfy the requirements set forth in Schedule 5.1(f) of the Intel Master Agreement Disclosure Letter.

(g) No ST Material Adverse Effect. There shall not have occurred since the date hereof any ST Material Adverse Effect that is continuing, and Newco shall have received a certificate signed by a duly authorized executive officer of ST to the foregoing effect.

(h) Audited Financial Statements. ST shall have delivered to Intel audited statements of revenue and direct expenses for the ST Business for the years ended December 31, 2005 and December 31, 2006, and the following balance sheet captions: accounts receivable, inventories, fixed assets, intangible assets and equity investments, as of December 31, 2005 and December 31, 2006 and related notes to these statements. The financial statements shall be prepared to report the ST Business as it has been reported in ST's consolidated financial statements applying GAAP and following the presentation basis adopted by ST in its consolidated financial statements, consistently applied (collectively, "ST Business Audited Financial Statements").

(i) Contemplated Financing. The Contemplated Financing shall have been provided to Newco; *provided* that the Contemplated Financing does not result in Newco and its Subsidiaries having more than \$1,300,000,000 of aggregate Indebtedness outstanding as of the Closing.

(j) Dutch Auditor's Certificates. Each Party (and its Affiliates), as applicable, shall have obtained such auditor's certificate(s) pursuant to article 2:204b or 2:204c (as applicable) of the Dutch Civil Code as are required to give effect to the transactions contemplated in this Agreement and the other Transaction Documents.

(k) Minimum Cash. On the Closing Date, following payment by Newco of any fees and expenses incurred by Newco in connection with the Closing of the Transactions contemplated hereby, but in any event not including the costs set forth in Section 4.16(d), Newco shall have on hand at least \$500,000,000 in Cash and Cash Equivalents.

5.2 Conditions to Obligations of ST. The obligations of ST to consummate the Closing are subject to the satisfaction or waiver of each of the following conditions:

(a) Performance by Intel. (i) Intel shall have performed and satisfied in all material respects its obligations and covenants hereunder to the extent such obligations and covenants are required to be performed and satisfied by it on or prior to the Closing Date, (ii) the representations and warranties of Intel contained in Section 3.1 shall be true and correct at and as of the Closing as if made at and as of the Closing Date (rather than at and as of the date hereof); *provided, however*, that those representations and warranties set forth in Sections 3.1 - 3.24 of the Intel Asset Transfer Agreement (incorporated herein by reference) and which within such sections address matters only as of a certain date specific shall be true and correct as of such certain date), except, in any case, for failures of such representations and warranties (disregarding any materiality or Intel Material Adverse Effect qualifications contained in any such representation or warranty) to be true and correct that have not had and would not reasonably be expected to have an Intel Material Adverse Effect, and (iii) Newco shall have received a certificate signed by a duly authorized executive officer of Intel to the foregoing effect.

(b) Performance by FP and FP Holdco (i) Each of FP and FP Holdco shall have performed and satisfied in all material respects its obligations and covenants hereunder to the extent such obligations and covenants are required to be performed and satisfied by it on or prior to the Closing Date, (ii) the representations and warranties of FP and FP Holdco contained in Section 3.3 shall be true and correct at and as of the Closing as if made at and as of such date (other than those representations and warranties which address matters only as of a certain date which shall be true and correct as of such certain date), except, in any case, for failures of such representations and warranties (disregarding any materiality or FP Material Adverse Effect qualifications contained in any such representation or warranty) to be true and correct that have not had and would not reasonably be expected to have an FP Material Adverse Effect, and (iii) Newco shall have received a certificate signed by a duly authorized executive officer of each of FP and FP Holdco to the foregoing effect.

(c) No Violation. No Governmental Authority shall have enacted, issued, promulgated or entered any Applicable Law which is in effect on the Closing Date which has or would have the effect of prohibiting, restraining or enjoining the consummation of the transactions contemplated by this Agreement. No temporary restraining order, preliminary or permanent injunction, cease and desist order or other order issued by any court or other Governmental Authority that has the effect of making the transactions contemplated hereby illegal or otherwise prohibiting consummation of the transfers contemplated hereby or the consummation of the Closing, or imposing upon ST material fines or penalties in respect thereof, shall be in effect as of the Closing Date, and there shall be no pending or threatened actions or proceedings by any Governmental Authority (or determinations by any Governmental Authority) challenging or in any manner seeking to prohibit the transfer contemplated hereby or the consummation of the Closing.

(d) Transaction Documents. Each of Intel, FP, FP Holdco and Newco (and each of their respective Affiliates) shall have executed and delivered to ST each Transaction Document substantially in the form attached hereto, or attached to the form of Intel Asset Transfer Agreement or ST Asset Contribution Agreement, to which each of them, respectively, is a party.

(e) Governmental Approvals. The waiting period (and any extension thereof) applicable to the consummation of the transactions contemplated hereby under the HSR Act shall have expired or been terminated, and any waiting period (and any extension thereof) under any other applicable similar merger notification laws or regulations of foreign Governmental Authorities shall have expired or been terminated. Any Governmental Approvals required under any such laws or regulations in connection with the consummation of the transactions contemplated hereby shall have been obtained.

(f) Consents. Intel shall have received the Consents identified on Schedule 5.2(f) of the ST Master Agreement Disclosure Letter on terms and conditions that satisfy the requirements set forth in Schedule 5.2(f) of the ST Master Agreement Disclosure Letter.

(g) No Intel Material Adverse Effect. There shall not have occurred since the date hereof any Intel Material Adverse Effect that is continuing, and Newco shall have received a certificate signed by a duly authorized executive officer of Intel to the foregoing effect.

(h) Audited Financial Statements. Intel shall have delivered to ST audited statements of revenues and direct expenses for the Intel Business for the years ended December 31, 2005 and December 30, 2006, and the following balance sheet captions: accounts receivable, inventories, fixed assets and, if applicable, other assets as of December 31, 2005 and December 30, 2006, and related notes to these statements. The financial statements shall be prepared to report the Intel Business as it has been reported in Intel's consolidated financial statements applying GAAP and following the presentation basis adopted by Intel in its consolidated financial statements, consistently applied (collectively, "Intel Business Audited Financial Statements").

(i) Contemplated Financing. The Contemplated Financing shall have been provided to Newco; *provided* that the Contemplated Financing does not result in Newco and its Subsidiaries having more than \$1,300,000,000 of aggregate Indebtedness outstanding as of the Closing.

(j) Dutch Auditor's Certificates. Each Party (and its Affiliates), as applicable, shall have obtained such auditor's certificate(s) pursuant to article 2:204b or 2:204c (as applicable) of the Dutch Civil Code as are required to give effect to the transactions contemplated in this Agreement and the other Transaction Documents.

(k) Minimum Cash. On the Closing Date, following payment by Newco of any fees and expenses incurred by Newco in connection with the Closing of the Transactions contemplated hereby, but in any event not including the costs set forth in Section 4.16(d), Newco shall have on hand at least \$500,000,000 in Cash and Cash Equivalents.

5.3 Conditions to Obligations of FP and FP Holdco. The obligations of FP and FP Holdco to consummate the Closing are subject to the satisfaction or waiver of each of the following conditions:

(a) Performance by Intel. (i) Intel shall have performed and satisfied in all material respects its obligations and covenants hereunder to the extent such obligations and covenants are required to be performed and satisfied by it on or prior to the Closing Date, (ii) the representations and warranties of Intel contained in Section 3.1 shall be true and correct at and as of the Closing as if made at and as of the Closing Date (rather than at and as of the date hereof), *provided, however*, that those representations and warranties set forth in Sections 3.1 - 3.24 of the Intel Asset Transfer Agreement (incorporated herein by reference) and which within such sections address matters only as of a certain date specific shall be true and correct as of such certain date), except, in any case, for failures of such representations and warranties (disregarding any materiality or Intel Material Adverse Effect qualifications contained in any such representation or warranty) to be true and correct that have not had and would not reasonably be expected to have an Intel

Material Adverse Effect, and (iii) Newco shall have received a certificate signed by a duly authorized executive officer of Intel to the foregoing effect.

(b) Performance by ST. (i) ST shall have performed and satisfied in all material respects its obligations and covenants hereunder to the extent such obligations and covenants are required to be performed and satisfied by it on or prior to the Closing Date, (ii) the representations and warranties of ST contained in Section 3.2 shall be true and correct at and as of the Closing as if made at and as of the Closing Date (rather than at and as of the date hereof); *provided, however*, that those representations and warranties set forth in Sections 3.1 — 3.24 of the ST Asset Contribution Agreement (incorporated herein by reference) and which within such sections address matters only as of a certain date specific shall be true and correct as of such certain date), except, in any case, for failures of such representations and warranties (disregarding any materiality or ST Material Adverse Effect qualifications contained in any such representation or warranty) to be true and correct that have not had and would not reasonably be expected to have an ST Material Adverse Effect, and (iii) Newco shall have received a certificate signed by a duly authorized executive officer of ST to the foregoing effect.

(c) No Violation. No Governmental Authority shall have enacted, issued, promulgated or entered any Applicable Law which is in effect on the Closing Date which has or would have the effect of prohibiting, restraining or enjoining the consummation of the transactions contemplated by this Agreement. No temporary restraining order, preliminary or permanent injunction, cease and desist order or other order issued by any court or other Governmental Authority that has the effect of making the transactions contemplated hereby illegal or otherwise prohibiting consummation of the transfers contemplated hereby or the consummation of the Closing, or imposing upon FP or FP Holdco material fines or penalties in respect thereof, shall be in effect as of the Closing Date, and there shall be no pending or threatened actions or proceedings by any Governmental Authority (or determinations by any Governmental Authority) challenging or in any manner seeking to prohibit the transfer contemplated hereby or the consummation of the Closing.

(d) Transaction Documents. Each of Intel, ST and Newco (and each of their respective Affiliates) shall have executed and delivered to FP and FP Holdco each Transaction Document, substantially in the form attached hereto, or attached to the form of Intel Asset Transfer Agreement or ST Asset Contribution Agreement, to which each of them, respectively, is a party.

(e) Governmental Approvals. The waiting period (and any extension thereof) applicable to the consummation of the transactions contemplated hereby under the HSR Act shall have expired or been terminated, and any waiting period (and any extension thereof) under any other applicable similar merger notification laws or regulations of foreign Governmental Authorities shall have expired or been terminated. Any Governmental Approvals required under any such laws or regulations in connection with the consummation of the transactions contemplated hereby shall have been obtained.

(f) No Intel Material Adverse Effect. There shall not have occurred since the date hereof any Intel Material Adverse Effect that is continuing, and Newco shall have received a certificate signed by a duly authorized executive officer of Intel to the foregoing effect.

(g) No ST Material Adverse Effect. There shall not have occurred since the date hereof any ST Material Adverse Effect that is continuing, and Newco shall have received a certificate signed by a duly authorized executive officer of ST to the foregoing effect.

(h) Audited Financial Statements. Intel shall have delivered to FP the Intel Business Audited Financial Statements and ST shall have delivered to FP the ST Business Audited Financial Statements.

(i) Contemplated Financing. The Contemplated Financing shall have been provided to Newco; *provided* that the Contemplated Financing does not result in Newco or its Subsidiaries having more than \$1,300,000,000 of aggregate Indebtedness outstanding as of the Closing.

(j) Dutch Auditor's Certificates. Each Party (and its Affiliates), as applicable, shall have obtained such auditor's certificate(s) pursuant to article 2:204b or 2:204c (as applicable) of the Dutch Civil Code as are required to give effect to the transactions contemplated in this Agreement and the other Transaction Documents.

(k) Minimum Cash. On the Closing Date, following payment by Newco of any fees and expenses incurred by Newco in connection with the Closing of the Transactions contemplated hereby, but in any event not including the costs set forth in Section 4.16(d), Newco shall have on hand at least \$500,000,000 in Cash and Cash Equivalents.

## ARTICLE VI TERMINATION

6.1 Grounds for Termination. This Agreement may be terminated at any time prior to the Closing:

(a) by mutual written agreement of the Parties;

(b) by written notice from any Party to the other Parties if:

(i) the Closing has not been effected on or prior to the close of business on the Termination Date; *provided, however*, that the right to terminate this Agreement pursuant to this Section 6.1(b)(i) shall not be available to any Party whose failure to fulfill any of its obligations contained in this Agreement has been the cause of, or resulted in, the failure of the Closing to have occurred on or prior to the aforesaid date; *provided, further*, that if the sole conditions to Closing in Article V that remain unsatisfied (or unwaived) as of the aforesaid date are set forth in any of Sections 5.1(e) (Governmental Approvals), 5.1(f) (Governmental Consents), 5.1(i) (Contemplated Financing), 5.1(k) (Minimum Cash), 5.2(e) (Governmental Approvals), 5.2(f) (Governmental Consents), 5.2(i) (Contemplated Financing), 5.2(k) (Minimum Cash), 5.3(e) (Governmental Approvals), 5.3(i) (Contemplated Financing), or 5.3(k) (Minimum



Cash), provided that a binding commitment in respect of the Contemplated Financing obtained by one or more Parties shall be in full force and effect with a term ending no earlier than February 29, 2008, then any Party may, in its sole discretion and upon written notice to the other Parties, extend the aforesaid date to a date no later than February 29, 2008 (and in such event, all references herein to the Termination Date shall be to such date as so extended); *provided, further*, that after such Termination Date (as so extended) any further extension of the term of this Agreement shall require the consent of each Party;

(ii) any Applicable Law shall be enacted or become applicable that makes the transactions contemplated hereby or the consummation of any of the Closing illegal or otherwise prohibited;

(iii) any judgment, injunction, order or decree enjoining any Party hereto from consummating the transactions contemplated hereby or the Closing is entered, and such judgment, injunction, order or decree shall become final and nonappealable;

(iv) any other Party is in material breach or material default of any covenant contained herein or there are any inaccuracies or misrepresentations in another Party's representations or warranties herein (disregarding any materiality or "Material Adverse Effect" qualifications contained in any such representation or warranty) which have had, or if not cured prior to the Closing Date would have, in the case of Intel, an Intel Material Adverse Effect, in the case of ST, an ST Material Adverse Effect, or in the case of FP, an FP Material Adverse Effect, as the case may be, and such breach or default, shall not be cured or waived within 20 Business Days after written notice is delivered by any of the non-breaching Parties specifying, in reasonable detail, such claimed material breach or default and demanding its cure or satisfaction; provided that if it is not reasonably practicable to cure such breach or default within 20 Business Days but such breaching Party is using its commercially reasonable efforts to promptly cure, then such Party shall have an additional 10 Business Days to cure the breach;

(c) by written notice from ST to the other Parties as follows:

(i) if the conditions to the obligations of Intel to close set forth in Sections 5.1(a) (Performance by ST), 5.1(c) (No Violation), 5.1(e) (Governmental Approvals), 5.1(g) (No ST Material Adverse Effect) and 5.1(h) (Audited Financial Statements) hereof have been satisfied as of December 15, 2007, but the condition to the obligation of ST to close set forth in Section 5.2(f) (Governmental Consents) has not been satisfied as of such date; then ST may provide written notice of termination to the other Parties on December 15, 2007 provided that any such written notice from ST (i) shall not be effective until December 31, 2007 and (ii) shall only become effective on December 31, 2007 if

(A) the condition to the obligation of ST to close set forth in Section 5.2(f) (Governmental Consents) has not been satisfied as of such date and (B) if the conditions to the obligations of Intel to close set forth in Sections 5.1(a) (Performance by ST), 5.1(c) (No Violation), 5.1(e) (Governmental Approvals), 5.1(g) (No ST Material Adverse Effect) and 5.1(h) (Audited Financial Statements) hereof have been satisfied on December 31, 2007;

(ii) if the Termination Date shall have been extended by any Party to February 29, 2008 in accordance with Section 6.1(b)(i), then ST and Intel shall meet prior to January 15, 2008 to discuss the next steps to be pursued by Intel, and unless ST shall have agreed in writing no later than January 15, 2008 to extend the Governmental Consents Termination Date to February 29, 2008, then ST may provide written notice of termination to the other Parties on January 15, 2008, provided that any such written notice from ST (A) shall not be effective until January 31, 2008 and (B) shall only become effective on January 31, 2008 if (1) the condition to the obligation of ST to close set forth in Section 5.2(f) (Governmental Consents) has not been satisfied as of such date and (2) if the conditions to the obligations of Intel to close set forth in Sections 5.1(a) (Performance by ST), 5.1(c) (No Violation), 5.1(e) (Governmental Approvals), 5.1(g) (No ST Material Adverse Effect) and 5.1(h) (Audited Financial Statements) hereof have been satisfied on January 31, 2008; or

(iii) if the Termination Date shall have been extended by any Party to February 29, 2008 in accordance with Section 6.1(b)(i) and the conditions to the obligations of Intel to close set forth in Sections 5.1(a) (Performance by ST), 5.1(c) (No Violation), 5.1(e) (Governmental Approvals), 5.1(g) (No ST Material Adverse Effect) and 5.1(h) (Audited Financial Statements) hereof have been satisfied as of February 29, 2008, but the condition to the obligation of ST to close set forth in Section 5.2(f) (Governmental Consents) has not been satisfied as of such date, then ST may provide written notice of termination to the other Parties.

#### 6.2 Effect of Termination.

(a) If this Agreement is terminated pursuant to Section 6.1(a), (b), or (c), all obligations of the Parties hereunder (except for this Section 6.2, Section 4.7 (Non-Solicitation of Employees) and Article VII (Miscellaneous)) shall terminate without Liability of any Party to any other Party and the representations and warranties made herein shall not survive beyond a termination of this Agreement. Nothing contained in this Section 6.2 shall relieve any Party of Liability for any breach of any representation, warranty or covenant contained in this Agreement that occurred prior to the date of termination of this Agreement.

(b) If (i) ST terminates this Agreement pursuant to Section 6.1(c)(i), (ii) or (iii) or (ii) if (A) the conditions to the obligations of Intel to close set forth in Sections 5.1(a) (Performance by ST), 5.1(c) (No Violation), 5.1(e) (Governmental Approvals), 5.1(g) (No ST Material Adverse Effect) and 5.1(h) (Audited Financial Statements) hereof have

been satisfied on December 31, 2007, (B) the condition to the obligation of ST to close set forth in Section 5.2(f) has not been satisfied as of December 31, 2007, (C) the Termination Date has not been extended under Section 6.1(b)(i), and (D) any Party terminates this Agreement pursuant to Section 6.1(b)(i), then Intel shall pay to ST a fee of \$75,000,000 (the "Termination Fee") in immediately available funds no later than five Business Days after such termination and Intel shall reimburse FP for (1) up to \$2,500,000 of its reasonable costs and expenses actually incurred or accrued by FP in connection with the transactions contemplated hereby, plus (2) up to \$5,000,000 of costs and expenses actually incurred or accrued by FP or its Affiliates on behalf of Newco, plus (3) any additional amounts incurred by FP or its Affiliates on behalf of Newco as may be agreed between Intel, ST and FP, in the cases of clauses (2) and (3), for the services described on Schedule 7.3 to each of the Master Agreement Disclosure Letters (the amounts set forth in (1), (2) and (3), collectively, the "FP Costs"). In the event that ST terminates this Agreement pursuant to Section 6.1(c)(i), (ii) or (iii), the Termination Fee and the FP Costs shall be payable by Intel regardless of whether or not any other Party shall have terminated this Agreement on the same date pursuant to Section 6.1(b)(i).

(c) If any termination of this Agreement prior to Closing is attributable to a willful breach (i) by Intel of any representation or warranty of Intel contained in this Agreement, in no event shall the Liability of Intel for such breach to ST exceed \$75,000,000 million or of Intel to FP and FP Holdco, collectively, exceed \$7,500,000 million plus any additional expenses incurred by FP and its Affiliates on behalf of Newco as agreed by Intel, ST and Newco after the date hereof for services described on Schedule 7.3 to each of the Master Agreement Disclosure Letters, or (ii) by ST of any representation or warranty of ST contained in this Agreement, in no event shall the Liability of ST for such breach to Intel exceed \$75,000,000 or of ST to FP and FP Holdco, collectively, exceed \$7,500,000 plus any additional expenses incurred by FP and its Affiliates on behalf of Newco as agreed by Intel, ST and Newco after the date hereof for services described on Schedule 7.3 to each of the Master Agreement Disclosure Letters.

(d) Each of the Parties acknowledges that the agreements contained in this Section 6.2 are an integral part of the transactions contemplated by this Agreement and the other Transaction Documents. In the event that Intel or ST shall fail to pay the Termination Fee when due, Intel or ST, as the case may be, shall reimburse the other for all reasonable costs and expenses actually incurred or accrued by the other (including reasonable fees and expenses of counsel) in connection with the collection under and enforcement of this Section 6.2.

6.3 Termination of Representations and Warranties and Covenants Upon the Closing Except as otherwise provided pursuant to the Intel Asset Transfer Agreement and the ST Asset Contribution Agreement including without limitation Section 5.18 (Master Agreement Covenants) thereof, the representations and warranties of the Parties contained in Article III of this Agreement, and the covenants contained in Section 4.9 and Section 4.10 of this Agreement, shall terminate and be of no further force or effect immediately upon the consummation of the Closing; *provided, however* that the representations and warranties set forth in Sections 3.1(a), 3.2(a), and 3.3(a) (Existence and Good Standing), Sections 3.1(b), 3.2(b) and 3.3(b),

(Authorization; Enforceability) and Sections 3.1(g), 3.2(g), and 3.3(f) (Reliance) shall survive until the expiration of the applicable statute of limitations.

6.4 Exclusive Remedy. The Parties hereby acknowledge and agree that following the Closing, no Person other than Newco shall have any rights with respect to any breach of any of the representations or warranties contained in Article III hereof or the covenants specified in Section 5.18 (Master Agreement Covenants) of each of the Intel Asset Transfer Agreement and the ST Asset Contribution Agreement. Newco's sole remedy for any such breach (a) by Intel, shall be pursuant to Article VI of the Intel Asset Transfer Agreement and (b) by ST, shall be pursuant to Article VI of the ST Asset Contribution Agreement.

#### ARTICLE VII MISCELLANEOUS

7.1 Notices. All notices and other communications pursuant to this Agreement shall be in writing and shall be deemed given if delivered personally, telecopied, sent by nationally-recognized overnight courier or mailed by U.S. registered or certified mail (return receipt requested), postage prepaid, to the Parties at the addresses set forth below or to such other address as the Party to whom notice is to be given may have furnished to the other Party in writing in accordance herewith. Any such notice or communication shall be deemed to have been delivered and received (a) in the case of personal delivery, on the date of such delivery, (b) in the case of telecopier delivery, on the date sent if confirmation of receipt is received and such notice is also promptly mailed by registered or certified mail (return receipt requested), (c) in the case of a nationally-recognized overnight courier in circumstances under which such courier guarantees next Business Day delivery, on the next Business Day after the date when sent and (d) in the case of mailing, on the fifth Business Day following that on which the piece of mail containing such communication is posted to the address provided herein or to such other address as the Person to whom notice is given may have previously furnished to the others in writing in the manner set forth above. Any Party hereto may give any notice, request, demand, claim or other communication hereunder using any other means (including ordinary mail or electronic mail), but no such notice, request, demand, claim or other communication shall be deemed to have been duly given unless and until it actually is received by the individual for whom it is intended. Notices to Parties pursuant to this Agreement shall be given:

(a) to Intel Corporation:

Intel Corporation  
2200 Mission College Boulevard  
Santa Clara, CA 95054  
Attention: Treasurer  
Telephone: (408) 765-8080  
Facsimile: (408) 765-6038

with a copy to:

Intel Corporation  
2200 Mission College Boulevard  
Santa Clara, CA 95054  
Attention: General Counsel  
Telephone: (408) 765-8080  
Facsimile: (408) 653-8050

and a copy to (which shall not constitute notice to Intel):

Gibson, Dunn & Crutcher LLP  
1881 Page Mill Rd.  
Palo Alto, CA 94304  
Attention: Russell C. Hansen  
Telephone: (650) 849-5300  
Facsimile: (650) 849-5333

(b) if to STMicroelectronics N.V.:

STMicroelectronics N.V.  
Chemin du Champ-des-Filles, 39  
1228 Plan-les-Ouates  
Geneva, Switzerland  
Attention: Pierre Ollivier, Group Vice President and General Counsel  
Telephone: 41 22 929 58 76  
Facsimile: 41 22 929 59 06

with a copy to (which shall not constitute notice to ST):

STMicroelectronics N.V.  
1310 Electronics Drive  
Mail Station 2346  
Carrollton, TX 75006  
Attention: Steven K. Rose, Vice President, Secretary and General Counsel  
Telephone: (972) 466-6412  
Facsimile: (972) 466-7044

and a copy to (which shall not constitute notice to ST):

Shearman & Sterling LLP  
525 Market Street  
San Francisco, CA 94105  
Attention: John D. Wilson  
Telephone: (415) 616-1100  
Facsimile: (415) 616-1199

(c) if to FP or FP Holdco:

Francisco Partners  
2882 Sand Hill Road  
Suite 289  
Menlo Park, CA 94025  
Attention: David ibnAle  
Telephone: (650) 233-2900  
Facsimile: (650) 233-2999

with a copy to:

Francisco Partners  
40 Berkeley Square  
London W1J 5AL  
United Kingdom  
Attention: Phokion Potamianos  
Telephone: 44 0 207 907 8600  
Facsimile: 44 0 207 907 8650

and a copy to (which shall not constitute notice to FP and FP Holdco):

Davis Polk & Wardwell  
1600 El Camino Real  
Menlo Park, CA 94025  
Attention: William M. Kelly  
                Martin A. Wellington  
Telephone: (650) 752-2000  
Facsimile: (650) 752-2112

7.2 Amendments: Waivers.

(a) Any provision of this Agreement or any other Transaction Document may be amended or waived if, and only if, such amendment or waiver is in writing and signed in the case of an amendment, by all Parties, or in the case of a waiver, by the Party against whom the waiver is to be effective.

(b) No waiver by a Party of any default, misrepresentation or breach of a warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation or breach of a warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent occurrence. No failure or delay by a Party hereto in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided under Applicable Law.

7.3 Expenses. Except as set forth in (a)Section 5.8(c) of the Intel Asset Transfer Agreement, (b)Section 5.8(c) of the ST Asset Contribution Agreement and (c) Schedule 7.3 of each of the Intel Master Agreement Disclosure Letter and the ST Master Agreement Disclosure Letter, all costs and expenses incurred in connection with this Agreement and the other Transaction Documents and in closing and carrying out the transactions contemplated hereby and thereby shall be paid by the Party incurring such cost or expense.

7.4 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors, heirs, personal representatives and permitted assigns. No Party hereto may transfer or assign either this Agreement or any of its rights, interests or obligations hereunder, whether directly or indirectly, by operation of law, merger or otherwise, without the prior written approval of each other Party; *provided* that each of FP and FP Holdco may transfer or assign its rights and obligations under this Agreement, in whole or from time to time in part, to one or more of its Affiliates at any time prior to the Closing; *provided, further*, that in the event of any such assignment, any of the terms “FP” or “FP Holdco,” in any Transaction Document, shall apply to any such assignee, *mutatis mutandis*. No such transfer or assignment shall relieve the transferring or assigning Party of its obligations hereunder if such transferee or assignee does not perform such obligations.

7.5 Governing Law. This Agreement shall be construed in accordance with and this Agreement and any disputes or controversies related hereto shall be governed by the internal laws of the State of New York without giving effect to the conflicts of laws principles thereof that would apply the laws of any other jurisdiction.

7.6 Counterparts; Effectiveness. This Agreement may be signed in any number of counterparts and the signatures delivered by telecopy, each of which shall be an original, with the same effect as if the signatures were upon the same instrument and delivered in person. This Agreement shall become effective when each Party hereto shall have received a counterpart hereof signed by the other Parties.

7.7 Entire Agreement. This Agreement (including the Schedules and Exhibits referred to herein, which are hereby incorporated by reference), the other Transaction Documents and the Confidentiality Agreements constitute the entire agreement between the Parties with respect to the subject matter hereof and thereof and supersede all prior agreements, understandings and negotiations, both written and oral, between and among the Parties with respect to the subject matter of this Agreement. Neither this Agreement nor any provision hereof is intended to confer upon any Person other than the Parties any rights or remedies hereunder. No representation, warranty, promise, inducement or statement of intention has been made by either Party that is not embodied in this Agreement or such other documents, and neither party shall be bound by, or be liable for, any alleged representation, warranty, promise, inducement or statement of intention not embodied herein or therein.

7.8 Captions. The captions herein are included for convenience of reference only and shall be ignored in the construction or interpretation hereof.

7.9 Severability. If any provision of this Agreement, or the application thereof to any Person, place or circumstance, shall be held by a court of competent jurisdiction to be invalid,

unenforceable or void, the remainder of this Agreement and such provisions as applied to other Persons, places and circumstances shall remain in full force and effect only if, after excluding the portion deemed to be unenforceable, the remaining terms shall provide for the consummation of the transactions contemplated hereby in substantially the same manner as originally set forth at the later of the date this Agreement was executed or last amended.

7.10 Dispute Resolution.

(a) With the exception of disputes involving intellectual property ownership and infringement issues, any dispute arising under this Agreement shall be finally resolved by arbitration. The Parties waive their right to any form of appeal to a court on any questions of law arising out of the arbitration award. Any dispute or claim between the Parties which is beyond the scope of this Section shall be submitted to the exclusive jurisdiction of the courts of the State of New York and the Federal courts of the United States of America located in the State of New York. The Parties hereby consent to and grant any such court jurisdiction over such Parties and over the subject matter of such dispute and agree that mailing of process or other papers in connection with any such action or proceeding in the manner provided in Section 7.1 or in such other manner as may be permitted by Applicable Law, shall be valid and sufficient service thereof.

(b) Mediation. Prior to arbitration, however, the Party making the original claim shall provide the other Party with a written description of the dispute or claim and the senior executives of the Parties shall meet in an attempt to resolve such dispute or claim. If the disagreements cannot be resolved by the senior management after 90 days from the date any Party made a written demand for resolution, a binding arbitration shall be held.

(c) Arbitration Rules. The rules of the arbitration shall be agreed upon by the Parties prior to the arbitration and shall be based upon the nature of the disagreement. To the extent that the Parties cannot agree on the rules of the arbitration after 30 days from the date any party makes a written demand for resolution, then, subject to Section 7.10(d), the Rules of Arbitration of the ICC in effect as of the Closing Date shall apply.

(d) Mandatory Rules. As a minimum set of rules in the arbitration the Parties agree as follows:

(i) The arbitration shall be held by one arbitrator appointed by mutual agreement of the Parties. If the Parties cannot agree on a single arbitrator within 15 days from the date written demand for arbitration has been received by the other Party, each Party shall identify one independent individual. The individuals appointed by the Parties shall then meet to appoint a single arbitrator. If an arbitrator still cannot be agreed upon within an additional 15 day period, he or she shall be appointed by the ICC.

(ii) The place of arbitration shall be New York, New York. Hearings and meetings shall be held in New York or at such other place as the Parties may agree.



(iii) The English language shall be used in the proceedings. Documents and written testimonies may be submitted in any language provided that the Party submitting such documents and testimonies shall provide, at its own expense, a translation of the same in the English language.

(iv) The arbitrator shall specify the basis for the award, the basis for the damages award and a breakdown of the damages awarded, and the basis of any other remedy authorized under this section. The award shall be considered as a final and binding resolution of the dispute or claim.

(v) The Parties agree to maintain the confidentiality of the arbitral proceedings, the existence of the same and the status of the hearings. In addition, the Parties undertake to maintain the confidentiality of any document exchanged in, produced in, or created by the Parties for the arbitration proceedings as well as the confidentiality of the award. Notwithstanding the foregoing, if the disclosure of the arbitral proceedings, or of any of the documents exchanged in, produced in or created for the arbitration proceedings or if the disclosure of the award is required by applicable law, rule or regulation or is compelled by a court or governmental agency, authority or body: (A) the Parties shall use the legitimate and legal means available to minimize the scope of their disclosure to third parties; and (B) the Party compelled to make the disclosure shall inform the other Party and the arbitrator at least 20 Business Days in advance of the disclosure (or if 20 Business Days' notice is not practicable because the Party is required to make the disclosure less than 20 Business Days after becoming aware of the event or occurrence giving rise to such disclosure requirement, then notice to the other Party and the arbitrator shall be provided as soon as practicable after such event or occurrence).

(vi) The duty of the Parties to arbitrate any dispute or claim within the scope of this Section shall survive the expiration or termination of this Agreement for any reason. The Parties specifically agree that any action must be brought, if at all, within two years from discovery of the cause of action.

(vii) The discretion of the arbitrator to fashion remedies shall be no broader than the legal and equitable remedies available to a court (unless the parties expressly agree otherwise prior to the start of arbitration). In no event, however, shall the arbitrator award a remedy which enjoins a Party or its customers to stop manufacturing, using, marketing, selling, offering for sale, or importing such Party's products. In addition, notwithstanding anything herein to the contrary, in no event, shall the arbitrator award a remedy which enjoins a Party to license to the other Party any of its intellectual property rights of whatever nature. The arbitrator will have no authority to award damages in excess of compensatory damages and each Party expressly waives and foregoes any right to punitive, exemplary or similar damages, except as such damages may be required by statute. In no event shall the amount of damages awarded to the prevailing Party exceed or otherwise be inconsistent with any of the applicable

limitations on damages set forth in this Agreement, including Sections 6.2 and 6.4.

(viii) The arbitrator may not order any conservatory or interim relief measures of any kind. In any event, however, either Party may apply for conservatory or interim relief measures to the courts of the State of New York or the Federal courts of the United States of America located in the State of New York which shall have exclusive jurisdiction to grant such injunctive relief.

(ix) The Parties shall agree upon what, if any, disclosure to the other parties to the arbitration shall be permitted. If the Parties can not agree on the form of disclosure within 30 days after the appointment of the arbitrator, then the Parties agree that in addition to the Rules of Arbitration of the ICC, the arbitrators shall apply the IBA Rules of Evidence. In case of conflict between Rules of Arbitration of the ICC and the IBA Rules of evidence, the Rules of Arbitration of the ICC shall prevail. Notwithstanding anything herein to the contrary, in no event shall anything verbally or in writing used strictly for settlement purposes between the Parties be permitted by the arbitration to be used as evidence for either Party's case.

(x) The Parties shall equally bear the costs of the arbitration. Each Party shall bear the fees and expenses of its appointed experts and shall bear its own legal expenses. For the purpose of this clause, the term "costs of arbitration" includes only: (A) the fees and expenses of the arbitrator; (B) in the case of an arbitration governed by the ICC Rules, the ICC administrative expenses fixed by the Court of Arbitration of the ICC; (C) the fees and expenses of any experts appointed by the arbitrator.

7.11 Waiver of Jury Trial. EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (a) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (b) EACH SUCH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (c) EACH SUCH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (d) EACH SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE WAIVERS AND CERTIFICATIONS IN THIS SECTION 7.11.

7.12 Third Party Beneficiaries. Effective on the Closing Date, Newco shall be deemed a third party beneficiary of the covenants set forth in the Sections referenced in Section 5.18 (Master Agreement Covenants) of each of the Intel Asset Transfer Agreement and ST Asset

Contribution Agreement. No provision of this Agreement shall create any third party beneficiary rights in any other Person, including any employee or former employee of Intel or ST or any of their respective Affiliates (including any beneficiary or dependent thereof).

7.13 Specific Performance. The Parties hereby acknowledge and agree that the failure of any Party to perform its agreements and covenants hereunder, including its failure to take all actions as are necessary on its part to the consummation of the transactions contemplated herein, may cause irreparable injury to the other Party, for which damages, even if available, may not be an adequate remedy. Accordingly, each Party hereby consents to the issuance of injunctive relief by any court of competent jurisdiction to compel performance of such Party's obligations and to the granting by any court of the remedy of specific performance of its obligations hereunder.

7.14 No Presumption Against Drafting Party. Intel, ST, FP and FP Holdco acknowledge that each of the Parties hereto has been represented by counsel in connection with the negotiation and execution of this Agreement and the other Transaction Documents. Accordingly, any rule of law or any legal decision that would require interpretation of any claimed ambiguities in this Agreement against the drafting party has no application and is expressly waived.

*[Remainder of page intentionally left blank]*

IN WITNESS WHEREOF, this Agreement has been executed and delivered as of the date first above written.

**INTEL CORPORATION**

By:  / s / Arvind Sodhani

Name: Arvind Sodhani

Title: Senior Vice President; President, Intel Capital

**STMICROELECTRONICS N.V.**

By:  / s / Carlo Bozotti

Name: Carlo Bozotti

Title: President and CEO

*[Signature page to Master Agreement]*

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**FRANCISCO PARTNERS II (CAYMAN) L.P.**

By: FRANCISCO PARTNERS GP II (CAYMAN)  
L.P., its General Partner

By: FRANCISCO PARTNERS GP II  
MANAGEMENT (CAYMAN) Limited, its General Partner

By: /s / David ibnAle

Name: David ibnAle

Title: Manager

**REDWOOD BLOCKER S.A.R.L.**

By: /s / Phokion Potamianos

Name: Phokion Potamianos

Title: Manager

*[Signature page to Master Agreement]*

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**APPENDIX A**

**TO MASTER AGREEMENT**

“Affiliate”, with respect to any Person, means any other Person directly or indirectly controlling, controlled by or under common control with, such Person. For purposes of this definition, “control” (including, with correlative meanings, the terms “controlling”, “controlled by” or “under common control with”), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or by contract or otherwise.

“Agreement” has the meaning set forth in the introduction to this Agreement.

“Applicable Law” means, with respect to any Person, any federal, state, local or foreign statute, law, ordinance, rule, administrative interpretation, regulation, order, writ, injunction, directive, judgment, decree or other requirement of any Governmental Authority applicable to such Person or any of its Affiliates or any of their respective properties, assets, officers, directors, employees, consultants or agents.

“Articles of Association” means the Articles of Association of Newco, in substantially the form attached to Schedule 2.4 of both of the Master Agreement Disclosure Letters, as amended from time to time.

“Bank Guarantee” shall have the meaning set forth in Section 5.11(g) of the ST Asset Contribution Agreement.

“Business” means the Intel Business or the ST Business, as applicable.

“Business Day” means each day other than a Saturday, Sunday or other day on which commercial banks in New York, New York or Geneva, Switzerland are authorized or required by law to close.

“Cash and Cash Equivalents” means all cash on hand and cash equivalents of a Person (whether or not related to the applicable Business), including currency and coins, negotiable checks, bank accounts, marketable securities, commercial paper, certificates of deposit, treasury bills, surety bonds and money market funds.

“Claims” means all rights to causes of action, claims, demands, rights and privileges against third parties, whether liquidated or unliquidated, fixed or contingent, choate or inchoate.

“Closing” shall have the meaning set forth in Section 2.5 of this Agreement.

“Closing Date” means the date of the Closing, as further described in Section 2.5 of this Agreement.

“Commitment Letter” means that certain Senior Secured Credit Facilities Commitment Letter dated May 22, 2007 by and between Goldman Sachs Credit Partners L.P., JP Morgan

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Chase Bank, N.A., J.P. Morgan Securities Inc., Merrill Lynch Capital Corporation, Francisco Partners (Cayman) II, L.P., Intel Corporation and STMicroelectronics NV.

“Competition Law” means the Sherman Antitrust Act of 1890, the Clayton Act of 1914, the HSR Act, the Federal Trade Commission Act, and all other domestic or foreign Applicable Laws passed by a domestic or foreign Governmental Authority that are designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade or lessening of competition through merger or acquisition.

“Confidential Information” means any (i) information in tangible form that bears a “confidential,” “proprietary,” “secret” or similar legend, including the Intel Transferred Trade Secrets set forth on Schedule 2.1(h) of the Intel ATA Disclosure Letter, the Intel Retained Trade Secrets, the ST Transferred Trade Secrets set forth on Schedule 2.1(h) to the ST ACA Disclosure Letter, the ST Retained Trade Secrets, any books and records of any Party, and any other confidential information disclosed by any Party to any other Party(ies) in connection with the negotiation, evaluation and implementation of the Transaction Documents, including any information disclosed on the ST ACA Disclosure Letter or the Intel ATA Disclosure Letter and any information provided pursuant to Section 4.1 of this Agreement; (ii) information that a Party observes or perceives by inspection of tangible objects (including without limitation documents, prototypes, or samples) or otherwise while present at another Party’s facilities or any other location at which tangible objects embodying another Party’s Confidential Information is accessible; and (iii) any information to which a Party receives access as a result of the relationship of the Parties or such Party’s performance under a Transaction Document. Each Party will make a reasonable good faith effort to identify as “confidential” or the like the information in tangible form that it wishes to be treated as Confidential Information pursuant to this Agreement, but a Party’s failure to so mark any such information shall not relieve a Receiving Party of its obligations under this Agreement. Notwithstanding the foregoing, “Confidential Information” does not include: (x) any information that is or has become generally available to the public other than as a result of a disclosure by the Receiving Party or any Affiliate thereof in breach of any of the provisions of the Confidentiality Agreement or any other similar contract to which the Receiving Party, or any Affiliate thereof is bound; (y) any information that has been independently developed by the Receiving Party (or any Affiliate thereof) without violating any of the provisions of the Confidentiality Agreement or any other similar contract to which the Receiving Party, or any Affiliate thereof is bound; or (z) any information made available to the Receiving Party (or any Affiliate thereof) on a non-confidential basis by any third party who is not prohibited from disclosing such information to the Receiving Party by a legal, contractual or fiduciary obligation.

“Confidentiality Agreement” means that certain Confidentiality Agreement among Intel, ST and FP dated as of May 22, 2007.

“Consolidation” means either the FP Consolidation or a transaction undertaken by an Intel Affiliate or ST Affiliate pursuant to the last sentence of Section 6.9 of the Shareholders’ Agreement.

“Contemplated Financing” means either of: (i) the debt financing pursuant to the Commitment Letter; or (ii) substitute debt financing on substantially equivalent economic terms

that is adequate to provide working capital requirements and funds for other general corporate purposes of Newco and its Subsidiaries following the Closing.

“Contract” means each contract, agreement, option, lease, license, cross-license, sale and purchase order, commitment and other instrument of any kind, whether written or oral.

“Control” has the meaning such that a Person (or group of related Persons) exercises Control over a Party when such Person or group owns or controls (either directly or indirectly) any of the following: (a) if the Party issues voting stock or other voting securities, more than 50% of the outstanding stock or securities entitled to vote for the election of directors or similar managing authority; or (b) if such Party does not issue voting stock or other voting securities, more than 50% of the ownership interest that represents the right to make decisions for such Party; or (c) any other ability to elect more than half of the board of directors or similar managing authority of the subject Party, whether by contract or otherwise.

“Copyrights” means copyrights and mask work rights (whether or not registered) and registrations and applications therefor, worldwide.

“Determination Date” shall have the meaning set forth in Section 4.12(a) of this Agreement.

“Disclosure Letters” means the Intel ATA Disclosure Letter, the ST ACA Disclosure Letter, the Intel Master Agreement Disclosure Letter and the ST Master Agreement Disclosure Letter.

“Effective Time” means, unless otherwise agreed by the Parties, 12:01 a.m. GMT on the Closing Date.

“Embedded PCM Product” means an Integrated Circuit that is comprised of a PCM Product and a microcontroller, processor or other non-memory device.

“Environmental Consultants” means one or more third-party environmental consultants with expertise in the relevant jurisdictions.

“Environmental Laws” means any Applicable Laws of any Governmental Authority in effect as of the Closing Date, unless otherwise noted, relating to pollution, protection or remediation of the environment, the use, storage, treatment, generation, manufacture, distribution, transportation, processing, handling, Release, disposal of or exposure to Hazardous Substances or, as such relate to Hazardous Substances, public and occupational health and safety.

“Environmental Liability” means any Liability or Loss, including the cost of any Remedial Action, arising in connection with (i) the use, generation, storage, treatment, manufacture, distribution, transportation, processing, handling, disposal or Release of any Hazardous Substances, (ii) the violation of or liability under any Environmental Laws or any Governmental Approval relating to any Hazardous Substances or (iii) any third party claim, litigation or proceeding relating to any Hazardous Substance or Environmental Laws.



“Environmental Permits” means all permits, licenses or other authorizations of any Governmental Authority required pursuant to applicable Environmental Law.

“Equity Plan” means an equity compensation plan for Newco, with terms reasonably satisfactory to Newco, Intel, ST, and FP, pursuant to which no more than 6% of the outstanding share capital of Newco at the Closing Date shall be reserved for issuance.

“Exchange Act” means the United States Securities Exchange Act of 1934.

“Fab 18” means the facilities described in the Facility Transfer Term Sheet for the Lachish Facility, Israel that are contemplated to be transferred by Intel or any Subsidiary of Intel to Newco at the Closing and any Intel Transferred Assets located on such premises.

“Flash Memory Integrated Circuit” means a non-volatile memory integrated circuit that contains memory cells that are electrically programmable and electrically erasable whereby the memory cells consist of one or more transistors that have a floating gate, charge-trapping regions or any other functionally equivalent structure utilizing one or more different charge levels (including binary or multi-level cell structures) with or without any on-chip control, I/O and other support circuitry.

“FP” has the meaning set forth in the introduction to this Agreement.

“FP Consolidation” shall have the meaning set forth in Section 6.9 of the Shareholders’ Agreement.

“FP Costs” shall have the meaning set forth in Section 6.2(b) of this Agreement.

“FP Holdco” has the meaning set forth in the introduction to this Agreement.

“FP Material Adverse Effect” means any event, change or circumstance that, individually or in the aggregate with all other such events, changes or circumstances, that is materially adverse to the ability of FP or FP Holdco to perform its obligations under any Transaction Document to which it is or will be a party or to consummate the transactions contemplated thereby.

“FP Newco Shares” shall have the meaning set forth in Section 2.1 of the Share Purchase Agreement.

“GAAP” means generally accepted accounting principles in the United States of America, applied on a consistent basis, as in effect as of the date hereof.

“Governmental Approval” means an authorization, consent, approval, permit or license issued by, or a registration or filing with, or notice to, or waiver from, any Governmental Authority.

“Governmental Authority” means any United States or non-United States federal, territorial, state or local governmental authority, quasi-governmental authority, instrumentality, court, government or self-regulatory organization, commission, tribunal or organization or any

regulatory, administrative or other agency, or any political or other subdivision, department or branch of any of the foregoing.

“Governmental Consents Termination Date” means December 31, 2007 subject to extension as provided in Article VI of this Agreement.

“Hazardous Substance” shall mean any hazardous substance within the meaning of Section 101(14) of the United States Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. § 9601(14), and any chemical, substance, material, agent or waste defined or regulated as toxic, hazardous, extremely hazardous or radioactive, or as a pollutant or contaminant, under any applicable Environmental Law, including petroleum, petroleum derivatives, petroleum by-products or other hydrocarbons, asbestos or asbestos-containing material and polychlorinated biphenyls.

“HSR Act” means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder.

“Hynix JV” means Hynix-ST Semiconductor Ltd., a wholly foreign-owned entity established under the laws of the People’s Republic of China.

“Hynix JV Junior Credit Agreement” means the US\$250,000,000 Facility Agreement, dated August 24, 2006, among the Hynix JV, as borrower, and DBS Bank Ltd. as arranger and original lender, agent and security agent.

“IBA Rules of Evidence” means the IBA Rules on the Taking of Evidence in International Commercial Arbitration.

“ICC” means the International Chamber of Commerce.

“Indebtedness” means any (i) indebtedness for borrowed money, (ii) indebtedness evidenced by any bond, debenture, note, mortgage, indenture or other debt instrument or debt security, or (iii) guarantees with respect to any indebtedness or obligation of a type described in clauses (i) through (ii) above of any other Person.

“Indemnified Persons” has the meaning set forth in Section 4.16(d) of this Agreement.

“Indemnitee” shall (i) for purposes of the Intel Asset Transfer Agreement, have the meaning set forth in Section 6.2(c) of the Intel Asset Transfer Agreement, and (ii) for purposes of the ST Asset Contribution Agreement, have the meaning set forth in Section 6.2(c) of the ST Asset Contribution Agreement.

“Indemnitor” shall (i) for purposes of the Intel Asset Transfer Agreement, have the meaning set forth in Section 6.2(c) of the Intel Asset Transfer Agreement, and (ii) for purposes of the ST Asset Contribution Agreement, have the meaning set forth in Section 6.2(c) of the ST Asset Contribution Agreement.

“Integrated Circuit” means an integrated unit comprising one or more active and/or passive circuit elements associated on one or more substrates, such unit forming, or contributing

to the formation of, a circuit for performing electrical functions (including, if provided therewith, housing and/or supporting means).

“Intel” has the meaning set forth in the introduction to this Agreement.

“Intel Ancillary Agreements” means the Intel Assignment and Assumption Agreements, Intel Bills of Sale, Intel Intellectual Property Agreement, Intel Transition Services Agreements, Intel Facility Transfer Agreements, Intel Joint Development Agreement, Intel Supply Agreements, Intel Assumption of Excluded Liabilities, Intel Copyright Assignment, Intel Patent Assignment and Intel Trademark Assignment.

“Intel Approvals” means the required consents, waivers and approvals of Intel set forth on Schedule 3.3 of the Intel ATA Disclosure Letter and Schedule 3.1(c) of the Intel Master Agreement Disclosure Letter.

“Intel Architecture Emulators” means software, firmware, or hardware that, through emulation, simulation or any other process, allows a computer that does not contain an Intel Compatible Processor (or a Processor that is not an Intel Compatible Processor) to execute binary code that is capable of being executed on an Intel Compatible Processor.

“Intel Asset Transfer Agreement” means that certain Asset Transfer Agreement to be entered into by Intel and Newco as of the Closing Date, in substantially the form attached to Schedule 2.1 to the Intel Master Agreement Disclosure Letter.

“Intel Assignment and Assumption Agreement” means, collectively, the Assignment and Assumption Agreements to be entered into by Newco or its Affiliates, on one hand, and Intel or its Affiliates, on the other hand, as of the Closing Date, in substantially the form attached as Exhibit A to the Intel Asset Transfer Agreement.

“Intel Assumption of Excluded Liabilities” shall have the meaning set forth in Section 2.4 of the Intel Asset Transfer Agreement.

“Intel ATA Disclosure Letter” means the disclosure letter, as agreed to between the Parties as of the date of the Master Agreement (with such amendments or new schedules as may be subsequently made pursuant to Section 4.12 of this Agreement), containing the Schedules required by the provisions of such agreement.

“Intel Bill of Sale” means any bill of sale or other similar document reasonably requested by any Party and reasonably necessary to transfer any Intel Transferred Asset in accordance with applicable law to be executed by one or more Intel Transferors in favor of Newco or a Subsidiary of Newco as of the Closing Date, each in substantially the form attached as Exhibit B to the Intel Asset Transfer Agreement.

“Intel Books and Records” means all of the books of account, general and financial records, invoices, shipping records, customer records, supplier lists, correspondence and other documents, records and files of Intel and its Subsidiaries whether in hard copy or computer format which relate exclusively to the Intel Business and are necessary for the conduct of such Intel Business after the Closing (excluding all personnel records or any employee information for

Intel Business Employees who are not Intel Transferred Employees employed by an Intel Transferred Entity as of the Closing Date).

“Intel Bus” means a proprietary bus or other proprietary data path first introduced by Intel or any Intel Licensed Subsidiary that (i) is capable of transmitting and/or receiving information within an Integrated Circuit or between two or more Integrated Circuits, together with the set of protocols defining the electrical, physical, timing and functional characteristics, sequences and control procedures of such bus or data path; and (ii) to which neither Intel nor any Intel Licensed Subsidiary (during any time such Intel Licensed Subsidiary has met the requirements of being a Licensed Subsidiary) has granted a license or committed to grant a license through its participation in a government sponsored, industry sponsored, or contractually formed group or any similar organization that is dedicated to creating publicly available standards or specifications; and (iii) which neither Intel nor any Intel Licensed Subsidiary (during any time such Intel Licensed Subsidiary has met the requirements of being a Licensed Subsidiary) has publicly disclosed without an obligation of confidentiality.

“Intel Business” means the sale, manufacture, design and or development of NOR Flash Memory Products, Phase Change Memory technology (subject to Schedule 2.2(o) to the Intel ATA Disclosure Letter), and Stacked Memory Products.

“Intel Business Audited Financial Statements” shall have the meaning set forth in Section 5.2(h) of this Agreement.

“Intel Business Capital Expenditures Plan” means the plan set forth on Schedule 3.14(e) of the Intel ATA Disclosure Letter setting forth (i) the actual capital expenditures of Intel with respect to the Intel Business for its first fiscal quarter of 2007; and (ii) the budgeted capital expenditures of Intel with respect to the Intel Business for the second, third and fourth fiscal quarters of 2007.

“Intel Business Employees” means the employees who are identified on Schedule 3.12(c) of the Intel ATA Disclosure Letter.

“Intel Compatible Chipsets” means one or more Integrated Circuits that alone or together are capable of electrically interfacing directly (with or without buffering or pin reassignment) with an Intel Compatible Processor to form the connection between the Intel Compatible Processor and any other device (or group of devices) including Processors, input/output devices, and networks; provided that an Integrated Circuit that functions primarily as a memory storage device shall not be deemed to be an Intel Compatible Chipset.

“Intel Compatible Compilers” means a compiler that generates object code that can, without any additional processing other than linkage processing, be executed on any Intel Processor.

“Intel Compatible Processors” means any Processor that (i) can perform substantially the same functions as an Intel Processor by compatibly executing or otherwise processing (A) 50% or more of the instruction set of an Intel Processor or (B) binary code versions of applications or other software targeted to run on or with an Intel Processor, in order to achieve substantially the same result as an Intel Processor; or (ii) is substantially compatible with an Intel Processor Bus.

“Intel Contract” means any Contract of Intel or its Subsidiaries.

“Intel Contractual Consents” shall have the meaning set forth in Section 3.8(b) of the Intel Asset Transfer Agreement.

“Intel Copyright Assignment” means any agreement for the assignment of Intel Transferred Copyrights by an Intel Transferor to Newco or a Subsidiary of Newco, dated as of the Closing Date, in the form agreed among Intel, ST and FP.

“Intel Environmental Reports” means reports or audits prepared by the Environmental Consultants summarizing the results of Phase I, Phase II and environmental compliance audits regarding the Owned Intel Real Property, the Leased Intel Real Property and any property that is the subject of an Intel Lease, which shall be reasonably satisfactory to FP and ST in form and substance, and paid for by ST. At the request of Newco, Intel shall review the Intel Environmental Reports and confirm that all Environmental Liabilities identified in such reports are sufficiently identified as to scope as that term is used in clause (iii) of the definition of Intel Pre-Closing Environmental Liability. If Intel believes the issues are not sufficiently identified, Intel must pay for the additional investigation to further characterize the Environmental Liability sufficient to meet the criteria in clause (iii) of the definition of Intel Pre-Closing Environmental Liability.

“Intel Excluded Employees” shall have the meaning set forth in Section 4.11(b) of this Agreement.

“Intel Facility Transfer Agreements” means the Intel Facility Transfer Agreements to be entered into by and between Intel and Newco on the Closing Date, based on the terms and conditions set forth in the Intel Facility Transfer Term Sheets.

“Intel Facility Transfer Term Sheets” means the term sheets attached to Schedule 4.22(a) to the Intel Master Agreement Disclosure Letter reflecting the terms and conditions upon which the agreements and other related documents effecting the transfer by Intel and its Subsidiaries of the Intel Transferred Facilities to Newco and its Subsidiaries shall be substantially based.

“Intel Intellectual Property Agreement” means the Intellectual Property Agreement to be entered into by and between Intel and Newco on the Closing Date, in substantially the form attached to Schedule 2.1 of the Intel Master Agreement Disclosure Letter.

“Intel Joint Development Agreement” means the Joint Development Agreement by and between Intel and Newco to be entered into on the Closing Date, in substantially the form attached to the Schedule 2.1 of the Intel Master Agreement Disclosure Letter.

“Intel Leases” means all leases or other occupancy agreements pursuant to which Intel or its Subsidiaries lease or occupy the Leased Intel Real Property.

“Intel Master Agreement Disclosure Letter” means the disclosure letter, as delivered by Intel to ST and FP as of the date of the Master Agreement (with such amendments as may be subsequently made pursuant to the terms of such agreement), containing the Schedules required by the provisions of such agreement.

“Intel Material Adverse Effect” means any event, change or circumstance that, individually or in the aggregate with all other such events, changes or circumstances, (i) results in a material adverse effect on, or material adverse change in, the Intel Transferred Assets, taken as a whole, or (ii) any event, change or circumstance that is materially adverse to the ability of Intel to perform its obligations under any Transaction Document to which it is or will be a party or to consummate the transactions contemplated thereby, other than, in the case of clause (i) above, such changes, effects or circumstances reasonably attributable to: (A) economic, capital market or political conditions generally in the United States or foreign economies in any locations where the Intel Business has material operations or sales, provided the changes, effects or circumstances do not have a materially disproportionate effect (relative to other industry participants) on the Intel Business, (B) conditions generally affecting the industry in which the Intel Business operates, provided that the changes, effects or circumstances do not have a materially disproportionate effect (relative to other industry participants) on the Intel Business; (C) the announcement or pendency of the transactions contemplated by the Transaction Documents; (D) outbreak of hostilities or war, acts of terrorism or acts of God; or (E) compliance with Intel’s obligations or the satisfaction of the conditions to the closing of the transactions contemplated by the Transaction Documents.

“Intel Newco Shares” shall have the meaning set forth in Section 2.6(a) of the Intel Asset Transfer Agreement.

“Intel Option” means that certain Option to Purchase Ordinary Shares to be entered into between Newco and Intel or one or more of Intel’s Affiliate(s), in substantially the form attached to Schedule 4.16(d) of the Intel Master Agreement Disclosure Letter.

“Intel Patent Assignment” means any agreement for the assignment of Intel Transferred Patents by an Intel Transferor to Newco or a Subsidiary of Newco, dated as of the Closing Date, in the form agreed among Intel, ST and FP.

“Intel Post-Closing Environmental Liability” shall mean any Environmental Liability, including a worsening of existing conditions, to the extent arising out of or relating to (i) Newco’s acts occurring after the Closing Date, (ii) Newco’s inaction occurring one year or later after the Closing Date, or (iii) Newco’s inaction occurring within one year after the Closing Date if Newco knew about the existing condition and its inaction worsened the existing condition; and in connection with a Newco Business or the Intel Business, the Owned Intel Real Property, the Leased Intel Real Property, the Intel Transferred Assets or the Intel Transferred Entities or the ownership or operation of a Newco Business or the Intel Business, the Owned Intel Real Property, the Leased Intel Real Property or the Intel Transferred Assets, the Intel Transferred Entities by, or the disposal or treatment of Hazardous Substances generated by, Newco or an Affiliate of Newco (including an Intel Transferred Entity) after the Closing Date.

“Intel Pre-Closing Environmental Liability” shall mean any Environmental Liability which (i) relates to the ownership or operation of the Intel Business (as now or previously conducted), the Owned Intel Real Property, the Leased Intel Real Property, the Intel Transferred Assets, the Intel Transferred Entities, the Intel Shared Facilities or any other real property or facility owned, leased, operated or used in connection with the Intel Business (as now or previously conducted) or for the disposal or treatment of Hazardous Substances generated in

connection with the Intel Business, the Owned Intel Real Property, the Leased Intel Real Property, the Intel Transferred Assets, or the Intel Transferred Entities, (ii) arises out of or relates to acts occurring or conditions existing on or prior to the Closing Date, but only to the extent that the Environmental Liability arising out of or relating to acts occurring or conditions existing on or prior to the Closing Date can be identified from (A) the Intel Environmental Reports so long as such reports are issued not later than one year subsequent to the Closing or (B) documents or data generated prior to the Closing and in the possession of Intel prior to the Closing, and (iii) is identified in the foregoing documents and/or data with sufficient specificity so as to clearly identify the scope of the Environmental Liability that is attributable to the Intel Business, the Owned Intel Real Property, the Leased Intel Real Property, the Intel Transferred Assets, or the Intel Transferred Entities. Notwithstanding the foregoing, Intel Pre-Closing Environmental Liability shall not include any Intel Post-Closing Environmental Liability.

“Intel Processor” means a Processor first developed by, for or with substantial participation by Intel or any Intel Licensed Subsidiary, or the design of which has been purchased or otherwise acquired by Intel or any Intel Licensed Subsidiary, including the Intel® 8086, 80186, 80286, 80386, 80486, Celeron®, Core™, Pentium®, Xeon™, StrongARM, XScale®, Itanium®, MXP, IXP, 80860 and 80960 microprocessor families, and the 8087, 80287, and 80387 math coprocessor families.

“Intel Processor Bus” means an Intel Bus that is capable of connecting one or more Intel Processors to each other or to an Intel Compatible Chipset.

“Intel Products” means all NOR Flash Memory Products and all Stacked Memory Products, manufactured, sold, or under development by Intel as of the Effective Date, including those listed on Schedule 1.1(c) of the Intel ATA Disclosure Letter.

“Intel Proprietary Product” means Intel Compatible Processors, Intel Architecture Emulators, Intel Compatible Compilers, any product that implements an Intel Processor Bus, and Intel Compatible Chipsets.

“Intel Real Property” means all real property, leaseholds and other interests in real property owned or leased by Intel or its Subsidiaries and used or held for use exclusively in the Intel Business, including all real property identified in Schedule 3.6 of the Intel ATA Disclosure Letter, together in each case with Intel’s or its Subsidiary’s right, title and interest in and to all structures, facilities or improvements currently or as of the Closing Date located thereon and all easements, licenses, rights and appurtenances relating to the foregoing.

“Intel Restricted Employees” shall have the meaning set forth in Section 4.7(a) of this Agreement.

“Intel Retained Trade Secrets” means trade secrets, know-how and other proprietary information owned by Intel or any Licensed Subsidiary thereof as of the Closing Date and not included in the Intel Transferred Trade Secrets that are or have been used by Intel in connection with the Intel Business.

“Intel Supply Agreement” means the Supply Agreement identified on Schedule 2.1 of both of the Master Agreement Disclosure Letters to be entered into by and between Intel and Newco on the Closing Date, in substantially the form attached to such schedule.

“Intel Trademark Assignment” means any agreement for the assignment of Intel Transferred Trademarks by an ST Transferor to Newco or a Subsidiary of Newco, dated as of the Closing Date, in the form agreed among Intel, ST and FP.

“Intel Transferors” shall have the meaning set forth in the Recitals of the Intel Asset Transfer Agreement.

“Intel Transferred Assets” shall have the meaning set forth in Section 2.1 of the Intel Asset Transfer Agreement.

“Intel Transferred Contracts” means all unexpired contracts set forth on Schedule 2.1(e) of the Intel ATA Disclosure Letter, together with the Intel Transferred Purchase Orders, the Intel Transferred Sales Orders and the Intel Leases.

“Intel Transferred Copyrights” means the Copyrights identified on Schedule 2.1(i) of the Intel ATA Disclosure Letter.

“Intel Transferred Employees” means the Intel Business Employees who accept an offer of employment from Newco and who begin their employment with Newco at the Closing (or, to the extent permitted by Applicable Law with respect to inactive employees on short-term, medical or other leave of absence, at the time such employee returns to active status) or such other date as the parties may reasonably agree.

“Intel Transferred Entity Books and Records” means the minute books, stock records, Tax Returns and other records related to Taxes, if any, in each case of each of the Intel Transferred Entities

“Intel Transferred Intellectual Property” means, collectively, the Intel Transferred Copyrights, Intel Transferred Patents, Intel Transferred Trademarks and Intel Transferred Trade Secrets.

“Intel Transferred Interests” means 100% of the outstanding equity, voting and profit interests in the Intel Transferred Entities.

“Intel Transferred Liabilities” shall have the meaning set forth in Section 2.3 of the Intel Asset Transfer Agreement.

“Intel Transferred Patents” means those Patents identified on Schedule 2.1(h) of the Intel ATA Disclosure Letter.

“Intel Transferred Permits” means those Permits identified on Schedule 2.1(l) of the Intel ATA Disclosure Letter.



“Intel Transferred Sales Orders” means all pending and unfulfilled sales orders or portions thereof for Intel Products.

“Intel Transferred Trade Secrets” means any Trade Secrets owned by Intel or any of its Subsidiaries as of the Closing Date (including any such Trade Secrets that consist of technical documentation of the nature of the files and other documentation identified on Schedule 2.1(h) to the Intel ATA Disclosure Letter) that are used exclusively in the Intel Business and not materially embodied or used in or with any other current product or service of Intel or any of its Subsidiaries.

“Intel Transferred Trademarks” means those Trademarks identified on Schedule 2.1(k) of the Intel ATA Disclosure Letter.

“Intel Transition Services Agreement” means the Intel Transition Services Agreement identified on Schedule 2.1 of both of the Master Agreement Disclosure Letters to be entered into by and between Intel and Newco on the Closing Date, in substantially the form attached to such schedule.

“Intellectual Property” means intellectual property rights arising from or in respect of the following, whether protected, created or arising under the laws of the United States or any other jurisdiction: Copyrights, Trade Secrets, Patents and Trademarks.

“Italian Newco” means the entity that will be formed in Italy prior to the Closing Date in connection with the demerger of assets and liabilities of the ST Business from STMicroelectronics S.r.l. and which will operate certain Italian assets of the ST Business following the Closing.

“Knowledge” means, with respect to any Person, the actual knowledge of such Person. Notwithstanding the foregoing, with respect to any Person that is a corporation, limited liability company, partnership or other business entity, actual knowledge shall be deemed to mean the actual knowledge of all directors and officers of any such Person; *provided, however*, that (i) with respect to Intel, “Knowledge” shall be deemed to be solely the actual knowledge of the individuals identified in Section A of Schedule 1.1(b) of the Intel ATA Disclosure Letter, after obtaining from the individuals identified in Section B of Schedule 1.1(b) of the Intel ATA Disclosure Letter a certification as to their actual knowledge of each matter with respect to which Intel makes any representation or warranty as to its Knowledge under any Transaction Document, (ii) with respect to ST, “Knowledge” shall be deemed to be solely the actual knowledge of the individuals identified on Schedule 1.1(b) of the ST ACA Disclosure Letter, after obtaining from the individuals identified on Schedule 1.1(b) of the ST ACA Disclosure Letter a certification as to their actual knowledge of each matter with respect to which ST makes any representation or warranty as to its Knowledge under any Transaction Document, and (iii) with respect to FP, “Knowledge” shall be deemed to be solely the actual knowledge of David ibnAle, Phokion Potamianos, and Keith Toh.

“Leased Intel Real Property” means the Intel Real Property listed in Schedule 3.6(b) of the Intel ATA Disclosure Letter.

“Leased ST Real Property” means the ST Real Property listed in Schedule 3.6(b) of the ST ACA Disclosure Letter.

“Letters of Approval” means the Letters of Approval dated December 7, 2005 and the Letter of Approval dated September 17, 1996, in each case, issued to Intel Electronics Ltd. by the Investment Center pursuant to the Israel Law for the Encouragement of Capital Investments, 1959.

“Liability” means, with respect to any Person, any liability or obligation of such Person of any kind, character or description, whether known or unknown, absolute or contingent, asserted or unasserted, accrued or unaccrued, liquidated or unliquidated, secured or unsecured, joint or several, due or to become due, vested or unvested, absolute, contingent, executory, determined, determinable or otherwise and whether or not the same is required to be accrued on the financial statements of such Person.

“Licensed Subsidiary” means any corporation, partnership, joint venture, limited liability company or other entity recognized in any jurisdiction in the world, now or hereafter, in which Intel, ST or Newco, as the case may be, owns or controls (either directly or indirectly) any of the following:

- (i) if such entity has voting shares or stock or other voting securities, more than 50% of the outstanding shares or stock or securities entitled to vote for the election of directors or similar managing authority; or
- (ii) if such entity does not have voting shares or stock or other voting securities, more than 50% of the ownership interest that represents the right to make decisions for such entity; or
- (iii) any other ability to elect more than half of the board of directors or similar managing authority of the subject entity, whether by contract or otherwise.

An entity shall be deemed to be a Licensed Subsidiary under this Agreement only so long as the Party (Newco, Intel or ST, as the case may be) owning or controlling the shares, stock, securities or other ownership interest required above has not contractually or otherwise surrendered, limited or in any other way constrained its authority to elect the managing authority or make decisions for the entity, and only so long as all the requisite conditions of being a Licensed Subsidiary are met. For clarity, any event causing a Person that was once a Licensed Subsidiary to no longer meet the requisite conditions of being a Licensed Subsidiary as set forth in this Section, shall render such Person to be no longer a Licensed Subsidiary.

“Lien” means, with respect to any asset, any lien, mortgage, pledge, hypothecation, right of others, claim, security interest, encumbrance, lease, sublease, license, interest, option, charge or other restriction or limitation of any nature whatsoever in respect of such asset, including any Share Encumbrance; *provided, however*, that any license of Intellectual Property shall not be considered a Lien on such Intellectual Property.

“Losses” means any and all deficiencies, judgments, settlements, demands, claims, suits, actions or causes of action, assessments, liabilities, losses, damages (excluding indirect, incidental or consequential damages), interest, fines, penalties, costs and expenses (including

reasonable legal, accounting and other costs and expenses) incurred in connection with investigating, defending, settling or satisfying any and all demands, claims, actions, causes of action, suits, proceedings, assessments, judgments or appeals, and in seeking indemnification therefor.

“Management Board” means the “Managing Board” as referenced in the Articles of Association.

“Managing Director” means any member of Newco’s Management Board.

“Master Agreement” has the meaning set forth in the introduction to this Agreement..

“Master Agreement Disclosure Letter” means each of the Intel Master Agreement Disclosure Letter and the ST Master Agreement Disclosure Letter.

“Memory Device” shall mean an Integrated Circuit alone and not in combination with any other product containing one or more memory cells, together with the circuit elements connected to the memory cells that are functionally necessary for carrying out memory hierarchy functions in association with the memory cells, including, by way of example, decoding circuits, control circuits for memory sequencing, sensing circuits, input protection circuits, high speed interface circuits, signal I/O amplification circuits, redundancy circuits, delay elements, test mode control circuits, reliability stress algorithms, address transition detection circuits, user selectable operating mode detection circuits, reference generators or voltage generator modules. Memory Device does not include Processors or Intel Proprietary Products.

“NAND Flash Memory Integrated Circuit” means a Flash Memory Integrated Circuit wherein the memory cells included in the Flash Memory Integrated Circuit are arranged in groups of serially connected memory cells (each such group of serially connected memory cells called a “string”) in which the drain of each memory cell of a string (other than the first memory cell in the string) is connected in series to the source of another memory cell in such string, the gate of each memory cell in such string is directly accessible, and the drain of the uppermost bit of such string is coupled to the bitline of the memory array.

“NAND Flash Memory Product” means a NAND Flash Memory Integrated Circuit, in die, wafer, or packaged form, that utilizes (i) electrically programmable and electrically erasable utilizing floating gate to substrate Fowler-Nordheim charge transfer mechanism for both programming and erase operations; (ii) electrically programmable and electrically erasable utilizing floating gate to substrate Fowler-Nordheim charge transfer mechanism for programming and hot-hole injection for erase operations; or (iii) memory cells arranged in groups of serially connect memory cells (each such group of serially connect memory cells called a “string”) in which the drain of each memory cell of a string (other than the first memory cell in the string) is connected in series to the source of another memory cell in such string, the gate of each memory cell in such string is directly accessible, and the drain of the uppermost bit of such string is coupled to the bitline of the memory array.

“Newco” means [NEWCO], a Besloten Vennootschap organized under the laws of the Netherlands, to be named by mutual agreement of Intel, ST and FP.

“Newco Allocated Positions” means those positions with Newco for which a Intel Business Employee or a ST Business Employee is not allocated on Schedule 3.12(c) to the Intel ATA Disclosure Letter or Schedule 3.12(c) to the ST ACA Disclosure Letter.

“Newco Approvals” means any Governmental Approval which Intel, ST and FP reasonably agree Newco must obtain in order to consummate the transactions contemplated by the Transaction Documents.

“Newco Business” means the sale, manufacture, design and/or development of advanced memory solutions, including Flash Memory Integrated Circuits, Phase Change Memory Products, Stacked Memory Products and platform memory products which include data management memory components for applications including without limitation cellular phones, memory cards, digital audio players, data processing platform memory and embedded form factors.

“NOR Flash Memory Integrated Circuit” means a Flash Memory Integrated Circuit wherein the memory cells included in the Flash Memory Integrated Circuit are arranged in groups of connected memory cells in which the gate, source and drain of each memory cell is directly accessible.

“NOR Flash Memory Product” means a NOR Flash Memory Integrated Circuit, in die, wafer or packaged form, utilizing a hot carrier injection programming mechanism and one floating gate charge storage region per transistor whereby the memory array is arranged so that the drain of one memory cell is connected directly to a source line through at most one memory transistor.

“Ordinary Shares” means ordinary shares of Newco, par value [ ] eurocent per share.

“Owned Intel Real Property” means the Intel Real Property listed in Schedule 3.6(a) of the Intel ATA Disclosure Letter.

“Owned ST Real Property” means the Intel Real Property listed in Schedule 3.6(a) of the ST ACA Disclosure Letter.

“Party” has the meaning set forth in the introduction to this Agreement.

“Patents” means patents and applications worldwide, including continuation, divisional, continuation in part, reexamination, or reissue patent applications and patents issuing thereon.

“Permits” means all permits, licenses, franchises, approvals, certificates, consents, waivers, concessions, exemptions, orders, registrations, notices or other authorizations of any Governmental Authority necessary for a Party or its Subsidiaries to own, lease and operate such Party’s Transferred Assets and to carry on such Party’s Business as currently conducted.

“Permitted Liens” means (i) Liens for Taxes or governmental assessments, charges or claims the payment of which is not yet due or which are both (A) being contested in good faith, and (B) described in reasonable detail on a Schedule to the applicable Transaction Document, (ii) statutory Liens of landlords and statutory Liens of carriers, warehousemen, mechanics or

materialmen incurred in the ordinary course of business which are either for sums not yet due or are immaterial in amount, (iii) zoning, entitlement, and other land use laws, and (iv) easements and other imperfections of title or encumbrances, in each case, that do not materially detract from the value of the relevant Transferred Asset or materially interfere with any present or intended use of such Transferred Asset.

“Permitted Transferee” means with respect to a Shareholder, any direct or indirect wholly owned subsidiary of such Shareholder, any parent company that directly or indirectly wholly owns such Shareholder, or any direct or indirect wholly owned subsidiary of such parent company.

“Person” means an individual, corporation, partnership, association, limited liability company, trust, estate or other similar business entity or organization, including a Governmental Authority and any syndicate or group that would be deemed to be a person under Section 13(d)(3) of the Exchange Act.

“Phase Change Memory” or “PCM” means a Memory Device in die, wafer or packaged form, adjusting the phase of material, such as a chalcogenide, as a means to store one or more different data states (including binary or multi-level cell structures) with or without any on-chip control, I/O and other support circuitry.

“Phase Change Memory Products” or “PCM Products” mean non-volatile memory Integrated Circuits that contain memory cells that are electrically programmable and electrically erasable whereby the memory cells consist of one or more structures that contain a chalcogenide or any other functionally equivalent phase change material utilizing one or more different material phases (including binary or multi-level cell structures), with or without any on-chip control, I/O and other support circuitry.

“Preferred Shares” means convertible preferred shares of Newco, par value [ ] eurocent per share.

“Proceeding” means any action, suit, claim, charge, hearing, arbitration, audit, or proceeding (public or private).

“Processor” means any Integrated Circuit or combination of Integrated Circuits capable of processing digital data, such as a microprocessor or coprocessor (including a math coprocessor, graphics coprocessor, or digital signal processor).

“Prohibited Transaction” shall have the meaning set forth in Section 4.2 of this Agreement.

“Receiving Party” shall (i) for purposes of the Intel Asset Transfer Agreement, have the meaning set forth in Section 5.1(b) of the Intel Asset Transfer Agreement, (ii) for purposes of the ST Asset Contribution Agreement, have the meaning set forth in Section 5.1(b) of the ST Asset Contribution Agreement and (iii) for purposes of the Intel Intellectual Property Agreement and the ST Intellectual Property Agreement, with respect to Confidential Information of a Party, mean another Party that is not a Licensing Affiliate of such Party and that receives (or receives

access to) such Confidential Information pursuant to or in connection with the Intel Intellectual Property Agreement or the ST Intellectual Agreement.

“Release” means (i) any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, disposing, or other release of any Hazardous Substance at, in, on, into, or onto the environment; (ii) the abandonment or discard of barrels, containers, tanks, or other receptacles containing or previously containing any Hazardous Substance; or (iii) any release, emission, or discharge, as those terms are defined in any applicable Environmental Laws.

“Remedial Action” means investigation, evaluation, risk assessment, monitoring, response, removal, clean-up, remediation, corrective action or other terms of similar import and any related closure, post-closure, operations and maintenance or engineering control activities.

“Share Encumbrances” means Liens, claims, options, rights of other parties, voting trusts, proxies, shareholder or similar agreements, encumbrances or other restrictions (other than restrictions imposed by applicable securities laws).

“Share Purchase Agreement” means the Share Purchase Agreement to be entered into by FP and Newco as of the Closing Date, in substantially the form attached to Schedule 2.3 to the Intel Master Agreement Disclosure Letter and to Schedule 2.3 to the ST Master Agreement Disclosure Schedule.

“Shareholder” means each Person (other than Newco) that shall be a party to the Shareholders’ Agreement, whether in connection with the execution and delivery thereof as of the Closing Date or otherwise, so long as such Person shall beneficially own, hold of record or be a registered holder of any Shares.

“Shareholders’ Agreement” means the Shareholders’ Agreement by and among Intel (as used in this definition, “Intel” has the meaning ascribed to such term in the Shareholders’ Agreement), ST (as used in this definition, “ST” has the meaning ascribed to such term in the Shareholders’ Agreement), FP (as used in this definition, “FP” has the meaning ascribed to such term in the Shareholders’ Agreement), FP Holdco and Newco to be entered into on the Closing Date, substantially in the form attached to Schedule 2.4 to both of the Master Agreement Disclosure Letters.

“Shares” means the Ordinary Shares, the Preferred Shares and any other shares of the share capital of Newco issued on or after the date of the Shareholders’ Agreement.

“Specified Intel Representations” means any representation or warranty made by Intel in Sections 3.1 through 3.24 (other than Section 3.17) of the Intel Asset Transfer Agreement or Sections 3.1(a) through 3.1(g) of this Agreement (other than Section 3.17 of the Intel Asset Transfer Agreement).

“Specified Intel Schedules” means Schedule 3.1 through 3.24 (other than Schedule 3.17) of the Intel ATA Disclosure Letter or Schedules 3.1(a) through 3.1(g) of the Intel Master Agreement Disclosure Letter.

“Specified Newco Representations” means any representation or warranty made by Newco in Sections 4.1 through 4.8 of either of the Intel Asset Transfer Agreement or the ST Asset Contribution Agreement.

“Specified Newco Schedules” means Schedules 4.1 through 4.9 of the Newco ATA Disclosure Letter or Newco ACA Disclosure Letter.

“Specified ST Representations” means any representation or warranty made by ST in Sections 3.1 through 3.24 (other than Section 3.17) of the ST Asset Contribution Agreement or Sections 3.2(a) through 3.2(g) of this Agreement (other than Section 3.17 of the ST Asset Contribution Agreement).

“Specified ST Schedules” means Schedule 3.1 through 3.24 (other than Schedule 3.17) of the ST ACA Disclosure Letter or Schedules 3.2(a) through 3.2(g) of the ST Master Agreement Disclosure Letter.

“ST” has the meaning set forth in the introduction to this Agreement.

“ST ACA Disclosure Letter” means the disclosure letter, as agreed to between the Parties as of the date of the Master Agreement (with such amendments as may be subsequently made pursuant to the terms of such agreement), containing the Schedules required by the provisions of such agreement.

“ST Ancillary Agreements” means the ST Assignment and Assumption Agreements, ST Bills of Sale, ST Intellectual Property Agreement, ST Transition Services Agreements, ST Facility Transfer Agreements, ST Joint Development Agreement, ST Back-End Supply Agreement, ST M5 Consortium Agreement, ST R2 Consortium Agreement, TFR Indemnification Agreement, Bank Guarantee, ST Assumption of Excluded Liabilities, ST Copyright Assignment, ST Patent Assignment, ST Trademark Assignment and the Newco Transition Services Agreement.

“ST Approvals” means the required consents, waivers and approvals of ST set forth on Schedule 3.3 of the ST ACA Disclosure Letter and Schedule 3.2(c) of the ST Master Agreement Disclosure Letter.

“ST Asset Contribution Agreement” means that certain Asset Contribution Agreement to be entered into by ST and Newco as of the Closing Date, in substantially the form attached to Schedule 2.4 to the ST Master Agreement Disclosure Letter.

“ST Assignment and Assumption Agreement” means, collectively, the Assignment and Assumption Agreements to be entered into by Newco or its Affiliates, on one hand, and ST or its Affiliates, on the other hand, as of the Closing Date in substantially the form attached as Exhibit A to the ST Asset Contribution Agreement.

“ST Assumption of Excluded Liabilities” shall have the meaning set forth in Section 2.4 of the ST Asset Contribution Agreement.

“ST Back-End Supply Agreement” means the ST Back-End Supply Agreement identified on Schedule 2.4 of the ST Master Agreement Disclosure Letter to be entered into by and between ST and Newco on the Closing Date, in substantially the form attached to such schedule.

“ST Bill of Sale” means any bill of sale or other similar document reasonably requested by any Party and reasonably necessary to transfer any ST Transferred Asset in accordance with applicable law to be executed by one or more ST Transferors in favor of Newco or a Subsidiary of Newco as of the Closing Date, each in substantially the form attached as Exhibit B to the ST Asset Contribution Agreement.

“ST Books and Records” means all of the books of account, general and financial records, invoices, shipping records, customer records, supplier lists, correspondence and other documents, records and files of ST and its Subsidiaries whether in hard copy or computer format which relate exclusively to the ST Business and are necessary for the conduct of such ST Business after the Closing (excluding all personnel records or any employee information for ST Business Employees who are not ST Transferred Employees employed by an ST Transferred Entity as of the Closing Date).

“ST Business” means the sale, manufacture, design and or development of NOR Flash Memory Products, NAND Flash Memory Products, Phase Change Memory Products and Stacked Memory Products.

“ST Business Audited Financial Statements” shall have the meaning set forth in Section 5.1(h) of this Agreement.

“ST Business Capital Expenditures Plan” means the plan set forth on Schedule 3.14(c) of the ST ACA Disclosure Letter setting forth (i) the actual capital expenditures of ST with respect to the ST Business for its first fiscal quarter of 2007; and (ii) the budgeted capital expenditures of ST with respect to the ST Business for the second, third and fourth fiscal quarters of 2007.

“ST Business Employees” means the employees who are identified on Schedule 3.12(c) of the ST ACA Disclosure Letter.

“ST Contract” means any Contract of ST or its Subsidiaries.

“ST Contractual Consents” shall have the meaning set forth in Section 3.8(b) of the ST Asset Contribution Agreement.

“ST Copyright Assignment” means any agreement for the assignment of ST Transferred Copyrights by an ST Transferor to Newco or a Subsidiary of Newco, dated as of the Closing Date, in the form agreed among Intel, ST and FP.

“ST Designated Employees” means those ST Business Employees who are identified as ST Designated Employees on Schedule 4.11(a) of the ST Master Disclosure Letter.

“ST Environmental Reports” means reports or audits prepared by the Environmental Consultants summarizing the results of Phase I, Phase II and environmental compliance audits regarding the Owned ST Real Property, the Leased ST Real Property and any property that is the



subject of an ST Lease, which shall be reasonably satisfactory to FP and Intel in form and substance, and paid for by Intel. At the request of Newco, ST shall review the ST Environmental Reports and confirm that all Environmental Liabilities identified in such reports are sufficiently identified as to scope as that term is used in clause (iii) of the definition of ST Pre-Closing Environmental Liability. If ST believes the issues are not sufficiently identified, ST must pay for the additional investigation to further characterize the Environmental Liability sufficient to meet the criteria in clause (iii) of the definition of ST Pre-Closing Environmental Liability.

“ST Excluded Employees” shall have the meaning set forth in Section 4.11(b) of this Agreement.

“ST Facility Transfer Agreements” means the ST Facility Transfer Agreements to be entered into by and between ST and Newco on the Closing Date, based on the terms and conditions set forth in the ST Facility Transfer Term Sheets.

“ST Facility Transfer Term Sheets” means the term sheets attached to Schedule 4.22(a) to the ST Master Agreement Disclosure Letter reflecting the terms and conditions upon which the agreements and other related documents effecting the transfer by ST and its Subsidiaries of the ST Transferred Facilities to Newco and its Subsidiaries shall be substantially based.

“ST Intellectual Property Agreement” means the Intellectual Property Agreement to be entered into by and between ST and Newco on the Closing Date, in substantially the form attached to Schedule 2.4 of the ST Master Agreement Disclosure Letter.

“ST Joint Development Agreement” means the Joint Development Agreement by and between ST and Newco entered into on the Closing Date, based substantially on the term sheet attached to Schedule 2.4 of the ST Master Agreement Disclosure Letter, and reasonably acceptable to ST, FP and ST.

“ST Leases” means all leases or other occupancy agreements pursuant to which ST or its Subsidiaries lease or occupy the Leased ST Real Property.

“ST M5 Consortium Agreement” means the ST M5 Consortium Agreement to be entered into by and between Italian Newco and STMicroelectronics S.r.l. on or prior to the Closing Date, in substantially the form attached to Schedule 2.4 of the ST Master Agreement Disclosure Letter.

“ST Master Agreement Disclosure Letter” means the disclosure letter, as delivered by ST to ST and FP as of the date of the Master Agreement (with such amendments as may be subsequently made pursuant to the terms of such agreement), containing the Schedules required by the provisions of such agreement.

“ST Material Adverse Effect” means any event, change or circumstance that, individually or in the aggregate with all other such events, changes or circumstances, (a) results in a material adverse effect on, or material adverse change in, the ST Transferred Assets, taken as a whole, or (b) any event, change or circumstance that is materially adverse to the ability of ST to perform its obligations under any Transaction Document to which it is or will be a party or to consummate the transactions contemplated thereby, other than, in the case of clause (a) above, such changes,

effects or circumstances reasonably attributable to: (i) economic, capital market or political conditions generally in the United States or foreign economies in any locations where the ST Business has material operations or sales, provided the changes, effects or circumstances do not have a materially disproportionate effect (relative to other industry participants) on the ST Business, (ii) conditions generally affecting the industry in which the ST Business operates, provided that the changes, effects or circumstances do not have a materially disproportionate effect (relative to other industry participants) on the ST Business; (iii) the announcement or pendency of the transactions contemplated by the Transaction Documents; (iv) outbreak of hostilities or war, acts of terrorism or acts of God; or (v) compliance with ST's obligations or the satisfaction of the conditions to the closing of the transactions contemplated by the Transaction Documents.

"ST Newco Shares" shall have the meaning set forth in Section 2.6(a) of the ST Asset Contribution Agreement.

"ST Patent Assignment" means any agreement for the assignment of ST Transferred Patents by an ST Transferor to Newco or a Subsidiary of Newco, dated as of the Closing Date, in the form agreed among Intel, ST and FP.

"ST Post-Closing Environmental Liability" shall mean any Environmental Liability, including a worsening of existing conditions, to the extent arising out of or relating to (i) Newco's acts occurring after the Closing Date, (ii) Newco's inaction occurring one year or later after the Closing Date, or (iii) Newco's inaction occurring within one year after the Closing Date if Newco knew about the existing condition and its inaction worsened the existing condition; and in connection with a Newco Business or the ST Business, the Owned ST Real Property, the Leased ST Real Property, the ST Transferred Assets or the ST Transferred Entities or the ownership or operation of a Newco Business or the ST Business, the Owned ST Real Property, the Leased ST Real Property or the ST Transferred Assets, the ST Transferred Entities by, or the disposal or treatment of Hazardous Substances generated by, Newco or an Affiliate of Newco (including an ST Transferred Entity) after the Closing Date.

"ST Pre-Closing Environmental Liability" shall mean any Environmental Liability which (i) relates to the ownership or operation of the ST Business (as now or previously conducted), the Owned ST Real Property, the Leased ST Real Property, the ST Transferred Assets, the ST Transferred Entities, the ST Shared Facilities or any other real property or facility owned, leased, operated or used in connection with the ST Business (as now or previously conducted) or for the disposal or treatment of Hazardous Substances generated in connection with the ST Business, the Owned ST Real Property, the Leased ST Real Property, the ST Transferred Assets, or the ST Transferred Entities, (ii) arises out of or relates to acts occurring or conditions existing on or prior to the Closing Date, but only to the extent that the Environmental Liability arising out of or relating to acts occurring or conditions existing on or prior to the Closing Date can be identified from (A) the ST Environmental Reports so long as such reports are issued not later than one (1) year subsequent to the Closing or (B) documents or data generated prior to the Closing and in the possession of ST prior to the Closing, and (iii) is identified in the foregoing documents and/or data with sufficient specificity so as to clearly identify the scope of the Environmental Liability that is attributable to the ST Business, the Owned ST Real Property, the Leased ST Real Property, the ST Transferred Assets, or the ST

Transferred Entities. Notwithstanding the foregoing, ST Pre-Closing Environmental Liability shall not include any ST Post-Closing Environmental Liability.

“ST Products” means NOR Flash Memory Products, NAND Flash Memory Products, and Stacked Memory Products, including those listed on Schedule 1.1(c) of the ST ACA Disclosure Letter.

“ST R2 Consortium Agreement” means the ST R2 Consortium Agreement to be entered into by and between Italian Newco and STMicroelectronics S.r.l. on or prior to the Closing Date, in substantially the form attached to Schedule 2.4 of the ST Master Agreement Disclosure Letter.

“ST Real Property” means all real property, leaseholds and other interests in real property owned or leased by ST or its Subsidiaries and used or held for use exclusively in the ST Business, including all real property identified in Schedule 3.6 of the ST ACA Disclosure Letter, together in each case with ST’s or its Subsidiary’s right, title and interest in and to all structures, facilities or improvements currently or as of the Closing Date located thereon and all easements, licenses, rights and appurtenances relating to the foregoing.

“ST Restricted Employees” shall have the meaning set forth in Section 4.7(b) of this Agreement.

“ST Retained Trade Secrets” means trade secrets, know-how and other proprietary information owned by ST or any Licensed Subsidiary thereof as of the Effective Date and not included in the ST Transferred Trade Secrets that are or have been used by ST in connection with the ST Business.

“ST Trademark Assignment” means any agreement for the assignment of ST Transferred Trademarks by an ST Transferor to Newco or a Subsidiary of Newco, dated as of the Closing Date, in the form agreed among Intel, ST and FP.

“ST Transferors” shall have the meaning set forth in the Recitals of the ST Asset Contribution Agreement.

“ST Transferred Assets” shall have the meaning set forth in Section 2.1 of the ST Asset Contribution Agreement.

“ST Transferred Contracts” means all unexpired contracts set forth on Schedule 2.1(c) of the ST ACA Disclosure Letter, together with the ST Transferred Purchase Orders, the ST Transferred Sales Orders and the ST Leases.

“ST Transferred Employees” means the ST Business Employees and ST Designated Employees who accept an offer of employment from Newco and who begin their employment with Newco at the Closing (or, to the extent permitted by Applicable Law with respect to inactive employees on short-term, medical or other leave of absence, at the time such employee returns to active status) or such other date as the parties may reasonably agree.

“ST Transferred Entities” means the entities set forth on Schedule 1.1(a) of the ST ACA Disclosure Letter.

“ST Transferred Intellectual Property” means, collectively, the ST Transferred Copyrights, ST Transferred Patents, ST Transferred Trademarks and ST Transferred Trade Secrets.

“ST Transferred Interests” means 100% of the outstanding equity, voting and profit interests in the ST Transferred Entities.

“ST Transferred Liabilities” shall have the meaning set forth in Section 2.3 of the ST Asset Contribution Agreement.

“ST Transferred Purchase Orders” means each purchase order or portion thereof issued by ST or a Subsidiary of ST to the extent relating to the ST Business.

“ST Transferred Sales Orders” means all pending and unfulfilled sales orders or portions thereof for ST Products.

“ST Transferred Trademarks” means those Trademarks identified on Schedule 2.1(k) of the ST ACA Disclosure Letter.

“ST Transferred Trade Secrets” means any Trade Secrets owned by ST or any of its Subsidiaries as of the Closing Date (including any such Trade Secrets that consist of technical documentation of the nature of the files and other documentation identified on Schedule 2.1(h) to the ST ACA Disclosure Letter) that are used exclusively in the ST Business and not materially embodied or used in or with any other current product or service of ST or any of its Subsidiaries.

“ST Transition Services Agreement” means the ST Transition Services Agreement identified on Schedule 2.4 of the ST Master Agreement Disclosure Letter to be entered into by and between ST and Newco on the Closing Date, in substantially the form attached to such schedule.

“Stacked Memory Products” means the assembly of multiple Memory Devices packaged together as a single product unit which fits within the footprint associated with a single Memory Device socket. Notwithstanding the foregoing, nothing in this Agreement shall be deemed to include within the Intel Transferred Assets or ST Transferred Assets any Intellectual Property for non-NOR Flash Integrated Circuits that may be components of Stacked Memory Products.

“Subsidiary” means, with respect to any Person, (i) any corporation, limited liability company or other similar entity as to which more than 50% of the outstanding capital stock or other securities having voting rights or power is owned or controlled, directly or indirectly, by such Person and/or by one or more of such Person’s direct or indirect subsidiaries and (ii) any Person with a partnership, joint venture or other similar relationship between such Persons and any other Person, *provided, however*, that with respect to Intel, Silicon Philippines, Inc., a corporation organized and existing under Philippines law (“SPI”), shall be deemed to be a Subsidiary of Intel for purposes of the Transaction Documents and for convenience only, and such inclusion of SPI within this definition shall not imply that such entity is a subsidiary or affiliate of Intel for any purpose independent of the Transaction Documents.

“Taxes” means (i) all foreign, federal, state, local and other net income, gross income, gross receipts, sales, use, ad valorem, value added, intangible, unitary, capital gain, transfer, franchise, profits, license, lease, service, service use, withholding, backup withholding, payroll, employment, estimated, excise, severance, stamp, occupation, premium, property, prohibited transactions, windfall or excess profits, value added tax, goods and services tax, social service tax, import tax, export tax, or other taxes of any kind whatsoever, together with any interest and any penalties, additions to tax or additional amounts with respect thereto, (ii) any Liability for payment of amounts described in clause (i) whether as a result of transferee Liability, of being a member of an affiliated, consolidated, combined or unitary group for any period, or otherwise through operation of law, and (iii) any Liability for the payment of amounts described in clause (i) or (ii) as a result of any tax sharing, tax indemnity or tax allocation agreement or any other express or implied agreement to indemnify any other Person for Taxes; and the term “Tax” means any one of the foregoing Taxes.

“Termination Date” means December 31, 2007, subject to extension as provided in Article VI of this Agreement.

“Termination Fee” shall have the meaning set forth in Section 6.2(b) of this Agreement.

“TFR Indemnification Agreement” means the TFR Indemnification Agreement to be entered into by Newco, the applicable Newco Subsidiaries and ST on the Closing Date, in a form reasonably acceptable to Intel, FP and ST.

“Third Party” means, with respect to any Shareholder, any other Person other than any Permitted Transferee of such Shareholder and, with respect to Newco, any other Person other than its Subsidiaries.

“Third Party Appraisal Firm” shall have the meaning set forth in Section 4.13 of this Agreement.

“Trade Secrets” means confidential know how, inventions, discoveries, concepts, ideas, methods, processes, designs, formulae, technical data, source code, drawings, specifications (including logic specifications), data bases, data sheets, customer lists, Customer Data and other confidential information that constitute trade secrets under applicable law, in each case excluding any rights in respect of any of the foregoing that comprise Copyrights, mask work rights or Patents.

“Trademarks” means trademarks and registrations and applications therefor.

“Transaction Documents” means the Master Agreement, the Intel Asset Transfer Agreement, the ST Asset Contribution Agreement, the Share Purchase Agreement, the Intel Ancillary Agreements, the ST Ancillary Agreements, the Shareholders’ Agreement, the Confidentiality Agreement, and all of the documents contemplated by any such agreement or entered into by any of the Parties thereto or their Subsidiaries in connections with the transactions contemplated by such agreements.

**INTEL CORPORATION**  
**STATEMENT SETTING FORTH THE COMPUTATION**  
**OF RATIOS OF EARNINGS TO FIXED CHARGES**

(Dollars in Millions)

	Six Months Ended	
	June 30, 2007	July 1, 2006
Income before taxes	\$ 3,402	\$ 3,127
Adjustments:		
Add fixed charges	59	74
Subtract interest capitalized	(24)	(32)
Income before taxes and fixed charges	<u>\$ 3,437</u>	<u>\$ 3,169</u>
Fixed charges:		
Interest <sup>1</sup>	\$ 7	\$ 14
Capitalized interest	24	32
Estimated interest component of rental expense	28	28
Total	<u>\$ 59</u>	<u>\$ 74</u>
Ratio of earnings before taxes and fixed charges, to fixed charges	58	43

<sup>1</sup> Interest within provision for taxes on the consolidated condensed statements of income is not included.

The following certification includes references to an evaluation of the effectiveness of the design and operation of our “disclosure controls and procedures” and to certain matters related to our “internal control over financial reporting.” Item 4 of Part I of this Form 10-Q presents the conclusions of the CEO and the CFO about the effectiveness of our disclosure controls and procedures based on and as of the date of such evaluation (relating to Item 4 of the certification), and contains additional information concerning disclosures to our Audit Committee and independent auditors with regard to deficiencies in internal control over financial reporting and fraud and related matters (Item 5 of the certification).

#### CERTIFICATION

I, Paul S. Otellini, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Intel Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 3, 2007

By: /s/ Paul S. Otellini  
Paul S. Otellini  
President and Chief Executive Officer

The following certification includes references to an evaluation of the effectiveness of the design and operation of our “disclosure controls and procedures” and to certain matters related to our “internal control over financial reporting.” Item 4 of Part I of this Form 10-Q presents the conclusions of the CEO and the CFO about the effectiveness of our disclosure controls and procedures based on and as of the date of such evaluation (relating to Item 4 of the certification), and contains additional information concerning disclosures to our Audit Committee and independent auditors with regard to deficiencies in internal control over financial reporting and fraud and related matters (Item 5 of the certification).

#### CERTIFICATION

I, Andy D. Bryant, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Intel Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 3, 2007

By: /s/ Andy D. Bryant  
Andy D. Bryant  
Executive Vice President, Chief Financial and Enterprise  
Services Officer and Principal Accounting Officer



**CERTIFICATION**

Each of the undersigned hereby certifies, for the purposes of section 1350 of chapter 63 of title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in his capacity as an officer of Intel Corporation (Intel), that, to his knowledge, the Quarterly Report of Intel on Form 10-Q for the period ended June 30, 2007, fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operation of Intel. This written statement is being furnished to the Securities and Exchange Commission as an exhibit to such Form 10-Q. A signed original of this statement has been provided to Intel and will be retained by Intel and furnished to the Securities and Exchange Commission or its staff upon request.

Date: August 3, 2007

By: /s/ Paul S. Otellini  
Paul S. Otellini  
President and Chief Executive Officer

Date: August 3, 2007

By: /s/ Andy D. Bryant  
Andy D. Bryant  
Executive Vice President, Chief Financial and Enterprise  
Services Officer and Principal Accounting Officer