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 26, 1998,

OR

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

Commission File Number 0-6217

INTEL CORPORATION

(Exact name of registrant as specified in its charter)

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 26, 1999
$187.0 billion

3,324.7 million shares of Common Stock outstanding as of February 26, 1999 ***

DOCUMENTS INCORPORATED BY REFERENCE

(1) Portions of Annual Report to Stockholders for fiscal year ended December 26, 1998 - Parts I, II and IV.
(2) Portions of the Registrant's Proxy Statement related to the 1999 Annual Meeting of Stockholders, to be filed subsequent to the date hereof - Part III

*** Share amounts shown have been adjusted for stock splits through April 1999, including the stock split declared in January 1999.

PART I **

ITEM 1. BUSINESS

INDUSTRY

Intel Corporation and its subsidiaries (collectively called "Intel," the "Company" or the "Registrant") design, develop, manufacture and market computer components and related products at various levels of integration. Intel's principal components consist of silicon-based semiconductors etched with complex patterns of transistors. Many of these integrated circuits can perform the functions of millions of individual transistors, diodes, capacitors and resistors. The Company was incorporated in California in 1968 and reincorporated in Delaware in 1989.

PRODUCTS

The Company's major products include microprocessors, chipsets, embedded processors and microcontrollers, flash memory products, graphics products, network and communications products, systems management software, conferencing products and digital imaging products. Intel sells its products to original equipment manufacturers ("OEMs") of computer systems and peripherals; PC users (including individuals, large and small businesses and Internet service providers) who buy Intel's PC enhancements, business communications products and networking products through resellers and retail and industrial distributors throughout the world; and other manufacturers, including makers of a wide range of industrial and telecommunications equipment.

The Company is organized into four operating segments according to Intel's various product lines: the Intel Architecture Business Group, the Computing Enhancement Group, the Network Communications Group, and the New Business Group. Each group has a vice president who reports directly to the Chief Executive Officer of Intel. 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 the Registrant's 1998 Annual Report to Stockholders and "Management's discussion and analysis of financial condition and results of operations" on pages 30 and 31, which information is hereby incorporated by reference.

INTEL ARCHITECTURE BUSINESS GROUP

The Intel Architecture Business Group tailors microprocessors for the different segments of the computing market, using a tiered branding approach, and seeks to develop higher performance microprocessors specifically for each computing market segment. Products in the Intel Architecture Business Group include processors based on the P6 microarchitecture (including the Intel - -Registered Trademark- Celeron -TM-, the Pentium -Registered Trademark- II, the Pentium -Registered Trademark- III, the Pentium -Registered Trademark- II Xeon -TM- and the Pentium -Registered Trademark- III Xeon -TM- processors) and related board-level products as well as the Pentium -Registered Trademark- family of microprocessors.

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 a computer. 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. In 1998, Intel completed the conversion of microprocessor manufacturing to the

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** Page references to the 1998 Annual Report to Stockholders or to the Registrant's 1999 Proxy Statement related to the 1999 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 Report and Proxy Statement, not to the electronic versions appearing at the Intel Internet site (www.intel.com and www.intc.com). However, all data referred to also appears in the electronic versions.

0.25-micron process technology and ended 1998 with all microprocessor shipments manufactured on the 0.25-micron process. One micron equals one millionth of a meter, and the length of the individual transistors on a chip is measured in microns.

In 1998, Intel announced several new microprocessor products aimed at the various computing market segments ranging from the value PC (systems costing less than $1,000) to high-performance workstations and servers.

Tailored for the value PC market segment, the Intel Celeron microprocessor meets the core computing needs and affordability requirements common to many new PC users. The Celeron processor was introduced in April 1998 at 266 MHz and was followed in June 1998 by a 300-MHz version. Megahertz ("MHz") is the standard used to measure the rate at which a microprocessor's internal logic operates, based on the number of cycles processed per second, with one megahertz equal to one million cycles per second. In August 1998, Intel introduced enhanced versions of the Celeron processor, the Intel Celeron 333 MHz and 300A MHz, which include 128 KB of integrated Level 2 ("L2") cache on the processor core. The memory stored on a chip is measured in bytes, with approximately 1,000 bytes equaling a kilobyte ("KB"), 1 million bytes equaling a megabyte ("MB") and 1 billion bytes equaling a gigabyte ("GB"). Cache is a high-speed 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.

In January 1999, Intel introduced 366- and 400-MHz versions of the Celeron processor with 128 KB of integrated L2 cache. The Company introduced the first mobile Intel Celeron processor in January 1999, running at 266 and 300 MHz and providing a performance boost for low-cost mobile PCs. In March, 1999 Intel announced the Intel Celeron processor at 433 MHz with 128KB of integrated L2 cache on the processor core.

The Pentium II microprocessor, aimed at the performance desktop and entry-level server and workstation market segments, comprised the majority of Intel units sold worldwide in 1998. In January 1998, the Company introduced the Pentium II processor running at 333 MHz--the first Pentium II processor manufactured on Intel's 0.25-micron process technology. During 1998, Intel also introduced versions of the Pentium II processor running at 350, 400 and 450 MHz.

The Pentium II processor for mobile PCs is designed to provide mobile users with the advanced performance capabilities of the P6 microarchitecture while meeting power consumption and size requirements. In April 1998, the Company introduced 233- and 266-MHz versions of the Pentium II processor for mobile PCs. In September 1998, Intel introduced a 300-MHz version. In January 1999, the Company introduced the new mobile Pentium II processor running at 333 and 366 MHz as the first Pentium II processor built on a single processor silicon die, with 256 KB of on-die L2 cache, resulting in higher performance than previous off-die cache versions.

Specifically designed to meet the requirements of mid-range and high-performance servers and workstations, the Pentium II Xeon processor features high-performance, scalability, manageability and mission-critical reliability. In June 1998, the Company introduced the first Pentium II Xeon microprocessor, based on the P6 microarchitecture core, operating at 400 MHz and available with 512 KB and 1 MB L2 cache options. In January 1999, Intel introduced three new versions of the Pentium II Xeon processor incorporating 512 KB, 1 MB and 2 MB of L2 cache and running at 450 MHz.

During 1998, sales of microprocessors and related board-level products based on the P6 microarchitecture comprised a majority of the Company's consolidated revenues and a substantial majority of its gross margin. Sales of these microprocessors first became a significant portion of the Company's revenues and gross margin in 1997. Also during 1998, sales of Pentium family processors, including Pentium processors with MMX -TM- technology, were a rapidly declining but still significant portion of the Company's revenues and gross margin. During 1997, sales of Pentium family processors were a majority of the Company's revenues and gross margin, and in 1996 were a majority of its revenues and a substantial majority of its gross margin.

In February 1999, Intel introduced the Pentium III microprocessor. Targeted for the performance desktop personal computer and low-end server and workstation market segments, the Pentium III processor is the first Intel processor designed specifically to enhance the Internet experience and offers higher performance and enhanced multimedia

realism for Internet applications. The Pentium III processor core, which is based on Intel's P6 microarchitecture, includes Internet Streaming SIMD Extensions--70 new instructions that enhance the performance of advanced imaging, 3-D, streaming audio, video and speech recognition applications. The 450- and 500-MHz versions, with 512 KB L2 cache, began shipping in March and the 550-MHz version is expected to be available in the second quarter of 1999. In March 1999, Intel announced the Intel Pentium III Xeon microprocessor, targeted to enhance Internet software and application performance for the mid-range to high-performance server and workstation market segments. The Pentium III Xeon is initially being offered at a speed of 500 MHz, available in 512 KB, 1 MB and 2 MB L2 cache versions for two-, four- and eight-way (and higher) servers and workstations.

The Company's family of 64-bit microprocessors under development is 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 the 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 handles twice as much data on each clock cycle. Intel has been working with industry leaders to help them develop operating systems, applications software and systems that will capitalize on the new IA-64 architecture. The first processor in Intel's IA-64 product family, the Merced processor, is expected to be available to OEMs in sample volumes in 1999 and initial production volumes in mid-2000.

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 were introduced simultaneously with each corresponding microprocessor product in 1998.

COMPUTING ENHANCEMENT GROUP

Intel's Computing Enhancement Group's products include chipsets; embedded processors, including Pentium processors with MMX technology and StrongARM - -Registered Trademark- processors; microcontrollers; flash memory products; and graphics products.

CHIPSETS. The Company's core-logic chipsets support incremental performance, ease of use and new capabilities for systems based on the Intel Celeron, Pentium II, Pentium III and Pentium II Xeon microprocessors. Chipsets perform essential logic functions surrounding the central processing unit and support and extend the graphics, video and other capabilities of many Intel processor-based systems. The Company's chipsets are compatible with a variety of industry-standard 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. Revenues from sales of chipsets represented a majority of revenues for the Computing Enhancement Group operating segment in 1998.

To help enable computer makers to speed their products to market, chipsets are introduced along with the corresponding processors. In April 1998, the 440EX was introduced as the first AGPset designed specifically for Intel's Celeron processor and targets the value PC market segment. The Company introduced the 440BX AGPset in August 1998, optimizing Pentium II processor performance for 3-D and video applications with a 100-MHz system bus. With the June 1998 announcement of the Pentium II Xeon processor, the Company introduced two chipsets. The Intel 440GX AGPset provides 2 GB-memory support for workstations and for servers with one or two processors. The Intel 450NX PCIset for servers with four or more processors provides up to 8 GB-memory support and multiple 32-bit and 64-bit PCI buses.

EMBEDDED PRODUCTS. The Computing Enhancement Group provides embedded products such as microprocessors, microcontrollers and memory components to a wide range of OEMs who use the Company's embedded products in a variety of applications, including telecommunications, printers, hubs, routers, wide area networking, intelligent input/output, imaging, storage media, keyboards, point-of-sale terminals and automotive systems.

Intel i960 -Registered Trademark- processors provide developers with a family of 32-bit reduced instruction set computing (RISC) processors with integrated input/output capabilities. In March 1998, Intel announced the i960 JT processor targeted for markets such as inkjet printers, networking equipment, remote access equipment and high-speed modems. Introduced in October 1998, the 100-MHz i960 VH embedded PCI processor reduces the number of components typically required to design switches, hubs, routers, remote-access equipment and adapter cards for PCs and servers.

In October 1998, Intel announced the addition of the 166- and 266-MHz low-power-consumption Pentium processor with MMX technology to its embedded product line aimed at new point-of-sale, industrial automation and networking equipment applications.

Intel's StrongARM processors, acquired from Digital Equipment Corporation, are used in applications requiring a combination of low power and high performance with lower silicon and system costs. In October 1998, Intel introduced the SA-1100 StrongARM processor and SA-1101 companion chip to help give hand-held computing devices e-mail, fax and Internet access capabilities.

FLASH MEMORY. Flash memory components are used to store user data and computer program code and retain information when the power is off. Intel - -Registered Trademark- StrataFlash -TM- 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 network applications. The Intel Series 200 Flash Miniature Cards, based on the Company's StrataFlash memory, are designed to be used repeatedly without loss of image quality in applications such as electronic film for today's digital cameras. New products introduced in 1998 include the Intel Advanced+ Boot Block flash that improves phone number security on cellular phones and the Intel Fast Boot Block flash that reduces memory bottlenecks by increasing memory performance in embedded systems.

GRAPHICS PRODUCTS. Chips and Technologies, Inc., acquired in January 1998, has been integrated into the graphics division of the Computing Enhancement Group. Their product line consists of the HQVideo -TM- family of multimedia accelerators. These graphics controllers provide enhanced graphics, full-motion video and other advanced display capabilities for notebook computers.

In February 1998, the Company announced the Intel740 -TM- graphics accelerator chip. Optimized for the Pentium II processor platform with Intel's AGPsets, the Intel740 graphics accelerator chip brings 3-D realism to Intel architecture PCs.

NETWORK COMMUNICATIONS GROUP

Network Communications Group products are designed to provide network and Internet connectivity solutions for medium-sized enterprise branch and campus offices, small businesses and consumers who buy the products through reseller, OEM and retail channels. These products include hubs, switches and routers for Ethernet networks, Ethernet client and server adapters, and communications silicon components.

The Network Communications Group introduced several products in 1998, including the Intel -Registered Trademark- InBusiness -TM- family of networking products introduced in January to help small businesses interconnect their PCs and gain Internet access simply and affordably. In November 1998, Intel introduced the Intel InBusiness eMail Station, a network appliance that provides small businesses with professional e-mail capabilities at an affordable price.

In March 1998, Intel announced the Intel PRO/100+ Adapter and the Intel PRO/100 Intelligent Server Adapter products to provide cost-effective network connections for workgroup and high-performance Web servers. In April 1998, Intel announced its first Gigabit Ethernet networking products: the Intel PRO/1000 Gigabit Server adapter, and the Intel Gigabit Switch. In May 1998, the Company announced the industry's first multi-platform, single-chip fast Ethernet controller, the 82559, designed to eliminate the need for information technology managers to support different networking solutions for servers, desktops, network PCs and mobile clients. In September 1998, Intel announced the Intel 21145 Phoneline/Ethernet LAN controller, which enables multiple PCs to be connected in a home over existing telephone lines.

Effective February 27, 1999, Intel completed the acquisition of Shiva Corporation for approximately $185 million in cash before consideration of cash acquired. The acquisition is aimed at expanding Intel's networking product line with remote access and virtual private networking solutions for the small to medium enterprise market segment and the remote needs of campuses and branch offices.

On March 4, 1999, Intel and Level One Communications, Inc. ("Level One") announced a definitive merger agreement under which Intel would acquire Level One. The acquisition is aimed at providing advanced networking capabilities through increased bandwidth and functionality through silicon integration. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" under Part II, Item 7 of this Form 10-K for additional information regarding this proposed transaction.

NEW BUSINESS GROUP

In May 1998, Intel announced the formation of the New Business Group to focus on nurturing and growing opportunities in new market segments and to position the Company to serve these emerging market segments. During the second half of 1998, the New Business Group conducted market research and developed a strategic plan to execute to that strategy. The New Business Group also has products for the existing systems management software, conferencing and digital imaging market segments.

Intel's New Business Group products currently include the Intel-Registered

Trademark- AnswerExpress-SM- Support Suite, an Internet-based PC support service; the LANDesk-Registered Trademark- Configuration Manager system management software; the Intel ProShare-Registered Trademark- Video System 500 videoconferencing system; and the Intel-Registered Trademark-Create & Share-TM- camera pack.

MANUFACTURING

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

Outside the United States, a significant portion of Intel's wafer production is conducted at facilities in Ireland and Israel. In May 1998, Intel announced the opening of the Company's first 0.25-micron microprocessor production factory in Ireland and the conversion of the existing facility in Ireland to the 0.25-micron process technology. The Company also expanded its wafer production facilities in Israel during 1998. 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 the newly opened 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 and chipsets, and for production capacity of board-level products and systems.

In February 1999, Intel announced that the first product to be manufactured using the 0.18-micron process technology, the next generation of process technology, will be the mobile Pentium II processor. Production of this processor is expected to begin in the first half of 1999.

In general, if Intel were unable to fabricate wafers or 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 26, 1998, the Company employed approximately 64,500 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, Japan, Asia-Pacific and other parts of the world.

The Company also uses industrial and retail distributors and representatives to distribute its products both within and outside of 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 and/or the right of return on 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 large orders directly with Intel and are referred to distributors for smaller orders. Intel sold products to more than 1,000 customers worldwide in 1998. Sales to Compaq Computer Corporation and Dell Computer Corporation in 1998 represented 13% and 11% of total revenues, respectively. A majority of the sales to these two customers consisted of Intel Architecture Business Group products, but they also purchased products from other groups, including products from the Computing Enhancement Group. No other customer accounted for more than 10% of total revenues. Sales to the Company's five largest customers accounted for

approximately 42% 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 1998 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, quality, performance, availability and price. 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, develop new products to meet changing customer requirements and to reduce costs. Prices decline rapidly in the semiconductor industry as unit volumes grow, as 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 multinationals 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 and to a lesser extent on sales of other semiconductor components by the Computing Enhancement 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, introduced in April 1998 and followed in August by enhanced versions, 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 the 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 successfully compete 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 in significant volume or alternative architectures gain market acceptance.

Intel's strategy is to introduce ever-higher performance microprocessors tailored for the different 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 for each market segment. The Company plans to cultivate new businesses and continue to work with the computing industry to expand Internet capabilities and product offerings and to develop compelling software applications that can take advantage of this higher performance, thus driving demand toward the 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. Intel is also committed to the protection of its intellectual property rights against illegal use. There can be no assurance, however, that competitors will not introduce new products (either software compatible or of rival architectural designs) or reduce prices on existing products. Such developments could have an adverse effect on Intel's revenues and margins.

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. Intel is jointly developing a new 64-bit microprocessor architecture and software optimizations with a third party. These new products, based on the IA-64 architecture, are expected to be targeted at server, workstation and enterprise computing market segments. The first product, the Merced processor, should be available to OEMs in initial production volumes in mid-2000. The second IA-64 processor is expected to be available for shipment in 2001. The Company also develops "enabling" software technologies, such as open software specifications and software tools, to enhance the functionality and acceptance of the personal computer platform.

In the United States, design and development of components and other products are performed at Intel's facilities in Arizona, California, Oregon, Texas and Washington. Outside the United States, Intel maintains product development facilities in Israel and Malaysia. 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 $2,674 million, $2,347 million and $1,808 million in fiscal years 1998, 1997 and 1996, respectively. At December 26, 1998, Intel had approximately 13,500 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 in a timely and cost-effective manner.

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 also 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.

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 personal computers that incorporate genuine Intel microprocessors with the Intel Inside-Registered Trademark- logo. Intel maintains certain details about its processes, products and strategies as trade secrets.

As is the case with many companies in the semiconductor industry, 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. 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 26, 1998):

Craig R. Barrett (age 59) has been a director of Intel since 1992, Chief Executive Officer since May 1998 and President since 1997. Prior to that, Dr. Barrett was Chief Operating Officer from 1993 to May 1998 and Executive Vice President from 1990 to 1997.

Andrew S. Grove (age 62) has been a director of Intel since 1974 and Chairman of the Board since 1997. Dr. Grove was Chief Executive Officer from 1987 to May 1998 and President from 1979 to 1997.

Gordon E. Moore (age 69) 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 62) has been a director of Intel since 1988 and Senior Vice President, Director of Corporate Business Development since 1991.

Paul S. Otellini (age 48) has been Executive Vice President, and General Manager, Intel Architecture Business Group since January 1998. Prior to that, Mr. Otellini was Executive Vice President, Director Sales and Marketing Group from 1996 to January 1998; Senior Vice President and Director, Sales and Marketing Group from 1994 to 1996; and Senior Vice President and General Manager, Microprocessor Products Group from 1992 to 1994.

Gerhard H. Parker (age 55) has been Executive Vice President and General Manager, New Business Group since June 1998. Prior to that, Dr. Parker was Executive Vice President and General Manager, Technology and Manufacturing Group from 1996 to June 1998 and Senior Vice President and General Manager, Technology and Manufacturing Group from 1992 to 1996.

Andy D. Bryant (age 48) has been Senior Vice President and Chief Financial Officer since January 1999 and Vice President and Chief Financial Officer from 1994 to January 1999. Prior to that, Mr. Bryant was Vice President and Director of Finance for the Intel Products Group from 1990 to 1994.

Sean M. Maloney (age 42) has been Senior Vice President and Director, Sales and Marketing Group since January 1999 and Vice President and Director, Sales and Marketing Group from February 1998 to January 1999. Prior to that, Mr. Maloney was Vice President, Sales and General Manager, Asia-Pacific Operations from 1995 to February 1998 and Technical Assistant to the Chairman and Chief Executive Officer from 1992 to 1995.

Michael J. Splinter (age 48) 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 June 1998 to January 1999. Prior to that, Mr. Splinter was Vice President and Assistant General Manager, Technology and Manufacturing Group from 1996 to June 1998; and General Manager, Components Manufacturing from 1992 to 1996.

Albert Y. C. Yu (age 57) has been Senior Vice President and General Manager, Microprocessor Products Group since 1993.

F. Thomas Dunlap, Jr. (age 47) has been Vice President, General Counsel and Secretary since 1987.

Arvind Sodhani (age 44) has been Vice President and Treasurer since 1990.

ITEM 2. PROPERTIES

At December 26, 1998, Intel owned the major facilities described below:
<TABLE>
<CAPTION>

No. of Bldgs.	Location	Total Sq. Ft.	Use
79	United States	17,107,000	Executive and administrative offices, wafer fabrication, research and development, sales and marketing, computer and service functions, board and system assembly, and warehousing.
9	Ireland	1,830,000	Wafer fabrication, components assembly and testing, warehousing and administrative offices.
12	Israel (A)	1,724,000	Wafer fabrication, research and development, warehousing and administrative offices.
11	Malaysia (B)	1,646,000	Components assembly and testing, 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.

</TABLE>

At December 26, 1998, Intel also leased 22 major facilities in the United States totaling approximately 829,000 square feet, and 23 facilities in other countries totaling approximately 651,000 square feet. These leases expire at varying dates through 2007 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, in general, being utilized. Intel also has 2.2 million square feet of building space under various stages of construction in the United States and in various foreign locations, 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 1998 Annual Report to Stockholders, which information is hereby incorporated by reference.

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

(A) Lease on a portion of the land used for these facilities expires in 2039.
(B) Leases on portions of the land used for these facilities expire in 2003 through 2057.
(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 ("Intergraph") filed suit in Federal District Court in Alabama generally alleging that Intel attempted to coerce Intergraph into relinquishing certain patent rights. The suit initially alleged that Intel infringes three Intergraph microprocessor-related patents and has been amended to add two other patents. The suit also includes alleged violations of antitrust laws and various state law claims. The suit seeks injunctive relief and unspecified damages. Intel has counterclaimed that the Intergraph patents are invalid and alleges infringement of seven Intel patents, breach of contract and misappropriation of trade secrets. In April 1998, the Court ordered Intel to continue to deal with Intergraph on the same

terms as it treats allegedly similarly situated customers with respect to confidential information and product supply. Intel's appeal of this order was heard in December 1998. In June 1998, Intel filed a motion for summary judgment on Intergraph's patent claims on the grounds that Intel is licensed to use those patents. In July 1998, the Company received a letter stating that Intergraph believes that the patent damages will be "several billion dollars by the time of trial." In addition, Intergraph alleges that Intel's infringement is willful and that any damages awarded should be trebled. The letter also stated that Intergraph believes that antitrust, unfair competition and tort and contract damages will be "hundreds of millions of dollars by the time of trial." The Company disputes Intergraph's claims and intends to defend the lawsuit vigorously. Although the ultimate outcome of this lawsuit cannot be determined at this time, management, including internal counsel, does not believe that the ultimate outcome will have a material adverse effect on Intel's financial position or overall trends in results of operations.

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.

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 Registrant's 1998 Annual Report to Stockholders, which information is hereby incorporated by reference.

(b) As of February 26, 1999, there were approximately 216,000 registered holders of record of the Registrant's Common Stock.

(c) Unregistered sales of equity securities.

None in the quarter ended December 26, 1998.

ITEM 6. SELECTED FINANCIAL DATA

Reference is made to the information regarding selected financial data for the fiscal years 1994 through 1998, under the heading "Financial summary" on page 13 of the Registrant's 1998 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 26, 1998 are as follows:

<TABLE>
<CAPTION>

Fiscal year				
1994	1995	1996	1997	1998
<S>	<C>	<C>	<C>	<C>
39x	68x	108x	206x	167x

</TABLE>

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 37 of the Registrant's 1998 Annual Report to Stockholders, which information is hereby incorporated by reference.

On March 4, 1999, Intel and Level One announced a definitive stock-for-stock merger agreement valued at approximately $2.2 billion under which Intel would acquire Level One. The acquisition is aimed at providing advanced networking capabilities through increased bandwidth and functionality through silicon integration. Under the terms of the agreement, each share of Level One stock would be exchanged for 0.86 shares of Intel stock, after adjusting for Intel's two for one stock split announced in January 1999. Approximately 37.2 million shares of Intel stock would be issued, assuming the conversion of Level One's outstanding convertible subordinated notes into Level One Common Stock when permissible under their terms. The completion of this transaction is subject to compliance with regulatory requirements, Level One stockholder approval, and conditions customary in a transaction of this type.

On March 17, 1999, the Federal Trade Commission ("FTC" or "Commission") tentatively approved a settlement agreement (the "Consent Order") jointly developed by Intel and the FTC's Bureau of Competition. Under the terms of the Consent Order, if an intellectual property dispute arises and the customer chooses to waive its right to seek an injunction to block the manufacture and sale of Intel's processor products, Intel would continue to share certain advance technical information and product samples with that customer. Among other things, the Consent Order also allows Intel to continue to seek value for its intellectual property; make product and information supply decisions based on business justifications other than the existence of the intellectual property dispute; and include use restrictions on the use of its intellectual property. The Commission will give final approval or reject the Consent Order following a 60-day public comment period. Intel continues to cooperate with the staff of the FTC in the ongoing investigation authorized by the Commission in September 1997.

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 pages 32 and 33 of the Registrant's 1998 Annual Report to Stockholders, which information is hereby incorporated by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Consolidated financial statements of Intel Corporation at December 26, 1998 and December 27, 1997, and for each of the three years in the period ended December 26, 1998 and the Report of Independent Auditors thereon, and Intel Corporation's unaudited quarterly financial data for the two-year period ended December 26, 1998 are incorporated by reference from the Registrant's 1998 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 3 through 6 of the Registrant's Proxy Statement related to the 1999 Annual Meeting of Stockholders (the "1999 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," "Compensation Committee Interlocks and Insider Participation," and "Executive Compensation," on pages 9, 14 and 16, respectively, of the 1999 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 1999 Proxy Statement under the heading "Security Ownership of Certain Beneficial Owners and Management," on pages 19 and 20, which information is hereby incorporated by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Reference is made to information appearing in the 1999 Proxy Statement under the heading "Certain Relationships and Related Transactions," on page 14, 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 14, 1998, Intel filed a report on Form 8-K relating to financial information for Intel Corporation for the quarter ended September 26, 1998 and forward-looking statements relating to the Fourth Quarter of 1998 and the 2nd half of 1998, as presented in a press release of October 13, 1998.

INDEX TO FINANCIAL STATEMENTS
AND FINANCIAL STATEMENT SCHEDULES
(ITEM 14 (a))
<TABLE>
<CAPTION>

	Reference Page	
	Form 10-K	1998 Annual Report to Stockholders
<S>	<C>	<C>
Consolidated Balance Sheets		
December 26, 1998 and December 27, 1997		15
Consolidated Statements of Income for the years ended December 26, 1998,		
December 27, 1997 and December 28, 1996		14
Consolidated Statements of Cash Flows		

for the years ended December 26, 1998, December 27, 1997 and December 28, 1996 16
Consolidated Statements of Stockholders' Equity for the years ended December 26, 1998, December 27, 1997 and December 28, 1996 17
Notes to Consolidated Financial Statements December 26, 1998, December 27, 1997 and December 28, 1996 18-28
Report of Ernst & Young LLP, Independent Auditors 29
Supplemental Information
Financial Information by Quarter (unaudited) 37
Schedule for years ended December 26, 1998, December 27, 1997 and December 28, 1996:
II- Valuation and Qualifying Accounts 18
</TABLE>
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 1998 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 1998 Annual Report to Stockholders is not to be deemed filed as part of this report.

INTEL CORPORATION

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

December 28, 1996, December 27, 1997 and December 26, 1998
(In Millions)
<TABLE>
<CAPTION>

<S>	Balance at Beginning of Year <C>	Additions Charged to Costs and Expenses <C>	Deductions (A) <C>	Balance at End of Year <C>
1996				
Allowance for Doubtful Receivables	$57	$25	$14	$68
1997				
Allowance for Doubtful Receivables	$68	$ 2	$ 5	$65
1998				
Allowance for Doubtful Receivables	$65	$14	$17	$62

</TABLE>

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

INDEX TO EXHIBITS
(Item 14(a))

<TABLE>
<CAPTION>

<C>	Description <S>
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 September 26, 1998 as filed on November 10, 1998).

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.
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 26, 1998 are expressly incorporated by reference herein.
21.	Intel Subsidiaries.
23.	Consent of Ernst & Young LLP, Independent Auditors.
27.	Financial Data Schedule.

</TABLE>

* 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 and Secretary
March 25, 1999

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 25, 1999

/s/ Gordon E. Moore

Gordon E. Moore
Chairman Emeritus of the Board and Director
March 25, 1999

/s/ David S. Pottruck

David S. Pottruck

/s/ John P. Browne

- ------------------
John P. Browne
Director
March 25, 1999

/s/ Andy D. Bryant
- ------------------
Andy D. Bryant
Senior Vice President, Chief Financial Officer and Principal Accounting Officer
March 25, 1999

/s/ Winston H. Chen
- -------------------
Winston H. Chen
Director
March 25, 1999

/s/ Andrew S. Grove
- -------------------
Andrew S. Grove
Chairman of the Board and Director
March 25, 1999

/s/ D. James Guzy
- -----------------
D. James Guzy
Director
March 25, 1999

Director
March 25, 1999

/s/ Arthur Rock

Arthur Rock
Director
March 25, 1999

/s/ Jane E. Shaw

Jane E. Shaw
Director
March 25, 1999

/s/ Leslie L. Vadasz

Leslie L. Vadasz
Senior Vice President
Director
March 25, 1999

/s/ David B. Yoffie

David B. Yoffie
Director
March 25, 1999

/s/ Charles E. Young

Charles E. Young
Director
March 25, 1999

EXHIBIT 10.6

INTEL CORPORATION

DEFERRAL PLAN FOR OUTSIDE DIRECTORS

Intel Corporation (the "Company") hereby establishes, effective July 1, 1998, a nonqualified deferred compensation plan for the benefit of Outside Directors of the Company. This plan shall be known as the Intel Corporation Deferral Plan for Outside Directors (the "Plan").

ARTICLE 1. DEFERRED COMPENSATION ACCOUNT.

SECTION 1.1 ESTABLISHMENT OF ACCOUNT. The Company shall establish an account ("Account") for each Participant which shall be utilized solely as a device to measure and determine the amount of deferred Director's Compensation to be paid under the Plan.

SECTION 1.2 PROPERTY OF COMPANY. Any amounts so set aside for Benefits payable under the Plan are the property of the Company, except, and to the extent, of any assignment of such assets to an irrevocable trust.

ARTICLE 2. DEFINITIONS, GENDER, AND NUMBER.

SECTION 2.1 DEFINITIONS. Whenever used in the Plan, the following words and phrases shall have the meanings set forth below unless the context plainly requires a different meaning, and when a defined meaning is intended, the term is capitalized.

"BENEFICIARY" or "BENEFICIARIES" means the individuals, trusts or other entities designated by a Participant in writing pursuant to Section 7.2(d) of the Plan as being entitled to receive any benefit payable under the Plan by reason of the death of a Participant, or, in the absence of such designation, the persons specified in Section 7.2(e) of the Plan.

"BENEFIT" means the amount credited to a Participant's Account pursuant to such Participant's Deferred Compensation Agreement plus or minus the gains or losses pursuant to Section 4.2.

"BOARD" means the Board of Directors of the Company as constituted at the relevant time.

"CLOSING PRICE" means the closing price, or last reported sales price, as the case may be of the Company's Common Stock on the NASDAQ Stock Market,

or the primary national securities exchange on which the Common Stock is traded as of the applicable date; provided, however, that if no closing price is available for such date, "Closing Price" means the closing price or last reported sales price, as the case may be, of the Company's Common Stock as of the next most recent date for which a price is available.

"CODE" means the Internal Revenue Code of 1986, as amended from time to time and any successor statute. References to a Code Section shall be deemed to be to that section or to any successor to that section.

"COMMON STOCK" means the common stock of the Company.

"COMPANY" means Intel Corporation, a Delaware corporation.

"DEFERRED COMPENSATION AGREEMENT" means the agreement to participate and defer compensation between Participants and the Company.

"DEFERRED COMPENSATION UNIT" means a unit equal in value to one share of Common Stock and posted to a Participant's Account for the purpose of measuring the benefits payable under the Plan. The number of Deferred Compensation Units in an Account or posted to an Account shall be rounded to the nearest one-hundredth. In the event that shares of Common Stock shall be changed into or exchanged for a different number or kind of shares of stock or other securities of the Company or another corporation (whether by reason of merger, consolidation, recapitalization, split-up, combination of shares or otherwise), or if the number of shares of Common Stock shall be increased through a stock split or the payment of a stock dividend, then there shall be substituted for or added to each Deferred Compensation Unit the number and kind of shares of stock or other securities into which each outstanding share of Common Stock shall be so changed, or for which each such share shall be exchanged, or to which each such share shall be entitled, as the case may be.

"DIRECTOR" means an individual serving as a member of the Board of Directors of the Company.

"DIRECTOR'S COMPENSATION" of a Director for any Plan Year means that individual's total annual retainer, and any fees received for performance of the Director's functions, including fees for attendance or participation at meetings and for serving on a Board Committee or as a Committee or Board Chair. "Director's Compensation" shall not include expense reimbursements.

"EARLY BENEFIT DISTRIBUTION DATE" means a date specified by the Participant and which is at least twenty-four (24) full calendar months after the date the Participant's Deferred Compensation Agreement is received by the Company.

"EFFECTIVE DATE" means the date on which this Plan became effective, i.e., July 1, 1998.

"ENROLLMENT PERIOD" means the period of December 1 to December 31 prior to the Plan Year to which a deferral election pursuant to a Deferred Compensation Agreement applies. However, for the first Plan Year, the Enrollment Period shall be June 1 to June 30. The Enrollment Period for any newly elected Outside Director shall be any time within thirty (30) days before or after the Director takes office.

"OUTSIDE DIRECTOR" means any Director who is not a common-law employee of the Company or any of its subsidiaries.

"PARTICIPANT" means an Outside Director of the Company who has executed a Deferred Compensation Agreement and who maintains an Account in the Plan.

"PLAN" means the "Intel Corporation Deferral Plan for Outside Directors" as set forth herein and as amended or restated from time to time.

"PLAN YEAR" means January 1 through December 31, except that the first Plan Year shall be from July 1 through December 31, 1998.

A "TERMINATION EVENT" shall be deemed to occur if a Participant ceases being an Outside Director of the Company for any reason.

SECTION 2.2. GENDER AND NUMBER. Except as otherwise indicated by context, masculine terminology used herein also includes the feminine and neuter, and terms used in the singular may also include the plural.

ARTICLE 3. PARTICIPATION.

SECTION 3.1 ELIGIBILITY TO PARTICIPATE. Each Outside Director of the Company may participate in this Plan.

SECTION 3.2 ELECTION TO PARTICIPATE. Each Outside Director may become a Participant in the Plan by electing to defer compensation in accordance with the terms of this Plan during an Enrollment Period. An election to defer shall be in writing and shall be made by executing a Deferred Compensation Agreement. Except for the amounts deferred in 1998 and except with respect to new Outside Directors, all elections to defer amounts under this Plan shall be made pursuant to a Deferred Compensation Agreement executed and filed with the Company before the year in which the amount deferred is earned. All Deferred Compensation Agreements relating to the deferral of 1998 Director's Compensation shall be executed and filed with the Company no later than June 30 and shall relate to compensation to be earned after the execution of the Deferred Compensation Agreement. A deferral election made pursuant to a Deferred Compensation Agreement shall remain in effect until modified by the Participant. No modification shall be given effect with respect to a Plan Year to which the modification is intended to apply unless that modification is made prior to the beginning of that Plan Year.

SECTION 3.3 CESSATION OF PARTICIPATION. Participation in the Plan shall continue until all of the Benefits to which the Participant is entitled have been paid in full.

ARTICLE 4. ENTRIES TO THE ACCOUNT

SECTION 4.1 DEFERRALS. The Company shall use Common Stock as a basis for measuring the performance of the Account under Section 4.2.

(a) The Company shall post to the Account of such Participant a number of Deferred Compensation Units equivalent to the amount of Director's Compensation to be deferred as designated by the Participant's deferral election as specified in his or her Deferred Compensation Agreement in effect for the Plan Year;

(b) Deferrals of Director's Compensation (and the corresponding number of Deferred Compensation Units) relating to quarterly retainers shall be posted as of the last day of the fiscal quarter in which the Director's Compensation was earned. Deferrals of Director's Compensation (and the corresponding number of Deferred Compensation Units) relating to all other forms of Director's Compensation shall be posted as of the last day of the month in which the Director's Compensation was earned.

(c) The number of Deferred Compensation Units posted to a Participant's Account shall be calculated by dividing: (i) the dollar amount of Director's Compensation deferred by (ii) the Closing Price of the Company's Common Stock on the last trading day before the Deferred Compensation Units are posted.

SECTION 4.2 CREDITING RATE. The Participant's Account will be valued as if his or her Account were invested in shares of Common Stock equal to the number of Deferred Compensation Units posted to his or her Account. The value of a Participant's Account will vary with the value of the Company's Common Stock. The Participant's Account will be credited, as of the applicable dividend payment date, with additional Deferred Compensation Units, of a value equal to the per share dividend declared on the Company's Common Stock times the number of Deferred Compensation Units posted to the Participant's Account as of the record date with respect to the declaration of such dividend. As of any date of valuation, the value of a Participant's Account will be equal to the value (at the Closing Price on such date) of the number of shares of Common Stock represented by the Deferred Compensation Units credited to the Account as of that date.

SECTION 4.3 DISTRIBUTIONS. The Participant's Account shall be debited for the amount of any distributions by dividing: (i) the dollar amount of the distribution by (ii) the Closing Price of the Company's Common Stock on the last trading day of the month with respect to which the distribution was made.

ARTICLE 5. BENEFITS

SECTION 5.1 TIMING OF DISTRIBUTION. The amounts credited to a Participant's Account shall be paid (or payment shall commence) within a reasonable time after the earlier of: (i) the Early Benefit Distribution Date, if the Participant has made a valid election for early distribution of Benefits pursuant to Section 5.2, or (ii) a Termination Event.

SECTION 5.2 EARLY BENEFIT DISTRIBUTION. A Participant may elect an Early Benefit Distribution Date. Such election shall be made on the Participant's original Deferred Compensation Agreement and shall specify the portion or amount of the Participant's Account to be distributed on such Early Benefit Distribution Date. Any election of an Early Benefit Distribution Date shall be irrevocable, both as to the date of distribution and as to the amount of the distribution.

(a) No election of an Early Benefit Distribution Date shall be given effect unless such election specifies an Early Benefit Distribution Date which is at least twenty-four (24) full calendar months after the date the Participant's Deferred Compensation Agreement is received by the Company. With respect to elections relating to Plan Years subsequent to the Plan Year to which the original election relates, the Company will be deemed to have received the election on December 31 of the prior year.

(b) In the event a Participant elects an Early Benefit Distribution Date for less than 100% of his or her Account (determined as of the Early Benefit Distribution Date), the balance of the Participant's Account remaining after the Early Benefit Distribution Date (adjusted as provided in Article 4) shall be distributed in accordance with Section 5.1 without regard to Section 5.1(i).

(c) In the event a Participant has a Termination Event prior to his or her Early Benefit Distribution Date, his or her election of an Early Benefit Distribution Date shall not be given effect and distribution of the Participant's Account, shall be made in accordance with Section 5.1 without regard to Section 5.1(i).

ARTICLE 6. VESTING

SECTION 6.1 IMMEDIATE VESTING. Participant deferrals are fully vested immediately.

ARTICLE 7. DISTRIBUTION OF BENEFITS

SECTION 7.1 FORM OF BENEFIT. Participants may elect on their Deferred Compensation Agreements one of the following forms of cash benefits:

(a) annual installment payments over a five (5) year or a ten (10) year period;

(b) a lump sum distribution.

Installment payments shall be available to a Participant only in the event the Participant elects to receive a distribution on a Termination Event. In the event a Participant has failed to elect a form of distribution, or if no record of such election can be found, the Participant shall receive annual payments over a ten (10) year period. Except for lump sum distributions, Benefit payments shall be a level annual amount for each calendar

year, calculated using the balance in the Account at the beginning of the calendar year (or, in the case of the first calendar year, on the Early Benefit Distribution Date or the date of the Termination Event) and dividing it by the total number of annual payments remaining in the entire payment period. The benefit payment amount shall be adjusted at the beginning of each calendar year. The Account shall continue to be credited during the payment period with gains and losses as provided in Section 4.2.

SECTION 7.2 DEATH BENEFITS.

(a) In the event a Participant dies after commencement of payment of Benefits, the remaining benefit payments, if any, shall be paid to the Participant's Beneficiary in the same manner such Benefits would have been paid if the Participant had survived.

(b) In the event a Participant dies prior to the time benefits commence, the Participant's Benefit shall be paid to the Beneficiary in the form elected by the Participant.

(c) Any Benefits which become payable under this Article 7 to the surviving spouse of a Participant shall be paid in a manner which will qualify such Benefits for a marital deduction in the estate of a deceased Participant under the terms of Section 2056 of the Code, and unless specifically directed by a Participant to the contrary pursuant to an effective beneficiary designation, any portion of a Participant's Benefit payable to a surviving spouse which remains unpaid at the death of such spouse shall be paid to the spouse's estate.

(d) Each Participant has the right to designate primary and contingent Beneficiaries for Benefits payable under the Plan. A beneficiary designation by a Participant shall be in writing on a form acceptable to the Company and shall only be effective upon delivery to the Company. A beneficiary designation may be revoked by a Participant at any time by delivering to the Company either written notice of revocation or a new beneficiary designation form. The beneficiary designation form last delivered to the Company prior to the death of a Participant shall control.

(e) In the event there is no beneficiary designation on file with the Company, or all Beneficiaries designated by a Participant have predeceased the Participant, the benefits payable by reason of the death of the Participant shall be paid to the Participant's spouse, if living; if the Participant does not leave a surviving spouse, to the Participant's issue by right of representation; or, if there are no such issue then living, to the Participant's estate. In the event there are Benefits remaining unpaid at the death of a sole Beneficiary and no successor Beneficiary has been designated, either by the Participant or the Participant's spouse pursuant to Section 7.2(d), the remaining balance of such benefit shall be paid to the deceased Beneficiary's estate; or, if the deceased Beneficiary is one of multiple concurrent Beneficiaries, such remaining Benefits shall be paid proportionally to the surviving Beneficiaries.

ARTICLE 8. FUNDING

SECTION 8.1 SOURCES OF BENEFITS. All benefits under the Plan shall be paid when due by the Company out of its assets or from an irrevocable trust established by the Company for that purpose.

SECTION 8.2 NO CLAIM ON SPECIFIC ASSETS. No Participant shall be deemed to have, by virtue of being a Participant in the Plan, any claim on any specific assets of the Company such that the Participant would be subject to income taxation on his benefits under the Plan prior to distribution and the rights of Participants and Beneficiaries to benefits to which they are otherwise entitled under the Plan shall be those of an unsecured general creditor of the Company.

ARTICLE 9. ADMINISTRATION OF THE PLAN

SECTION 9.1 ADMINISTRATION BY THE COMPANY. The Company shall be responsible for the general operation and administration of this Plan and for carrying out the provisions thereof.

SECTION 9.2 GENERAL POWERS OF ADMINISTRATION. The Plan shall be administered

by the Company, as determined by the Corporate Secretary or his designee or delegatee. The Company shall be entitled to rely conclusively upon all tables, valuations, certificates, opinions and reports furnished by any actuary, accountant, controller, counsel or other person employed or engaged by the Company with respect to this Plan. Neither any Participant nor any Beneficiary shall have any legal or equitable interest in such assets or policies, or any other asset of the Company.

SECTION 9.3 CLAIMS PROCEDURE. The Company shall notify a Participant in writing within ninety (90) days of the Participant's written application for benefits of his eligibility or non-eligibility for benefits under the Plan. If the Company determines that a Participant is not eligible for benefits or full benefits, the notice shall set forth (i) the specific reasons for such denial, (ii) a specific reference to the provision of the Plan on which the denial is based, (iii) description of any additional information or material necessary for the claimant to perfect his claim, and a description of why it is needed, and an explanation of the Plan's claims review procedure and other appropriate information as the steps to be taken if the Participant wishes to have his claim reviewed. If the Company determines that there are special circumstances requiring additional time to make a decision, the Committee shall notify the Participant of the special circumstances and the date by which a decision is expected to be made, and may extend the time for an additional 90-day period. If a Participant is determined by the Company to be not eligible for benefits, or if the Participant believes that he is entitled to greater or different benefits, he shall have the opportunity to have his claim reviewed by the Company by filing a petition for review with the Company within sixty (60) days after receipt by him of the notice issued by the Committee. Said petition shall state the specific reasons the Participant believes he is entitled to benefits or greater or different benefits. Within sixty (60) days after receipt by the Company of said petition, the Company shall afford the Participant (and his counsel, if any) an opportunity to present his position to the Company orally or in writing, and said Participant (or his counsel) shall have the right to review the pertinent documents, and the Company shall

notify the Participant of its decision in writing within said sixty (60) day period, stating specifically the basis of said decision written in a manner calculated to be understood by the Participant and the specific provisions of the Plan on which the decision is based. If, because of the need for a hearing, the sixty (60) day period is not sufficient, the decision may be deferred for up to another sixty (60) day period at the election of the Company, but notice of this deferral shall be given to the Participant.

ARTICLE 10. MISCELLANEOUS

SECTION 10.1 BENEFITS INALIENABLE. Except as provided in Section 7.2, the right of any Participant, any Beneficiary, or any other person to the payment of any Benefits under this Plan shall not be assigned, transferred, pledged or encumbered.

SECTION 10.2 SUCCESSORS AND ASSIGNS. This Plan shall be binding upon and inure to the benefit of the Company, its successors and assigns and the Participant and his or her heirs, executors, administrators and legal representatives.

SECTION 10.3 COSTS OF ENFORCEMENT. If the Company, the Participant, any Beneficiary, or a successor in interest to any of the foregoing, brings legal action to enforce any of the provisions of this Plan, the prevailing party in such legal action shall be reimbursed by the other party for the prevailing party's costs of such legal action including, without limitation, reasonable fees of attorneys, accountants and similar advisors and expert witnesses.

SECTION 10.4 DISPUTES. Any dispute or claim relating to or arising out of this Plan that cannot be resolved pursuant to the internal dispute resolution processes implemented by the Company with respect to the Plan shall be resolved in the following manner. The Participant or Beneficiary, as the case may be, on the one hand, and the senior management of the Company, on the other hand (collectively, the "Parties"), shall meet to attempt to resolve such disputes. If the disputes cannot be resolved by the Parties, either Party may make a written demand for formal dispute resolution and specify therein the scope of the dispute. Within thirty days after such written notification, the parties agree to meet for one day with an impartial mediator and consider dispute resolution alternatives other than litigation. If an alternative method of dispute resolution is not agreed upon within thirty days after the one day mediation, either party may begin litigation proceedings.

SECTION 10.5 GOVERNING LAW. This Plan shall be construed in accordance with and governed by the laws of the State of Delaware, without reference to the principles of conflicts of law thereof, to the extent such construction is not pre-empted by any applicable federal law.

SECTION 10.6 ENTIRE AGREEMENT. This Plan constitutes the entire understanding and agreement with respect to the subject matter contained herein, and there are

no agreements, understandings, restrictions, representations or warranties among any Participant and the Company other than those set forth or provided for herein.

SECTION 10.7 AMENDMENT.

(a) This Plan may be amended by Intel at any time in its sole discretion by resolution of its Board or any committee to which its Board has delegated such authority to amend; provided, however, any amendment which would alter the irrevocable nature of an election or which would reduce the amount credited to a Participant's Account on the date of such amendment shall not be effective unless consented to in writing by the Participant or, if the Participant has died or is incompetent, the Participant's Beneficiary or conservator.

(b) Notwithstanding the foregoing paragraph or any other provision in this Plan to the contrary, the Company reserves the right to terminate the Plan in its entirety at any time upon fifteen (15) days notice to the Participant. Any amounts not distributed after payment in full of all Benefits hereunder shall revert to the Company.

ARTICLE 11. EXECUTION

To record the adoption of the Plan to read as set forth herein, the Company has caused its authorized officer to execute the same this 22 day of January, 1998.

INTEL CORPORATION

By: /s/ F. Thomas Dunlap, Jr.

As its: Vice President, General Counsel and Secretary

EXHIBIT 12.1

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				
	Dec. 31, 1994	Dec. 30, 1995	Dec. 28, 1996	Dec. 27, 1997	Dec. 26, 1998
<S>	<C>	<C>	<C>	<C>	<C>
Income before taxes	$3,603	$5,638	$7,934	$10,659	$9,137
Add - Fixed charges net of capitalized interest	66	38	41	43	49
Income before taxes and fixed charges (net of capitalized interest)	$3,669	$5,676	$7,975	$10,702	$9,186
Fixed charges:					
Interest*	$ 57	$ 29	$ 25	$ 27	$ 34
Capitalized interest	27	46	33	9	6
Estimated interest component of rental expense	9	9	16	16	15
Total	$ 93	$ 84	$ 74	$ 52	$ 55
Ratio of earnings before taxes and fixed charges, to fixed charges	39x	68x	108x	206x	167x

</TABLE>

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

EXHIBIT 13

Intel Corporation 1998

Page 13

FINANCIAL SUMMARY

Ten Years Ended December 26, 1998

<TABLE>
<CAPTION>

(In millions -- except employees)	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 *
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1998	64.5	$11,609	$31,471	$ 903	$23,377	$ 4,032
1997	63.7	$10,666	$28,880	$ 2,489	$19,295	$ 4,501
1996	48.5	$ 8,487	$23,735	$ 1,003	$16,872	$ 3,024
1995	41.6	$ 7,471	$17,504	$ 1,125	$12,140	$ 3,550
1994	32.6	$ 5,367	$13,816	$ 1,136	$ 9,267	$ 2,441
1993	29.5	$ 3,996	$11,344	$ 1,114	$ 7,500	$ 1,933
1992	25.8	$ 2,816	$ 8,089	$ 622	$ 5,445	$ 1,228
1991	24.6	$ 2,163	$ 6,292	$ 503	$ 4,418	$ 948
1990	23.9	$ 1,658	$ 5,376	$ 345	$ 3,592	$ 680
1989	21.7	$ 1,284	$ 3,994	$ 412	$ 2,549	$ 422

</TABLE>

<TABLE>
<CAPTION>

(in millions--except per share amounts)

	Net revenues	Cost of sales	Research & devel-opment	Operating income	Net income	Basic earnings per share	Diluted earnings per share	Dividends declared per share	Dividends paid per share	Weighted average diluted shares outstanding
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1998	$26,273	$12,144	$ 2,674	$ 8,379	$ 6,068	$1.82	$1.73	$ .050	$ .065	3,517
1997	$25,070	$ 9,945	$ 2,347	$ 9,887	$ 6,945	$2.12	$1.93	$ .058	$ .055	3,590
1996	$20,847	$ 9,164	$ 1,808	$ 7,553	$ 5,157	$1.57	$1.45	$ .048	$ .045	3,551
1995	$16,202	$ 7,811	$ 1,296	$ 5,252	$ 3,566	$1.08	$1.01	$ .038	$ .035	3,536
1994	$11,521	$ 5,576	$ 1,111	$ 3,387	$ 2,288	$ .69	$ .65	$ .029	$ .028	3,496
1993	$ 8,782	$ 3,252	$ 970	$ 3,392	$ 2,295	$ .69	$ .65	$ .025	$ .025	3,528
1992	$ 5,844	$ 2,557	$ 780	$ 1,490	$ 1,067	$ .32	$ .31	$ .013	$ .006	3,436

1991	$ 4,779	$ 2,316	$ 618	$ 1,080	$ 819	$ .25	$ .24	--	-- 3,344
1990	$ 3,921	$ 1,930	$ 517	$ 858	$ 650	$ .21	$ .20	--	-- 3,247
1989	$ 3,127	$ 1,721	$ 365	$ 557	$ 391	$ .13	$ .13	--	-- 3,020

</TABLE>

Share and per share amounts shown have been adjusted for stock splits through April 1999, including the stock split declared in January 1999.

* Additions to property, plant and equipment in 1998 included $475 million for capital assets acquired from Digital Equipment Corporation.

Page 14

CONSOLIDATED STATEMENTS OF INCOME

THREE YEARS ENDED DECEMBER 26, 1998
(IN MILLIONS--EXCEPT PER SHARE AMOUNTS)

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>	1996 <C>
NET REVENUES	$26,273	$25,070	$20,847
Cost of sales	12,144	9,945	9,164
Research and development	2,509	2,347	1,808
Marketing, general and administrative	3,076	2,891	2,322
Purchased in-process research and development	165	-	-
Operating costs and expenses	17,894	15,183	13,294
OPERATING INCOME	8,379	9,887	7,553
Interest expense	(34)	(27)	(25)
Interest income and other, net	792	799	406
INCOME BEFORE TAXES	9,137	10,659	7,934
Provision for taxes	3,069	3,714	2,777
NET INCOME	$ 6,068	$ 6,945	$ 5,157
BASIC EARNINGS PER COMMON SHARE	$ 1.82	$ 2.12	$ 1.57
DILUTED EARNINGS PER COMMON SHARE	$ 1.73	$1.93	$1.45
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	3,336	3,271	3,290
Dilutive effect of:			
Employee stock options	159	204	187
1998 Step-Up Warrants	22	115	74
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING, ASSUMING DILUTION	3,517	3,590	3,551

</TABLE>

SEE ACCOMPANYING NOTES.

Page 15

CONSOLIDATED BALANCE SHEETS
DECEMBER 26, 1998 AND DECEMBER 27, 1997
(IN MILLIONS--EXCEPT PER SHARE AMOUNTS)

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,038	$ 4,102
Short-term investments	5,272	5,630
Trading assets	316	195
Accounts receivable, net of allowance for		

doubtful accounts of $62 ($65 in 1997)	3,527	3,438
Inventories	1,582	1,697
Deferred tax assets	618	676
Other current assets	122	129
TOTAL CURRENT ASSETS	13,475	15,867
Property, plant and equipment:		
Land and buildings	6,297	5,113
Machinery and equipment	13,149	10,577
Construction in progress	1,622	2,437
	21,068	18,127
Less accumulated depreciation	9,459	7,461
PROPERTY, PLANT AND EQUIPMENT, NET	11,609	10,666
LONG-TERM INVESTMENTS	5,365	1,839
OTHER ASSETS	1,022	508
TOTAL ASSETS	$31,471	$28,880
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	$ 159	$ 212
Long-term debt redeemable within one year	-	110
Accounts payable	1,244	1,407
Accrued compensation and benefits	1,285	1,268
Deferred income on shipments to distributors	606	516
Accrued advertising	458	500
Other accrued liabilities	1,094	842
Income taxes payable	958	1,165
TOTAL CURRENT LIABILITIES	5,804	6,020
LONG-TERM DEBT	702	448
DEFERRED TAX LIABILITIES	1,387	1,076
PUT WARRANTS	201	2,041
COMMITMENTS AND CONTINGENCIES		
Stockholders' equity:		
Preferred Stock, $.001 par value, 50 shares authorized; none issued	--	--
Common Stock, $.001 par value, 4,500 shares authorized; 3,315 issued and outstanding (3,256 in 1997) and capital in excess of par value	4,822	3,311
Retained earnings	17,952	15,926
Accumulated other comprehensive income	603	58
TOTAL STOCKHOLDERS' EQUITY	23,377	19,295
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$31,471	$28,880

</TABLE>

SEE ACCOMPANYING NOTES.

CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE YEARS ENDED DECEMBER 26, 1998
(IN MILLIONS)

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>	1996 <C>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	$ 4,102	$ 4,165	$ 1,463
Cash flows provided by (used for) operating activities:			
Net income	6,068	6,945	5,157
Adjustments to reconcile net income to net cash provided by (used for) operating activities:			
Depreciation	2,807	2,192	1,888
Net loss on retirements of property, plant and equipment	282	130	120
Deferred taxes	77	6	179
Purchased in-process research and development	165	--	--

Changes in assets and liabilities:			
Accounts receivable	(38)	285	(607)
Inventories	167	(404)	711
Accounts payable	(180)	438	105
Accrued compensation and benefits	17	140	370
Income taxes payable	(211)	179	185
Tax benefit from employee stock plans	415	224	196
Other assets and liabilities	(378)	(127)	439
Total adjustments	3,123	3,063	3,586
NET CASH PROVIDED BY OPERATING ACTIVITIES	9,191	10,008	8,743
Cash flows provided by (used for) investing activities:			
Additions to property, plant and equipment	(3,557)	(4,501)	(3,024)
Purchase of Chips and Technologies, Inc., net of cash acquired	(321)	--	--
Purchase of Digital Equipment Corporation semiconductor operations	(585)	--	--
Purchases of available-for-sale investments	(10,925)	(9,224)	(4,683)
Sales of available-for-sale investments	201	153	225
Maturities and other changes in available-for-sale investments	8,681	6,713	2,214
NET CASH (USED FOR) INVESTING ACTIVITIES	(6,506)	(6,859)	(5,268)
Cash flows provided by (used for) financing activities:			
(Decrease) increase in short-term debt, net	(83)	(177)	43
Additions to long-term debt	169	172	317
Retirement of long-term debt	--	(300)	--
Proceeds from sales of shares through employee stock plans and other	507	317	257
Proceeds from exercise of 1998 Step-Up Warrants	1,620	40	4
Proceeds from sales of put warrants	40	288	56
Repurchase and retirement of Common Stock	(6,785)	(3,372)	(1,302)
Payment of dividends to stockholders	(217)	(180)	(148)
NET CASH (USED FOR) FINANCING ACTIVITIES	(4,749)	(3,212)	(773)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,064)	(63)	2,702
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,038	$ 4,102	$ 4,165
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	$ 40	$ 37	$ 51
Income taxes	$2,784	$ 3,305	$ 2,217

</TABLE>

SEE ACCOMPANYING NOTES.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

<TABLE>
<CAPTION>

THREE YEARS ENDED DECEMBER 26, 1998 (IN MILLIONS - EXCEPT PER SHARE AMOUNTS)	COMMON STOCK AND CAPITAL IN EXCESS OF PAR VALUE				
	NUMBER OF SHARES	AMOUNT	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>
BALANCE AT DECEMBER 30, 1995	3,286	$ 2,583	$ 9,505	$ 52	

					$ 12,140
Components of comprehensive income:					
Net income	--	--	5,157	--	5,157
Change in unrealized gain on available-for-sale investments	--	--	-	70	70

Total comprehensive income					5,227

Proceeds from sales of shares through employee stock plans, tax benefit of $196 and other	65	457	--	--	457
Proceeds from sales of put warrants	--	56	--	--	56
Reclassification of put warrant obligation, net	--	70	272	--	342
Repurchase and retirement of Common Stock	(68)	(269)	(925)	--	(1,194)
Cash dividends declared ($.048 per share)	--	--	(156)	--	(156)
	-------	-------	-------	-------	-------
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	--	--	--	(64)	(64)

Total comprehensive income					6,881

Proceeds from sales of shares through employee stock plans, tax benefit of $224 and other	61	581	(1)	--	580
Proceeds from sales of put warrants	--	288	--	--	288
Reclassification of put warrant obligation, net	--	(144)	(1,622)	--	(1,766)
Repurchase and retirement of Common Stock	(88)	(311)	(3,061)	--	(3,372)
Cash dividends declared ($.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	--	--	--	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 ($.050 per share)	--	--	(168)	--	(168)
BALANCE AT DECEMBER 26, 1998	3,315	$ 4,822	$17,952	$ 603	$23,377

</TABLE>

SEE ACCOMPANYING NOTES.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting policies

Fiscal year. Intel Corporation ("Intel" or "the Company") has a fiscal year that ends the last Saturday in December. Fiscal years 1998, 1997 and 1996, each 52-week years, ended on December 26, 27 and 28, 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 investments with insignificant interest rate risk and with original maturities of three months or less are classified as cash and cash equivalents. Investments with maturities greater than three months and less than one year are classified as short-term investments. Investments with maturities greater than one year are classified as long-term investments.

The Company's policy is to protect the value of its 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. 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. Investments in non-marketable instruments are recorded at the lower of cost or market and included in other assets.

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 securities 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 $66 million, $37 million and $12 million in 1998, 1997 and 1996, respectively.

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 long-term investments, long-term debt, short-term investments, short-term debt, long-term debt redeemable within one year, trading assets, non-marketable instruments, swaps, currency forward contracts, currency options and options hedging marketable instruments are based on quoted market prices or pricing models using current market rates. No consideration is given to liquidity issues in valuing debt.

Derivative financial instruments. The Company utilizes derivative financial instruments to reduce financial market risks. These instruments are used to hedge foreign currency, equity and interest rate 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:

<TABLE>
<CAPTION>

(IN MILLIONS)	1998	1997
<S>	<C>	<C>
Raw materials	$ 206	$ 255
Work in process	795	928
Finished goods	581	514
TOTAL	$1,582	$1,697

</TABLE>

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.

Deferred income on shipments to distributors. 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 such sales 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 $1.3 billion, $1.2 billion and $974 million in 1998, 1997 and 1996, 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 $6 million, $9 million and $33 million for 1998, 1997 and 1996, respectively.

Earnings per share. Basic earnings per common share are computed using the weighted average number of common shares outstanding during the period. Diluted earnings per common share incorporate the incremental shares issuable upon the assumed exercise of stock options and warrants. For portions of 1998, 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.

Stock distribution. On January 27, 1999, the Company announced a two-for-one stock split in the form of a special stock distribution payable April 11, 1999 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 1998 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 2000. 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

1998 Step-Up Warrants. In 1993, the Company issued 160 million 1998 Step-Up Warrants to purchase 160 million shares of Common Stock. This transaction resulted in an increase of $287 million in Common Stock and capital in excess of par value, representing net proceeds from the offering. The Warrants became exercisable in May 1993 at an effective price of $8.9375 per share of Common Stock, subject to annual increases to a maximum price of $10.4375 per share effective in March 1997. 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.

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 1998, the Company repurchased 161.7 million shares of Common Stock at a cost of $6.8 billion. As of December 26, 1998, the Company had repurchased and retired approximately 588.6 million shares at a cost of $13.6 billion since the program began in 1990. As of December 26, 1998, after allowing for 5 million shares to cover outstanding put warrants, 166.4 million shares remained available under the repurchase authorization.

Put warrants

In a series of private placements from 1991 through 1998, 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 30, 1995	$ 279	48.0	$ 725
Sales	56	36.0	603
Exercises	--	(7.2)	(108)
Expirations	--	(58.8)	(945)
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

</TABLE>

The amount related to Intel's potential repurchase obligation has been reclassified from stockholders' equity to put warrants. The 5 million put warrants outstanding at December 26, 1998 expire on various dates in January and February 1999 and have exercise prices ranging from $40 to $41 per share, with an average exercise price of $40 per share. There is no significant effect on

diluted earnings per share for the periods presented.

Borrowings

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

(IN MILLIONS)	1998	1997
Borrowed under lines of credit	$ 10	$ 32
Drafts payable	149	180
TOTAL	$ 159	$ 212

The Company also borrows under commercial paper programs. Maximum borrowings under commercial paper programs reached $325 million during 1998 and $175 million during 1997. This debt is rated A-1+ by Standard and Poor's and P-1 by Moody's. Proceeds are used to fund short-term working capital needs.

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

(IN MILLIONS)	1998	1997
Payable in U.S. dollars:		
AFICA Bonds due 2013 at 3.9%-4.25%	$110	$110
Other U.S. dollar debt	5	6
Payable in other currencies:		
Irish punt due 2000-2027 at 5%-12%	541	396
Greek drachma due 2001	46	46
Subtotal	702	558
Less long-term debt redeemable within one year	-	(110)
TOTAL	$702	$448

The Company has guaranteed repayment of principal and interest on the AFICA Bonds issued by the Puerto Rico Industrial, Tourist, Educational, Medical and Environmental Control Facilities Financing Authority ("AFICA"). During 1998, the bonds were repriced and a portion remarketed, with interest rates effective through 2003 of 4.25% on the $80 million of Series A bonds and 3.90% on the $30 million of Series B bonds. 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. The additional and the existing 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. The Greek drachma borrowings were made under a tax incentive program in Ireland, and the proceeds and cash flows have been swapped to U.S. dollars.

Under shelf registration statements filed with the Securities and Exchange Commission, Intel had the authority to issue up to $3.3 billion in the aggregate 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. In 1993, Intel completed an offering of Step-Up Warrants (see "1998 Step-Up Warrants") under these registration statements. The Company may issue up to $1.4 billion in additional securities under effective registration statements.

As of December 26, 1998, aggregate debt maturities were as follows: 2000-$9 million; 2001-$57 million; 2002-$22 million; 2003-$130 million; and thereafter-$484 million.

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 26, 1998, investments were placed with approximately 185 different counterparties.

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 SECURITIES	11,560	1,063	(136)	12,487
Less amounts classified as cash equivalents	(1,850)	--	--	(1,850)
TOTAL INVESTMENTS	$9,710	$1,063	$ (136)	$10,637

</TABLE>

Investments at December 27, 1997 were as follows:

<TABLE>
<CAPTION>

(IN MILLIONS)	COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
<S>	<C>	<C>	<C>	<C>
Commercial paper	$3,572	$ 1	$(9)	$3,564
Bank time deposits	2,369	--	(2)	2,367
Corporate bonds	1,788	12	(73)	1,727
Floating rate notes	843	1	(2)	842
Loan participations	743	--	--	743
Repurchase agreements	515	--	--	515
Securities of foreign governments	75	--	(6)	69

Fixed rate notes	32	--	--	32
Other debt securities	294	--	(1)	293
Total debt securities	10,231	14	(93)	10,152
Hedged equity	504	9	(17)	496
Marketable strategic equity securities	279	130	(34)	375
Preferred stock and other equity	341	1	(7)	335
Total equity securities	1,124	140	(58)	1,206
Swaps hedging investments in debt securities	--	76	(12)	64
Swaps hedging investments in equity securities	--	17	(9)	8
Currency forward contracts hedging investments in debt securities	--	16	(1)	15
TOTAL AVAILABLE-FOR-SALE SECURITIES	11,355	263	(173)	11,445
Less amounts classified as cash equivalents	(3,976)	--	--	(3,976)
TOTAL INVESTMENTS	$7,379	$263	$ (173)	$7,469

</TABLE>

Available-for-sale securities with a fair value at the date of sale of $227 million, $153 million and $225 million were sold in 1998, 1997 and 1996, respectively. The gross realized gains on these sales totaled $185 million, $106 million and $7 million, respectively.

The amortized cost and estimated fair value of investments in debt securities at December 26, 1998, by contractual maturity, were as follows:

<TABLE>
<CAPTION>

(IN MILLIONS)	COST	ESTIMATED FAIR VALUE
<S>	<C>	<C>
Due in 1 year or less	$6,412	$6,436
Due in 1-2 years	3,097	3,099
Due in 2-5 years	65	65
Due after 5 years	450	450
TOTAL INVESTMENTS IN DEBT SECURITIES	$10,024	$10,050

</TABLE>

Derivative financial instruments

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

<TABLE>
<CAPTION>

(IN MILLIONS)	1998	1997
<S>	<C>	<C>
Swaps hedging investments in debt securities	$2,526	$2,017
Swaps hedging investments in equity securities	$ 100	$ 604
Swaps hedging debt	$ 156	$ 156
Currency forward contracts	$ 830	$1,724
Currency options	$ --	$ 55
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 the counterparties' obligations exceed the obligations of the Company. 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 26, 1998 were as follows:

	WEIGHTED AVERAGE PAY RATE	WEIGHTED AVERAGE RECEIVE RATE	WEIGHTED AVERAGE MATURITY	RANGE OF MATURITIES
Swaps hedging investments in U.S. dollar debt securities	5.4%	5.1%	0.5 years	0-2 years
Swaps hedging investments in foreign currency debt securities	5.5%	5.5%	0.7 years	0-2 years
Swaps hedging investments in equity securities	N/A	5.8%	1.0 years	0-1 years
Swaps hedging debt	5.6%	5.7%	4.1 years	2-5 years

Note: Pay and receive rates are based on the reset rates that were in effect at December 26, 1998.

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 pro-grams 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:

	1998		1997	
(IN MILLIONS)	CARRYING AMOUNT	ESTIMATED FAIR VALUE	CARRYING AMOUNT	ESTIMATED FAIR VALUE
Cash and cash equivalents	$2,038	$2,038	$4,102	$4,102
Short-term investments	$4,821	$4,821	$5,561	$5,561
Trading assets	$ 316	$ 316	$ 195	$ 195
Long-term investments	$5,375	$5,375	$1,821	$1,821
Non-marketable instruments	$ 571	$ 716	$ 387	$ 497
Options creating synthetic money market instruments	$ 474	$ 474	$ --	$ --
Swaps hedging investments in debt securities	$ (33)	$ (33)	$ 64	$ 64
Swaps hedging investments in equity securities	$ 2	$ 2	$ 8	$ 8
Short-term debt	$ (159)	$ (159)	$(212)	$(212)

Long-term debt redeemable within one year	$ --	$ --	$(110)	$(109)
Long-term debt	$ (702)	$ (696)	$(448)	$(448)
Swaps hedging debt	$ --	$ 1	$ --	$ (1)
Currency forward contracts	$ (1)	$ (1)	$ 26	$ 28
Currency options	$ --	$ --	$ 1	$ 1

</TABLE>

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 42% of net revenues for 1998. At December 26, 1998, these customers accounted for approximately 39% of net accounts receivable.

The Company endeavors to keep pace with the evolving computing industry 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 the Company's end customers and geographic sales areas. Intel performs ongoing credit evaluations of its customers' financial condition and requires collateral as deemed necessary.

<TABLE>
<CAPTION>

INTEREST INCOME AND OTHER (IN MILLIONS)	1998	1997	1996
<S>	<C>	<C>	<C>
Interest income	$ 593	$ 562	$ 364
Foreign currency gains	11	63	26
Other income, net	188	174	16
TOTAL	$ 792	$ 799	$ 406

</TABLE>

Other income for 1998 and 1997 included approximately $185 and $106 million, respectively, from sales of a portion of the Company's investments in marketable strategic equity securities.

Comprehensive income

The Company adopted SFAS No. 130, "Reporting Comprehensive Income," at the beginning of fiscal 1998. The adoption had no impact on net income or total stockholders' equity. Comprehensive income consists of net income and other comprehensive income.

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

<TABLE>
<CAPTION>

(IN MILLIONS)	1998	1997	1996
<S>	<C>	<C>	<C>
Gains on investments during the year, net of tax of $(357), $(4) and $(37) in 1998, 1997 and 1996, respectively	$ 665	$ 5	$75
Less: adjustment for gains included in net income, net of tax of $65, $37, and $2 in 1998, 1997, and 1996, respectively	(120)	(69)	(5)
OTHER COMPREHENSIVE INCOME	$ 545	$ (64)	$70

</TABLE>

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:

<TABLE>
<CAPTION>

(IN MILLIONS)	1998	1997	1996
Income before taxes:			
U.S.	$6,677	$8,033	$5,515
Foreign	2,460	2,626	2,419
TOTAL INCOME BEFORE TAXES	$9,137	$10,659	$7,934
Provision for taxes:			
Federal:			
Current	$2,321	$2,930	$2,046
Deferred	145	30	8
	2,466	2,960	2,054
State:			
Current	320	384	286
Foreign:			
Current	351	394	266
Deferred	(68)	(24)	171
	283	370	437
TOTAL PROVISION FOR TAXES	$3,069	$3,714	$2,777
EFFECTIVE TAX RATE	33.6%	34.8%	35.0%

</TABLE>

The tax benefit associated with dispositions from employee stock plans reduced taxes currently payable for 1998 by $415 million ($224 million and $196 million for 1997 and 1996, 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)	1998	1997	1996
Computed expected tax	$3,198	$3,731	$2,777
State taxes, net of federal benefits	208	249	186
Foreign income taxed at different rates	(339)	(111)	(127)
Other	2	(155)	(59)
PROVISION FOR TAXES	$3,069	$3,714	$2,777

</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)	1998	1997
DEFERRED TAX ASSETS		
Accrued compensation and benefits	$117	$ 76
Deferred income	181	200
Inventory valuation and related reserves	106	163
Interest and taxes	52	49
Other, net	162	188
	618	676
DEFERRED TAX LIABILITIES		
Depreciation	(911)	(882)
Unremitted earnings of certain subsidiaries	(152)	(162)

Unrealized gain on investments	(324)	(32)
	(1,387)	(1,076)
NET DEFERRED TAX (LIABILITY)	$ (769)	$ (400)

</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.

During 1998, the Company settled all tax and related interest for years 1991 through 1996 with the Internal Revenue Service ("IRS"). The settlement did not result in a material effect on the Company's 1998 financial statements. Years after 1996 are open to examination by the IRS. 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.

Options 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 is as follows:

<TABLE>
<CAPTION>

		OUTSTANDING OPTIONS	
(IN MILLIONS)	SHARE AVAILABLE FOR OPTIONS	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
<S>	<C>	<C>	<C>
DECEMBER 30, 1995	173.8	342.0	$ 5.30
Grants	(53.4)	53.4	$17.28
Exercises	--	(47.4)	$ 2.47
Cancellations	10.2	(10.2)	$ 8.53
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
Options exercisable at:			
December 28, 1996		114.5	$ 2.86
December 27, 1997		115.2	$ 3.66
December 26, 1998		103.8	$ 6.11

</TABLE>

The range of option exercise prices for options outstanding at December 26, 1998 was $1.46 to $60.80. The range of exercise prices for options is wide, primarily due to the increasing price of the Company's stock over the period in which the option grants were awarded.

The following tables summarize information about options outstanding at December 26, 1998:

<TABLE>
<CAPTION>

RANGE OF EXERCISE PRICES	OUTSTANDING OPTIONS NUMBER OF SHARES (IN MILLIONS)	WEIGHTED AVERAGE CONTRACTUAL LIFE (IN YEARS)	WEIGHTED AVERAGE EXERCISE PRICE
<S>	<C>	<C>	<C>
$1.46-$5.55	55.8	2.2	$ 2.83
$5.62-$11.10	70.2	4.9	$ 7.18
$11.42-$34.75	89.2	6.9	$15.16
$34.85-$60.80	97.3	8.8	$37.51
TOTAL	312.5	6.2	$18.13

</TABLE>

<TABLE>
<CAPTION>

RANGE OF EXERCISE PRICES	EXERCISABLE OPTIONS NUMBER OF SHARES (IN MILLIONS)	WEIGHTED AVERAGE EXERCISE PRICE
<S>	<C>	<C>
$1.46-$5.55	55.8	$ 2.83
$5.62-$11.10	37.6	$ 6.16
$11.42-$34.75	7.0	$16.82
$34.85-$60.80	3.4	$37.53
TOTAL	103.8	$ 6.11

</TABLE>

These options will expire if not exercised at specific dates ranging from January 1999 to December 2008. Option exercise prices for options exercised during the three-year period ended December 26, 1998 ranged from $0.78 to $48.97.

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, 79.7 million shares remained available for issuance at December 26, 1998. Employees purchased 6.3 million shares in 1998 (9 million in 1997 and 14 million in 1996) for $229 million ($191 million and $140 million in 1997 and 1996, 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 1998, 1997 and 1996 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	1998	1997	1996
<S>	<C>	<C>	<C>
Expected life (in years)	6.5	6.5	6.5
Risk-free interest rate	5.3%	6.6%	6.5%
Volatility	.36	.36	.36

Dividend yield	.2%	.1%	.2%

<CAPTION>

STOCK PARTICIPATION PLAN SHARES	1998	1997	1996
Expected life (in years)	.5	.5	.5
Risk-free interest rate	5.2%	5.3%	5.3%
Volatility	.42	.40	.36
Dividend yield	.2%	.1%	.2%

</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 1998, 1997 and 1996 was $17.91, $17.67 and $8.17 per share, respectively. The weighted average estimated fair value of shares granted under the Stock Participation Plan during 1998, 1997 and 1996 was $10.92, $11.04 and $4.05, 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 (in millions except for earnings per share information):

<TABLE>
<CAPTION>

	1998	1997	1996
Pro forma net income	$5,755	$6,735	$5,046
Pro forma basic earnings per share	$ 1.73	$ 2.06	$ 1.53
Pro forma diluted earnings per share	$ 1.66	$ 1.88	$ 1.42

</TABLE>

The effects on pro forma disclosures of applying SFAS No. 123 are not likely to be representative of the effects on pro forma disclosures of future years. Because SFAS No. 123 is applicable only to options granted subsequent to December 31, 1994, the pro forma effect will not be fully reflected until 1999.

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 accrued $291 million for the Qualified Plans and the Non-Qualified Plan in 1998 ($273 million in 1997 and $209 million in 1996). The Company expects to fund approximately $283 million for the 1998 contribution to the Qualified Plans and to allocate approximately $13 million for the Non-Qualified Plan, including the utilization of amounts accrued in prior years. A remaining accrual of approximately $205 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

In May 1998, the Company purchased the semiconductor operations of Digital Equipment Corporation, including manufacturing facilities in Massachusetts as well as development operations in Israel and Texas. The original cash purchase price of $625 million was adjusted to $585 million as a result of revisions to the valuations of certain capital assets as contemplated in the original purchase agreement. The purchase price remains subject to adjustment for asset valuation in accordance with the agreement. 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.

In January 1998, the Company acquired the outstanding shares of Chips and Technologies, Inc., a supplier of graphics accelerator chips for mobile computing products. The purchase price was approximately $430 million ($321 million in net cash). The Company recorded a non-deductible charge of $165 million for purchased in-process research and development, representing the appraised value of products still in the development stage that were not considered to have reached technological feasibility.

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 $64 million in 1998, $69 million in 1997 and $57 million in 1996. Minimum rental commitments under all non-cancelable leases with an initial term in excess of one year are payable as follows: 1999-$35 million; 2000-$28 million; 2001-$22 million; 2002-$20 million; 2003-$15 million; 2004 and beyond-$22 million. Commitments for construction or purchase of property, plant and equipment approximated $2.1 billion at December 26, 1998. In connection with certain manufacturing arrangements, Intel had minimum purchase commitments of approximately $83 million at December 26, 1998 for flash memory.

In October 1998, Intel announced that it had entered into a definitive agreement to acquire Shiva Corporation ("Shiva"), whose 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. Intel expects that the total cash required to complete the transaction will be approximately $185 million, before consideration of any cash to be acquired.

Contingencies

In November 1997, Intergraph Corporation ("Intergraph") filed suit in Federal District Court in Alabama generally alleging that Intel attempted to coerce Intergraph into relinquishing certain patent rights. The suit initially alleged that Intel infringes three Intergraph microprocessor-related patents and has been amended to add two other patents. The suit also includes alleged violations of antitrust laws and various state law claims. The suit seeks injunctive relief and unspecified damages. Intel has counterclaimed that the Intergraph patents are invalid and alleges infringement of seven Intel patents, breach of contract and misappropriation of trade secrets. In April 1998, the Court ordered Intel to continue to deal with Intergraph on the same terms as it treats allegedly similarly situated customers with respect to confidential information and product supply. Intel's appeal of this order was heard in December 1998. In June 1998, Intel filed a motion for summary judgment on Intergraph's patent claims on the grounds that Intel is licensed to use those patents. In July 1998, the Company received a letter stating that Intergraph believes that the patent damages will be "several billion dollars by the time of trial." In addition, Intergraph alleges that Intel's infringement is willful and that any damages awarded should be trebled. The letter also stated that Intergraph believes that antitrust, unfair competition and tort and contract damages will be "hundreds of millions of dollars by the time of trial." The Company disputes Intergraph's 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 adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," in 1998. SFAS No. 131 establishes standards for reporting information about operating segments and related disclosures about products, geographic information and major customers. Operating segment information for 1997 and 1996 is also presented in accordance with SFAS No. 131.

Intel designs, develops, manufactures and markets microcomputer components and related products at various levels of integration. The Company is organized into four product line operating segments: Intel Architecture Business Group, Computing Enhancement Group, Network Communications Group and New Business Group. Each of these groups has a vice president who reports directly to the Chief Executive Officer ("CEO"). The CEO allocates resources to each of these groups using information on their revenues and operating profits before interest and taxes. The CEO has been identified as the Chief Operating Decision Maker as defined by SFAS No. 131.

The Intel Architecture Business Group's products include the Pentium-Registered Trademark- family of microprocessors, and microprocessors and related board-level products based on the P6 micro-architecture (including the Pentium-Registered Trademark- II processor, the Intel-Registered Trademark- Celeron-TM- processor and the Pentium-Registered Trademark- II Xeon-TM- processor). Sales of microprocessors and related board-level products based on the P6 microarchitecture represented a majority of the Company's 1998 revenues and a substantial majority of its 1998 gross margin. The Computing Enhancement Group's

products include chipsets, embedded processors (including embedded Pentium-Registered Trademark- processors), microcontrollers, flash memory products and graphics products. The Network Communications Group's products include fast Ethernet connections, hubs, switches and routers. The New Business Group's products include systems management software, digital imaging products, and video and data conferencing products. 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 the aforementioned 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 profit-dependent bonus expenses) 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 four operating segments, only the Intel Architecture Business Group and Computing Enhancement Group are reportable segments under the criteria of SFAS No. 131. Intel does not identify or allocate assets or depreciation by operating segment, nor does the CEO evaluate groups on these criteria. Operating segments do not sell products to each other, and accordingly, there are no intersegment revenues 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").

Information on reportable segments for the three years ended December 26, 1998 is as follows:

<TABLE>
<CAPTION>

(IN MILLIONS)	1998	1997	1996
<S>	<C>	<C>	<C>
INTEL ARCHITECTURE BUSINESS GROUP			
Revenues	$21,545	$20,782	$17,000
Operating profit	$ 9,077	$10,659	$ 7,666
COMPUTING ENHANCEMENT GROUP			
Revenues	$ 4,047	$ 3,793	$ 3,622
Operating profit	$ 358	$ 529	$ 940
ALL OTHER			
Revenues	$ 681	$ 495	$ 225
Operating (loss)	$(1,056)	$(1,301)	$(1,053)
TOTAL			
Revenues	$26,273	$25,070	$20,847
Operating profit	$ 8,379	$ 9,887	$ 7,553

</TABLE>

In 1998, one customer accounted for 13% of the Company's revenues and another customer accounted for 11%. In 1997, one customer accounted for 12% of the Company's revenues. In 1996, no customer exceeded 10% of the Company's revenues. A substantial majority of the sales to these customers were Intel Architecture Business Group products, but these customers also purchased Computing Enhancement Group products.

Enterprise-wide information is provided in accordance with SFAS No. 131. Geographic revenue information for the three years ended December 26, 1998 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)	1998	1997	1996
<S>	<C>	<C>	<C>
United States	$11,663	$11,053	$ 8,668
Europe	7,452	6,774	5,876
Asia-Pacific	5,309	4,754	3,844
Japan	1,849	2,489	2,459
TOTAL REVENUES	$26,273	$25,070	$20,847

</TABLE>

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

<TABLE>
<CAPTION>

(IN MILLIONS)	1998	1997
<S>	<C>	<C>
United States	$ 8,076	$ 8,022
Ireland	1,287	919
Other foreign countries	2,246	1,725
TOTAL PROPERTY, PLANT AND EQUIPMENT, NET	$11,609	$10,666

</TABLE>

Supplemental information (unaudited)

Quarterly information for the two years ended December 26, 1998 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 26, 1998 and December 27, 1997, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 26, 1998. 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 generally accepted auditing standards. 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 26, 1998 and December 27, 1997, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 26, 1998, in conformity with generally accepted accounting principles.

/s/ Ernst & Young LLP

San Jose, California
January 11, 1999

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of operations

Intel posted record net revenues in 1998, for the 12th consecutive year, increasing by 5% from 1997, and by 20% from 1996 to 1997. The increases in both periods were primarily due to higher revenues from sales of micro-processors by the Intel Architecture Business Group and to a lesser extent due to increases in revenues of the Computing Enhancement Group.

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-Registered Trademark-II processor. From 1996 to 1997, cost of sales increased by 8.5% primarily due to microprocessor unit volume growth, costs related to the 0.25-micron microprocessor manufacturing process ramp and shifts in product mix, partially offset by factory efficiencies due to the increased volumes. The gross margin percentage was 54% in 1998, compared to 60% in 1997 and 56% in 1996. See "Outlook" for a discussion of gross margin expectations.

Research and development spending grew by 14% from 1997 to 1998, primarily due to increased spending on development of microprocessor products and the charge for in-process research and development related to the acquisition of Chips and Technologies, Inc. (See the discussion about purchased in-process research and development under "Computing Enhancement Group segment.") Research and development spending increased 30% from 1996 to 1997 due to substantially increased investment in both microprocessor product development and manufacturing technology development.

Marketing, general and administrative spending grew 6% in 1998, primarily due to the Intel Inside-Registered Trademark- cooperative advertising program and merchandising spending, partially offset by lower profit-dependent bonus expenses. From 1996 to 1997, marketing, general and administrative spending grew 25%, primarily due to merchandising spending, the Intel Inside program and higher profit-dependent expenses.

Interest expense increased $7 million from 1997 to 1998 due to higher average borrowing balances and lower interest capitalization. Interest and other income was essentially unchanged for the same period, with higher gains on sales of equity securities and higher interest income offset by lower foreign currency gains. For 1997 compared to 1996, interest expense was essentially unchanged, and interest and other income increased by $393 million, primarily due to higher average investment balances and higher gains on sales of equity investments.

The Company's effective income tax rate decreased to 33.6% in 1998 from 34.8% in 1997 and 35.0% in 1996. Foreign income taxed at rates different from U.S.

rates contributed to the lower tax rate in 1998.

Intel Architecture Business Group segment. Revenues increased 4% from 1997 to 1998, primarily due to higher volumes of microprocessors sold, particularly processors based on the P6 microarchitecture (including the Intel-Registered Trademark- Celeron-TM-, Pentium II, Pentium-Registered Trademark- Pro and Pentium-Registered Trademark- II Xeon-TM- processors). The higher volumes were partially offset by lower average selling prices. Revenues for this operating segment increased 22% from 1996 to 1997, primarily due to higher volumes of the Pentium-Registered Trademark- microprocessor family (including processors with Intel's MMX-TM- media enhancement technology) and Pentium Pro processor, and the introduction of the Pentium II processor, along with increased average selling prices in the first half of 1997 compared to the first half of 1996.

During 1998, sales of microprocessors and related board-level products based on the P6 microarchitecture comprised a majority of the Company's consolidated revenues and a substantial majority of its gross margin. Sales of these microprocessors first became a significant portion of the Company's revenues and gross margin in 1997. Also during 1998, sales of Pentium family processors, including Pentium processors with MMX technology, were a rapidly declining but still significant portion of the Company's revenues and gross margin. During 1997, sales of the Pentium family processors were a majority of the Company's revenues and gross margin, and in 1996 were a majority of its revenues and a substantial majority of its gross margin.

Operating profit for the Intel Architecture Business Group operating segment decreased 15% from 1997 to 1998, primarily due to the increased costs 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. In the second half of 1998, gross margin improved compared to the first half of the year as the transition to the P6 microarchitecture was largely complete and the SEC cartridge had no further

incremental impact on the gross margin percentage. In addition, in the second half of 1998, this operating segment began to see the benefit of the Company's cost reduction efforts. Operating profit for the segment increased 39% from 1996 to 1997 due to the increase in processor unit volumes and higher average selling prices in the first half of 1997 arising from the ramp of the Pentium processor with MMX technology.

Computing Enhancement Group segment. Revenues increased 7% from 1997 to 1998 and 5% from 1996 to 1997. Revenues from sales of chipsets represented a majority of revenues for this operating segment only in 1998. Chipset revenues increased primarily due to higher average selling prices in 1998 compared to 1997, and primarily due to increased unit volumes from 1996 to 1997. These increases were partially offset in both periods by decreases in revenues from sales of flash memory and embedded processors.

Operating profits for the Computing Enhancement Group operating segment declined 32% from 1997 to 1998 and 44% from 1996 to 1997, primarily due to competitive pressures in flash memory products, partially offset by increased profitability of chipsets. In 1998, the results were also negatively affected by the purchase of Chips and Technologies, Inc. ("C&T"), including the related $165 million charge for purchased in-process research and development.

In the first quarter of 1998, the Company purchased C&T for a total price of approximately $430 million. C&T had a product line of mobile graphics controllers based on 2D and video graphics technologies, and 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, all of which were individually insignificant.

Intel obtained an outside valuation of C&T, and values were assigned to developed technology, in-process research and development, customer base and assembled workforce. The valuations of developed technology and in-process research and development were established using an income-based approach. Revenue estimates for each product line under development were based on discussions with management, existing product family revenues, anticipated product development schedules, product sales cycles and estimated life of each of the technologies. Revenue estimates were then compared for reasonableness to external industry sources on expected market growth. Percentages of product revenues for each project were designated as developed, in-process and future yet-to-be-defined. Revenues on the products under development were estimated to begin in 1998 and continue through 2006, with the majority of the revenues related to in-process technology occurring between 2001 and 2003. Operating expenses, including cost of goods sold, were estimated based primarily on C&T's historical experience. The resulting operating income was adjusted for a charge for the use of contributory assets and income tax expense using Intel's tax rate. The risk-adjusted discount rate applied to after-tax cash flow was 15% for developed technology and 20% for in-process technology, compared to an estimated

weighted-average cost of capital for C&T of approximately 10%.

The total value of in-process research and development was estimated to be approximately $165 million. Costs to complete all of the in-process projects were estimated to be $30 million. Approximately 70% of the estimated in-process research and development 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 technology, and further development of the C&T 3D technology was stopped.

Financial condition

The Company's financial condition remains very strong. At December 26, 1998, total cash, trading assets, and short- and long-term investments totaled $13 billion, up from $11.8 billion at December 27, 1997. Cash provided by operating activities was $9.2 billion in 1998, compared to $10 billion and $8.7 billion in 1997 and 1996, respectively.

The Company used $6.5 billion in cash for investing activities during 1998, compared to $6.9 billion during 1997

and $5.3 billion during 1996. Capital expenditures totaled $3.6 billion in 1998, 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 purchased the semiconductor manufacturing operations of Digital Equipment Corporation for $585 million, including $475 million in capital assets. The Company had committed approximately $2.1 billion for the purchase or construction of property, plant and equipment as of December 26, 1998. See "Outlook" for a discussion of capital expenditure expectations in 1999. In addition, during 1998 the Company used $321 million in cash to purchase C&T and $500 million to acquire a non-voting equity interest in Micron Technology, Inc.

Inventory levels in total decreased in 1998, with a decrease in raw materials and work-in-process inventory, partially offset by an increase in finished goods inventory. The increase in accounts receivable in 1998 was mainly due to the higher level of revenues. The Company's five largest customers accounted for approximately 42% of net revenues for 1998. One customer accounted for 13% of revenues and another accounted for 11% in 1998. One customer accounted for 12% of revenues in 1997 and no customer accounted for more than 10% of revenues in 1996. At December 26, 1998, the five largest customers accounted for approximately 39% of net accounts receivable.

The Company used $4.7 billion for financing activities in 1998, compared to $3.2 billion and $773 million in 1997 and 1996, respectively. The major financing applications of cash in 1998 were for repurchase of 161.7 million shares of Common Stock, adjusted for the stock split declared in January 1999, for $6.8 billion (including $1.2 billion for exercised put warrants). The major financing applications of cash in 1997 and 1996 were for stock repurchases totaling $3.4 billion and $1.3 billion (including $108 million for exercised put warrants), respectively, as well as for a $300 million repayment in 1997 under a private reverse repurchase arrangement. Financing sources of cash during 1998 included $507 million in proceeds from the sale of shares, primarily pursuant to employee stock plans ($317 million in 1997 and $257 million in 1996) and $1.6 billion in proceeds from the exercise of 1998 Step-Up Warrants ($40 million in 1997 and $4 million in 1996). Financing sources in 1996 also included $300 million under the private reverse repurchase arrangement.

As part of its authorized stock repurchase program, the Company had outstanding put warrants at the end of 1998, with the potential obligation to buy back 5 million shares of its Common Stock at an aggregate price of $201 million. The exercise price of these warrants ranged from $40 to $41 per share, with an average exercise price of $40 per share as of December 26, 1998.

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.

In October 1998, the Company announced that it had entered into a definitive agreement to acquire Shiva Corporation ("Shiva"). Intel expects that the total cash required to complete the transaction will be approximately $185 million, before consideration of any cash to be acquired.

The Company believes that it has the financial resources needed to meet business requirements in the foreseeable future, including the acquisition of Shiva, capital expenditures for the expansion or upgrading of worldwide manufacturing capacity, working capital requirements, the potential put warrant obligation 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 26, 1998 and December 27, 1997. Actual results may differ materially.

The primary objective of the Company's investment activities is to preserve principal while at the same time 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 and certain equity securities, excluding equity investments entered into for strategic purposes, are swapped to U.S. dollar LIBOR-based returns. A hypothetical 60 basis point increase in interest rates would result in an approximate $30 million decrease (less than 0.3%) in the fair value of the Company's available-for-sale securities as of the end of 1998 ($18 million as of the end of 1997).

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 foreign 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 foreign 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 foreign currency exchange rate movements. For example, an adverse change in exchange rates (defined as 20% in certain Asian currencies and 10% in all other currencies) would result in an

adverse impact on income before taxes of less than $20 million as of the end of each of 1998 and 1997.

The Company is exposed to equity price risks on the marketable portion of equity securities included in its portfolio of investments entered into for the promotion of business and strategic objectives. These investments are generally in companies in the high-technology industry sector, many of which are small capitalization stocks. The Company typically does not attempt to reduce or eliminate its market exposure on these securities. A 20% adverse change in equity prices would result in an approximate $350 million decrease in the fair value of the Company's available-for-sale securities as of the end of 1998 ($75 million as of the end of 1997). The increase compared to 1997 reflects the increase in the dollar value of the Company's marketable strategic equity securities, a significant portion of which represents unrealized market appreciation. Approximately $825 million of the value of these equity securities as of the end of 1998 consisted of the investment in Micron Technology, Inc., described above under "Financial condition."

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 1998.

Intel expects that the total number of computers using Intel's Pentium family processors, P6 microarchitecture processors (including Intel Celeron, Pentium II, Pentium-Registered Trademark- III, Pentium II Xeon and Pentium-Registered Trademark- III Xeon-TM- processors) and other semiconductor components sold worldwide will continue to grow in 1999. The Company's financial results are substantially dependent on sales of these microprocessors by the Intel Architecture Business Group and other semiconductor components sold by the Computing Enhancement 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 fore-cast. Because of the large price difference between types of microprocessors, this mix affects

the average price 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, including the ongoing financial difficulties in the Asian markets and certain emerging markets in other regions.

Intel's strategy is to introduce ever higher performance microprocessors tailored for the different 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 specifically for each computing segment: the Intel Celeron processor for entry-level PC buyers interested in a value PC, the Pentium II and Pentium III processors for the performance desktop and entry-level servers and workstations, and the Pentium II Xeon and Pentium III Xeon processors for mid-range and high-end servers and workstations. The Company plans to cultivate new businesses and continue to work with the computing industry to expand Internet capabilities and product offerings and to develop compelling software applications that can take advantage of this higher performance, thus driving demand toward the 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.

The Company's gross margin varies depending on the mix of types and speeds of processors sold and the mix of microprocessors and related motherboards and purchased components within a product family. The Company's Pentium II processor is packaged with purchased components in the SEC cartridge, and the inclusion of purchased components has tended to increase absolute margin dollars but to lower the gross margin percentage. However, the Company has also been developing new packaging formats that use fewer purchased components. These new packaging formats are expected to reduce costs on certain microprocessor products. In addition, the Company expects to have reduced costs due to continued productivity improvements on its existing manufacturing processes during 1999. Various other factors--including unit volumes, yield issues associated with production at factories, ramp of new technologies, excess or obsolete inventory, variations in inventory valuation and mix of shipments of other semiconductors--will also continue to affect the amount of cost of sales and the variability of gross margin percentages in future quarters.

Intel's current gross margin expectation for 1999 is 57% plus or minus a few points compared to 54% for 1998. Intel's primary goal is to get its advanced technology to the marketplace, and the Company sometimes may implement strategies that increase margin dollars but lower margin percentages, for example, the Company's plans to grow in non-microprocessor areas that have the potential to expand computing and communications capabilities. 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 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 and the acceptance of its products in specific market segments. The Company expects that capital spending will decrease to approximately $3 billion in 1999, primarily as a result of reduced investment for new facilities and improved utilization of equipment. 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. Depreciation and amortization for 1999 is expected to be approximately $3.4 billion, an increase of approximately $600 million from 1998. Most of this increase would be included in cost of sales and research and development spending.

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. Since Intel considers it imperative to maintain a strong research and development program, spending for research and development in 1999 is expected to increase to approximately $3 billion. 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 1999.

The Company currently expects its tax rate to be 33.5% for 1999. This estimate is based on current tax law and the current estimate of earnings, and is subject to change.

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

Like many other companies, Intel is subject to risks from the year 2000 computer issue. If internal systems do not correctly recognize and process date information beyond the year 1999, there could be an adverse impact on the Company's operations. Two other related issues could also lead to incorrect calculations or failures: i) some systems' programming assigns special meaning to certain dates, such as 9/9/99 and ii) the fact that the year 2000 is a leap year.

The Company has established a comprehensive program with dedicated program management and executive-level sponsorship to deal with year 2000 issues. The Company is addressing its most critical internal systems first and has categorized as "critical" or "priority" those systems whose failure would cause an extended shutdown of all or part of a factory, could cause personal injury or would have a sustained and significant detrimental financial impact. The Company is also testing customer and supplier interfaces with its internal systems as appropriate. These activities are intended to encompass all major categories of systems in use by the Company, including network and communications infrastructure, manufacturing, facilities management, sales, finance and human resources. The Company's approach prioritizes functions and systems worldwide, and all divisions and facilities are working toward the same global milestones.

The Company's semiconductor manufacturing and assembly and test ("manufacturing") equipment and systems are highly automated, incorporating PCs, embedded processors and related software to control scheduling, inventory tracking, statistical analysis and automated manufacturing. A significant portion of the Company's year 2000 efforts on internal systems is intended to prevent disruption to manufacturing operations.

As of December 1998, approximately 99% of the Company's critical and priority manufacturing systems, and 85% of critical and priority non-manufacturing systems, were determined to be already year 2000 capable, or remediation needed (replacements, changes, upgrades or workarounds) has been determined and unit testing completed. Deployment of replacements, changes and upgrades has been completed for 93% of manufacturing systems and 84% of non-manufacturing systems. The Company has planned a comprehensive program of integration testing of internal systems. The integration testing began in the third quarter of 1998 and will continue into 1999 as necessary.

The following table indicates the phases of the year 2000 project related to the Company's critical and priority internal systems and the expected time frames.

<TABLE>
<CAPTION>

Phases of the project	Start date	End date
High-level assessment of systems	1996	Q3 1998 (actual)
Detailed assessment, remediation and unit testing	1996	Q1 1999 (expected)
Deployment	1997	Mid-1999 (expected)
Integration testing	Q3 1998	Mid-1999 (expected)

</TABLE>

Intel is also actively working with suppliers of products and services to determine the extent to which the suppliers' operations and the products and services they provide are year 2000 capable, and to monitor their progress toward year 2000 capability. Highest priority is being placed on working with critical suppliers, defined by Intel as those whose failure would shut down manufacturing or other critical operations within a short period of time. The Company has made inquiries of its major suppliers and has received responses

to its initial inquiries from 100% of critical suppliers.

Follow-up activities seek to determine whether the supplier is taking all appropriate steps to fix year 2000 problems and to be prepared to continue functioning effectively as a

supplier in accordance with Intel's standards and requirements. Contingency plans are being developed to address issues related to suppliers that are not considered to be making sufficient progress in becoming year 2000 capable.

The Company is also developing contingency plans to address possible changes in customer order patterns due to year 2000 issues. As with suppliers, the readiness of customers to deal with year 2000 issues may affect their operations and their ability to order and pay for products. Intel has surveyed its major direct customers about their year 2000 readiness in critical areas of their operations. The results identified certain key areas to be addressed by the customers. Intel is also communicating information about its own readiness to customers and is conducting seminars to help communicate the methodologies and processes used in Intel's year 2000 programs.

Intel believes that its most reasonably likely worst-case year 2000 scenarios would relate to problems with the systems of third parties rather than with the Company's internal systems or its products. Because the Company has less control over assessing and remediating the year 2000 problems of third parties, the Company believes the risks are greatest with infrastructure (e.g., electricity supply and water and sewer service), telecommunications, transportation supply chains and critical suppliers of materials.

The Company's microprocessor production is conducted in a network of domestic and foreign facilities. Each location relies on local private and governmental suppliers for electricity, water, sewer and other needed supplies. Failure of an electricity grid or an uneven supply of power, for example, would be a worst-case scenario that would completely shut down the affected facilities. Electrical failure could also shut down airports and other transportation facilities.

The Company does not generally maintain facilities that would allow it to generate its own electrical or water supply in lieu of that supplied by utilities. To the extent possible, the Company is working with the infrastructure suppliers for its manufacturing sites, major subcontractor sites and relevant transportation hubs to seek to better ensure continuity of infrastructure services. Contingency planning regarding major infrastructure failure generally emphasizes planned increases in inventory levels of specific products and the shift of production to unaffected sites. By the end of 1999, Intel expects to have in place a buffer supply of finished goods inventory and is evaluating where to locate inventory geographically in light of infrastructure concerns. In addition, multiple plants engage in similar tasks in the Intel system, and production can be expanded at some sites to partially make up for capacity unavailable elsewhere. Although overall capacity would be reduced, it is not expected that the entire production system would halt due to the unavailability of one or two facilities.

A worst-case scenario involving a critical supplier of materials would be the partial or complete shutdown of the supplier and its resulting inability to provide critical supplies to the Company on a timely basis. The Company does not maintain the capability to replace most third-party supplies with internal production. Where efforts to work with critical suppliers to ensure year 2000 capability have not been successful, contingency planning generally emphasizes the identification of substitute and second-source suppliers, and in certain situations includes a planned increase in the level of inventory carried. In an industry characterized by rapid technological change, higher levels of raw materials and finished goods inventories involve increased risk of inventory obsolescence and the potential for write-downs in the value of inventory.

The Company is not in a position to identify or to avoid all possible scenarios; however, the Company is currently assessing scenarios and taking steps to mitigate the impacts of various scenarios if they were to occur. This contingency planning will continue through 1999 as the Company learns more about the preparations and vulnerabilities of third parties regarding year 2000 issues. Due to the large number of variables involved, the Company cannot provide an estimate of the damage it might suffer if any of these scenarios were to occur.

The Company also has a program to assess the capability of its products to handle the year 2000. To assist customers in evaluating their year 2000 issues, the Company has developed a list that indicates the capability of Intel's current products, and certain products no longer being produced, to handle the year 2000. Products are assigned to one of five categories as defined by the Company: "Year 2000 Capable," "Year 2000 Capable" with update,

not "Year 2000 Capable," under evaluation and will not test. The list is located on the Company's Year 2000 support Web site and is periodically updated as analysis on additional products is completed.

All Intel processors are "Year 2000 Capable." All Intel micro-controllers (embedded processors) are also "Year 2000 Capable," with the exception of two custom microcontroller products sold to a limited number of customers. However, the assessment of whether a complete system will operate correctly depends on firmware (BIOS) capability and software design and integration, and for many end users this will include firmware and software provided by companies other than Intel.

As described more fully at the support Web site, Intel offers a "Year 2000 Capable" Limited Warranty on certain of its current products. Except as specifically provided for in the Limited Warranty, the Company does not believe it is legally responsible for costs incurred by customers related to ensuring their year 2000 capability. Nevertheless, the Company is incurring various costs to provide customer support and customer satisfaction services regarding year 2000 issues, and it is anticipated that these expenditures will continue through 1999 and thereafter. An Intel product, when used in accordance with its associated documentation, is "Year 2000 Capable" when, upon installation, it accurately stores, displays, processes, provides and/or receives data from, into and between 1999 and 2000, and the 20th and 21st centuries, including leap-year calculations, provided

that all other technology used in combination with the Intel product properly exchanges date data with it.

Various of the Company's disclosures and announcements concerning its products and year 2000 programs are intended to constitute "Year 2000 Readiness Disclosures" as de-fined in the recently enacted Year 2000 Information and Readiness Disclosure Act. The Act provides added protection from liability for certain public and private statements concerning an entity's year 2000 readiness and the year 2000 readiness of its products and services. The Act also potentially provides added protection from liability for certain types of year 2000 disclosures made after January 1, 1996 and before the date of enactment of the Act.

The Company's year 2000 efforts have been undertaken largely with its existing personnel. In some instances, consultants have been engaged to provide specific assessment, remediation or other services. Activities with suppliers and customers have also involved their staffs and consultants. The Company engaged a third-party firm to assist with planning and taking the inventory of internal systems, and engaged another firm to perform an assessment of the overall scope and schedule of Intel's year 2000 efforts.

The Company currently expects that the total cost of these programs, including both incremental spending and redeployed resources, will not exceed $175 million. This estimate is lower than the previous estimate that costs would not exceed $250 million, primarily due to a higher than expected percentage of manufacturing systems requiring no remediation and lower than expected costs of remediation on the remaining manufacturing systems. Approximately $42 million has been spent on the programs to date, of which approximately $36 million was incurred in 1998. Costs include estimated payroll costs for redeployed personnel and the costs of consultants, software and hardware upgrades, and dedicated program offices. A majority of the total estimated costs are expected to be incurred in assessing and remediating issues with manufacturing systems and contingency planning for manufacturing systems. As a result, a majority of the costs are expected to be included in cost of sales and in the calculation of gross margin. Year 2000 costs for manufacturing and non-manufacturing internal systems in 1998 represented less than 10% of the total information technology budget for 1998 and are also expected to be less than 10% of the budget for 1999.

No significant internal systems projects are being deferred due to the year 2000 program efforts. In some instances, the installation schedule of new software and hardware in the normal course of business is being accelerated to also afford a solution to year 2000 capability issues. The Company expects that costs related to accelerated systems replacements will be approximately $15 million in addition to the total costs noted above. In addition, the estimated costs do not include any potential costs related to customer or other claims, or potential amounts related to executing contingency plans, such as costs incurred as a result of an infrastructure or supplier failure. The Company has adequate general corporate funds with which to pay for the programs' expected costs. All expected costs are based on the current assessment of the programs and are subject to change as the programs progress.

Based on currently available information, management does not believe that the year 2000 matters discussed above related to internal systems or products sold to customers will have a material adverse impact on the Company's financial condition or overall trends in results of operations; however, it

is uncertain to what extent the Company may be affected by such matters. In addition, there can be no assurance that the failure to ensure year 2000 capability by a supplier, customer or another third party would not have a material adverse effect on the Company's financial condition or overall trends in results of operations.

In September 1997, the Federal Trade Commission ("FTC") staff notified Intel that the FTC had begun an investigation of the Company's business practices. In June 1998, the FTC filed an administrative complaint against Intel before an FTC Administrative Law Judge. The complaint charges that Intel is attempting to further its alleged microprocessor monopoly by improperly withholding its intellectual property, in the form of confidential product information, from three companies that had filed or threatened to file intellectual property lawsuits against Intel. Although the outcome of the administrative action cannot be determined at this time, management, including internal counsel, does not believe that the outcome will have a material adverse effect on the Company's financial position 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 investments 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 the number of computers using Intel processors, costs, gross margin, 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, the FTC investigation 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, including changes in customer and channel inventory levels and changes due to year 2000

issues; 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 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 due to internal systems or systems of suppliers, infrastructure providers and other third parties adversely affected by year 2000 problems; claims due to year 2000 issues allegedly related to the Company's products or year 2000 remediation efforts; and litigation involving anti-trust, 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)

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(IN MILLIONS-EXCEPT PER SHARE AMOUNTS) 1998 FOR QUARTER ENDED		DECEMBER 26	SEPTEMBER 26	JUNE 27	MARCH 28
<S>	<C>	<C>	<C>	<C>	<C>
Net revenues		$7,614	$6,731	$5,927	$6,001
Cost of sales		$3,176	$3,192	$3,027	$2,749
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

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(IN MILLIONS-EXCEPT PER SHARE AMOUNTS) 1997 FOR QUARTER ENDED		DECEMBER 27	SEPTEMBER 27	JUNE 28	MARCH 29
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Net revenues		$6,507	$6,155	$5,960	$6,448
Cost of sales		$2,691	$2,604	$2,343	$2,307
Net income		$1,743	$1,574	$1,645	$1,983
Basic earnings per share		$ .53	$ .48	$ .50	$ .61
Diluted earnings per share		$ .49	$ .44	$ .46	$ .55
Dividends per share (B)	Declared	$ .0150	$ .0150	$.0150	$.0125
	Paid	$ .0150	$ .0150	$.0125	$.0125
Market price range Common Stock (C)	High	$47.69	$50.25	$42.33	$41.19
	Low	$34.56	$34.77	$32.63	$32.59
Market price range Step-Up Warrants (C)	High	$37.34	$39.94	$32.08	$31.31
	Low	$24.19	$24.78	$22.66	$22.53

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(A) NET INCOME FOR THE FIRST QUARTER OF 1998 REFLECTED A $165 MILLION CHARGE FOR PURCHASED IN-PROCESS RESEARCH AND DEVELOPMENT RELATED TO THE ACQUISITION OF CHIPS AND TECHNOLOGIES, INC.

(B) AS OF THE SECOND QUARTER OF 1998, THE COMPANY 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 1998. INTEL PLANS TO CONTINUE ITS DIVIDEND PROGRAM. HOWEVER, DIVIDENDS ARE DEPENDENT ON FUTURE EARNINGS, CAPITAL REQUIREMENTS AND FINANCIAL CONDITION.

(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 26, 1998, THERE WERE APPROXIMATELY 203,000 REGISTERED HOLDERS OF COMMON STOCK. ALL STOCK AND WARRANT PRICES ARE CLOSING PRICES PER THE NASDAQ STOCK MARKET AS ADJUSTED FOR STOCK SPLITS.

* 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 1998 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 1998 Annual Report to Stockholders.

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REVENUES AND INCOME (Dollars in billions)	1996	1997	1998
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Net revenue	20.8	25.1	26.3
Net income	5.2	6.9	6.1

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COSTS AND EXPENSES

(Percent of revenues)	1996	1997	1998
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Cost of sales	44%	40%	46%
R&D	9%	9%	10%
Marketing and G&A	11%	12%	12%
(Total)	64%	61%	68%

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OTHER INCOME AND EXPENSE (Dollars in millions)	1996	1997	1998
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Interest income & other	406	799	792
Interest expense	25	27	34

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CASH AND INVESTMENTS (Dollars in billions)	1997	1998
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Cash & cash equivalents	4.1	2.0
Short-term investments	5.6	5.3
Long-term investments	1.8	5.4

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EXHIBIT 21

INTEL CORPORATION

SUBSIDIARIES
(All 100% Owned)

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Subsidiaries of the Registrant	Jurisdiction of Incorporation
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Components Intel de Costa Rica, S.A.	Costa Rica
Intel Commodities Limited	Cayman
Intel Corporation (UK) Limited	United Kingdom
Intel Electronics Limited	Israel
Intel Europe, Inc	California, USA
Intel International BV	Netherlands
Intel Ireland Limited	Cayman
Intel Kabushiki Kaisha	Japan
Intel Massachusetts, Inc.	Delaware, 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

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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, 1999, included in the 1998 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, and 333-67537; and Form S-3 Nos. 33-20117, 33-54220, 33-58964, and 33-56107) of our report dated January 11, 1999, 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 24, 1999

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THIS SCHEDULE CONTAINS SUMMARY INFORMATION EXTRACTED FROM INTEL CORPORATION'S
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IN-PROCESS RESEARCH AND DEVELOPMENT.
<F3>ITEM CONSISTS OF BASIC EARNINGS PER SHARE
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