==========

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)
[X] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 25, 1999,

[_] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____.

Commission File Number 0-6217

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

Delaware	94-1672743
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2200 Mission College Boulevard, Santa Clara, California, 95052-8119
(Address of Principal Executive Offices, Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
NONE	

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, $.001 par value

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 X NO
--- ---

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [_]

Aggregate market value of voting stock held by non-affiliates of the registrant as of February 25, 2000
$355.2 billion

3,342 million shares of Common Stock outstanding as of February 25, 2000

DOCUMENTS INCORPORATED BY REFERENCE

(1) Portions of Annual Report to Stockholders for fiscal year ended December 25, 1999 - Parts I, II and IV.
(2) Portions of the Registrant's Proxy Statement related to the 2000 Annual Meeting of Stockholders, to be filed subsequent to the date hereof - Part III

==========

PART I **

ITEM 1. BUSINESS

INDUSTRY

Intel Corporation, the world's largest semiconductor chip maker, supplies the computing and communications industries with chips, boards, systems and software

that are integral in computers, servers, and networking and communications products. These products are used by industry members to create advanced computing and communications systems and are offered at various levels of integration. The company was incorporated in California in 1968 and reincorporated in Delaware in 1989.

PRODUCTS

The company's major products include microprocessors, chipsets, flash memory products, networking and communications products, embedded processors and microcontrollers, and digital imaging and other PC-peripheral products. Intel's component-level products consist of integrated circuits used to process information. Integrated circuits are silicon chips, known as semiconductors, etched with interconnected electronic switches. Intel sells to:

- original equipment manufacturers (OEMs) of computer systems, telecommunications and data communications equipment, and peripherals;
- PC and computing appliance users (including individuals, large and small businesses, and Internet service providers) who buy Intel's PC enhancement products, business communications products and networking products through retail and industrial distributors, and resellers throughout the world;
- other manufacturers, including makers of a wide range of industrial and communications equipment;
- businesses, schools, and state and local governments that are building or enhancing Internet data centers.

Intel also provides data center services to businesses needing e-Commerce services.

The company is organized into five operating segments according to Intel's various product lines: the Intel Architecture Business Group, the Wireless Communications and Computing Group (formed out of the former Computing Enhancement Group), the Network Communications Group, the Communications Products Group (formed during 1999) and the New Business Group. Each group has a vice president who reports directly to the Chief Executive Officer of Intel. The Intel Architecture Business Group is the only reportable operating segment for financial statement purposes. No other operating segment represents 10% or more of revenues or operating profit of the company. Reference is made to the information regarding revenues and operating profit by reportable segments, and revenues from unaffiliated customers by geographic region, under the headings "Operating segment and geographic information" on pages 27 and 28 of Intel's 1999 Annual Report to Stockholders and "Management's discussion and analysis of financial condition and results of operations" on pages 30 to 36 of the 1999 Annual Report, which information is hereby incorporated by reference. Operating results of segments that are not individually reportable are included in the "all other" category for financial statement segment reporting purposes.

_____

** Page references to the 1999 Annual Report to Stockholders or to the company's 2000 Proxy Statement for its 2000 Annual Meeting of Stockholders under Item 1 in Part I and Items 5, 6, 7, 7A and 8 in Part II; Items 10, 11, 12 and 13 in Part III; and Item 14 in Part IV relate to the bound, printed versions of such annual report and proxy statement, not to the electronic versions appearing at the Intel(R) Internet site (www.intel.com and www.intc.com). However, all data referred to also appears in the electronic versions.

Intel Architecture Business Group

The Intel Architecture Business Group (IABG) tailors platform solutions around Intel's microprocessors and chipsets for all major computing segments worldwide, using a tiered branding approach. Intel's strategy is to provide both the highest performance and the best value through a broad range of microprocessor and chipset solutions that power the client and server market segments. Client platforms incorporate IABG products in desktop computers, notebooks, entry-level servers and workstations, and Internet appliances. Server platform products are targeted for mid-range to high-end servers and workstations. Servers are powerful systems, often with multiple microprocessors working together, housing large amounts of data, directing traffic, and controlling central functions in local and wide area networks and on the Internet. Workstations offer higher performance than standard desktop PCs, especially with respect to graphics, processing power and the ability to carry out several tasks at the same time.

The IABG products include processors based on the P6 microarchitecture (including the Intel(R) Celeron(TM), Pentium(R) III and Pentium(R) III Xeon(TM) processors) and related board- and system-level products. In addition, the core-logic chipset products within IABG provide features improving ease of use, providing new capabilities and enabling system performance to scale as the processor performance increases.

MICROPROCESSORS. A microprocessor is the central processing unit of a

computer system. It processes system data and controls other devices in the system, acting as the brains of the computer. The rate at which a microprocessor's internal logic operates, called its clock speed, is measured in units of hertz or cycles processed per second. One megahertz (MHz) equals one million cycles processed per second, and one gigahertz (GHz) equals one billion cycles processed per second. The memory stored on a chip is measured in bytes, with 1,024 bytes equaling a kilobyte (KB), 1.049 million bytes equaling a megabyte (MB) and 1.074 billion bytes equaling a gigabyte (GB). Cache is a memory subsystem in which frequently used data is duplicated for quick access. A second level of cache (L2), located directly on the microprocessor, can also be used to further increase system performance.

Intel's developments in the area of semiconductor design and manufacturing have made it possible to decrease the size of circuits etched into silicon, permitting a greater number of transistors to be used on each microprocessor die, and a greater number of microprocessors to be placed on each silicon wafer. The result is smaller, faster microprocessors that consume less power and cost less to manufacture. The length of the individual transistors on a chip is measured in microns; one micron equals one millionth of a meter. In 1999, Intel began converting its microprocessor manufacturing to the 0.18-micron process technology.

In 1999, Intel announced several new microprocessor products aimed at the various computing market segments ranging from value PCs (systems costing less than $1,000) to high-performance workstations and servers.

Value PCs. Tailored for the value PC market segment, the Intel Celeron processor meets the core computing needs and affordability requirements common to many new PC users. From January 1999 to August 1999, Intel introduced several new higher speed versions of the Intel Celeron processor running at speeds ranging from 366 MHz to 500 MHz. In January 2000, Intel introduced a 533-MHz version of the Intel Celeron processor. All of these Celeron processors have 128 KB of integrated L2 cache on the processor core.

Performance desktop PCs. In February 1999, Intel introduced the Pentium III processor. Targeted for the performance desktop personal computer and low-end server and workstation market segments, the Pentium III processor is designed specifically to enhance the Internet experience and offers high performance and enhanced multimedia realism for Internet applications. The Pentium III processor includes Internet Streaming SIMD Extensions, 70 new instructions that enhance the performance of advanced imaging, 3D graphics, streaming audio, video and speech recognition applications. The 450- and 500-MHz versions, with 512 KB L2 cache, began shipping in March 1999; the 550-MHz version was introduced in May 1999; and the 600-MHz version was introduced in August 1999.

In October 1999, the company introduced new versions of the Pentium III processor built on the 0.18-micron process technology, all integrating 256 KB of L2 Advanced Transfer Cache; these processors run at speeds of up to 733 MHz. With Advanced Transfer Cache, the path between the processor and L2 cache memory is wider, creating better performance than previous Pentium III processors running at the same clock speed. The Advanced Transfer Cache enables application performance to scale with increasing clock frequencies. In December 1999, Intel

introduced Pentium III processors running at 750 and 800 MHz. As of October 1999, new desktop microprocessors introduced include versions available in the flip-chip pin grid array (FC-PGA) package. The flip-chip package uses fewer purchased components and is an improved microprocessor package that is smaller than the previously available Single Edge Contact (SEC) cartridge.

In March 2000, Intel introduced the Pentium III processor running at 1 GHz with integrated L2 Advanced Transfer Cache. This microprocessor has improved performance over previous versions of the Pentium III processor, particularly in running certain applications such as loading complex Web pages.

Mobile PCs. In January 1999, Intel introduced the first mobile Intel Celeron processors, running at 266 and 300 MHz, providing a performance boost for low-cost mobile PCs. From April 1999 to September 1999, the company introduced several new higher speed versions of the mobile Intel Celeron processor running at speeds ranging from 333 to 466 MHz. In February 2000, a 500-MHz version was introduced. All of these processors integrate 128 KB of L2 cache on the processor core.

The Pentium(R) II and Pentium III processors for mobile PCs have been designed to provide mobile users with advanced performance while meeting the power consumption and size constraints of mobile PCs. In January 1999, the company introduced mobile Pentium II processors running at 333 and 366 MHz. These were the first Pentium II processors built on a single processor silicon die with 256 KB of on-die L2 cache. In June 1999, the company introduced the mobile Pentium II processor running at 400 MHz with 256 KB of on-die L2 cache. This was the first processor built on Intel's 0.18-micron process technology. The first mobile Pentium III processors were introduced in October 1999, also built on the company's 0.18-micron process technology and running at 400, 450 and 500 MHz.

The mobile Pentium III processor at 400 MHz operates at a low 1.35 volts and is targeted specifically for mini notebook designs, for which power consumption is a significant design concern.

In January 2000, the company introduced the mobile Pentium III processor featuring Intel(R) SpeedStep(TM) technology running at 650 and 600 MHz. These processors have the capability of operating in two different modes, a Maximum Performance Mode and a Battery Optimized Mode. The system by default automatically chooses which mode to run in, depending on whether the computer is running on batteries or is plugged into AC power. This dual-mode capability allows the notebook to run at desktop-class speeds when plugged in, optimizing performance, and optimizing battery life when AC power is not available.

Servers and workstations. In March 1999, Intel announced the Pentium III Xeon processor, targeted to enhance Internet software and application performance for the mid-range to high-end server and workstation market segments. At introduction, the Pentium III Xeon processor was available at speeds of 500 and 550 MHz, available in 512 KB, 1 MB and 2 MB L2 cache versions for 2-, 4- and 8-way servers and workstations. In October, the company introduced three new versions running at 600, 667 and 733 MHz, with 256 KB L2 Advanced Transfer Cache on-die, manufactured using the 0.18-micron process technology and aimed at 2-way servers and workstations. In January 2000, the company introduced an 800-MHz version with the same on-die 256 KB L2 Advanced Transfer Cache.

The company has under development a family of 64-bit microprocessors expected to expand the capabilities of the Intel architecture to address the high-performance server and workstation market segments while still running the software that currently operates on 32-bit Intel processor-based machines. A 64-bit microprocessor is more complex than a 32-bit microprocessor and requires a more complex system architecture, but it can handle twice as much data in each clock cycle. Thus, a 64-bit microprocessor enables most data-intensive applications, such as database and graphics applications, to run faster than they would on a 32-bit microprocessor. In December 1999, Intel began delivering prototype systems based on sample Itanium(TM) processors to system manufacturers, operating system vendors and application providers to help them complete the development and testing of products targeted for the Itanium processor, the first processor based on the IA-64 architecture. The first production Itanium processor-based systems are expected to be available from OEMs in the second half of 2000.

Board-level products. While many of Intel's OEM customers use the company's microprocessors as components in designing their own computer products, some OEMs use Intel-designed board-level products as basic building blocks in their computer products. OEM customers may buy at this level of integration to accelerate their time-to-market and to direct their investments to other areas of their product lines. The company provides board-level

products to give OEM customers flexibility by enabling them to choose whether to buy at the component or board level. Board-level products based on Intel's new microprocessors are available for most computing market segments.

Sales and gross margin. During 1999, sales of microprocessors and related board-level products based on the P6 microarchitecture, which are included in the Intel Architecture Business Group's operations, comprised a substantial majority of Intel's consolidated net revenues and gross margin. For 1998, these represented a majority of Intel's consolidated net revenues and a substantial majority of gross margin. Sales of products based on the P6 microarchitecture first became a significant portion of the company's revenues and gross margin in 1997. Sales of Pentium processor family products, including Pentium processors with MMX(TM) technology, were not significant for 1999, but were a rapidly declining but still significant portion of the company's revenues and gross margin for 1998. During 1997, sales of Pentium processor family products were a majority of the company's revenues and gross margin. For the past several years, the company's sales of microprocessors have generally shown a seasonal trend, with higher sales in the second half of the year, primarily due to back-to-school and holiday demand.

CHIPSETS. Chipsets perform essential logic functions surrounding the central processing unit, and support and extend the graphics, audio, video and other capabilities of many Intel processor-based systems. The company's chipsets are compatible with one or more of a variety of industry-accepted buses, such as the Peripheral Components Interconnect (PCI) Local Bus specification and the Accelerated Graphics Port (AGP) specification. A bus is a circuit that carries data between parts of the system, for example, between the processor and main memory. The company offers the 440BX AGPset family of chipsets for the Pentium III processor to be used in desktop and mobile products.

To help enable computer makers to speed their products to market, Intel designs, manufactures and sells chipsets for each computing market segment. Intel makes chipsets with and without integrated graphics capability. Previously, the company offered stand-alone graphics accelerator chips. However, during 1999 the company shifted its focus to integrating graphics capabilities into certain of its chipset products. In April 1999, Intel launched the Intel(R) 810 Chipset

with a 66- or 100-MHz system bus, the company's first chipset integrating multimedia capabilities for value PCs based on the Intel Celeron processor. In September 1999, the Intel(R) 810E Chipset with a 133-MHz system bus was introduced which extended the capabilities of the Intel 810 Chipset as well as adding support for Pentium III processors. In addition to the integrated graphics capability, these new 800 series chipsets double the size of the communications channel within the chipset for a significantly enhanced multimedia experience.

In August 1999, Intel began shipping board-level products with Profusion(R) Chipsets attached, aimed at the mid-range to high-end server market segment, allowing OEMs to more easily build 8-way servers based on the Pentium III Xeon processor.

In October 1999, Intel launched the Intel(R) 840 Chipset with a 133-MHz bus, targeted for entry-level 2- and 4-way servers and workstations utilizing Pentium III and Pentium III Xeon processors. This is the first chipset to enable high-performance Direct Rambus Dynamic Random Access Memory (RDRAM) technology. Direct RDRAM delivers a maximum theoretical memory bandwidth of up to 1.6 GB per second. In November 1999, Intel introduced the Intel(R) 820 Chipset with a 100- or 133-MHz bus, for Pentium III processors. This was the first desktop chipset to enable high-performance Direct RDRAM memory technology and enhance graphics performance through AGP 4x graphics support. The Intel 840 and 820 Chipsets do not have integrated graphics.

Wireless Communications and Computing Group

In December 1999, Intel announced the creation of the Wireless Communications and Computing Group (WCCG), focusing on opportunities in the growing digital cellular and wireless communications areas. WCCG's products consist of component-level hardware and software used in digital cellular communications products and other applications using both low-power processing and flash memory. Within the client platform initiatives, WCCG products support handheld devices such as mobile phones, two-way pagers and personal digital assistants.

FLASH MEMORY. Flash memory components are used to store user data and computer program code and retain information when the power is off. Intel(R) StrataFlash(R) memory, the first flash memory product to store multiple bits of data in one memory cell, expands memory capacity for a variety of consumer and networking applications. In August 1999, Intel introduced the 3 Volt Intel(R) StrataFlash memory with triple the read performance compared

to the previous version. Using 0.25-micron lithography, the new StrataFlash product enables both code execution and data storage on a single 128-MB chip. In September 1999, the company announced the Intel(R) 1.8 Volt Dual-Plane Flash Memory, a 32-MB capacity chip for code execution and data storage in cellular phones and other handheld wireless devices requiring low-power, 1.8-volt operation. In 1999, the company also introduced an updated version of the Intel(R) Advanced+ Boot Block Flash product using low-power, 1.8-volt operation and having fraud protection capability that protects code and data from corruption.

EMBEDDED PROCESSORS FOR HANDHELD DEVICES. Battery-powered handheld devices have embedded processors that use low power yet provide high performance. Intel's StrongARM(R) processors provide such performance at a low cost. During 1999, Intel and Advanced RISK Machines, Ltd. announced a licensing agreement enabling Intel to develop solutions based on current and future versions of the ARM(R) architecture. Intel's StrongARM product portfolio implementation of the ARM architecture utilizes Intel's microarchitecture and low-power technologies, while remaining compatible with software available for ARM cores, to service the portable, handheld and applied computing market segments. In March 1999, Intel announced the addition of the Intel(R) StrongARM SA-1110 processor and the SA-1111 companion chip to the Intel StrongARM product portfolio, providing increased memory and input/output design flexibility.

StrongARM and ARM are trademarks of Advanced RISC Machines, Ltd.

CELLULAR COMMUNICATIONS PRODUCTS. In November 1999, Intel expanded its wireless communications product offerings with the acquisition of DSP Communications, Inc., a leading supplier of chipsets, reference designs, software and other key technologies for the digital cellular communications market segment. The chipsets developed by DSP Communications support a broad range of frequency modulation standards, including Time Division Multiple Access (TDMA), Code Division Multiple Access (CDMA) and Personal Digital Cellular (PDC), a proprietary cellular system that works only in Japan. Under development are chipsets for use in Wideband CDMA (WCDMA) and other third-generation standards. Third-generation standards are expected to deliver high-speed data transmissions combining voice and Internet capabilities into wireless handheld devices. Other product offerings include large-scale reference designs and form-fit reference designs enabling manufacturers of handheld devices to outsource large portions of the development of their handsets.

Network Communications Group

The Network Communications Group (NCG) provides component-level networking silicon products, high-speed adapters for Internet access, and network interface cards to provide networking and Internet connectivity solutions for enterprises, small businesses and consumers. NCG also offers embedded microprocessors and microcontrollers for networking and communications as well as other applications. These embedded control products were previously offered by Intel's former Computing Enhancement Group.

In 1999, Intel acquired several companies to help expand the company's product offerings in networking and communications. In July 1999, the company acquired Softcom Microsystems, Inc., a maker of semiconductor products for OEMs in the networking and communications market segments. In September 1999, the company acquired NetBoost Corporation, a maker of hardware and software solutions for communications equipment suppliers and independent software vendors in the networking and communications segments.

In August 1999, Intel completed the acquisition of Level One Communications, Inc., which provides silicon connectivity solutions for high-speed telecommunications and networking applications, offering increased bandwidth and functionality through silicon integration. The products are used to produce systems for local area networks (LANs), wide area networks (WANs) and public telephone transmission networks. LANs, WANs and telephone transmission networks enable the use of intranets and the Internet. An intranet is a privately maintained network that provides services within an organization similar to the services provided by the Internet.

In September 1999, the company launched the Intel(R) Internet Exchange(TM) architecture, a flexible platform for silicon-based products to help enable the networking and communications industry to build faster, more intelligent networks. In the second half of 1999, Level One Communications announced a family of silicon components based on this architecture.

Intel also continued to introduce new members of a family of networking interface cards based on the multi-platform, single-chip Fast Ethernet controller, the Intel(R) 82559. Featuring Intel(R) SingleDriver technology, these new adapters are designed to lower network support costs and complexity by providing a common set of software drivers for servers, desktops, network PCs and mobile clients. Ethernet refers to a local network used to transfer information at 10 million bits per second, while Fast Ethernet networks transfer information at 100 million bits per second. In January 2000, Intel announced its new family of Intel(R) PRO/100 S network security-enabled adapters, which help enable higher performance and end-to-end security within the LAN.

In January 2000, the company announced the Intel PRO/DSL 3100 Modem. Its predecessor, the Intel(R) PRO/DSL 2100 Modem was introduced in the fourth quarter of 1999. Both modems are based on two new industry standards that allow access to the Internet at speeds up to 150 times faster than the fastest analog modems.

In November 1999, the company introduced a higher performance version of its Intel(R) AnyPoint(TM) Phoneline Home Network product that allows families to connect multiple PCs within a single home with bandwidth of up to 10 million bits per second over existing phone lines.

EMBEDDED CONTROL PRODUCTS. Intel's embedded control products include a range of components used to control functions in networking and communications applications, such as telecommunications, hubs, routers and wide area networking. Intel's embedded control chips are also used in laser printers, imaging, storage media, point-of-sale systems, industrial automation equipment, automotive systems and other applications. Products include low-power-consumption versions of the Pentium processor with MMX technology and the 32-bit i960(R) reduced instruction set computing (RISC) processor with integrated input/output capabilities. Additional products include microcontrollers of the Intel(R) MCS(R)-51 and MCS(R)-296 microcontroller families.

In February 1999, Intel introduced Celeron processors running at 300 and 366 MHz into the embedded product line. In May 1999, Intel announced the addition of the low-power-consumption Pentium II processors running at 266 and 333 MHz as well as the Celeron processor running at 433 MHz to its embedded product line. In February 2000, low-power-consumption Pentium III processors running at 400 and 500 MHz as well as the Pentium III processor running at 600 MHz were made available for embedded products aimed at new networking and communications, point-of-sale and industrial automation equipment applications.

Communications Products Group

The Communications Products Group (CPG) provides system-level hardware, software and support services for e-Business data centers and building blocks for communications access solutions. These products include hubs, routers and

switches for Ethernet and Fast Ethernet networks, e-Commerce infrastructure appliances and computer telephony components. Computer telephony is a term used to encompass a wide variety of technologies and applications that use the information processing capabilities of a computer, often a server, to add intelligence to telephone functions and to combine these functions with data processing.

In February 1999, Intel acquired Shiva Corporation to expand Intel's networking product line with remote access and virtual private networking (VPN) solutions for the small to medium enterprise market segment and the remote needs of campuses and branch offices.

In July 1999, Intel acquired Dialogic Corporation, a maker of computer telephony hardware and software. The acquisition is aimed at expanding Intel's standard-high-volume (SHV) server business in the networking and telecommunications market segment by providing standards-based hardware and software building blocks for integrated voice and data networks. Dialogic's hardware products receive and process signals from telecommunications networks and perform computing functions to convert the signals to data (and vice versa) appropriate for computer systems. These computing functions are based upon algorithms for a variety of features, including voice compression and decompression, voice storage, speech recognition, tone recognition and signaling, and facsimile compression and generation. Dialogic hardware products are provided bundled with software elements, such as drivers, which enable the hardware products to work in the host environment and to be compatible with other elements within the system in which they are installed.

In October 1999, Intel acquired IPivot, Inc., a designer and manufacturer of Internet commerce equipment. Internet commerce equipment is a new product category comprising special-function devices that manage information crossing the Internet to help ensure more reliable, faster, more efficient and secure transactions. In February 2000, the company introduced the family of Intel(R) NetStructure(TM) products, combining these Internet commerce products with other Intel networking systems.

In September 1999, Intel introduced the Intel(R) 6000 Switch, now incorporated in the family of NetStructure products as the Intel NetStructure 6000 Switch, and the Intel(R) Express 9500 and 8200 routers. With the addition of these products, Intel has broadened its networking systems offering to provide medium-size enterprise customers with more flexible and manageable end-to-end networking solutions.

New Business Group

The New Business Group (NBG) focuses on nurturing and growing opportunities in new market segments, and it positions the company to serve these emerging market segments. The group provides e-Commerce data center services as well as products such as connected peripherals and security access software. In 1999, the New Business Group launched Intel(R) Online Services, Inc., providing second-generation Web hosting and e-Commerce services to companies worldwide. The company opened two Internet service centers--an 85,000-square-foot, major production facility in Santa Clara, California, hosting more than 10,000 servers, and a development facility in Folsom, California--and has plans to open centers in Virginia, Japan and England. Second-generation Web hosting includes not only offering customers facilities and servers but also additional services to help them successfully maintain and grow their e-Business activities.

Other new products in 1999 include the family of Intel(R) Play(TM) toys, and the Intel(R) PC Camera Pro Pack, an affordable and easy-to-use camera package that includes video phone and video e-mail as well as the capability, through a built-in video capture plug, to bring live or recorded video into PCs.

MANUFACTURING

A majority of the company's wafer production, including microprocessor fabrication, is conducted at domestic Intel facilities in New Mexico, Oregon, Arizona, California and Massachusetts. Intel also produces microprocessor-related board-level products and systems at facilities in Puerto Rico, Oregon and Washington.

A significant and growing portion of Intel's wafer production, primarily wafer production based on the P6 microarchitecture, is conducted outside the United States at facilities in Ireland and Israel. For the fourth quarter of 1999, wafer production in Ireland was just under 15% of the company's total wafer production. In June 1999, a new fabrication facility was opened in Israel to manufacture wafers using the 0.18-micron process technology, primarily for the production of P6 microarchitecture products. Production began at that facility in the second half of 1999 and will continue to ramp toward full production in 2000. Wafer production in Israel is expected to be more than 10% of total wafer production by the end of 2000. A substantial majority of the company's components assembly and testing, including assembly and testing for processors based on the P6 microarchitecture, is performed at facilities in the Philippines, Malaysia, Ireland and Costa Rica. The company also performs

components assembly and testing at a facility in the People's Republic of China.

To augment both domestic and foreign capacity, Intel uses subcontractors to perform assembly of certain products and wafer fabrication for certain components, primarily flash memory, chipsets and networking and communications component products. The company also uses subcontractors for production capacity of board-level products and systems.

In June 1999, Intel introduced its first microprocessor built using the 0.18-micron process technology: the mobile Pentium II processor running at 400 MHz. Intel was the first company in the industry to begin high-volume manufacturing utilizing 0.18-micron process technology. The 0.18-micron process technology features structures that are smaller than 1/500th the thickness of a human hair and smaller than the visible wavelength of light (for the human eye). Intel's new 0.18-micron process technology can feature voltages as low as 1.1 to 1.65 volts (the lowest voltage of the products introduced by Intel as of the end of 1999 was 1.35 volts). In October 1999, the company introduced Pentium III processors built using the 0.18-micron process technology. The company is manufacturing wafers using the 0.18-micron process technology at fabrication facilities in Arizona, California, Oregon and Israel.

Also in June 1999, Intel announced plans to start 300mm wafer production in 2002, and in January 2000, the company announced that it intends to build its first 300mm wafer fabrication facility in Arizona. The largest wafer size currently used by Intel in wafer fabrication is 200mm.

In February 2000, Intel announced that it had signed a letter of intent to purchase a wafer fabrication facility in Colorado to add manufacturing capacity. The company expects to begin manufacturing flash memory at the Colorado facility by late 2000.

In general, if Intel were unable to fabricate wafers or to assemble or test its products abroad, or if air transportation between its foreign facilities and the United States were disrupted, there could be a material adverse effect upon the company's operations. In addition to normal manufacturing risks, foreign operations are subject to certain additional exposures, including political instability, currency controls and fluctuations, and tariff, import and other restrictions and regulations. To date, Intel has not experienced significant difficulties related to these foreign business risks.

The manufacture of integrated circuits is a complex process. Normal manufacturing risks include errors and interruptions in the fabrication process and defects in raw materials, as well as other risks, all of which can affect yields. A substantial decrease in yields would result in higher manufacturing costs and the possibility of not being able to produce a sufficient volume of good units to meet demand.

EMPLOYEES

At December 25, 1999, the company employed approximately 70,200 people worldwide.

SALES

Most of Intel's products are sold or licensed through sales offices located near major concentrations of users throughout the United States, Europe, Asia-Pacific, Japan and other parts of the world.

The company also uses industrial and retail distributors and representatives to distribute its products both within and outside the United States. Typically, distributors handle a wide variety of products, including those competitive with Intel products, and fill orders for many customers. Most of Intel's sales to distributors are made under agreements allowing for price protection on unsold merchandise and right of return on stipulated quantities of unsold merchandise. Sales representatives generally do not offer directly competitive products but may carry complementary items manufactured by others. Representatives do not maintain a product inventory; instead, their customers place orders directly with Intel or through distributors. Intel sold products to more than 1,000 customers worldwide in 1999. Sales to each of Compaq Computer Corporation and Dell Computer Corporation in 1999 represented 13% of total revenues. A substantial majority of the sales to these two customers consisted of Intel Architecture Business Group products. No other customer accounted for more than 10% of total revenues. Sales to the company's five largest customers accounted for approximately 44% of total revenues.

Reference is made to the information regarding revenues and operating profit by reportable segments and revenues from unaffiliated customers by geographic region under the heading "Operating segment and geographic information" on pages 27 and 28 of the Registrant's 1999 Annual Report to Stockholders, which information is hereby incorporated by reference.

BACKLOG

Intel's sales are primarily made pursuant to standard purchase orders for delivery of standard products. Intel has some agreements that give a customer the right to purchase a specific number of products during a specified time period. Although not generally obligating the customer to purchase any particular number of such products, some of these agreements do contain billback clauses. Under these clauses, customers who do not purchase the full volume agreed to are liable for billback on previous shipments up to the price appropriate for the quantity actually purchased. As a matter of industry practice, billback clauses are difficult to enforce. The quantity actually purchased by the customer, as well as the shipment schedules, are frequently revised during the agreement term to reflect changes in the customer's needs. In light of industry practice and experience, Intel does not believe that such agreements are meaningful for determining backlog amounts. Intel believes that only a small portion of its order

backlog is noncancellable and that the dollar amount associated with the noncancellable portion is not material. Therefore, Intel does not believe that backlog as of any particular date is indicative of future results.

COMPETITION

The company competes in different market segments to various degrees on the basis of functionality, performance, quality, price and availability. Intel is engaged in a rapidly advancing field of technology in which its ability to compete depends upon its ability to improve its products and processes, to develop new products to meet changing customer requirements and to reduce costs. Prices decline rapidly in the semiconductor industry as unit volumes grow, as further competition develops and as production experience is accumulated. Many companies compete with Intel in the various computing market segments and are engaged in the same basic fields of activity, including research and development. Both foreign and domestic, these competitors range in size from large multinational companies to smaller companies competing in specialized market segments.

The company's financial results are substantially dependent on sales of microprocessors by the Intel Architecture Business Group. A number of competitors are marketing software-compatible products that are intended to compete with Intel's processors based on the P6 microarchitecture. The Celeron processor competes with existing and future products in the highly competitive value PC market segment. The Pentium II processor, and the Pentium III processor introduced in February 1999, compete with existing and future products in the performance desktop and entry-level workstation market segment.

Many of Intel's competitors are licensed to use Intel patents. Furthermore, based on current case law, Intel's competitors can design microprocessors that are compatible with Intel microprocessors and avoid Intel patent rights through the use of foundry services that have licenses with Intel. Competitors' products may add features, increase performance or sell at lower prices. The company also faces significant competition from companies that offer rival microprocessor architectures. The Pentium II Xeon processor, and the Pentium III Xeon processor introduced in March 1999, compete in the mid-range and high-end server and workstation market segments with established products based on rival architectures. The company cannot predict whether its products will continue to compete successfully with such existing rival architectures or whether new architectures will establish or increase market acceptance or provide increased competition to the company's products. Future distortion of price maturity curves could occur as software-compatible products enter the market segment in significant volume or alternative architectures gain market acceptance.

Intel's goal is to be the preeminent building block supplier to the worldwide Internet economy. The company's primary focus areas are client platform, server platform, networking and communications, and solutions and services. Intel's strategy for client and server platforms is to introduce ever higher performance microprocessors and chipsets, tailored for the different market segments of the worldwide computing market, using a tiered branding approach. In line with this strategy, the company is seeking to develop higher performance microprocessors based on the P6 microarchitecture specifically for each computing segment. The company plans to continue to work with the computing industry to expand Internet capabilities and product offerings, and develop compelling software applications that can take advantage of higher performance microprocessors and chipsets, thus driving demand toward Intel's newer products in each computing market segment. The company may continue to take various steps, including reducing microprocessor prices at such times as it deems appropriate, in order to increase acceptance of its latest technology and to remain competitive within each relevant market segment.

In the network and communications infrastructure area, Intel's strategy is to deliver both system-level communications products and component-level silicon building blocks for networking and communications systems for the home and small- and medium-sized businesses. Intel has made acquisitions and expects to make additional acquisitions to grow new networking and communications areas.

The network systems and Internet servers and appliances from the Communications Products Group compete in the small and medium enterprise market segments with established and new, leading-edge, internetworking and server products. The network communications silicon, network interface and network processor products from the Network Communications Group face competition from both established and emerging companies. The competitors in these areas use aggressive product and acquisition plans in efforts to achieve leading-edge market positions. The company cannot predict whether its products will continue to compete successfully with products from existing competitors, or products from new entrants to these market segments.

RESEARCH AND DEVELOPMENT

The company's competitive position has developed to a large extent because of its emphasis on research and development. This emphasis has enabled Intel to deliver many products before they have become available from competitors and has permitted Intel's customers to commit to the use of these new products in the development of their own products. Intel's research and development activities are directed toward developing new products, hardware technologies and processes, as well as improving existing products and lowering costs. During 1999, approximately half of the company's microprocessor research and development budget was spent on initiatives related to the server and workstation market segment. In December 1999, Intel began delivering prototype systems based on the Itanium processor, targeted for mid-range to high-end servers and workstations. The Itanium processor, the first product based on Intel's IA-64 architecture, is expected to go into production on the 0.18-micron process technology in mid-2000, with systems solutions expected from OEMs in the second half of 2000. In addition to microprocessor and chipset research and development, Intel has research and development initiatives in wireless devices, networking and communications products and e-Business services as well as "enabling" software to enhance the functionality and acceptance of products and services. The company has also acquired ongoing research and development activities in these areas with businesses acquired in 1999.

In the United States, design and development of components and other products are performed at Intel's facilities in Arizona, California, Massachusetts, New Jersey, Oregon, Texas, Utah and Washington. Outside the United States, Intel has product development facilities in Denmark, Israel, Malaysia and Poland. Intel also maintains research and development facilities dedicated to improving manufacturing processes in Arizona, California and Oregon. Intel's expenditures for research and development were $3,111 million, $2,509 million and $2,347 million in fiscal years 1999, 1998 and 1997, respectively. These amounts exclude charges for purchased in-process research and development related to acquisitions of $392 million and $165 million for 1999 and 1998, respectively. At December 25, 1999, Intel had approximately 16,800 employees engaged in research and development. The success of Intel's research and development activities is dependent upon competitive circumstances as well as the company's ability to bring new products to market in each computing market segment and in Intel's other businesses in a timely and cost-effective manner.

ACQUISITION AND STRATEGIC INVESTMENTS

During 1999, the company purchased 12 businesses for approximately $6 billion, augmenting its capabilities in a number of strategic areas. The companies acquired included Shiva, Softcom, Dialogic, Level One Communications, NetBoost, IPivot and DSP Communications. These acquisitions are discussed under the "Products" heading in this document in connection with each related business group.

Under its Intel Capital program, the company also makes equity investments to further its strategic objectives and to support its key business initiatives in the areas of client and server platforms, networking and communications, and Internet services. The company wants to stimulate growth in computing, communications and the Internet, and to grow the total information infrastructure, in order to create and expand markets for Intel's products. This strategic investment program helps advance Intel's overall mission of being a leading provider of key building blocks to the Internet economy. While financial returns are not the company's primary goal, Intel's strategic investment program seeks to invest in companies that can succeed and have an impact on their market segment. At the end of 1999, the company's strategic equity portfolio was valued at approximately $8 billion, including marketable investments at their market value and non-marketable investments at cost.

INTELLECTUAL PROPERTY AND LICENSING

Intellectual property rights that apply to various Intel products include patents, copyrights, trade secrets, trademarks and maskwork rights. Intel has established an active program to protect its investment in technology by enforcing its intellectual property rights. Intel does not intend to broadly license its intellectual property rights unless it can obtain adequate consideration. Reference is made to the heading "Competition" of this Form 10-K.

Intel has filed and obtained a number of patents in the United States and abroad. Intel has entered into patent cross-license agreements with many of its major competitors and other parties. While Intel's various intellectual property rights are important to its success, its business as a whole is not materially dependent upon any particular patent or license. Intel and other companies in the computer, telecommunications and related high-technology fields typically

in the aggregate apply for and receive thousands of patents in the United States and other countries on an annual basis. In addition, because of the fast pace of innovation and product development for Intel's products, the products are often obsolete before the expiration of patents related to them. For this reason, Intel believes that the duration of the applicable patents is adequate in relation to the expected lives of its products.

Intel protects many of its computer programs by copyrighting them. Intel has registered numerous copyrights with the United States Copyright Office. The ability to protect or to copyright software in some foreign jurisdictions is not clear. However, Intel has a policy of requiring customers to obtain a software license contract before providing a customer with certain computer programs. Certain components have computer programs embedded in them, and Intel has obtained copyright protection for some of these programs as well. Intel has obtained protection for the maskworks for a number of its components under the Chip Protection Act of 1984.

Intel has obtained certain trademarks and trade names for its products to distinguish genuine Intel products from those of its competitors and is currently engaged in a cooperative program with OEMs to identify certain personal computers that incorporate genuine Intel microprocessors with the Intel Inside logo. Intel maintains certain details about its processes, products and strategies as trade secrets.

As is the case with many companies in the semiconductor and other high-technology industries, Intel has, from time to time, been notified of claims that it may be infringing certain intellectual property rights of others. These claims have been referred to counsel, and they are in various stages of evaluation and negotiation. If it appears necessary or desirable, Intel may seek licenses for these intellectual property rights. Intel can give no assurance that licenses will be offered by all claimants, that the terms of any offered licenses will be acceptable to Intel or that in all cases the dispute will be resolved without litigation, which may be time consuming and expensive, and may result in injunctive relief or the payment of damages by Intel. Reference is made to the information appearing under the heading "Legal Proceedings" in Part I, Item 3 of this Form 10-K.

COMPLIANCE WITH ENVIRONMENTAL REGULATIONS

To Intel's present knowledge, compliance with federal, state and local provisions enacted or adopted for protection of the environment has had no material effect upon its operations. Reference is made to the information appearing under the heading "Legal Proceedings" in Part I, Item 3 of this Form 10-K.

EXECUTIVE OFFICERS

The following sets forth certain information with regard to executive officers of Intel (ages are as of December 25, 1999):

Craig R. Barrett (age 60) has been a director of Intel since 1992, Chief Executive Officer since 1998 and President since 1997. Prior to that, Dr. Barrett was Chief Operating Officer from 1993 to 1998 and Executive Vice President from 1990 to 1997.

Andrew S. Grove (age 63) has been a director of Intel since 1974 and Chairman of the Board since 1997. Dr. Grove was Chief Executive Officer from 1987 to 1998 and President from 1979 to 1997.

Gordon E. Moore (age 70) has been a director of Intel since 1968 and Chairman Emeritus of the Board since 1997. Prior to that, Dr. Moore was Chairman of the Board from 1979 to 1997.

Leslie L. Vadasz (age 63) has been a director of Intel since 1988 and Executive Vice President and President, Intel Capital, since January 2000. Prior to that, Mr. Vadasz was Senior Vice President and Director of Corporate Business Development from 1991 to January 2000.

Paul S. Otellini (age 49) has been Executive Vice President and General Manager, Intel Architecture Business Group, since 1998. Prior to that, Mr. Otellini was Executive Vice President and Director, Sales and Marketing Group, from 1996 to 1998; and Senior Vice President and Director, Sales and Marketing Group, from 1994 to 1996.

Gerhard H. Parker (age 56) has been Executive Vice President and General Manager, New Business Group, since 1998. Prior to that, Dr. Parker was Executive Vice President and General Manager, Technology and Manufacturing Group, from 1996 to 1998 and Senior Vice President and General Manager, Technology and Manufacturing Group, from 1992 to 1996.

Andy D. Bryant (age 49) has been Senior Vice President and Chief Financial and Enterprise Services Officer since December 1999. Prior to that, Mr. Bryant was Senior Vice President and Chief Financial Officer from January 1999 to December 1999 and Vice President and Chief Financial Officer from 1994 to January 1999.

Sean M. Maloney (age 43) has been Senior Vice President and Director, Sales and Marketing Group, since January 1999 and Vice President and Director, Sales and Marketing Group, from 1998 to January 1999. Prior to that, Mr. Maloney was Vice President, Sales, and General Manager, Asia-Pacific Operations, from 1995 to 1998 and Technical Assistant to the Chairman and Chief Executive Officer from 1992 to 1995.

Michael J. Splinter (age 49) has been Senior Vice President and General Manager, Technology and Manufacturing Group, since January 1999 and Vice President and General Manager, Technology and Manufacturing Group, from 1998 to January 1999. Prior to that, Mr. Splinter was Vice President and Assistant General Manager, Technology and Manufacturing Group, from 1996 to 1998; and General Manager, Components Manufacturing, from 1992 to 1996.

Albert Y. C. Yu (age 58) has been Senior Vice President and General Manager, Microprocessor Products Group, since 1993.

F. Thomas Dunlap, Jr. (age 48) has been Vice President, General Counsel and Secretary since 1987.

Arvind Sodhani (age 45) has been Vice President and Treasurer since 1990.

ITEM 2. PROPERTIES

At December 25, 1999, Intel owned the major facilities described below:

No. of Bldgs.	Location	Total Sq. Ft.	Use
83	United States	17,935,000	Executive and administrative offices, wafer fabrication, research and development, sales and marketing, computer and service functions, e-Commerce data center services, board and system assembly, and warehousing.
8	Ireland	1,795,000	Wafer fabrication, components assembly and testing, warehousing and administrative offices.
11	Malaysia (A)	1,721,000	Components assembly and testing, research and development, warehousing and administrative offices.
11	Israel (B)	1,709,000	Wafer fabrication, research and development, warehousing and administrative offices.
6	Philippines (C)	1,364,000	Components assembly and testing, warehousing and administrative offices.
3	Costa Rica	735,000	Components assembly and testing, warehousing and administrative offices.
5	Puerto Rico	426,000	Board and system assembly, warehousing and administrative offices.
1	People's Republic of China (D)	187,000	Components assembly and testing and administrative offices.
1	United Kingdom	184,000	Sales and marketing and administrative offices.
3	Japan	167,000	Sales and marketing and administrative offices.
1	Germany	86,000	Sales and marketing and administrative offices.

At December 25, 1999, Intel also leased 51 major facilities in the United States totaling approximately 2,317,000 square feet, and 30 facilities in other countries totaling approximately 823,000 square feet. Leased facilities increased during 1999, primarily due to the addition of properties leased by companies acquired by Intel. These leases expire at varying dates through 2013

and include renewals at the option of Intel. Intel believes that its existing facilities are suitable and adequate for its present purposes, and that the productive capacity in such facilities is substantially being utilized. Intel also has 1.7 million square feet of building space under various stages of construction in the United States to be used for manufacturing and administrative purposes.

Intel does not identify or allocate assets or depreciation by operating segment. Reference is made to information on net property, plant and equipment by country under the heading "Operating segment and geographic information" on pages 27 and 28 of the Registrant's 1999 Annual Report to Stockholders, which information is hereby incorporated by reference.

- --------------

(A) Leases on portions of the land used for these facilities expire in 2003 through 2057.
(B) Lease on a portion of the land used for these facilities expires in 2039.
(C) Leases on portions of the land used for these facilities expire in 2008 through 2046.
(D) Lease on a portion of the land used for these facilities expires in 2046.

ITEM 3. LEGAL PROCEEDINGS

A. Litigation

Intergraph Corporation v. Intel
U.S. District Court, Northern District of Alabama,
Northeastern Division (CV-97-N-3023-NE)

In November 1997, Intergraph Corporation filed suit in Federal District Court in Alabama for patent infringement and generally alleging that Intel attempted to coerce Intergraph into relinquishing certain patent rights. The suit alleges that Intel infringes five Intergraph microprocessor-related patents, and includes alleged violations of antitrust laws and various state law claims. The suit seeks injunctive relief, damages and prejudgment interest, and further alleges that Intel's infringement is willful and that any damages awarded should be trebled. Intergraph's expert witness has claimed that Intergraph is entitled to damages of approximately $2.2 billion for Intel's alleged patent infringement, $500 million for the alleged antitrust violations and an undetermined amount for alleged state law violations. Intel has counterclaimed that the Intergraph patents are invalid and further alleges infringement of seven Intel patents, breach of contract and misappropriation of trade secrets. In October 1999, the court reconsidered an earlier adverse ruling and granted Intel's motion for summary judgment that the Intergraph patents are licensed to Intel, and dismissed all of Intergraph's patent infringement claims with prejudice. Intergraph has appealed this ruling. In November 1999, the Court of Appeals for the Federal Circuit reversed the District Court's April 1998 order requiring Intel to continue to deal with Intergraph on the same terms as it treats allegedly similarly situated customers with respect to confidential information and products supply. In March 2000, the District Court issued an order granting Intel summary judgment on Intergraph's antitrust claims. The company disputes Intergraph's remaining state law claims, and intends to defend the lawsuit vigorously.

TechSearch L.L.P. v. Intel Corporation
U.S. District Court for the Northern District
of California (C98-0348WHO)

In June 1998, TechSearch L.L.P. filed suit against Intel Corporation in the United States District Court for the Northern District of Illinois alleging that Intel's microprocessors based on the P6 microarchitecture infringe a patent related to emulation technology and that TechSearch is entitled to unspecified damages and an injunction. The case was transferred to the United States District Court for the Northern District of California. In October 1999, TechSearch's expert witness claimed that TechSearch is entitled to damages ranging from $2 billion to $8 billion. Intel raised several defenses to the patent claim and disputes this damage estimate. In November 1999, the Court issued its order construing the asserted claims of the patent, and in December 1999 the Court granted Intel's motion for summary judgment of non-infringement. Judgment was entered for Intel in January 2000. TechSearch has filed a notice of appeal.

B. Environmental Proceedings

Intel has been named to the California and U.S. Superfund lists for three of its sites and has completed, along with two other companies, a Remedial Investigation/Feasibility study with the U.S. Environmental Protection

Agency (EPA) to evaluate the groundwater in areas adjacent to one of its former sites. The EPA has issued a Record of Decision with respect to a groundwater cleanup plan at that site, including expected costs to complete. Under the California and U.S. Superfund statutes, liability for cleanup of this site and the adjacent area is joint and several. The company, however, has reached agreement with those same two companies which significantly limits the company's liabilities under the proposed cleanup plan. Also, the company has completed extensive studies at its other sites and is engaged in cleanup at several of these sites. In the opinion of management, including internal counsel, the potential losses to the company in excess of amounts already accrued arising out of these matters would not have a material adverse effect on the company's financial position or overall trends in results of operations, even if joint and several liability were to be assessed.

The company is currently party to various legal proceedings, including those noted above. While management, including internal counsel, currently believes that the ultimate outcome of these proceedings, individually and in the aggregate, will not have a material adverse effect on the company's financial position or overall trends in results of

operations, litigation is subject to inherent uncertainties. Were an unfavorable ruling to occur, there exists the possibility of a material adverse impact on the net income of the period in which the ruling occurs. The estimate of the potential impact on the company's financial position or overall results of operations for the above legal proceedings could change in the future.

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

None.

PART II **

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

(a) Reference is made to the information regarding market, market price range and dividend information appearing under "Financial information by quarter (unaudited)" on page 37 of the company's 1999 Annual Report to Stockholders, which information is hereby incorporated by reference.

(b) As of February 25, 2000, there were approximately 254,000 registered holders of record of Intel's common stock.

(c) Unregistered sales of equity securities.

None in the quarter ended December 25, 1999.

ITEM 6. SELECTED FINANCIAL DATA

Reference is made to the information regarding selected financial data for the fiscal years 1995 through 1999, under the heading "Financial summary" on page 13 of the company's 1999 Annual Report to Stockholders, which information is hereby incorporated by reference.

In addition, the ratios of earnings to fixed charges for each of the five years in the period ended December 25, 1999 are as follows:

Fiscal year				
1995	1996	1997	1998	1999
68x	108x	206x	167x	166x

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

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Reference is made to the information appearing under the heading "Management's discussion and analysis of financial condition and results of operations" on pages 30 through 36 of the company's 1999 Annual Report to Stockholders, which information is hereby incorporated by reference.

In March 2000, the company completed the acquisition of GIGA A/S in a cash transaction valued at approximately $1.25 billion. GIGA specializes in the design of high-speed communications chips used in optical networking and communications products that direct traffic across the Internet and corporate networks. This acquisition targets the market segment for networking chips enabling the build-out of the fiber-optic infrastructure necessary to support the growth of the Internet.

Also in March 2000, Intel entered into a definitive agreement to acquire privately held Basis Communications Corporation in a transaction valued at approximately $450 million in cash and assumed options. Basis designs and markets semiconductors and other products used in equipment that directs traffic across the Internet and corporate networks. Its products include network processors and related software targeted for a range of "network access" systems and customer premise equipment used in homes and small to medium-size offices. This transaction is subject to regulatory review and customary closing conditions.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Reference is made to the information appearing under the subheading "Financial market risks" under the heading "Management's discussion and analysis of financial condition and results of operations" on page 33 of the company's 1999 Annual Report to Stockholders, which information is hereby incorporated by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Consolidated financial statements of Intel at December 25, 1999 and December 26, 1998, and for each of the three years in the period ended December 25, 1999 and the Report of Independent Auditors thereon, and the company's unaudited quarterly financial data for the two-year period ended December 25, 1999 are incorporated by reference from the company's 1999 Annual Report to Stockholders, on pages 13 through 29 and page 37.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III **

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Reference is made to the information regarding Directors and Executive Officers appearing under the heading "Election of Directors" on pages 2 through 5 and "Section 16(a) Beneficial Ownership Reporting Compliance" on page 24 of the company's Proxy Statement related to the 2000 Annual Meeting of Stockholders (the "2000 Proxy Statement"), which information is hereby incorporated by reference, and to the information under the heading "Executive Officers" in Part I, Item 1 of this Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

Reference is made to the information appearing under the headings "Directors' Compensation" on page 8, "Certain Relationships and Related Transactions" on page 16, "Compensation Committee Interlocks and Insider Participation" on page 16, "Employment Contracts and Change of Control Arrangements" on page 16, "Report of the Compensation Committee on Executive Compensation" on page 12, "Stock Price Performance Graph" on page 11, and "Executive Compensation," on pages 17 through 19 of the 2000 Proxy Statement, which information is hereby incorporated by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Reference is made to information appearing in the 2000 Proxy Statement under the heading "Security Ownership of Certain Beneficial Owners and Management," on pages 9 and 10, which information is hereby incorporated by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Reference is made to information appearing in the 2000 Proxy Statement under the heading "Certain Relationships and Related Transactions," on page 16, which information is hereby incorporated by reference.

PART IV **

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) 1. Financial Statements

The financial statements listed in the accompanying index to financial statements and financial statement schedules are filed or incorporated by reference as part of this annual report.

2. Financial Statement Schedule

The financial statement schedule listed in the accompanying index to financial statements and financial statement schedules is filed as part of this annual report.

3. Exhibits

The exhibits listed in the accompanying index to exhibits are filed or incorporated by reference as part of this annual report.

(b) Reports on Form 8-K

On October 13, 1999, Intel filed a report on Form 8-K relating to financial information for Intel Corporation for the quarter ended September 25, 1999 and forward-looking statements relating to the fourth quarter of 1999 and the second half of 1999, as presented in a press release of October 12, 1999.

INDEX TO FINANCIAL STATEMENTS
AND FINANCIAL STATEMENT SCHEDULES
(Item 14 (a))

Schedules other than the one listed above are omitted for the reason that they are not required or are not applicable, or the required information is shown in the financial statements or notes thereto.

The consolidated financial statements listed in the above index, which are included in the company's 1999 Annual Report to Stockholders, are hereby

incorporated by reference. With the exception of the pages listed in the above index and the portions of such report referred to in Items 1, 5, 6, 7, 7A and 8 of this Form 10-K, the 1999 Annual Report to Stockholders is not to be deemed filed as part of this report.

INTEL CORPORATION

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

December 27, 1997, December 26, 1998 and December 25, 1999
(In Millions)

<TABLE>
<CAPTION>

	Balance at Beginning of Year	Additions Charged to Costs and Expenses (A)	Deductions (B)	Balance at End of Year
<S>	<C>	<C>	<C>	<C>
1997				
Allowance for Doubtful Receivables	$68	$ 2	$ 5	$65
1998				
Allowance for Doubtful Receivables	$65	$14	$17	$62
1999				
Allowance for Doubtful Receivables	$62	$17	$12	$67

</TABLE>

(A) For 1999, includes approximately $7 million of valuation account balances of companies acquired during the year. Remainder represents amounts charged to costs and expenses.

(B) Uncollectible accounts written off, net of recoveries.

INDEX TO EXHIBITS
(Item 14(a))

Description

2.1 Agreement and Plan of Merger Dated as of March 4, 1999 among Intel Corporation, Level One Communications, Incorporated and Intel RSW Corporation (incorporated by reference to Appendix A of the Registrant's Registration Statement on Form S-4 as filed on July 7, 1999).

3.1 Intel Corporation Restated Certificate of Incorporation dated May 11, 1993 and Certificate of Amendment to the Restated Certificate of Incorporation dated June 2, 1997 (incorporated by reference to Exhibit 3.1 of Registrant's Form 10-K as filed on March 27, 1998).

3.2 Intel Corporation Bylaws as amended (incorporated by reference to Exhibit 3.1 of Registrant's Form 10-Q for the quarter ended June 26, 1999 as filed on August 2, 1999).

4.1 Agreement to Provide Instruments Defining the Rights of Security Holders (incorporated by reference to Exhibit 4.1 of Registrant's Form 10-K as filed on March 28, 1986).

10.1 * Intel Corporation 1984 Stock Option Plan as amended and restated, effective July 16, 1997 (incorporated by reference to Exhibit 10.1 of Registrant's Form 10-Q for the quarter ended June 27, 1998 as filed on August 11, 1998).

10.2 * Intel Corporation 1988 Executive Long Term Stock Option Plan as amended and restated, effective July 16, 1997 (incorporated by reference to Exhibit 10.2 of Registrant's Form 10-Q for the quarter ended June 27, 1998 as filed on August 11, 1998).

10.3 * Intel Corporation Executive Officer Bonus Plan as amended and restated effective January 1, 1995 (incorporated by reference to Exhibit 10.7 of Registrant's Form 10-Q for the quarter ended April 5, 1995 as filed on May 16, 1995).

10.4 * Intel Corporation Sheltered Employee Retirement Plan Plus, as amended and restated effective July 15, 1996 (incorporated by reference to Exhibit 4.1.1 of Registrant's Post-Effective Amendment No. 1 to Registration Statement on Form S-8 as filed on July 17, 1996).

10.5 * Special Deferred Compensation Plan (incorporated by reference to Exhibit 4.1 of Registrant's Registration Statement on Form S-8 as filed on February 2, 1998).

10.6 * Intel Corporation Deferral Plan for Outside Directors, effective July 1, 1998 (incorporated by reference to Exhibit 10.6 of the Registrant's Form 10-K as filed on March 26, 1999).

12. Statement Setting Forth the Computation of Ratios of Earnings to Fixed Charges.

13. Portions of the Annual Report to Stockholders for the fiscal year ended December 25, 1999, as specified elsewhere in this document, are expressly incorporated by reference herein.

21. Intel subsidiaries.

23. Consent of Ernst & Young LLP, independent auditors.

27. Financial Data Schedule.

* Compensation plans or arrangements in which directors and executive officers are eligible to participate.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

By /s/ F. Thomas Dunlap, Jr.

F. Thomas Dunlap, Jr.
Vice President, General Counsel and Secretary
March 23, 2000

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ Craig R. Barrett
- --------------------
Craig R. Barrett
President, Chief Executive Officer and Director, Principal Executive Officer
March 23, 2000

/s/ John P. Browne
- ------------------
John P. Browne
Director
March 23, 2000

/s/ Andy D. Bryant
- ------------------
Andy D. Bryant
Senior Vice President, Chief Financial Officer and Principal Accounting Officer
March 23, 2000

/s/ Winston H. Chen
- -------------------
Winston H. Chen
Director
March 23, 2000

/s/ Andrew S. Grove
- -------------------

/s/ Gordon E. Moore

Gordon E. Moore
Chairman Emeritus of the Board and Director
March 23, 2000

/s/ David S. Pottruck

David S. Pottruck
Director
March 23, 2000

/s/ Jane E. Shaw

Jane E. Shaw
Director
March 23, 2000

/s/ Leslie L. Vadasz

Leslie L. Vadasz
Executive Vice President
Director
March 23, 2000

/s/ David B. Yoffie

David B. Yoffie
Director

Andrew S. Grove
Chairman of the Board
and Director
March 23, 2000

/s/ D. James Guzy
- -----------------
D. James Guzy
Director
March 23, 2000

March 23, 2000

/s/ Charles E. Young

Charles E. Young
Director
March 23, 2000

INTEL CORPORATION

STATEMENT SETTING FORTH THE COMPUTATION
OF RATIOS OF EARNINGS TO FIXED CHARGES FOR INTEL CORPORATION

(In millions, except ratios)

<TABLE>
<CAPTION>

	Years Ended				
<S>	<C>	<C>	<C>	<C>	<C>
	Dec. 30, 1995	Dec. 28, 1996	Dec. 27, 1997	Dec. 26, 1998	Dec. 25, 1999
Income before taxes	$5,638	$7,934	$10,659	$9,137	$11,228
Add - Fixed charges net of capitalized interest	38	41	43	49	63
Income before taxes and fixed charges (net of capitalized interest)	$5,676	$7,975	$10,702	$9,186	$11,291
Fixed charges:					
Interest*	$ 29	$ 25	$ 27	$ 34	$ 36
Capitalized interest	46	33	9	6	5
Estimated interest component of rental expense	9	16	16	15	27
Total	$ 84	$ 74	$ 52	$ 55	$ 68
Ratio of earnings before taxes and fixed charges, to fixed charges	68x	108x	206x	167x	166x

</TABLE>

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

EXHIBIT - 13

Financial summary

Ten years ended December 25, 1999

<TABLE>
<CAPTION>

(In millions-except shares and per share amounts)	Employees at Year-end (in thousands)	Net investment in property, plant & equipment	Total assets	Long-term debt & put warrants	Stock-holders' equity	Additions to property, plant & equipment/A/	Weighted average diluted outstanding
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1999	70.2	$11,715	$43,849	$1,085	$32,535	$3,403	3,470
1998	64.5	$11,609	$31,471	$ 903	$23,377	$4,032	3,517
1997	63.7	$10,666	$28,880	$2,489	$19,295	$4,501	3,590
1996	48.5	$ 8,487	$23,735	$1,003	$16,872	$3,024	3,551
1995	41.6	$ 7,471	$17,504	$1,125	$12,140	$3,550	3,536
1994	32.6	$ 5,367	$13,816	$1,136	$ 9,267	$2,441	3,496
1993	29.5	$ 3,996	$11,344	$1,114	$ 7,500	$1,933	3,528
1992	25.8	$ 2,816	$ 8,089	$ 622	$ 5,445	$1,228	3,436
1991	24.6	$ 2,163	$ 6,292	$ 503	$ 4,418	$ 948	3,344
1990	23.9	$ 1,658	$ 5,376	$ 345	$ 3,592	$ 680	3,247

</TABLE>

<TABLE>
<CAPTION>

In millions - except Dividends per share declared per share amounts)	Net revenues	Cost of sales /B/	Research & devel-opment /C/	Amortization of goodwill & other acquisition-related intangibles	Operating income	Net income	Basic earnings per share	Diluted earnings per share
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1999	$29,389	$11,836	$3,111	$411	$9,767	$7,314	$2.20	$2.11
$.110								
1998	$26,273	$12,088	$2,509	$ 56	$8,379	$6,068	$1.82	$1.73
$.050								
1997	$25,070	$ 9,945	$2,347	--	$9,887	$6,945	$2.12	$1.93
$.058								
1996	$20,847	$ 9,164	$1,808	--	$7,553	$5,157	$1.57	$1.45
$.048								
1995	$16,202	$ 7,811	$1,296	--	$5,252	$3,566	$1.08	$1.01
$.038								
1994	$11,521	$ 5,576	$1,111	--	$3,387	$2,288	$ .69	$ .65
$.029								
1993	$ 8,782	$ 3,252	$ 970	--	$3,392	$2,295	$ .69	$ .65
$.025								
1992	$ 5,844	$ 2,557	$ 780	--	$1,490	$1,067	$ .32	$ .31
$.013								
1991	$ 4,779	$ 2,316	$ 618	--	$1,080	$ 819	$ .25	$ .24
--								
1990	$ 3,921	$ 1,930	$ 517	--	$ 858	$ 650	$ .21	$ .20
--								

</TABLE>

Share and per share amounts shown have been adjusted for stock splits through 1999.

/A/ Additions to property, plant and equipment in 1998 include $475 million for capital assets acquired from Digital Equipment Corporation.
/B/ Cost of sales for 1998 reflects the reclassification of amortization of goodwill and other acquisition-related intangibles to a separate line item.
/C/ Research and development excludes in-process research and development of $392 million and $165 million for 1999 and 1998, respectively.

Consolidated statements of income

Three years ended December 25, 1999
(In millions--except per share amounts)

	1999	1998	1997
Net revenues	$29,389	$26,273	$25,070
Cost of sales	11,836	12,088	9,945
Research and development	3,111	2,509	2,347
Marketing, general and administrative	3,872	3,076	2,891
Amortization of goodwill and other acquisition-related intangibles	411	56	-
Purchased in-process research and development	392	165	-
Operating costs and expenses	19,622	17,894	15,183
Operating income	9,767	8,379	9,887
Interest expense	(36)	(34)	(27)
Interest income and other, net	1,497	792	799
Income before taxes	11,228	9,137	10,659
Provision for taxes	3,914	3,069	3,714
Net income	$7,314	$6,068	$6,945
Basic earnings per common share	$ 2.20	$ 1.82	$ 2.12
Diluted earnings per common share	$ 2.11	$ 1.73	$ 1.93
Weighted average common shares outstanding	3,324	3,336	3,271
Weighted average common shares outstanding, assuming dilution	3,470	3,517	3,590

See accompanying notes.

Consolidated balance sheets

December 25, 1999 and December 26, 1998
(In millions--except per share amounts)

	1999	1998
Assets		
Current assets:		
Cash and cash equivalents	$ 3,695	$ 2,038
Short-term investments	7,705	5,272
Trading assets	388	316
Accounts receivable, net of allowance for doubtful accounts of $67 ($62 in 1998)	3,700	3,527
Inventories	1,478	1,582
Deferred tax assets	673	618
Other current assets	180	122
Total current assets	17,819	13,475
Property, plant and equipment:		
Land and buildings	7,246	6,297
Machinery and equipment	14,851	13,149
Construction in progress	1,460	1,622
	23,557	21,068
Less accumulated depreciation	11,842	9,459
Property, plant and equipment, net	11,715	11,609
Marketable strategic equity securities	7,121	1,757
Other long-term investments	790	3,608
Goodwill and other acquisition-related intangibles	4,934	111
Other assets	1,470	911
Total assets	$43,849	$31,471
Liabilities and stockholders' equity		
Current liabilities:		
Short-term debt	$ 230	$ 159
Accounts payable	1,370	1,244
Accrued compensation and benefits	1,454	1,285
Deferred income on shipments to distributors	609	606
Accrued advertising	582	458
Other accrued liabilities	1,159	1,094
Income taxes payable	1,695	958
Total current liabilities	7,099	5,804
Long-term debt	955	702
Deferred tax liabilities	3,130	1,387
Put warrants	130	201
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.001 par value, 50 shares authorized; none issued	--	--
Common stock, $0.001 par value, 4,500 shares authorized; 3,334 issued and outstanding (3,315 in 1998) and capital in excess of par value	7,316	4,822
Retained earnings	21,428	17,952
Accumulated other comprehensive income	3,791	603
Total stockholders' equity	32,535	23,377
Total liabilities and stockholders' equity	$43,849	$31,471

See accompanying notes.

Consolidated statements of cash flows

Three years ended December 25, 1999

<CAPTION>

(In millions)	1999	1998	1997
<S>	<C>	<C>	<C>
Cash and cash equivalents, beginning of year	$ 2,038	$ 4,102	$ 4,165
Cash flows provided by (used for) operating activities:			
Net income	7,314	6,068	6,945
Adjustments to reconcile net income to net cash provided by (used for) operating activities:			
Depreciation	3,186	2,807	2,192
Amortization of goodwill and other acquisition-related intangibles	411	56	--
Purchased in-process research and development	392	165	--
Gains on sales of marketable strategic equity securities	(883)	(185)	(106)
Net loss on retirements of property, plant and equipment	193	282	130
Deferred taxes	(219)	77	6
Changes in assets and liabilities:			
Accounts receivable	153	(38)	285
Inventories	169	167	(404)
Accounts payable	79	(180)	438
Accrued compensation and benefits	127	17	140
Income taxes payable	726	(211)	179
Tax benefit from employee stock plans	506	415	224
Other assets and liabilities	(819)	(249)	(21)
Total adjustments	4,021	3,123	3,063
Net cash provided by operating activities	11,335	9,191	10,008
Cash flows provided by (used for) investing activities:			
Additions to property, plant and equipment	(3,403)	(3,557)	(4,501)
Acquisitions, net of cash acquired	(2,979)	(906)	--
Purchases of available-for-sale investments	(7,055)	(10,925)	(9,224)
Sales of available-for-sale investments	831	201	153
Maturities and other changes in available-for-sale investments	7,156	8,681	6,713
Net cash used for investing activities	(5,450)	(6,506)	(6,859)
Cash flows provided by (used for) financing activities:			
Increase (decrease) in short-term debt, net	69	(83)	(177)
Additions to long-term debt	118	169	172
Retirement of long-term debt	--	--	(300)
Proceeds from sales of shares through employee stock plans and other	543	507	317
Proceeds from exercise of 1998 step-up warrants	--	1,620	40
Proceeds from sales of put warrants	20	40	288
Repurchase and retirement of common stock	(4,612)	(6,785)	(3,372)
Payment of dividends to stockholders	(366)	(217)	(180)
Net cash used for financing activities	(4,228)	(4,749)	(3,212)
Net increase (decrease) in cash and cash equivalents	1,657	(2,064)	(63)
Cash and cash equivalents, end of year	$ 3,695	$ 2,038	$ 4,102
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	$ 40	$ 40	$ 37
Income taxes	$ 2,899	$ 2,784	$ 3,305

</TABLE>

See accompanying notes.

Consolidated statements of stockholders' equity

<TABLE>
<CAPTION>

Three years ended December 25, 1999 (In millions - except per share amounts)	Common stock and capital in excess of par value		Retained earnings	Accumulated other comprehensive income	Total
	Number of shares	Amount			
<S>	<C>	<C>	<C>	<C>	<C>
Balance at December 28, 1996	3,283	$ 2,897	$13,853	$ 122	$16,872
Components of comprehensive income:					
Net income	--	--	6,945	--	6,945
Change in unrealized gain on available-for-sale investments, net of tax	--	--	--	(64)	(64)
Total comprehensive income					6,881
Proceeds from sales of shares through employee stock plans, tax benefit of $224 and other	61	581	(1)	--	580
Proceeds from sales of put warrants	--	288	--	--	288
Reclassification of put warrant obligation, net	--	(144)	(1,622)	--	(1,766)
Repurchase and retirement of common stock	(88)	(311)	(3,061)	--	(3,372)
Cash dividends declared ($0.058 per share)	--	--	(188)	--	(188)
Balance at December 27, 1997	3,256	3,311	15,926	58	19,295
Components of comprehensive income:					
Net income	--	--	6,068	--	6,068
Change in unrealized gain on available-for-sale investments, net of tax	--	--	--	545	545
Total comprehensive income					6,613
Proceeds from sales of shares through employee stock plans, tax benefit of $415 and other	66	922	--	--	922
Proceeds from exercise of 1998 step-up warrants	155	1,620	--	--	1,620
Proceeds from sales of put warrants	--	40	--	--	40
Reclassification of put warrant obligation, net	--	53	588	--	641
Repurchase and retirement of common stock	(162)	(1,124)	(4,462)	--	(5,586)
Cash dividends declared ($0.050 per share)	--	--	(168)	--	(168)

Balance at December 26, 1998	3,315	4,822	17,952	603	23,377
Components of comprehensive income:					
Net income	--	--	7,314	--	7,314
Change in unrealized gain on available-for-sale investments, net of tax	--	--	--	3,188	3,188
Total comprehensive income					10,502
Proceeds from sales of shares through employee stock plans, tax benefit of $506 and other	56	1,049	--	--	1,049
Proceeds from sales of put warrants	--	20	--	--	20
Reclassification of put warrant obligation, net	--	7	64	--	71
Repurchase and retirement of common stock	(71)	(1,076)	(3,536)	--	(4,612)
Issuance of common stock in connection with Level One Communications acquisition	34	1,963	--	--	1,963
Stock options assumed in connection with acquisitions	--	531	--	--	531
Cash dividends declared ($0.110 per share)	--	--	(366)	--	(366)
Balance at December 25, 1999	3,334	$ 7,316	$21,428	$3,791	$32,535

</TABLE>

See accompanying notes.

Notes to consolidated financial statements

Accounting policies

Fiscal year. Intel Corporation has a fiscal year that ends the last Saturday in December. Fiscal years 1999, 1998 and 1997, each 52-week years, ended on December 25, 26 and 27, respectively. Periodically, there will be a 53-week year. The next 53-week year will end on December 30, 2000.

Basis of presentation. The consolidated financial statements include the accounts of Intel and its wholly owned subsidiaries. Significant intercompany accounts and transactions have been eliminated. Accounts denominated in foreign currencies have been remeasured using the U.S. dollar as the functional currency.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Investments. Highly liquid debt securities with insignificant interest rate risk and with original maturities of three months or less are classified as cash and cash equivalents. Debt securities with original maturities greater than three months and remaining maturities less than one year are classified as short-term investments. Debt securities with remaining maturities greater than one year are classified as other long-term investments. The company's policy is to protect the value of its fixed income investment portfolio and to minimize principal risk by earning returns based on current interest rates.

The company enters into certain equity investments for the promotion of business and strategic objectives, and typically does not attempt to reduce or eliminate the inherent market risks on these investments. The marketable portion of these strategic investments is classified separately as marketable strategic equity securities. The non-marketable equity and other investments are included

in other assets.

A substantial majority of the company's marketable investments are classified as available-for-sale as of the balance sheet date and are reported at fair value, with unrealized gains and losses, net of tax, recorded in stockholders' equity. The cost of securities sold is based on the specific identification method. Realized gains or losses and declines in value, if any, judged to be other than temporary on available-for-sale securities are reported in other income or expense. Non-marketable investments are recorded at the lower of cost or market.

Trading assets. The company maintains its trading asset portfolio to generate returns that offset changes in certain liabilities related to deferred compensation arrangements. The trading assets consist of marketable equity instruments and are stated at fair value. Both realized and unrealized gains and losses are included in other income or expense and generally offset the change in the deferred compensation liability, which is also included in other income or expense. Net gains on the trading asset portfolio were $44 million, $66 million and $37 million in 1999, 1998 and 1997, respectively. The deferred compensation liabilities amounted to $384 million and $287 million in 1999 and 1998, respectively, and are included in other accrued liabilities on the consolidated balance sheets.

Fair values of financial instruments. Fair values of cash and cash equivalents approximate cost due to the short period of time to maturity. Fair values of short-term investments, trading assets, marketable strategic equity securities, other long-term investments, non-marketable investments, short-term debt, long-term debt, swaps, currency forward contracts and options hedging marketable instruments are based on quoted market prices or pricing models using current market rates. For certain non-marketable equity securities, fair value is estimated based on prices recently paid for shares in that company. No consideration is given to liquidity issues in valuing the debt and investments. The estimated fair values are not necessarily representative of the amounts that the company could realize in a current transaction.

Derivative financial instruments. The company utilizes derivative financial instruments to reduce financial market risks. These instruments are used to hedge foreign currency, interest rate and certain equity market exposures of underlying assets, liabilities and other obligations. The company also uses derivatives to create synthetic instruments, for example, buying and selling put and call options on the same underlying security, to generate money market like returns with a similar level of risk. The company does not use derivative financial instruments for speculative or trading purposes. The company's accounting policies for these instruments are based on whether they meet the company's criteria for designation as hedging transactions. The criteria the company uses for designating an instrument as a hedge include the instrument's effectiveness in risk reduction and one-to-one matching of derivative instruments to underlying transactions. Gains and losses on currency forward contracts, and options that are designated and effective as hedges of anticipated transactions, for which a firm commitment has been attained, are deferred and recognized in income in the same period that the underlying transactions are settled. Gains and losses on currency forward contracts, options, and swaps that are designated and effective as hedges of existing transactions are recognized in income in the same period as losses and gains on the underlying transactions are recognized and generally offset. Gains and losses on any instruments not meeting the above criteria are recognized in income in the current period. If an underlying hedged transaction is terminated earlier than initially anticipated, the offsetting gain or loss on the related derivative instrument would be recognized in income in the same period. Subsequent gains or losses on the related derivative instrument would be recognized in income in each period until the instrument matures, is terminated or is sold. Income or expense on swaps is accrued as an adjustment to the yield of the related investments or debt they hedge.

Inventories. Inventories are stated at the lower of cost or market. Cost is computed on a currently adjusted standard

basis (which approximates actual cost on a current average or first-in, first-out basis). Inventories at fiscal year-ends were as follows:

(In millions)	1999	1998
Raw materials	$ 183	$ 206
Work in process	755	795
Finished goods	540	581
Total	$1,478	$1,582

Property, plant and equipment. Property, plant and equipment are stated at cost. Depreciation is computed for financial reporting purposes principally using the straight-line method over the following estimated useful lives: machinery and equipment, 2-4 years; buildings, 4-40 years.

Goodwill and other acquisition-related intangibles. Goodwill is recorded when the consideration paid for acquisitions exceeds the fair value of net tangible and intangible assets acquired. Goodwill and other acquisition-related intangibles are amortized on a straight-line basis over the periods indicated below. Reviews are regularly performed to determine whether facts or circumstances exist which indicate that the carrying values of assets are impaired. The company assesses the recoverability of its assets by comparing the projected undiscounted net cash flows associated with those assets against their respective carrying amounts. Impairment, if any, is based on the excess of the carrying amount over the fair value of those assets. No impairment has been indicated to date.

Net goodwill and other acquisition-related intangibles at fiscal year-ends were as follows:

<TABLE>
<CAPTION>

(In millions)	Life in Years	1999	1998
<S>	<C>	<C>	<C>
Goodwill	2-6	$4,124	$ 52
Developed technology	3-6	612	33
Other intangibles	2-6	198	26
		$4,934	$111

</TABLE>

Other intangibles include items such as trademarks, workforce-in-place and customer lists. The total balances presented above are net of total accumulated amortization of $471 million and $60 million at December 25, 1999 and December 26, 1998, respectively.

Amortization of goodwill and other acquisition-related intangibles of $411 million for 1999 consisted of $307 million of amortization of goodwill and $104 million of amortization of other acquisition-related intangibles, a majority of which was related to developed technology.

Revenue recognition. The company generally recognizes net revenues upon the transfer of title. However, certain of the company's sales are made to distributors under agreements allowing price protection and/or right of return on merchandise unsold by the distributors. Because of frequent sales price reductions and rapid technological obsolescence in the industry, Intel defers recognition of revenues on shipments to distributors until the merchandise is sold by the distributors.

Advertising. Cooperative advertising obligations are accrued and the costs expensed at the same time the related revenues are recognized. All other advertising costs are expensed as incurred. Advertising expense was $1.7 billion, $1.3 billion and $1.2 billion in 1999, 1998 and 1997, respectively.

Interest. Interest as well as gains and losses related to contractual agreements to hedge certain investment positions and debt (see "Derivative financial instruments") are recorded as net interest income or expense. Interest expense capitalized as a component of construction costs was $5 million, $6 million and $9 million for 1999, 1998 and 1997, respectively.

Earnings per share. The shares used in the computation of the company's basic and diluted earnings per common share are reconciled as follows:

<TABLE>
<CAPTION>

(In millions)	1999	1998	1997
<S>	<C>	<C>	<C>
Weighted average common shares outstanding	3,324	3,336	3,271
Dilutive effect of:			
Employee stock options	145	159	204
Convertible notes	1	--	--
1998 step-up warrants	--	22	115
Weighted average common shares outstanding, assuming dilution	3,470	3,517	3,590

</TABLE>

Weighted average common shares outstanding, assuming dilution, includes the incremental shares that would be issued upon the assumed exercise of stock options, as well as the assumed conversion of the convertible notes and the incremental shares for the step-up warrants. Put warrants outstanding had no dilutive effect on diluted earnings per common share for the periods presented. For the three year period ended December 25, 1999, certain of the company's stock options were excluded from the calculation of diluted earnings per share

because they were antidilutive, but these options could be dilutive in the future. Net income for the purpose of computing diluted earnings per common share is not materially affected by the assumed conversion of the convertible notes. (See "Long-term debt" under "Borrowings.")

Stock distribution. On April 11, 1999, the company effected a two-for-one stock split in the form of a special stock distribution to stockholders of record as of March 23, 1999. On July 13, 1997, the company effected a two-for-one stock split in the form of a special stock distribution to stockholders of record as of June 10, 1997. All share, per share, common stock, stock option and warrant amounts herein have been restated to reflect the effects of these splits.

Reclassifications. Certain amounts reported in previous years have been reclassified to conform to the 1999 presentation.

Recent accounting pronouncements. The company intends to adopt Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," as of the beginning of its fiscal year 2001. The standard will require the company to recognize all derivatives on the balance sheet at fair value. Derivatives that

are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities or firm commitments through earnings, or recognized in other comprehensive income until the hedged item is recognized in earnings. The change in a derivative's fair value related to the ineffective portion of a hedge, if any, will be immediately recognized in earnings. The effect of adopting the standard is currently being evaluated but is not expected to have a material effect on the company's financial position or overall trends in results of operations.

Common stock

Stock repurchase program. The company has an ongoing authorization, as amended, from the Board of Directors to repurchase up to 760 million shares of Intel's common stock in open market or negotiated transactions. During 1999, the company repurchased 71.3 million shares of common stock at a cost of $4.6 billion. As of December 25, 1999, the company had repurchased and retired approximately 659.9 million shares at a cost of $18.2 billion since the program began in 1990. As of December 25, 1999, after allowing for 2 million shares to cover outstanding put warrants, 98.1 million shares remained available under the repurchase authorization.

1998 step-up warrants. In 1993, the company issued 160 million 1998 step-up warrants to purchase 160 million shares of common stock. The warrants became exercisable in May 1993. Between December 27, 1997 and March 14, 1998, approximately 155 million warrants were exercised and shares of common stock were issued for proceeds of $1.6 billion. The expiration date of these warrants was March 14, 1998.

Put warrants

In a series of private placements from 1991 through 1999, the company sold put warrants that entitle the holder of each warrant to sell to the company, by physical delivery, one share of common stock at a specified price. Activity during the past three years is summarized as follows:

<TABLE>
<CAPTION>

		Put warrants outstanding	
(In millions)	Cumulative net premium received	Number of warrants	Potential obligation
<S>	<C>	<C>	<C>
December 28, 1996	$335	18.0	$ 275
Sales	288	92.6	3,525
Expirations	--	(58.0)	(1,759)
December 27, 1997	623	52.6	2,041
Sales	40	15.0	588
Exercises	-	(30.0)	(1,199)
Expirations	-	(32.6)	(1,229)
December 26, 1998	663	5.0	201
Sales	20	4.0	261
Expirations	--	(7.0)	(332)

December 25, 1999	$683	2.0	$ 130

</TABLE>

The amount related to Intel's potential repurchase obligation has been reclassified from stockholders' equity to put warrants. The 2 million put warrants outstanding at December 25, 1999 expired unexercised in January 2000 and had an average exercise price of $65 per share.

Borrowings

Short-term debt. Non-interest-bearing short-term debt at fiscal year-ends was as follows:

<TABLE>
<CAPTION>

(In millions)	1999	1998
<S>	<C>	<C>
Borrowed under lines of credit	$ --	$ 10
Drafts payable	230	149
Total	$230	$159

</TABLE>

The company also borrows under commercial paper programs. Maximum borrowings under commercial paper programs reached $200 million during 1999 and $325 million during 1998. This debt is rated A-1+ by Standard and Poor's and P-1 by Moody's.

Long-term debt. Long-term debt at fiscal year-ends was as follows:

<TABLE>
<CAPTION>

(In millions)	1999	1998
<S>	<C>	<C>
Payable in U.S. dollars:		
Puerto Rico bonds due 2013 at 3.9%-4.25%	$110	$110
Convertible subordinated notes due 2004 at 4%	210	-
Other U.S. dollar debt	6	5
Payable in other currencies:		
Irish punt due 2001-2027 at 4%-13%	583	541
Other non-U.S. dollar debt	46	46
Total	$955	$702

</TABLE>

The company has guaranteed repayment of principal and interest on bonds issued by the Puerto Rico Industrial, Tourist, Educational, Medical and Environmental Control Facilities Financing Authority. The bonds are adjustable and redeemable at the option of either the company or the bondholder every five years through 2013 and are next adjustable and redeemable in 2003.

During 1999, the company assumed 4% convertible subordinated notes with a principal amount of $115 million as a result of the Level One Communications, Inc. acquisition (see "Acquisitions"). The value assigned to the notes was approximately $212 million, based upon the assumed conversion price at the date of acquisition. Amortization of the premium substantially offsets the interest expense on the notes. The notes are convertible into common stock of the company at a conversion price of $31.01 per share. After September 2000, the notes are redeemable at the option of the company.

The Irish punt borrowings were made in connection with the financing of manufacturing facilities in Ireland, and Intel has invested the proceeds in Irish punt denominated instruments of similar maturity to hedge foreign currency and interest rate exposures.

Under shelf registration statements filed with the Securities and Exchange Commission, Intel may issue up to $1.4 billion of additional securities in the form of common stock, preferred

stock, depositary shares, debt securities and warrants to purchase the company's or other issuers' common stock, preferred stock and debt securities, and, subject to certain limits, stock index warrants and foreign currency exchange units.

As of December 25, 1999, aggregate debt maturities were as follows: 2001-$62 million; 2002-$21 million; 2003-$134 million; 2004-$236 million; and thereafter-$502 million.

Available-for-sale investments

The returns on a majority of the company's marketable investments in long-term fixed rate debt and certain equity securities are swapped to U.S. dollar LIBOR-based returns. The currency risks of investments denominated in foreign currencies are hedged with foreign currency borrowings, currency forward contracts or currency interest rate swaps (see "Derivative financial instruments" under "Accounting policies").

Investments with maturities of greater than six months consist primarily of A and A2 or better rated financial instruments and counterparties. Investments with maturities of up to six months consist primarily of A-1 and P-1 or better rated financial instruments and counterparties. Foreign government regulations imposed upon investment alternatives of foreign subsidiaries, or the absence of A and A2 rated counterparties in certain countries, result in some minor exceptions. Intel's practice is to obtain and secure available collateral from counterparties against obligations whenever Intel deems appropriate. At December 25, 1999, investments were placed with approximately 175 different counterparties.

Available-for-sale investments at December 25, 1999 were as follows:

<TABLE>
<CAPTION>

(In millions)	Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
<S>	<C>	<C>	<C>	<C>
U.S. government securities	$ 2,746	$ --	$ (5)	$ 2,741
Commercial paper	2,971	--	(2)	2,969
Floating rate notes	2,152	--	(4)	2,148
Bank time deposits	2,022	--	(3)	2,019
Corporate bonds	865	49	(9)	905
Loan participations	625	--	--	625
Fixed rate notes	275	--	(1)	274
Securities of foreign governments	59	--	--	59
Other debt securities	33	--	(1)	32
Total debt securities	11,748	49	(25)	11,772
Marketable strategic equity securities	1,277	5,882	(38)	7,121
Preferred stock and other equity	121	--	--	121
Total equity securities	1,398	5,882	(38)	7,242
Swaps hedging investments in debt securities	--	12	(50)	(38)
Currency forward contracts hedging investments in debt securities	--	2	--	2
Total available-for-sale investments	13,146	5,945	(113)	18,978
Less amounts classified as cash equivalents	(3,362)	--	--	

(3,362)

				--
	$ 9,784	$5,945	$(113)	$15,616

</TABLE>

Available-for-sale investments at December 26, 1998 were as follows:

<TABLE>
<CAPTION>

(In millions)	Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
<S>	<C>	<C>	<C>	<C>
U.S. government securities	$ 2,824	$ --	$ (11)	$ 2,813
Commercial paper	2,694	5	(2)	2,697
Floating rate notes	1,273	2	(2)	1,273
Corporate bonds	1,153	51	(17)	1,187
Bank time deposits	1,135	1	(1)	1,135
Loan participations	625	--	--	625
Repurchase agreements	124	--	--	124
Securities of foreign governments	36	1	(1)	36
Other debt securities	160	--	--	160
Total debt securities	10,024	60	(34)	10,050
Hedged equity	100	--	(2)	98
Marketable strategic equity securities	822	979	(44)	1,757
Preferred stock and other equity	140	1	--	141
Total equity securities	1,062	980	(46)	1,996
Options creating synthetic money market instruments	474	--	--	474
Swaps hedging investments in debt securities	--	19	(52)	(33)
Swaps hedging investments in equity securities	--	2	--	2
Currency forward contracts hedging investments in debt securities	--	2	(4)	(2)
Total available-for-sale investments	11,560	1,063	(136)	12,487
Less amounts classified as cash equivalents	(1,850)	--	--	(1,850)
	$ 9,710	$1,063	$(136)	$10,637

</TABLE>

</TABLE>

Available-for-sale securities with a fair value at the date of sale of $1 billion, $227 million and $153 million were sold in 1999, 1998 and 1997, respectively. The gross realized gains on these sales totaled $883 million, $185 million and $106 million, respectively.

The amortized cost and estimated fair value of investments in debt securities at December 25, 1999, by contractual maturity, were as follows:

<TABLE>
<CAPTION>

(In millions)	Cost	Estimated fair value
<S>	<C>	<C>
Due in 1 year or less	$11,031	$11,054
Due in 1-2 years	192	194
Due in 2-5 years	58	58
Due after 5 years	467	466
Total investments in debt securities	$11,748	$11,772

</TABLE>

Derivative financial instruments

Outstanding notional amounts for derivative financial instruments at fiscal year-ends were as follows:

<TABLE>
<CAPTION>

(In millions)	1999	1998
<S>	<C>	<C>
Swaps hedging investments in debt securities	$2,002	$2,526
Swaps hedging investments in equity securities	$ --	$ 100
Swaps hedging debt	$ 156	$ 156
Currency forward contracts	$ 845	$ 830
Options creating synthetic money market instruments	$ --	$2,086

</TABLE>

While the contract or notional amounts provide one measure of the volume of these transactions, they do not represent the amount of the company's exposure to credit risk. The amounts potentially subject to credit risk (arising from the possible inability of counterparties to meet the terms of their contracts) are generally limited to the amounts, if any, by which a counterparty's obligations exceed the obligations of Intel with that counterparty. The company controls credit risk through credit approvals, limits and monitoring procedures. Credit rating criteria for derivative financial instruments are similar to those for investments.

Swap agreements. The company utilizes swap agreements to exchange the foreign currency, equity and interest rate returns of its investment and debt portfolios for floating U.S. dollar interest rate based returns. The floating rates on swaps are based primarily on U.S. dollar LIBOR and are reset on a monthly, quarterly or semiannual basis.

Pay rates on swaps hedging investments in debt securities match the yields on the underlying investments they hedge. Payments on swaps hedging investments in equity securities match the equity returns on the underlying investments they hedge. Receive rates on swaps hedging debt match the expense on the underlying debt they hedge. Maturity dates of swaps match those of the underlying investment or the debt they hedge. There is approximately a one-to-one matching of swaps to investments and debt. Swap agreements generally remain in effect until expiration.

Weighted average pay and receive rates, average maturities and range of maturities on swaps at December 25, 1999 were as follows:

<TABLE>
<CAPTION>

	Weighted average pay rate	Weighted average receive rate	Weighted average maturity	Range of maturities

Swaps hedging investments in U.S. dollar debt securities	6.0%	6.0%	1.0 years	0-4 years
Swaps hedging investments in foreign currency debt securities	5.6%	5.7%	1.6 years	0-4 years
Swaps hedging debt	5.5%	5.7%	3.8 years	1-4 years

Note: Pay and receive rates are based on the reset rates that were in effect at December 25, 1999.

Other foreign currency instruments. Intel transacts business in various foreign currencies, primarily Japanese yen and certain other Asian and European currencies. The company has established revenue and balance sheet hedging programs to protect against reductions in value and volatility of future cash flows caused by changes in foreign exchange rates. The company utilizes currency forward contracts and currency options in these hedging programs. The maturities on these instruments are less than 12 months.

Fair values of financial instruments

The estimated fair values of financial instruments outstanding at fiscal year-ends were as follows:

	1999		1998	
(In millions)	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Cash and cash equivalents	$3,695	$ 3,695	$2,038	$2,038
Short-term investments	$7,740	$ 7,740	$4,821	$4,821
Trading assets	$ 388	$ 388	$ 316	$ 316
Marketable strategic equity securities	$7,121	$ 7,121	$1,757	$1,757
Other long-term investments	$ 791	$ 791	$3,618	$3,618
Non-marketable instruments	$1,177	$ 3,410	$ 571	$ 716
Options creating synthetic money market instruments	$ --	$ --	$ 474	$ 474
Swaps hedging investments in debt securities	$ (38)	$ (38)	$ (33)	$ (33)
Swaps hedging investments in equity securities	$ --	$ --	$ 2	$ 2
Short-term debt	$ (230)	$ (230)	$ (159)	$ (159)
Long-term debt	$ (955)	$(1,046)	$ (702)	$ (696)
Swaps hedging debt	$ --	$ (5)	$ --	$ 1
Currency forward contracts	$ 1	$ --	$ (1)	$ (1)

Concentrations of credit risk

Financial instruments that potentially subject the company to concentrations of credit risk consist principally of investments and trade receivables. Intel

places its investments with high-credit-quality counterparties and, by policy, limits the amount of credit exposure to any one counterparty based on Intel's analysis of that counterparty's relative credit standing. A majority of the company's trade receivables are derived from sales to manufacturers of computer systems, with the remainder spread across various other industries. The company's five largest customers accounted for approximately 44% of net revenues for 1999. At December 25, 1999, these customers accounted for approximately 35% of net accounts receivable.

The company endeavors to keep pace with the evolving computer and Internet-related industries, and has adopted credit policies and standards intended to accommodate industry growth and inherent risk. Management believes that credit risks are moderated by the diversity of its end customers and geographic sales areas. Intel performs ongoing credit evaluations of its customers' financial condition and requires collateral or other credit support as deemed necessary.

Interest income and other

(In millions)	1999	1998	1997
Interest income	$ 618	$593	$562
Gains on sales of marketable strategic equity securities	883	185	106
Foreign currency gains (losses), net	(1)	11	63
Other income (expense), net	(3)	3	68
Total	$1,497	$792	$799

Comprehensive income

The components of other comprehensive income and related tax effects were as follows:

(In millions)	1999	1998	1997
Gains on investments during the year, net of tax of $(2,026), $(357) and $(4) in 1999, 1998 and 1997, respectively	$3,762	$ 665	$ 5
Less: adjustment for gains realized and included in net income, net of tax of $309, $65 and $37 in 1999, 1998 and 1997, respectively	(574)	(120)	(69)
Other comprehensive income	$3,188	$ 545	$ (64)

Accumulated other comprehensive income presented in the accompanying consolidated balance sheets consists of the accumulated net unrealized gain on available-for-sale investments.

Provision for taxes

Income before taxes and the provision for taxes consisted of the following:

(In millions)	1999	1998	1997
Income before taxes:			
U.S.	$ 7,239	$6,677	$ 8,033
Foreign	3,989	2,460	2,626
Total income before taxes	$11,228	$9,137	$10,659
Provision for taxes:			
Federal:			
Current	$ 3,356	$2,321	$ 2,930
Deferred	(162)	145	30
	3,194	2,466	2,960
State:			

Current	393	320	384
Foreign:			
Current	384	351	394
Deferred	(57)	(68)	(24)
	327	283	370
Total provision for taxes	$ 3,914	$3,069	$ 3,714
Effective tax rate	34.9%	33.6%	34.8%

</TABLE>

The tax benefit associated with dispositions from employee stock plans reduced taxes currently payable for 1999 by $506 million ($415 million and $224 million for 1998 and 1997, respectively).

The provision for taxes reconciles to the amount computed by applying the statutory federal rate of 35% to income before taxes as follows:

<TABLE>
<CAPTION>

(In millions)	1999	1998	1997
<S>	<C>	<C>	<C>
Computed expected tax	$3,930	$3,198	$3,731
State taxes, net of federal benefits	255	208	249
Foreign income taxed at different rates	(239)	(339)	(111)
Non-deductible acquisition-related costs	274	74	-
Other	(306)	(72)	(155)
Provision for taxes	$3,914	$3,069	$3,714

</TABLE>

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Significant components of the company's deferred tax assets and liabilities at fiscal year-ends were as follows:

<TABLE>
<CAPTION>

(In millions)	1999	1998
<S>	<C>	<C>
DEFERRED TAX ASSETS		
Accrued compensation and benefits	$ 111	$ 117
Accrued advertising	66	62
Deferred income	182	181
Inventory valuation and related reserves	91	106
Interest and taxes	48	52
Other, net	175	100
	673	618
DEFERRED TAX LIABILITIES		
Depreciation	(703)	(911)
Acquired intangibles	(214)	-
Unremitted earnings of certain subsidiaries	(172)	(152)
Unrealized gain on investments	(2,041)	(324)
	(3,130)	(1,387)
Net deferred tax (liability)	$(2,457)	$ (769)

</TABLE>

U.S. income taxes were not provided for on a cumulative total of approximately $2.2 billion of undistributed earnings for certain non-U.S. subsidiaries. The company intends to reinvest these earnings indefinitely in operations outside the United States.

The years 1998 and 1997 are currently under examination by the Internal Revenue Service. Management believes that adequate amounts of tax and related interest and penalties, if any, have been provided for any adjustments that may result for these years.

Employee benefit plans

Stock option plans. Intel has a stock option plan under which officers, key employees and non-employee directors may be granted options to purchase shares

of the company's authorized but unissued common stock. The company also has a stock option plan under which stock options may be granted to employees other than officers and directors. The company's Executive Long-Term Stock Option Plan, under which certain key employees, including officers, have been granted stock options, terminated in September 1998. Although this termination will not affect options granted prior to this date, no further grants may be made under this plan. Under all of the plans, the option exercise price is equal to the fair market value of Intel common stock at the date of grant. During 1999, Intel also assumed the stock option plans and the outstanding options of certain acquired companies. No additional options will be granted under these assumed plans.

Options granted by Intel currently expire no later than 10 years from the grant date and generally vest within 5 years. Proceeds received by the company from exercises are credited to common stock and capital in excess of par value. Additional information with respect to stock option plan activity was as follows:

<TABLE>
<CAPTION>

		Outstanding options	
(Shares in millions)	Share available for options	Number of shares	Weighted average exercise price
<S>	<C>	<C>	<C>
DECEMBER 28, 1996	130.6	337.8	$ 7.49
Additional shares reserved	260.0	--	--
Grants	(63.0)	63.0	$36.23
Exercises	--	(47.2)	$ 3.06
Cancellations	8.8	(8.8)	$16.38
DECEMBER 27, 1997	336.4	344.8	$13.12
Grants	(48.0)	48.0	$38.35
Exercises	--	(63.0)	$ 4.59
Cancellations	17.3	(17.3)	$23.64
Lapsed under terminated plans	(38.5)	--	--
DECEMBER 26, 1998	267.2	312.5	$18.13
Grants	(40.6)	40.6	$63.91
Options assumed in acquisitions	--	12.8	$25.74
Exercises	--	(48.0)	$ 6.64
Cancellations	12.3	(12.3)	$32.85
DECEMBER 25, 1999	238.9	305.6	$25.73
Options exercisable at:			
December 27, 1997		115.2	$ 3.66
December 26, 1998		103.8	$ 6.11
December 25, 1999		103.2	$ 9.42

</TABLE>

The range of option exercise prices for options outstanding at December 25, 1999 was $0.15 to $84.97. The range of exercise prices for options is wide due primarily to the increasing price of the company's stock over the period in which the option grants were awarded, in addition to the impact of assumed options of acquired companies that had experienced even greater price appreciation.

The following tables summarize information about options outstanding at December 25, 1999:

<TABLE>
<CAPTION>

	Outstanding options		
Range of exercise prices	Number of shares (in millions)	Weighted average contractual life (in years)	Weighted average exercise price
<S>	<C>	<C>	<C>
$0.15-$7.58	59.6	2.4	$ 4.28
$8.66-$15.09	62.9	4.8	$10.46
$15.12-$37.45	91.4	6.7	$25.61
$37.47-$84.97	91.7	8.6	$50.28
Total	305.6	6.0	$25.73

<CAPTION>

	Exercisable options	

Range of exercise prices	Number of shares (in millions)	Weighted average exercise price
<S>	<C>	<C>
$0.15-$7.58	59.2	$ 4.29
$8.66-$15.09	28.4	$ 9.11
$15.12-$37.45	12.3	$25.87
$37.47-$84.97	3.3	$43.04
Total	103.2	$ 9.42

</TABLE>

These options will expire if not exercised at specific dates through December 2009. Option exercise prices for options exercised during the three-year period ended December 25, 1999 ranged from $0.15 to $61.41.

Stock Participation Plan. Under this plan, eligible employees may purchase shares of Intel's common stock at 85% of fair market value at specific, predetermined dates. Of the 472 million shares authorized to be issued under the plan, 74.3 million shares remained available for issuance at December 25, 1999. Employees purchased 5.4 million shares in 1999 (6.3 million in 1998 and 9.0 million in 1997) for $241 million ($229 million and $191 million in 1998 and 1997, respectively).

Pro forma information. The company has elected to follow APB Opinion No. 25, "Accounting for Stock Issued to Employees," in accounting for its employee stock options because, as discussed below, the alternative fair value accounting provided for under SFAS No. 123, "Accounting for Stock-Based Compensation," requires the use of option valuation models that were not developed for use in valuing employee stock options. Under APB No. 25, because the exercise price of the company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized in the company's financial statements.

Pro forma information regarding net income and earnings per share is required by SFAS No. 123. This information is required to be determined as if the company had accounted for its employee stock options (including shares issued under the Stock Participation Plan, collectively called "options") granted subsequent to December 31, 1994 under the fair

value method of that statement. The fair value of options granted in 1999, 1998 and 1997 reported below has been estimated at the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions:

<TABLE>
<CAPTION>

Employee stock options	1999	1998	1997
<S>	<C>	<C>	<C>
Expected life (in years)	6.5	6.5	6.5
Risk-free interest rate	5.2%	5.3%	6.6%
Volatility	.38	.36	.36
Dividend yield	.2%	.2%	.1%

Stock Participation Plan shares	1999	1998	1997
<S>	<C>	<C>	<C>
Expected life (in years)	.5	.5	.5
Risk-free interest rate	4.9%	5.2%	5.3%
Volatility	.45	.42	.40
Dividend yield	.2%	.2%	.1%

</TABLE>

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Because the company's options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in the opinion of management, the existing models do not necessarily provide a reliable single measure of the fair value of its options. The weighted average estimated fair value of employee stock options granted during 1999, 1998 and 1997 was $29.53, $17.91 and $17.67 per share, respectively, excluding options assumed through acquired companies. The weighted average estimated fair value of shares granted under the Stock Participation Plan during 1999, 1998 and 1997 was $19.81, $10.92 and $11.04, respectively.

For purposes of pro forma disclosures, the estimated fair value of the options

is amortized to expense over the options' vesting periods. The company's pro forma information follows:

<TABLE>
<CAPTION>

(In millions - except per share amounts)	1999	1998	1997
<S>	<C>	<C>	<C>
Pro forma net income	$ 6,860	$ 5,755	$ 6,735
Pro forma basic earnings per share	$ 2.06	$ 1.73	$ 2.06
Pro forma diluted earnings per share	$ 1.98	$ 1.66	$ 1.88

</TABLE>

Retirement plans. The company provides tax-qualified profit-sharing retirement plans (the "Qualified Plans") for the benefit of eligible employees in the U.S. and Puerto Rico and certain foreign countries. The plans are designed to provide employees with an accumulation of funds for retirement on a tax-deferred basis and provide for annual discretionary employer contributions to trust funds.

The company also provides a non-qualified profit-sharing retirement plan (the "Non-Qualified Plan") for the benefit of eligible employees in the U.S. This plan is designed to permit certain discretionary employer contributions in excess of the tax limits applicable to the Qualified Plans and to permit employee deferrals in excess of certain tax limits. This plan is unfunded.

The company expensed $294 million for the Qualified Plans and the Non-Qualified Plan in 1999 ($291 million in 1998 and $273 million in 1997). The company expects to fund approximately $333 million for the 1999 contribution to the Qualified Plans and to allocate approximately $9 million for the Non-Qualified Plan, including the utilization of amounts expensed in prior years. A remaining accrual of approximately $157 million carried forward from prior years is expected to be contributed to these plans when allowable under IRS regulations and plan rules.

Contributions made by the company vest based on the employee's years of service. Vesting begins after three years of service in 20% annual increments until the employee is 100% vested after seven years.

The company provides tax-qualified defined-benefit pension plans for the benefit of eligible employees in the U.S. and Puerto Rico. Each plan provides for minimum pension benefits that are determined by a participant's years of service, final average compensation (taking into account the participant's social security wage base) and the value of the company's contributions, plus earnings, in the Qualified Plan. If the participant's balance in the Qualified Plan exceeds the pension guarantee, the participant will receive benefits from the Qualified Plan only. Intel's funding policy is consistent with the funding requirements of federal laws and regulations. The company also provides defined-benefit pension plans in certain foreign countries. The company's funding policy for foreign defined-benefit pension plans is consistent with the local requirements in each country. These defined-benefit pension plans had no material impact on the company's financial statements for the periods presented. The company provides postemployment benefits for retired employees in the U.S. Upon retirement, eligible employees are credited with a defined dollar amount based on years of service. These credits can be used to pay all or a portion of the cost to purchase coverage in an Intel-sponsored medical plan. These benefits had no material impact on the company's financial statements for the periods presented.

Acquisitions

During 1999 and 1998, the company completed a number of acquisitions that were accounted for using the purchase method of accounting.

In February 1999, the company acquired Shiva Corporation in a cash transaction. Shiva's products include remote access and virtual private networking solutions for the small to medium enterprise market segment and the remote access needs of campuses and branch offices.

In July 1999, the company acquired privately held Softcom Microsystems, Inc. in a cash transaction. Softcom develops and markets semiconductor products for original equipment manufacturers in the networking and communications market segments. Softcom's high-performance components are designed for networking gear (access devices, routers and switches) used to direct voice and data across the Internet as well as traditional enterprise networks.

In July 1999, the company acquired Dialogic Corporation in a cash transaction. The acquisition is aimed at expanding the company's standard high-volume server business in the networking and telecommunications market segments. Dialogic designs, manufactures and markets computer hardware and software enabling technology for computer telephony systems.

In August 1999, the company acquired Level One Communications in a stock-for-stock transaction. Approximately 34 million shares of Intel common stock were

issued in connection with the purchase. In addition, Intel assumed Level One Communications' convertible debt with a fair value of approximately $212 million. Level One Communications provides silicon connectivity solutions for high-speed telecommunications and networking applications.

In September 1999, the company acquired privately held NetBoost Corporation in a cash transaction. NetBoost develops and markets hardware and software solutions for communications equipment suppliers and independent software vendors in the networking and communications market segments.

In October 1999, the company acquired privately held IPivot, Inc. in a cash transaction. IPivot designs and manufactures Internet commerce equipment that manages large volumes of Internet traffic more securely and efficiently.

In November 1999, the company acquired DSP Communications, Inc. in a cash transaction. DSP Communications is a leading supplier of solutions for digital cellular communications products, including chipsets, reference designs, software and other key technologies for lightweight wireless handsets.

In January 1998, the company acquired Chips and Technologies, Inc. in a cash transaction. Chips and Technologies was a supplier of graphics accelerator chips for mobile computing products.

In May 1998, the company purchased the semiconductor operations of Digital Equipment Corporation. Assets acquired consisted primarily of property, plant and equipment. Following the completion of the purchase, lawsuits between the companies that had been pending since 1997 were dismissed with prejudice.

For 1999 and 1998, $392 million and $165 million, respectively, were allocated to purchased in-process research and development, and expensed upon acquisition of the above companies, because the technological feasibility of products under development had not been established and no future alternative uses existed.

These purchase transactions are further described below:

<TABLE>
<CAPTION>

(in millions)	Consideration	Purchased in-process research & development	Goodwill & identified intangibles	Form of consideration
<S>	<C>	<C>	<C>	<C>
1999				
Shiva	$ 132	$ --	$ 99	Cash and options assumed
Softcom	$ 149	$ 9	$ 139	Cash and options assumed
Dialogic	$ 732	$ 83	$ 614	Cash and options assumed
Level One Communications	$2,137	$231	$2,007	Common stock and options assumed
NetBoost	$ 215	$ 10	$ 205	Cash and options assumed
IPivot	$ 496	$ --	$ 505	Cash and options assumed
DSP Communications	$1,599	$ 59	$1,491	Cash and options assumed
1998				
Chips and Technologies	$ 337	$165	$ 126	Cash and options assumed
Semiconductor operations of Digital	$ 585	$ --	$ 32	Cash

</TABLE>

Consideration includes the cash paid, less any cash acquired; the value of stock issued and options assumed; and excludes any debt assumed.

In addition to the transactions described above, Intel purchased other businesses in smaller transactions. The charge for purchased in-process research and development related to these other acquisitions was not significant. The total amount allocated to goodwill and identified intangibles for these transactions was $175 million, which represents a substantial majority of the consideration for these transactions.

The consolidated financial statements include the operating results of acquired businesses from the dates of acquisition. The operating results of Softcom, Level One Communications and NetBoost have been included in the Network Communications Group operating segment. The operating results of Shiva, Dialogic and IPivot have been included in the Communications Products Group operating segment. The operating results of DSP Communications have been included in the Wireless Communications and Computing Group operating segment. All of these groups are part of the "all other" category for segment reporting purposes. The operating results of Chips and Technologies have been included in the Intel Architecture Business Group operating segment.

The unaudited pro forma information below assumes that companies acquired in 1999 and 1998 had been acquired at the beginning of 1998 and includes the effect of amortization of goodwill and identified intangibles from that date. The impact of charges for purchased in-process research and development has been excluded. This is presented for informational purposes only and is not necessarily indicative of the results of future operations or results that would have been achieved had the acquisitions taken place at the beginning of 1998.

<TABLE>
<CAPTION>

(in millions, except per share amounts--unaudited)	1999	1998
<S>	<C>	<C>
Net revenues	$29,894	$27,101
Net income	$ 6,948	$ 5,218
Basic earnings per common share	$ 2.08	$ 1.55
Diluted earnings per common share	$ 1.99	$ 1.46

</TABLE>

Commitments

The company leases a portion of its capital equipment and certain of its facilities under operating leases that expire at various dates through 2010. Rental expense was $71 million in 1999, $64 million in 1998 and $69 million in 1997. Minimum rental commitments under all non-cancelable leases with an initial term in excess of one year are payable as follows: 2000-$68 million; 2001-$57 million; 2002-$53 million; 2003-$41 million; 2004-$32 million; 2005 and beyond $77 million. Commitments for construction or purchase of property, plant and equipment approximated $2.5 billion at December 25, 1999. In connection with certain manufacturing arrangements, Intel had minimum purchase commitments of approximately $59 million at December 25, 1999 for flash memory.

Contingencies

In November 1997, Intergraph Corporation filed suit in Federal District Court in Alabama for patent infringement and generally alleging that Intel attempted to coerce Intergraph into relinquishing certain patent rights. The suit alleges that Intel infringes five Intergraph microprocessor-related patents, and includes alleged violations of antitrust laws and various state law claims. The suit seeks injunctive relief, damages and prejudgment interest, and further alleges that Intel's infringement is willful and that any damages awarded should be trebled. Intergraph's expert witness has claimed that Intergraph is entitled to damages of approximately $2.2 billion for Intel's alleged patent infringement, $500 million for the alleged antitrust violations and an undetermined amount for the alleged state law violations. Intel has also counterclaimed that the Intergraph patents are invalid and further alleges infringement of seven Intel patents, breach of contract and misappropriation of trade secrets. In October 1999, the court reconsidered an earlier adverse ruling and granted Intel's motion for summary judgment that the Intergraph patents are licensed to Intel, and dismissed all of Intergraph's patent infringement claims with prejudice. Intergraph has appealed this ruling. In November 1999, the Court of Appeals for the Federal Circuit reversed the District Court's April 1998 order requiring Intel to continue to deal with Intergraph on the same terms as it treats allegedly similarly situated customers with respect to confidential information and products supply. The company disputes Intergraph's remaining antitrust and state law claims, and intends to defend the lawsuit vigorously.

The company is currently party to various legal proceedings, including that noted above. While management, including internal counsel, currently believes that the ultimate outcome of these proceedings, individually and in the aggregate, will not have a material adverse effect on the company's financial position or overall trends in results of operations, litigation is subject to inherent uncertainties. Were an unfavorable ruling to occur, there exists the possibility of a material adverse impact on the net income of the period in which the ruling occurs.

Intel has been named to the California and U.S. Superfund lists for three of its sites and has completed, along with two other companies, a Remedial Investigation/Feasibility study with the U.S. Environmental Protection Agency (EPA) to evaluate the groundwater in areas adjacent to one of its former sites. The EPA has issued a Record of Decision with respect to a groundwater cleanup plan at that site, including expected costs to complete. Under the California and U.S. Superfund statutes, liability for cleanup of this site and the adjacent area is joint and several. The company, however, has reached agreement with those same two companies which significantly limits the company's liabilities under the proposed cleanup plan. Also, the company has completed extensive studies at its other sites and is engaged in cleanup at several of these sites. In the opinion of management, including internal counsel, the potential losses to the company in excess of amounts already accrued arising out of these matters would not have a material adverse effect on the company's financial position or overall trends in results of operations, even if joint and several liability were to be assessed.

The estimate of the potential impact on the company's financial position or overall results of operations for the above legal proceedings could change in the future.

Operating segment and geographic information

Intel designs, develops, manufactures and markets computer, networking and communications products at various levels of integration. The company is organized into five product-line operating segments: the Intel Architecture Business Group, the Wireless Communications and Computing Group (formed out of the former Computing Enhancement Group), the Communications Products Group (formed during 1999), the Network Communications Group and the New Business Group. Each group has a vice president who reports directly to the Chief Executive Officer (CEO). The CEO allocates resources to each group using information on their revenues and operating profits before interest and taxes. The CEO has been identified as the Chief Operating Decision Maker.

The Intel Architecture Business Group's products include microprocessors and related board-level products based on the P6 microarchitecture (including the Pentium(R) III, Intel(R) Celeron(TM) and Pentium(R) III Xeon(TM) processors). Sales of microprocessors and related board-level products based on the P6 microarchitecture represented a substantial majority of the company's 1999 revenues and gross margin. As a result of a reorganization during 1999, the Intel Architecture Business Group's products also include chipsets. The Wireless Communications and Computing Group's products are component-level hardware and software for digital cellular communications, including flash memory, low-power processors and digital signal processors. The Communications Products Group's products consist of system-level hardware, software and support services for e-Business data centers and communications access solutions. The Network Communications Group's products include communications silicon components and embedded control chips (formerly included in the Computing Enhancement Group) for networking and communications applications. The New Business Group provides e-Commerce data center services as well as products such as connected peripherals and security access software. Intel's products in all operating groups are sold directly to original equipment manufacturers, retail and industrial distributors, and resellers throughout the world.

In addition to these operating segments, the sales and marketing, manufacturing, finance and administration groups also report to the CEO. Expenses of these groups are allocated to the operating segments and are included in the operating results reported below. Certain corporate-level operating expenses (primarily the amount by which profit-dependent bonus expenses differ from a targeted level recorded by the operating segments) and reserves for deferred income on shipments to distributors are not allocated to operating segments and are included in "all other" in the reconciliation of operating profits reported below.

Although the company has five operating segments, only the Intel Architecture Business Group is a reportable segment. Intel had previously shown two reportable segments; however, as a result of a reorganization during 1999, no segment other than the Intel Architecture Business Group now represents 10% or more of revenues or operating profit. Information for prior periods has been reclassified. Intel does not identify or allocate assets by operating segment, and does not allocate depreciation as such to the operating segments, nor does the CEO evaluate groups on these criteria. Operating segments do not record intersegment revenues, and, accordingly, there are none to be reported. Intel does not allocate interest and other income, interest expense or taxes to operating segments. The accounting policies for segment reporting are the same as for the company as a whole (see "Accounting policies"), except that operating segments recognize revenues upon shipment to distributors, and changes in the reserves for deferred income on these shipments are recorded at the corporate level only.

Information on reportable segments for the three years ended December 25, 1999 is as follows:

<TABLE>
<CAPTION>

(In millions)	1999	1998	1997
<S>	<C>	<C>	<C>
INTEL ARCHITECTURE BUSINESS GROUP			
Revenues	$25,274	$23,853	$22,606
Operating profit	$11,356	$ 9,413	$11,132
ALL OTHER			
Revenues	$ 4,115	$ 2,420	$ 2,464
Operating loss	$(1,589)	$(1,034)	$(1,245)
TOTAL			
Revenues	$29,389	$26,273	$25,070
Operating profit	$ 9,767	$ 8,379	$ 9,887

</TABLE>

In 1999, two customers each accounted for 13% of the company's revenues. In 1998, one customer accounted for 13% of the company's revenues and another accounted for 11%. In 1997, one customer accounted for 12% of the company's revenues. A substantial majority of the sales to these customers were Intel Architecture Business Group products.

Geographic revenue information for the three years ended December 25, 1999 is based on the location of the selling entity. Property, plant and equipment information is based on the physical location of the assets at the end of each of the fiscal years.

Revenues from unaffiliated customers by geographic region were as follows:

<TABLE>
<CAPTION>

(In millions)	1999	1998	1997
<S>	<C>	<C>	<C>
United States	$12,740	$11,663	$11,053
Europe	7,798	7,452	6,774
Asia-Pacific	6,704	5,309	4,754
Japan	2,147	1,849	2,489
Total revenues	$29,389	$26,273	$25,070

Net property, plant and equipment by country was as follows:

(In millions)	1999	1998
<S>	<C>	<C>
United States	$ 8,127	$ 8,076
Ireland	1,312	1,287
Other foreign countries	2,276	2,246
Total property, plant and equipment, net	$11,715	$11,609

</TABLE>

Supplemental information (unaudited)

Quarterly information for the two years ended December 25, 1999 is presented on page 37.

Report of Ernst & Young LLP, independent auditors

The Board of Directors
and Stockholders, Intel Corporation

We have audited the accompanying consolidated balance sheets of Intel Corporation as of December 25, 1999 and December 26, 1998, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 25, 1999. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Intel Corporation at December 25, 1999 and December 26, 1998, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 25, 1999, in conformity with accounting principles generally accepted in the United States.

/s/ Ernst & Young LLP

San Jose, California
January 11, 2000

Management's discussion and analysis of financial condition and results of operations

Results of operations

Intel posted record net revenues in 1999, for the 13th consecutive year, increasing by 12% from 1998, and by 5% from 1997 to 1998. Net revenues for the Intel Architecture Business Group operating segment increased by 6% from 1998, and by 5.5% from 1997 to 1998. The increases for the Intel Architecture Business Group for both periods were primarily due to higher unit volumes of microprocessors, partially offset by lower average selling prices for microprocessors. As a result of a change in the company's internal organization during 1999, the Intel Architecture Business Group is the only remaining reportable operating segment. Within the "all other" category for operating segment reporting, revenues from sales of flash memory and networking and communications products grew significantly from 1998 to 1999. From 1997 to 1998, sales of flash memory and embedded products declined while networking and communications products grew significantly.

During 1999, sales of microprocessors and related board-level products based on the P6 microarchitecture (including the Intel(R) Celeron(TM), Pentium(R) III and Pentium(R) III Xeon(TM) processors), which are included in the Intel Architecture Business Group's operations, comprised a substantial majority of Intel's consolidated net revenues and gross margin. For 1998, these represented a majority of Intel's consolidated net revenues and a substantial majority of gross margin. Sales of the P6 microprocessors first became a significant portion of the company's revenues and gross margin in 1997. Sales of Pentium(R) family processors, including Pentium(R) processors with MMX(TM) technology, were not significant for 1999, but were a rapidly declining but still significant portion of the company's revenues and gross margin for 1998. During 1997, sales of Pentium family processors were a majority of the company's revenues and gross margin.

Total cost of sales decreased by 2% from 1998 to 1999, primarily due to lower unit costs for microprocessors in 1999 for the Intel Architecture Business Group operating segment. These lower unit costs were partially offset by higher unit sales volume in 1999. The lower unit costs in 1999 were achieved primarily through redesigned microprocessor products with lower cost packaging, including packaging using fewer purchased components, as well as factory efficiencies and lower purchase prices on purchased components. Total cost of sales increased by 22% from 1997 to 1998, primarily due to microprocessor unit volume growth and additional costs associated with purchased components for the Single Edge Contact (SEC) cartridge housing the Pentium(R) II processor. The total gross margin percentage increased to 60% in 1999 from 54% in 1998, primarily due to lower unit costs in the Intel Architecture Business Group operating segment, partially offset by lower average selling prices. The gross margin percentage decreased to 54% in 1998 from 60% in 1997, primarily due to the increased costs in the Intel Architecture Business Group related to the SEC cartridge in the Pentium II processor and the lower average selling prices of processors in the first half of 1998 compared to the first half of 1997. See "Outlook" for a discussion of gross margin expectations.

Excluding charges of $392 million for purchased in-process research and development (IPR&D) related to the current year's acquisitions and $165 million in 1998, research and development spending increased $602 million, or 24%, from 1998 to 1999, primarily due to increased spending on product development programs including product development of acquired companies. Research and development spending increased 7% from 1997 to 1998, primarily due to increased

spending on development of microprocessor products. Marketing, general and administrative expenses increased $796 million, or 26%, from 1998 to 1999, primarily due to increases for the Intel Inside cooperative advertising program, merchandising spending relating to new product launches and profit-dependent bonus expenses. From 1997 to 1998, marketing, general and administrative expenses increased $185 million, or 6%, primarily due to the Intel Inside program and merchandising spending, partially offset by lower profit-dependent bonus expenses.

The fair value of the IPR&D for each of the acquisitions was determined using the income approach, which discounts expected future cash flows from projects under development to their net present value. Each project was analyzed to determine the technological innovations included; the utilization of core technology; the complexity, cost and time to complete the remaining development efforts; any alternative future use or current technological feasibility; and the stage of completion. Future cash flows were estimated based on forecasted revenues and costs, taking into account the expected life cycles of the products and the underlying technology, relevant market sizes and industry trends.

Discount rates were derived from a weighted average

cost of capital analysis, adjusted to reflect the relative risks inherent in each entity's development process, including the probability of achieving technological success and market acceptance. The IPR&D charge includes the fair value of IPR&D completed. The fair value assigned to developed technology is included in identifiable intangible assets, and no value is assigned to IPR&D to be completed or to future development. Intel believes the amounts determined for IPR&D, as well as developed technology, are representative of fair value and do not exceed the amounts an independent party would pay for these projects. Failure to deliver new products to the market on a timely basis, or to achieve expected market acceptance or revenue and expense forecasts, could have a significant impact on the financial results and operations of the acquired businesses.

The total charge for IPR&D for the Dialogic Corporation acquisition, completed in July 1999, was approximately $83 million. Dialogic designs, manufactures and markets computer hardware and software enabling technology for computer telephony systems. Twelve IPR&D projects were identified and valued, with two projects under the Springware and CT Server product groups accounting for 65% of the value assigned to IPR&D. Springware is a line of voice and intelligent network interface boards that provides signal processing features that can be reconfigured by developers for special applications. The next-generation Springware project was estimated to be approximately 60% complete, with estimated costs to complete of $3 million and an estimated completion date of the first quarter of 2000. The CT Server project is designed to converge voice, media and packet communications within enterprise or public networking systems by providing a single platform for telecommunications switching, media processing and other communications services. The CT Server project was estimated to be approximately 55% complete, with estimated costs to complete of $11.5 million. The estimated completion date for the CT Server project was originally the first quarter of 2000 but is now estimated to be the second quarter of 2000. Dialogic's other IPR&D projects ranged from 10% to 90% complete and averaged approximately 60% complete. Total estimated costs to complete all other projects were $17.5 million, with expected completion dates from the third quarter of 1999 through the third quarter of 2000. Projects expected to complete during 1999 completed on schedule. The average discount rates used were 22% for IPR&D projects and 14% for developed technology. Dialogic's weighted average cost of capital was 17%.

The total charge for IPR&D for the Level One Communications, Inc. acquisition, completed in August 1999, was approximately $231 million. Level One Communications provides silicon connectivity, switching and access solutions for high-speed telecommunications and networking applications. Eight IPR&D projects were identified and valued, with each project representing from 5% to 18% of the total IPR&D value for this acquisition. Current Level One Communications products provide silicon connectivity, local area network (LAN) switching and wide area network (WAN) access solutions for high-speed telecommunications and networking applications. In-process projects include transceivers, routers and switch chipsets using current and emerging technologies for the networking and telecommunications markets. These projects ranged from 39% to 86% complete, with total remaining costs to complete of $19.1 million. Expected project completion dates ranged from the third quarter of 1999 through the third quarter of 2000, and projects expected to complete during 1999 completed on schedule. The discount rates used were 30% for IPR&D projects and 20% for developed technology. Level One Communications' weighted average cost of capital was 23%.

The total charge for IPR&D for the DSP Communications,Inc. acquisition, completed in November 1999, was approximately $59 million. DSP Communications develops and supplies form-fit reference designs, chipsets and software for mobile telephone manufacturers. Four IPR&D projects were identified and valued, with each project representing from 9% to 31% of the total IPR&D value. The in-process projects are enhancements of DSP Communications' existing digital cellular chipsets, new third-generation chipsets and new products designed for

use in other emerging wireless personal communications services. These projects ranged from 10% to 90% complete, with expected project completion dates from 2000 to 2003, and total remaining costs to complete of $13 million. The average discount rates used for DSP Communications were 20% for IPR&D projects and 11% for developed technology. DSP Communications' weighted average cost of capital was 17%.

In the first quarter of 1998, the company purchased Chips and Technologies, Inc. and recorded a charge for IPR&D of $165 million. Chips and Technologies had a product line of mobile graphics controllers based on 2D and video graphics

technologies. Their major development activities included new technologies for embedded memory and 3D graphics. Other development projects included improvements to the existing 2D and video technologies and several other new business product lines. The discount rates applied were 15% for developed technology and 20% for IPR&D projects, compared to an estimated weighted average cost of capital of approximately 10%. Costs to complete all of the in-process projects were estimated to be $30 million. Approximately 70% of the estimated IPR&D was attributable to the embedded memory technology and the 3D technology that were expected to be used together and separately in products under development. Development of the first in a series of mobile graphics products using the embedded memory technology was estimated to be approximately 80% complete and was completed in August 1998. The 3D technology was at an earlier stage of development with a minimal amount of work completed at the time of the acquisition. Close to the time of the acquisition, Intel also began working with another company to license their 3D technology for a line of desktop graphics controllers. Subsequent to the acquisition, a decision was made that the mobile and desktop product lines should have compatible 3D technologies, and further development of the Chips and Technologies 3D technology was stopped. During 1999, Intel realigned its discrete graphics resources to focus on integrated graphics chipsets utilizing the core technology acquired from Chips and Technologies.

Amortization of goodwill and other acquisition-related intangibles increased $355 million from 1998 to 1999, primarily due to the impact of acquisitions made in 1999, including Level One Communications, Dialogic, DSP Communications and IPivot, Inc. For 1999, a substantial majority of this amortization was included in the calculation of the operating loss for the "all other" category for segment reporting purposes.

Interest expense increased $2 million from 1998 to 1999 due to higher average borrowing balances and lower interest capitalization. Interest and other income increased $705 million from 1998 to 1999, primarily due to higher realized gains on sales of equity investments. For 1998 compared to 1997, interest expense increased $7 million due to higher average borrowing balances and lower interest capitalization. Interest and other income was essentially unchanged for the same period, with higher realized gains on sales of equity securities and higher interest income offset by lower foreign currency gains.

The company's effective income tax rate was 34.9% in 1999, 33.6% in 1998 and 34.8% in 1997. Excluding the impact of the non-deductible charges for IPR&D and the amortization of goodwill and other acquisition-related intangibles, the company's effective income tax rate was approximately 33% for both 1999 and 1998. Foreign income taxed at rates different from U.S. rates contributed to the lower tax rate in 1999 and 1998 compared to 1997, excluding the impact of acquisitions.

Financial condition

The company's financial condition remains very strong. At December 25, 1999, total cash, trading assets and short- and long-term investments, excluding marketable strategic equity securities, totaled $13 billion, up from $11 billion at December 26, 1998. Cash provided by operating activities was $11 billion in 1999, compared to $9.2 billion and $10 billion in 1998 and 1997, respectively.

The company used $5.5 billion in net cash for investing activities during 1999, compared to $6.5 billion during 1998 and $6.9 billion during 1997. Capital expenditures totaled $3.4 billion in 1999, as the company continued to invest in property, plant and equipment, primarily for additional microprocessor manufacturing capacity and the transition of manufacturing technology. The company also paid $3 billion in cash for acquisitions, net of cash acquired, including the purchases of Shiva Corporation, Softcom Microsystems, Inc., Dialogic, NetBoost Corporation, IPivot and DSP Communications. In addition, the company issued approximately 34 million shares of common stock and assumed convertible debt valued at approximately $212 million in connection with the purchase of Level One Communications. Sales of available-for-sale investments provided $831 million in cash. The company also had committed approximately $2.5 billion for the purchase or construction of property, plant and equipment as of December 25, 1999. See "Outlook" for a discussion of capital expenditure expectations in 2000.

Inventory levels in total decreased in 1999, with raw materials, work-in-

process and finished goods inventory all contributing to the decrease. For 1999, the impact of the increase in revenues on the accounts receivable balance was offset by a decrease in the days sales outstanding. The company's five largest customers accounted for approximately 44% of net revenues for 1999. Two customers each accounted for 13% of revenues in 1999. One customer accounted for 13% of revenues and another accounted for 11% in 1998, and one customer accounted for 12% of revenues in 1997. At December 25, 1999, the five largest customers accounted for approximately 35% of net accounts receivable.

The company used $4.2 billion for financing activities in 1999, compared to $4.7 billion and $3.2 billion in 1998 and 1997, respectively. The major financing applications of cash in 1999 were for the repurchase of 71.3 million shares of common stock for $4.6 billion and payment of dividends of $366 million. The major financing applications of cash in 1998 and 1997 were for stock repurchases totaling $6.8 billion and $3.4 billion, respectively; payments of dividends of $217 million and $180 million, respectively; and for 1997, a $300 million repayment under a private reverse repurchase arrangement. Financing sources of cash during 1999 were primarily $543 million in proceeds from the sale of shares mainly pursuant to employee stock plans ($507 million in 1998 and $317 million in 1997). Financing sources of cash during 1998 also included $1.6 billion in proceeds from the exercise of the 1998 step-up warrants ($40 million in 1997).

As part of its authorized stock repurchase program, the company had outstanding put warrants at the end of 1999, with the potential obligation to buy back 2 million shares of its common stock at an aggregate price of $130 million. Subsequent to the year-end, these put warrants expired unexercised.

At December 25, 1999, marketable strategic equity securities totaled $7.1 billion with approximately $5.8 billion in unrealized appreciation, an increase in total value of $5.3 billion compared to December 26, 1998 and an increase in unrealized appreciation of approximately $4.9 billion.

Other sources of liquidity include authorized commercial paper borrowings of $700 million. The company also maintains the ability to issue an aggregate of approximately $1.4 billion in debt, equity and other securities under Securities and Exchange Commission shelf registration statements.

The company believes that it has the financial resources needed to meet business requirements for the next 12 months, including potential future acquisitions or strategic investments, capital expenditures for the expansion or upgrading of worldwide manufacturing capacity, working capital requirements and the dividend program.

Financial market risks

The company is exposed to financial market risks, including changes in interest rates, foreign currency exchange rates and marketable equity security prices. To mitigate these risks, the company utilizes derivative financial instruments. The company does not use derivative financial instruments for speculative or trading purposes. All of the potential changes noted below are based on sensitivity analyses performed on the company's financial positions at December 25, 1999. Actual results may differ materially.

The primary objective of the company's investments in debt securities is to preserve principal while maximizing yields, without significantly increasing risk. To achieve this objective, the returns on a substantial majority of the company's marketable investments in long-term fixed rate debt securities are swapped to U.S. dollar LIBOR-based returns. The company considered the historical volatility of the three-month LIBOR rate experienced in the past year and determined that it was reasonably possible that an adverse change of 60 basis points, approximately 10% of the rate at the end of 1999, could be experienced in the near term. A hypothetical 60-basis-point increase in interest rates would result in an approximate $16 million decrease in the fair value of the company's investments in debt securities as of the end of 1999 ($30 million as of the end of 1998).

The company hedges currency risks of investments denominated in foreign currencies with foreign currency borrowings, currency forward contracts and currency interest rate swaps. Gains and losses on these foreign currency investments would generally be offset by corresponding losses and gains on the related hedging instruments, resulting in negligible net exposure to the company.

A substantial majority of the company's revenue, expense and capital purchasing activities are transacted in U.S. dollars. However, the company does enter into these transactions in other currencies, primarily Japanese yen and certain other Asian and European currencies. To protect against reductions in value and the volatility of future cash flows caused by changes in currency exchange rates, the company has established revenue, expense and balance sheet hedging programs. Currency forward contracts and currency options are utilized in these hedging programs. The company's hedging programs reduce, but do not always entirely eliminate, the impact of currency exchange rate movements. The

company considered the historical trends in currency exchange rates and determined that it was reasonably possible that adverse changes in exchange rates of 20% for certain Asian currencies and 10% for all other currencies could be experienced in the near term. Such an adverse change would result in an adverse impact on income before taxes of less than $20 million as of the end of each of 1999 and 1998.

The company is exposed to equity price risks on the marketable portion of its portfolio of strategic equity securities. The company typically does not attempt to reduce or eliminate its market exposure on these securities. These investments are generally in companies in the high-technology industry, and a substantial majority of the market value of the portfolio is in three sectors: Internet, semiconductor and networking. As of December 25, 1999, five equity positions constituted approximately 49% of the market value of the portfolio, of which approximately $1.2 billion, or 17% of the market value of the portfolio, consisted of an investment in Micron Technology, Inc.

The company analyzed the historical movements over the past several years of high-technology stock indices that the company considered appropriate. Based on the analysis, the company estimated that it was reasonably possible that the prices of the stocks in the company's portfolio could experience a 30% adverse change in the near term. Assuming a 30% adverse change, the company's marketable strategic equity securities would decrease in value by approximately $2.1 billion, based on the value of the portfolio as of December 25, 1999. Assuming the same 30% adverse change as of December 26, 1998, the company's marketable strategic equity securities would have decreased in value by approximately $525 million. The increase in the impact of the assumed adverse change from 1998 to 1999 reflects the increase in size of the portfolio, a significant portion of which represents unrealized appreciation. The portfolio's concentrations in specific companies or sectors may vary over time and may be different from the compositions of the indices analyzed, and these factors may affect the portfolio's price volatility. This estimate is not necessarily indicative of future performance, and actual results may differ materially.

Outlook

This outlook section contains a number of forward-looking statements, all of which are based on current expectations. Actual results may differ materially. These statements do not reflect the potential impact of any mergers or acquisitions that had not closed as of the end of 1999.

Intel's goal is to be the preeminent building block supplier to the worldwide Internet economy. The company's primary focus areas are the client platform, server platform, networking and communications, and solutions and services. The company's five product-line operating segments support these initiatives.

Intel's strategy for client and server platforms is to introduce ever higher performance microprocessors and chipsets, tailored for the different market segments of the worldwide computing market, using a tiered branding approach. In line with this strategy, the company is seeking to develop higher performance microprocessors based on the P6 microarchitecture specifically for each computing segment: the Intel Celeron processor for the value segment; Pentium III processors for home and business applications, and for entry-level servers and workstations; and Pentium III Xeon processors for mid-range and high-end servers and workstations. During 2000, the company also expects to introduce processors for high-end servers based on the IA-64 architecture, under the Itanium(TM) brand. In addition, the client platform strategy includes providing low-power processors and flash memory for handheld wireless devices. The Intel Architecture Business Group operating segment supports the client and server platform initiatives. The Wireless Communications and Computing Group supports the handheld wireless device initiatives for the client platform.

Intel plans to cultivate new businesses as well as continue to work with the computing industry to expand Internet capabilities and product offerings, and develop compelling software applications that can take advantage of higher performance microprocessors and chipsets, thus driving demand toward Intel's newer products in each computing market segment. The company may continue to take various steps, including reducing microprocessor prices at such times as it deems appropriate, in order to increase acceptance of its latest technology and to remain competitive within each relevant market segment.

In the network and communications infrastructure area, Intel's strategy is to deliver both system-level communications products and component-level silicon building blocks for networking and communications systems for the home and small- and medium-sized businesses. Intel has made acquisitions and expects to make additional acquisitions to grow new networking and communications areas. Initiatives in these areas are supported by the Communications Products Group operating segment, focusing on system-level products, and the Network Communications Group, focusing on component-level products.

Intel also intends to build new service businesses around the Internet. During 1999, the company launched Intel Online Services, which provides Web hosting and e-Commerce services for customers. Intel intends to deliver a consistent

worldwide platform for developing and delivering e-Business solutions. The New Business Group operating segment supports the service business initiatives.

Intel expects that the total number of computers using Intel's P6 microarchitecture processors and other semiconductor components sold worldwide will continue to grow in 2000. In addition, Intel expects to grow revenues in the networking, communications and wireless businesses by 50% or more in 2000. However, the company's financial results are substantially dependent on sales of microprocessors and related components by the Intel Architecture Business Group. Revenues are also a function of the mix of microprocessor types and speeds sold as well as the mix of related motherboards, purchased components and other semiconductor products, all of which are difficult to forecast. Because of the wide price difference among types of microprocessors, this mix affects the average price that Intel will realize and has a large impact on Intel's revenues. The company's expectations regarding growth in the computing industry worldwide are dependent in part on the growth in usage of the Internet and the expansion of Internet product offerings. The expectations are also subject to the impact of economic conditions in various geographic regions.

Intel's expectations regarding growth in the networking, communications and wireless areas, as well as in new service businesses, are subject to the company's ability to acquire businesses as well as to integrate and operate them successfully, and to grow new businesses internally.

Intel's current gross margin expectation for 2000 is 61% plus or minus a few points compared to 60% for 1999. The company's gross margin varies depending on the mix of types and speeds of processors sold as well as the mix of microprocessors and related motherboards and purchased components. The company has been implementing new packaging formats that have reduced costs on certain microprocessor products, and this is expected to be the primary driver of cost reductions for 2000 as the transition to the new packaging formats continues. The company also expects to have reduced costs due to continued productivity improvements on its existing manufacturing processes, including the new 0.18-micron manufacturing process. Various other factors--including unit volumes, yield issues associated with production at factories, ramp of new technologies, the reusability of factory equipment, excess or obsolete inventory, variations in inventory valuation and mix of shipments of other semiconductor and non-semiconductor products--will also continue to affect the amount of cost of sales and the variability of gross margin percentages.

Intel's primary goal is to get its advanced technology to the marketplace, and at the same time increase gross margin dollars. The company's plans to grow in non-microprocessor areas, particularly those areas that have the potential to expand networking and communications capabilities, are intended to increase gross margin dollars but may lower the gross margin percentage. In addition, from time to time the company may forecast a range of gross margin percentages for the coming quarter. Actual results may differ from these estimates.

The company has expanded its semiconductor manufacturing and assembly and test capacity over the last few years, and continues to plan capacity based on the assumed continued success of its strategy as well as the acceptance of its products in specific market segments. The company expects that capital spending will increase to approximately $5 billion in 2000 from $3.4 billion in 1999. The increase is primarily a result of expected spending related to the

development of next-generation 0.13-micron process technology for both 300 millimeter and 200 millimeter manufacturing, in addition to increased spending on new fabrication facility construction and equipment purchases to add 0.18-micron capacity. If the market demand does not continue to grow and move rapidly toward higher performance products in the various market segments, revenues and gross margin may be affected, the capacity installed might be under-utilized and capital spending may be slowed. Revenues and gross margin may also be affected if the company does not add capacity fast enough to meet market demand. This spending plan is dependent upon expectations regarding production efficiencies and delivery times of various machinery and equipment, and construction schedules for new facilities. Depreciation for 2000 is expected to be approximately $3.4 billion, an increase of approximately $200 million from 1999. Most of this increase would be included in cost of sales and research and development spending. Amortization of goodwill and other acquisition-related intangibles is expected to be approximately $1.2 billion for 2000.

The industry in which Intel operates is characterized by very short product life cycles, and the company's continued success is dependent on technological advances, including the development and implementation of new processes and new strategic products for specific market segments. Because Intel considers it imperative to maintain a strong research and development program, spending for research and development in 2000, excluding in-process research and development, is expected to increase to approximately $3.8 billion from $3.1 billion in 1999. The higher spending is driven primarily by the full-year impact of acquisitions and investments in new businesses as well as increased investment in Intel architecture-related businesses. The company intends to continue spending to promote its products and to increase the value of its product brands. Based on current forecasts, spending for marketing, general and administrative expenses

is also expected to increase in 2000.

The company currently expects its tax rate to be 31.7% for 2000, excluding the impact of costs related to prior and any future acquisitions. This estimate is based on current tax law, the current estimate of earnings and the expected distribution of income among various tax jurisdictions, and is subject to change.

During 1998, Intel established a team to address the issues raised by the introduction of the Single European Currency, the Euro, on January 1, 1999. The team is continuing to work on the conversion issues during the transition period through January 1, 2002. Intel's internal systems that were affected by the initial introduction of the Euro were made Euro capable without material system modification costs. Further internal systems changes are being made during the three-year transition phase in preparation for the ending of bilateral rates in January 2002 and the ultimate withdrawal of the legacy currencies in July 2002. The costs of these changes are not expected to be material. The introduction of the Euro has not materially affected the company's foreign exchange and hedging activities, or the company's use of derivative instruments, and is not expected to result in any material increase in costs to the company. While Intel will continue to evaluate the impact of the ongoing Euro conversion over time, based on currently available information, management does not believe that the Euro conversion will have a material adverse impact on the company's financial condition or overall trends in results of operations.

Intel established a comprehensive program to deal with issues related to the year 2000 computer programming problem. By the end of 1999, all of the company's internal systems categorized as critical, priority or important were determined to be year 2000 capable. To date, there have been no material problems caused by year 2000 issues related to the company's internal systems or non-performance of suppliers.

Intel also established a program to assess the year 2000 capability of its products. The definition of "Year 2000 Capable" is available on Intel's Web site. To assist customers in evaluating their year 2000 issues, the company developed a Web-enabled database indicating the capability of Intel's current branded products and certain branded products no longer being produced. The capabilities of certain non-Intel branded products of certain subsidiaries are posted on the Web sites of those entities.

All Intel processors and microcontrollers (embedded processors) are Year 2000 Capable, with the exception of two custom microcontroller products sold to a limited number of customers. However, the ability of a complete system to operate correctly depends on firmware (BIOS) capability and software design and integration, which for many end users includes firmware and software provided by companies other than Intel.

Except as specifically provided in the limited warranties offered on certain of its current and some discontinued products, the company does not believe it is legally responsible for costs incurred by customers to ensure their year 2000 capability. Nevertheless, the company has incurred various costs to provide customer support and customer satisfaction services regarding year 2000 issues.

The company currently expects that the total cost of these programs will be approximately $100 million. Approximately $96 million has been spent on the programs to date, of which approximately $54 million was incurred in 1999. Costs include estimated payroll costs for redeployed personnel and the costs of consultants, software and hardware upgrades, and dedicated program offices.

No significant internal systems projects were deferred due to year 2000 program efforts. The installation schedule of certain new software and hardware was accelerated to solve year 2000 capability issues, for which related costs were estimated to be an additional amount of approximately $15 million. These estimated costs do not include any potential costs related to customer or other claims.

Based on currently available information, management does not believe that the year 2000 matters discussed above will have a material adverse impact on the company's financial condition or overall trends in results of operations.

The company is currently party to various legal proceedings. Although litigation is subject to inherent uncertainties, management, including internal counsel, does not believe that the ultimate outcome of these legal proceedings will have a material adverse effect on the company's financial position or overall trends in results of operations. However, were an unfavorable ruling to occur in any specific period, there exists the possibility of a material adverse impact on the results of operations of that period. Management believes, given the company's current liquidity and cash and investment balances, that even an adverse judgment would not have a material impact on cash and investments or liquidity.

The company's future results of operations and the other forward-looking statements contained in this outlook--in particular the statements regarding

expected product introductions, expectations regarding additional acquisitions, intentions regarding building new service businesses around the Internet, the number of computers using Intel processors, gross margin and cost savings, capital spending, depreciation and amortization, research and development, marketing and general and administrative expenses, the tax rate, the conversion to the Euro, the year 2000 issue and pending legal proceedings--involve a number of risks and uncertainties. In addition to the factors discussed above, among the other factors that could cause actual results to differ materially are the following: changes in end user demand due to usage of the Internet; changes in customer order patterns; competitive factors such as rival chip architectures and manufacturing technologies, competing software-compatible microprocessors and acceptance of new products in specific market segments; pricing pressures; development and timing of the introduction of compelling software applications; execution of the manufacturing ramp, including the transition to the 0.18-micron process technology; the ability to grow new networking, communications, wireless and other Internet-related businesses and successfully integrate and operate any acquired businesses; unanticipated costs or other adverse effects associated with processors and other products containing errata (deviations from published specifications); impact on the company's business by year 2000 problems and claims; and litigation involving antitrust, intellectual property, consumer and other issues.

Intel believes that it has the product offerings, facilities, personnel, and competitive and financial resources for continued business success, but future revenues, costs, margins and profits are all influenced by a number of factors, including those discussed above, all of which are inherently difficult to forecast.

Financial information by quarter (unaudited)

(In millions-except per share amounts)

1999 for quarter ended			December 25	September 25	June 26	March 27
Net revenues			$8,212	$7,328	$6,746	$7,103
Cost of sales			$3,176	$3,026	$2,740	$2,894
Net income/A/			$2,108	$1,458	$1,749	$1,999
Basic earnings per share			$ .63	$ .44	$ .53	$ .60
Diluted earnings per share			$ .61	$ .42	$ .51	$ .57
Dividends per share/B/	Declared		$ -	$ .060	$ -	$ .050
	Paid		$ .030	$ .030	$ .030	$ .020
Market price range common stock/C/		High	$83.13	$89.31	$66.06	$70.47
		Low	$65.13	$57.00	$50.50	$54.91

(In millions-except per share amounts)

1998 for quarter ended			December 26	September 26	June 27	March 28
Net revenues			$7,614	$6,731	$5,927	$6,001
Cost of sales/D/			$3,160	$3,176	$3,012	$2,740
Net income/A/			$2,064	$1,559	$1,172	$1,273
Basic earnings per share			$ .62	$ .46	$ .35	$ .39
Diluted earnings per share			$ .59	$ .44	$ .33	$ .36
Dividends per share/B/	Declared		$ -	$ .035	$ -	$ .015
	Paid		$ .020	$ .015	$ .015	$ .015
Market price range common stock/C/		High	$62.50	$45.72	$42.41	$47.09
		Low	$39.22	$35.59	$32.97	$35.13
Market price range step-up warrants/C/		High	$ -	$ -	$ -	$36.56
		Low	$ -	$ -	$ -	$24.73

/A/ Net income for the third and fourth quarters of 1999 reflects charges of $333 million and $59 million, respectively, for purchased in-process research and development related to acquisitions. Net income for the first quarter of 1998 reflects a similar charge of $165 million.

/B/ As of the second quarter of 1998, the company had adopted a new dividend declaration schedule which results in the Board of Directors considering two dividend declarations in the first and third quarters of the year and no declarations in the second and fourth quarters. A dividend was paid in each quarter of 1999 and 1998.

/C/ Intel's common stock (symbol INTC) trades on The Nasdaq Stock Market* and is quoted in the Wall Street Journal and other newspapers. Intel's 1998 step-up warrants traded on The Nasdaq Stock Market prior to their March 1998 expiration. Intel's common stock also trades on The Swiss Exchange. At December 25, 1999, there were approximately 238,000 registered holders of

common stock. All stock and warrant prices are closing prices per The Nasdaq Stock Market, as adjusted for stock splits.

/D/ Cost of sales for 1998 reflects the reclassification of amortization of goodwill and other acquisition-related intangibles to a separate line item.

* All other brands and names are the property of their respective owners.

GRAPHICS APPENDIX LIST*
FOR PAGES 30 AND 31

* In this Appendix, the following descriptions of graphs on pages 30 and 31 of the Company's 1999 Annual Report to Stockholders that are omitted from the EDGAR text are more specific with respect to the actual amounts and percentages than can be determined from the graphs themselves.

The Company submits such more specific descriptions only for the purpose of complying with EDGAR requirements for transmitting this Annual Report on Form 10-K; such more specific descriptions are not intended in any way to provide information that is additional to that otherwise provided in the 1999 Annual Report to Stockholders.

<TABLE>
<CAPTION>

REVENUES AND INCOME

(Dollars in billions)	1997	1998	1999
<S>	<C>	<C>	<C>
Net revenues	25.1	26.3	29.4
Net income	6.9	6.1	7.3

COSTS AND EXPENSES

(Percent of revenues)	1997	1998	1999
Cost of sales	40%	46%	40%
R&D	9%	9%	11%
Marketing and G&A	12%	12%	13%
Acquisition-related costs	0%	1%	3%
(Total)	61%	68%	67%

OTHER INCOME AND EXPENSE

(Dollars in millions)	1997	1998	1999
Interest income & other	799	792	1,497
Interest expense	27	34	36

CASH AND INVESTMENTS

(Dollars in billions)	1998	1999
Cash & cash equivalents	2.0	3.7
Short-term investments	5.3	7.7
Marketable strategic equity securities	1.8	7.1
Other long-term investments	3.6	0.8

</TABLE>

EXHIBIT 21

INTEL CORPORATION

SUBSIDIARIES
(All 100% Owned)

<TABLE>
<CAPTION>

Subsidiaries of the Registrant	State or other Jurisdiction of Incorporation
<S>	<C>
Componentes Intel de Costa Rica, S.A.	Costa Rica
DSP Communications, Inc.	Delaware, USA
Dialogic Corporation	New Jersey, USA
Intel Commodities Limited	Cayman
Intel Corporation (UK) Limited	United Kingdom
Intel Electronics Limited	Israel
Intel International BV	Netherlands
Intel Ireland Limited	Cayman
Intel Kabushiki Kaisha	Japan
Intel Massachusetts, Inc.	Delaware, USA
Intel Overseas Corporation	California, USA
Intel Products (M) Sdn. Bhd.	Malaysia
Intel Puerto Rico, Inc	California, USA
Intel Semiconductor Limited	Delaware, USA
Intel Technology Phils, Inc.	Philippines
Intel Technology Sdn. Berhad	Malaysia
IPivot, Inc.	Delaware, USA
Level One Communications, Inc.	Delaware, USA
Mission College Investments Limited	Cayman

</TABLE>

EXHIBIT 23

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Intel Corporation of our report dated January 11, 2000, included in the 1999 Annual report to Stockholders of Intel Corporation.

Our audits also include the financial statement schedule of Intel Corporation listed in Item 14(a). This schedule is the responsibility of the company's management. Our responsibility is to express an opinion based on our audits. In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also consent to the incorporation by reference in the Registration Statements (Form S-8 Nos. 33-10392, 2-73464, 2-56648, 33-33983, 2-90217, 33-29672, 33-41771, 33-63489, 333-20951, 333-24229, 333-45391, 333-45395, 333-67537, 333-93057, 333-90807, 333-77279, 333-75163, 333-82387, 333-84247, 333-88251, 333-96255; and Form S-3 Nos. 33-20117, 33-54220, 33-58964, and 33-56107) of our report dated January 11, 2000, with respect to the financial statements incorporated herein by reference, and our report included in the preceding paragraph with respect to the financial statement schedule included in this Annual Report (Form 10-K) of Intel Corporation.

/s/ Ernst & Young LLP

San Jose, California
March 21, 2000

<TABLE> <S> <C>

<ARTICLE> 5
<LEGEND>
THIS SCHEDULE CONTAINS SUMMARY INFORMATION EXTRACTED FROM INTEL CORPORATION'S
CONSOLIDATED STATEMENTS OF INCOME AND CONSOLIDATED BALANCE SHEETS AND IS
QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
</LEGEND>
<MULTIPLIER> 1,000,000

<S>	<C>
<PERIOD-TYPE>	12-MOS
<FISCAL-YEAR-END>	DEC-25-1999
<PERIOD-END>	DEC-25-1999
<CASH>	3695
<SECURITIES>	8093
<RECEIVABLES>	3767
<ALLOWANCES>	67
<INVENTORY>	1478
<CURRENT-ASSETS>	17819
<PP&E>	23557
<DEPRECIATION>	11842
<TOTAL-ASSETS>	43849
<CURRENT-LIABILITIES>	7099
<BONDS>	955
<PREFERRED-MANDATORY>	130<F2>
<PREFERRED>	0
<COMMON>	7316
<OTHER-SE>	25219
<TOTAL-LIABILITY-AND-EQUITY>	43849
<SALES>	29389
<TOTAL-REVENUES>	29389
<CGS>	11836
<TOTAL-COSTS>	11836
<OTHER-EXPENSES>	3914<F1>
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	36
<INCOME-PRETAX>	11228
<INCOME-TAX>	3914
<INCOME-CONTINUING>	7314
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	7314
<EPS-BASIC>	2.20
<EPS-DILUTED>	2.11

<FN>
<F2>ITEM CONSISTS OF PUT WARRANTS.
<F1>ITEM CONSISTS OF RESEARCH AND DEVELOPMENT, INCLUDING PURCHASED IN-PROCESS
RESEARCH AND DEVELOPMENT, AND AMORTIZATION OF GOODWILL AND OTHER
ACQUISITION-RELATED INTANGIBLES.
</FN>

</TABLE>