

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

FORM 10-Q

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities
Exchange Act of 1934 for the quarterly period ended September 27, 1997

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

(State or other jurisdiction of
incorporation or organization)

94-1672743

(I.R.S. Employer
Identification No.)

2200 Mission College Boulevard, Santa Clara, California

95052-8119

(Address of principal executive offices)

(Zip Code)

(408) 765-8080

(Registrant's telephone number, including area code)

N/A

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

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

Shares outstanding of the Registrant's common stock:

Class	Outstanding at September 27, 1997
Common Stock, \$.001 par value	1,636 million

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

	Three Months Ended		Nine Months Ended	
	Sept. 27, 1997	Sept. 28, 1996	Sept. 27, 1997	Sept. 28, 1996
<S>	<C>	<C>	<C>	<C>
Net revenues	\$ 6,155	\$ 5,142	\$18,563	\$ 14,407
Costs and expenses:				
Cost of sales	2,604	2,201	7,254	6,772
Research and development	586	449	1,742	1,288
Marketing, general and administrative	676	565	2,073	1,600
Operating costs and expenses	3,866	3,215	11,069	9,660
Operating income	2,289	1,927	7,494	4,747
Interest expense	(6)	(6)	(20)	(14)

Interest income and other, net	157	97	591	262
	-----	-----	-----	-----
Income before taxes	2,440	2,018	8,065	4,995
Provision for taxes	866	706	2,863	1,748
	-----	-----	-----	-----
Net income	\$ 1,574	\$ 1,312	\$ 5,202	\$ 3,247
	=====	=====	=====	=====
Earnings per common and common equivalent share	\$ 0.88	\$ 0.74	\$ 2.89	\$ 1.84
	=====	=====	=====	=====
Cash dividends declared per common share	\$ 0.030	\$ 0.025	\$ 0.085	\$ 0.070
	=====	=====	=====	=====
Weighted average common and common equivalent shares outstanding	1,797	1,770	1,798	1,769
	=====	=====	=====	=====

</TABLE>

See Notes to Consolidated Condensed Financial Statements.

Item 1. Financial Statements (continued)

Intel Corporation
Consolidated Condensed Balance Sheets
(in millions)

Sept. 27, Dec. 28,
1997 1996

(unaudited)

<TABLE>

<S>

ASSETS

Current assets:

	<C>	<C>
Cash and cash equivalents	\$ 4,985	\$ 4,165
Short-term investments	3,789	3,742
Trading assets	186	87
Accounts receivable, net	3,921	3,723
Inventories:		
Raw materials	257	280
Work in process	849	672
Finished goods	401	341
	-----	-----
	1,507	1,293
	-----	-----
Deferred tax assets	606	570
Other current assets	146	104
	-----	-----
Total current assets	15,140	13,684
	-----	-----

Property, plant and equipment	16,812	14,262
Less accumulated depreciation	7,067	5,775
	-----	-----

Property, plant and equipment, net	9,745	8,487
Long-term investments	1,815	1,353
Other assets	501	211
	-----	-----

TOTAL ASSETS	\$27,201	\$23,735
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Short-term debt	\$ 297	\$ 389
Accounts payable	1,197	969
Deferred income on shipments to distributors	517	474
Accrued compensation and benefits	1,020	1,128
Accrued advertising	481	410
Other accrued liabilities	841	507
Income taxes payable	811	986
	-----	-----
Total current liabilities	5,164	4,863
	-----	-----

Long-term debt	386	728
Deferred tax liabilities	1,123	997
Put warrants	582	275
	-----	-----

Stockholders' equity:

Preferred stock	--	--
Common stock and capital in excess of par value	3,389	2,897
Retained earnings	16,557	13,975
	-----	-----

Total stockholders' equity	19,946	16,872
	-----	-----

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$27,201	\$23,735
	=====	=====

</TABLE>

See Notes to Consolidated Condensed Financial Statements.

Item 1. Financial Statements (continued)

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

<TABLE>

	Nine Months Ended	
	Sept. 27, 1997	Sept. 28, 1996
	----	----
<S>	<C>	<C>
Cash flows provided by (used for) operating activities:		
Net income	\$ 5,202	\$ 3,247
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,609	1,369
Net loss on retirements of property, plant and equipment	50	78
Deferred taxes	88	158
Changes in assets and liabilities:		
Accounts receivable	(198)	(372)
Inventories	(214)	634
Trading assets	(99)	(80)
Accounts payable	228	(74)
Accrued compensation and benefits	(108)	67
Income taxes payable	(175)	2
Tax benefit from employee stock plans	171	98
Other assets and liabilities	(21)	359
	-----	-----
Total adjustments	1,331	2,239
	-----	-----
Net cash provided by operating activities	6,533	5,486
	-----	-----
Cash flows provided by (used for) investing activities:		
Additions to property, plant and equipment	(2,917)	(2,234)
Purchases of available-for-sale investments	(5,565)	(2,021)
Sales of available-for-sale investments	95	--
Maturities and other changes in available-for-sale investments	5,062	1,249
	-----	-----
Net cash (used for) investing activities	(3,325)	(3,006)
	-----	-----
Cash flows provided by (used for) financing activities:		
Increase (decrease) in short-term debt, net	(172)	63
Additions to long-term debt	68	300
Retirement of long-term debt	(300)	--
Proceeds from sales of shares through employee stock plans and other	294	223
Proceeds from exercise of 1998 Step-Up Warrants	35	2
Proceeds from sales of put warrants	190	56
Repurchase and retirement of common stock	(2,372)	(967)
Payment of dividends to stockholders	(131)	(107)
	-----	-----
Net cash (used for) financing activities	(2,388)	(430)
	-----	-----
Net increase in cash and cash equivalents	\$ 820	\$ 2,050
	=====	=====

Supplemental disclosures of cash flow information:

Cash paid during the period for:

Interest	\$ 29	\$ 35
Income taxes	\$ 2,779	\$ 1,384

</TABLE>

Certain 1996 amounts have been reclassified to conform to the 1997 presentation.

See Notes to Consolidated Condensed Financial Statements.

Item 1. Financial Statements (continued)

Intel Corporation, Notes to Consolidated Condensed Financial Statements

1. The accompanying interim consolidated condensed financial statements of Intel Corporation ("Intel," the "Company" or the "Registrant") have been prepared in conformity with generally accepted accounting principles, consistent in all material respects with those applied in the Annual Report on Form 10-K for the year ended December 28, 1996. The interim financial information is unaudited, but reflects all normal adjustments which are, in the opinion of management, necessary to provide a fair statement of results for the interim periods presented. The interim financial statements should be read in connection with the financial statements in the Company's Annual Report on Form 10-K for the year ended December 28, 1996.

2. In May 1997, the stockholders approved an increase in the Company's authorized shares of Common Stock to 4.5 billion. 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 and warrant amounts herein have been restated to reflect the effect of this split.

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

<S>	Three Months Ended		Nine Months Ended	
	<C>	<C>	<C>	<C>
	Sept. 27, 1997	Sept. 28, 1996	Sept. 27, 1997	Sept. 28, 1996
Interest income	\$ 134	\$ 91	\$ 403	\$ 249
Foreign currency gains	19	2	44	16
Other income (expense), net	4	4	144	(3)
Total	\$ 157	\$ 97	\$ 591	\$ 262

</TABLE>

Other income for the nine months ended September 27, 1997 consists primarily of gains on sales of equity investments.

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

Effective December 27, 1997, the Company will adopt Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings per Share." At that time, the Company will be required to change the method currently used to calculate earnings per share and to restate all prior periods. The new requirements will include a calculation of basic earnings per share, from which the dilutive effect of stock options and warrants will be excluded. The basic earnings per share are expected to reflect an increase of \$.08 and \$.06 per share for the quarters ended September 27, 1997 and September 28, 1996, respectively, over the primary earnings per share reported for these quarters. For the nine month periods then ended, the increases are expected to be \$.29 and \$.13 per share, respectively. A calculation of diluted earnings per share will also be required; however, this is not expected to differ materially from the Company's reported primary earnings per share.

Item 1. Financial Statements (continued)

Intel Corporation, Notes to Consolidated Condensed Financial Statements (continued)

5. As more fully described in the Company's Annual Report, Intel enters into 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 does not use derivative financial instruments for speculative or trading purposes. The Company's accounting policies for these instruments are based on the Company's designation of such instruments 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 would be 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 is recognized in income in the same period. Subsequent gains or losses on the related derivative instrument are 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. Cash flows associated with derivative transactions are reported as arising from operating activities in the consolidated statement of cash flows.

6. A \$300 million reverse repurchase arrangement originally payable in 2001 was reclassified from long-term debt to short-term during the first quarter of 1997. During the second quarter of 1997 the debt was repaid by the Company. During the first quarter of 1997, the Company borrowed a total of 44 million Irish punts (approximate U.S. dollar equivalent of \$68 million) due 2000-2017 at interest rates ranging from 5% to 7%. The borrowings were made in connection with the financing of a factory in Ireland, and Intel has invested the proceeds in Irish punt denominated instruments of similar maturity to hedge foreign currency and interest rate exposures.

7. During the first nine months of 1997, the Company repurchased 30.9 million shares of Common Stock under the Company's authorized repurchase program at a cost of \$2.4 billion. During the first quarter of 1997, the Company's Board of Directors approved an increase in the repurchase program of up to 60 million additional shares, bringing the total authorization to 280 million shares. As of September 27, 1997, after allowing for the outstanding put warrants, approximately 72.8 million shares remained available under the repurchase program. (See Item 2. Management's Discussion and Analysis for subsequent activity.)

Item 1. Financial Statements (Continued)

Intel Corporation, Notes to Consolidated Condensed Financial Statements
(continued)

8. In a series of private placements during the 1991-1997 period, 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. On certain of these warrants, the Company simultaneously entered into additional contractual arrangements which cause the warrants to terminate if the Company's stock price reaches specified levels. Activity during the first nine months of 1997 is summarized as follows:

<TABLE>

(in millions)	Cumulative Net Proceeds Received	Put Warrants Outstanding	
		Number Of Warrants	Potential Obligation
<S>	<C>	<C>	<C>
December 28, 1996	\$335	9.0	\$ 275
Sales	88	12.0	916
Expirations	--	(6.0)	(174)
March 29, 1997	\$423	15.0	\$1,017
Sales	53	9.0	649
Expirations	--	(3.0)	(100)
June 28, 1997	\$476	21.0	\$1,566
Sales	49	5.5	501
Expirations	--	(20.0)	(1,485)
September 27, 1997	\$525	6.5	\$ 582
	====	=====	=====

</TABLE>

A total of 5.5 million warrants were sold to banks and investment banks during August of 1997. They expire on various dates between May and August 1998 and have exercise prices ranging from \$88 to \$95 per share, with an average exercise price of \$91. The 6.5 million put warrants outstanding on September 27, 1997 expire on various dates between February and August 1998 and have exercise prices ranging from \$81 to \$95 per share, with an average exercise price of \$90. The amount related to the Company's potential buyback obligation has been reclassified from stockholders' equity and recorded as put warrants. There is no material dilutive effect on earnings per share for the periods presented. (See Item 2. Management's Discussion and Analysis for subsequent activity.)

9. The Company intends to adopt SFAS No. 130, "Reporting Comprehensive Income," and SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," in fiscal 1998. Both Standards will require additional disclosure, but will not have a material effect on the Company's financial position or results of operations. SFAS No. 130 establishes standards for the reporting and display of comprehensive income and is expected to first be reflected in the Company's first quarter of 1998 interim financial statements. Components of comprehensive income include items such as net income and changes in value of available-for-sale securities. SFAS No. 131 changes the way

companies report segment information and requires segments to be determined based on how management measures performance and makes decisions about allocating resources. SFAS No. 131 will first be reflected in the Company's 1998 Annual Report.

10. Digital Equipment Corporation ("Digital") brought suit in Federal District Court in Massachusetts on May 12, 1997, alleging that Intel is infringing ten patents in making, using, selling and offering to sell microprocessor products, including Pentium(R) and Pentium(R) Pro (including Pentium(R) II) microprocessor families. Digital is seeking both an injunction and monetary damages, including triple damages for Intel's alleged willful infringement of the patents. The injunction, if granted, would prohibit Intel from using Digital's patented technology in its microprocessor products. The Company believes that its products do not infringe the Digital patents. The Company has filed a counterclaim against Digital for infringement of nine microprocessor-related (including manufacturing process) patents, and, in a separate action in District Court in Oregon, the Company has claimed that Digital infringes on six video and computer system patents.

Item 1. Financial Statements (Continued)

Intel Corporation, Notes to Consolidated Condensed Financial Statements
(continued)

On October 27, 1997, Intel and Digital announced that they have agreed to establish a broad-based business relationship as described below in Note 12. Among other matters, the two companies agreed to request a stay of all lawsuits until government approval of the agreement is obtained, following which the lawsuits would be dismissed with prejudice.

Cyrix Corporation brought suit in Federal District Court in Texas on May 13, 1997, alleging that Intel has infringed two patents relating to Pentium, Pentium Pro and Pentium II microprocessors. The suit seeks preliminary and permanent injunctive relief along with unspecified damages. The Company believes that its products do not infringe the Cyrix patents and intends to continue 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 outcome of this litigation will have a material adverse effect on the Company's financial position or overall trends in results of operations.

A former employee of the Company filed an action on September 9, 1996, alleging that Intel's products infringe a patent issued to the plaintiff and that Intel wrongfully terminated his employment with Intel. The suit seeks both monetary damages and injunctive relief. Expert witness discovery closed on July 1, 1997. The Company believes that its products do not infringe the plaintiff's patent and intends to continue to defend this lawsuit vigorously. The plaintiff's expert witness has opined that the plaintiff is entitled to \$1.2 billion in damages for Intel's alleged patent infringement for the period through December 31, 1996. Intel's expert witnesses have opined that, should the plaintiff prevail in the case, he would be entitled to nominal damages only. Although the ultimate outcome of this lawsuit cannot be determined at this time, management, including internal counsel, does not believe that the outcome of this litigation will have a material adverse effect on the Company's financial position or overall trends in results of operations.

11. On July 27, 1997, the Company announced it had entered into a definitive agreement to acquire Chips and Technologies, Inc. ("Chips and Technologies") and on August 1, 1997, the Company commenced a tender offer for all outstanding shares of Chips and Technologies at a price of \$17.50 per share. The tender offer is currently scheduled to expire on November 21, 1997. The Company expects that the funds required to complete the transaction will be approximately \$416 million, before consideration of any cash to be acquired. This acquisition is subject to the successful completion of the tender offer and the receipt of U.S. government approval. Subsequent to the Company's announcement, certain shareholders of Chips and Technologies filed several separate lawsuits, each claiming class action status, in state and federal courts against Chips and Technologies, its board of directors and Intel. The suits challenge and seek to enjoin the pending tender offer by the Company. A preliminary settlement has been reached in these matters and currently awaits court approval.

12. On October 27, 1997, the Company and Digital announced that they have agreed to establish a broad-based business relationship. The agreement includes sale of Digital's semiconductor manufacturing operations to Intel for approximately \$700 million, a ten-year patent cross-license, supply of both Intel and Alpha microprocessors by Intel to Digital, development by Digital of future systems based on Intel's 64-bit microprocessors and termination of litigation between the companies as described above in Note 10. This agreement is subject to U.S. government approval. The transactions provided for in the agreement are not expected to have a material adverse effect on the Company's financial condition or ongoing results of operations in any reporting period.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations - Third Quarter of 1997 Compared to Third Quarter of 1996

Revenues for Q3 1997 increased by 20% compared to Q3 1996. Higher volumes of Pentium(R) processors, including processors with MMX(TM) media enhancement technology (collectively the "Pentium processor family"), and Pentium(R) Pro and Pentium(R) II processors, as well as a shift in mix toward higher performance processors, drove the overall growth in revenues. Chipsets revenues also grew between these periods while flash memory revenues declined.

Cost of sales rose by 18% from Q3 1996 to Q3 1997 due to increased volumes, additional costs associated with purchased components for the Single Edge Contact ("SEC") cartridge in the Pentium II processor and costs related to the continuing ramp of the .25 micron microprocessor manufacturing process in 1997. These cost increases were partially offset by factory efficiencies due to the increased volumes. Gross margin increased to 58% in Q3 1997 from 57% in Q3 1996 due to a more favorable product mix partially offset by weakness in the flash memory market segment and the impact of the SEC cartridge.

For Q3 1997, a majority of the Company's revenues and gross margin were derived from sales of Pentium processor family products, including related board-level products. For Q3 1996, a majority of the Company's revenues and a substantial majority of its gross margin were derived from these products. Sales of Pentium Pro and Pentium II processors and related board-level products represented a significant portion of the Company's revenues and gross margin for the third quarter of 1997.

Research and development expenses and marketing, general and administrative expenses rose by a total of \$248 million, or 24%, from Q3 1996 to Q3 1997, primarily due to higher levels of research and development spending on process and product technology, as well as higher merchandising and profit dependent expenses. Expenses were 20.5% of revenues in Q3 of 1997, versus 19.7% in Q3 1996.

Interest income and other for Q3 1997 increased by \$60 million over the prior year due primarily to higher average investment balances in Q3 1997.

The provision for taxes for Q3 1997 increased by \$160 million over the prior year primarily as a result of higher pretax earnings. The effective tax rate increased slightly from 35% for Q3 1996 to 35.5% for Q3 1997.

Results of Operations - First Nine Months of 1997 Compared to First Nine Months of 1996

Revenues for the first nine months of 1997 increased by 29% compared to the first nine months of 1996. Higher volumes of Pentium family processors, and Pentium Pro and Pentium II processors, as well as a shift in mix toward higher performance processors, drove the overall growth in revenues. Chipsets revenues also grew between these periods while flash memory revenues declined.

Cost of sales rose by 7% from the first nine months of 1996 to the first nine months of 1997 due to increased volumes and costs related to the ramp of the .25 micron microprocessor manufacturing process in 1997, partially offset by factory efficiencies due to the increased volumes. Gross margin increased to 61% in the first nine months of 1997 from 53% in the first nine months of 1996 primarily due to the more favorable product mix and to a lesser extent due to the volume efficiencies, partially offset by the weakness in the flash memory market segment.

For the first nine months of 1997 and 1996, a majority of the Company's revenues, and a substantial majority of its gross margin, were derived from sales of Pentium processor family products, including related board-level products. Sales of Pentium Pro and Pentium II processors and related board-level products represented a significant portion of the Company's revenues and gross margin for the first nine months of 1997.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Results of Operations - First Nine Months of 1997 Compared to First Nine Months of 1996 (continued)

Research and development expenses and marketing, general and administrative expenses rose by a total of \$927 million, or 32%, from the first nine months of 1996 to the first nine months of 1997, primarily due to higher levels of research and development spending on process and product technology, and higher merchandising, Intel Inside(R) program and profit dependent expenses. Expenses were 20.6% of revenues in the first nine months of 1997 versus 20.0% in the first nine months of 1996.

Interest income and other for the first nine months of 1997 increased by \$329 million over the prior year due primarily to higher average investment balances in the first nine months of 1997 and gains on sales of equity investments.

The provision for taxes for the first nine months of 1997 increased by \$1.1 billion over the prior year primarily as a result of higher pretax earnings. The effective tax rate increased slightly from 35% for the first nine months of 1996 to 35.5% for the first nine months of 1997.

Financial Condition

The Company's financial condition remains very strong. As of September 27, 1997, cash, trading assets and short- and long-term investments totaled \$10.8 billion, up from \$9.3 billion at December 28, 1996. The Company's other sources of liquidity include credit lines, which are generally uncommitted, and authorized commercial paper borrowings together totaling approximately \$1.8 billion. The Company also maintains the authority to issue an aggregate of approximately \$1.4 billion in debt, equity and other securities under Securities and Exchange Commission shelf registration statements.

The Company funded most of its investment needs during the first nine months of 1997 with cash generated from operations, which totaled \$6.5 billion. Major uses of cash during the first nine months of 1997 included capital spending of \$2.9 billion for property, plant and equipment, primarily for microprocessor manufacturing capacity, and \$2.4 billion to buy back 30.9 million shares of Common Stock. In addition, \$300 million of long-term debt was repaid in the first nine months of 1997.

The Company's five largest customers accounted for approximately 38% of net revenues for the nine month period ended September 27, 1997. At September 27, 1997, these customers accounted for approximately 35% of net accounts receivable.

Key financing activities in the first nine months of 1997 included the repurchase of 30.9 million shares of Common Stock for \$2.4 billion as part of the Company's authorized stock repurchase program. The Company also sold 26.5 million put warrants, receiving proceeds of \$190 million, while 29 million put warrants expired unexercised. Of the expired warrants, 20 million had been issued during the current nine month period and 16 million of these expired upon the Company's stock price reaching specified levels. From September 27, 1997 through November 6, 1997, the Company repurchased 5.1 million shares of its Common Stock at a cost of \$402 million and sold 8.3 million put warrants. As of November 6, 1997, Intel had the potential obligation to repurchase 14.8 million shares of Common Stock at an aggregate cost of \$1.2 billion under outstanding put warrants. The exercise price of these outstanding warrants ranged from \$69 to \$95 per share, with an average exercise price of \$80 per share. During the first quarter of 1997, the Company's Board of Directors approved an increase of up to 60 million additional shares in the Company's repurchase program. This increase brought the total authorization to 280 million shares. As of November 6, 1997, 59.4 million shares remained available for repurchase under the repurchase authorization, after allowing for the outstanding put warrants.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Financial Condition (continued)

On July 27, 1997, the Company announced it had entered into a definitive agreement to acquire Chips and Technologies, Inc. ("Chips and Technologies") and on August 1, 1997, the Company commenced a tender offer for all outstanding shares of Chips and Technologies at a price of \$17.50 per share. The tender offer is currently scheduled to expire on November 21, 1997. The Company expects that the funds required to complete the transaction will be approximately \$416 million, before consideration of any cash to be acquired. This acquisition is subject to the successful completion of the tender offer and the receipt of U.S. government approval.

On October 27, 1997, the Company and Digital Equipment Corporation ("Digital") announced that they have agreed to establish a broad-based business relationship. Under the agreement, Intel will purchase Digital's semiconductor operations, including facilities in Hudson, Massachusetts as well as development operations in Jerusalem, Israel and Austin, Texas for approximately \$700 million. The agreement is subject to U.S. government approval.

Management considers cash flow from operations and available sources of liquidity to be adequate to meet business requirements in the foreseeable future, including the acquisitions described above and planned capital expenditure programs, working capital requirements, the put warrant obligation and the dividend program.

Outlook

The 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 take into account the potential effects of future mergers or acquisitions.

The Company expects revenue for the fourth quarter of 1997 to be slightly up from third quarter revenue of \$6.2 billion. Revenue is partly a function of the mix of microprocessors and related motherboards and the mix of microprocessor types and speeds, all of which are difficult to forecast. 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. In addition, the Company expects to continue to reduce microprocessor prices systematically, focused on moving higher performance products into the mainstream.

Intel's primary strategy has been, and continues to be, to introduce ever-higher performance microprocessors. To implement this strategy, the Company plans to cultivate new businesses and continue to work with the software industry to develop compelling applications that can take advantage of this higher performance, thus driving demand toward the newer products. In line with this strategy, the Company introduced 200- and 233-MHz. mobile versions of the Pentium processor with MMX technology during the third quarter of 1997. Subsequent to the end of the quarter, the Company announced that the first member of its new family of 64-bit microprocessors, code named Merced(TM), is scheduled for production in 1999. The processor will be produced on Intel's 0.18 micron process technology, which is currently under development.

The Company expects the gross margin percentage in the fourth quarter of 1997 to be flat to slightly up from 58% in the third quarter. In the short-term, Intel's gross margin percentage varies primarily with revenue levels and product mix. The Company's goal continues to be to grow gross margin dollars, and the Company still believes that over the long-term, the gross margin percentage will be 50 percent plus or minus a few points. Intel's long-term gross margin percentage will vary depending on product mix.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Outlook (continued)

The gross margin percentage varies depending on the mix of types and speeds of processors sold and the mix of microprocessors and related motherboards within a product family. The Company's most advanced product, the Pentium II, is packaged with purchased components in a Single Edge Contact cartridge, and the inclusion of purchased components tends to increase absolute dollar margins but to lower the gross margin percentage. Various other factors, including unit volumes and costs, yield issues associated with production at factories, 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.

The Company has expanded manufacturing capacity over the last few years and continues to expand capacity based on the assumed continued success of its strategy. The Company currently expects capital expenditures for 1997 to be approximately \$4.5 billion. This spending plan is dependent upon expectations regarding manufacturing efficiencies, delivery times of various machines and construction schedules for new facilities. Depreciation for 1997 is expected to be approximately \$2.2 billion.

Spending on research and development and marketing, general and administrative expenses in the fourth quarter of 1997 is expected to be approximately 10 to 15 percent higher than the \$1.3 billion in the third quarter of 1997. Expense projections for the fourth quarter of 1997 incorporate expected seasonally higher spending on advertising and marketing. Expenses are dependent in part on the level of revenue.

The Company expects net interest and other (including interest expense) for the fourth quarter of 1997 to be approximately \$160 million, assuming no significant changes in cash balances or interest rates and no unanticipated items.

In September 1997, the Federal Trade Commission staff notified Intel that the Commission has begun an investigation of the Company's business practices. To date, no allegations have been made nor have any charges been filed. The Company has an aggressive program in place to make sure its business practices are in full compliance with federal laws in this area. In 1993, after a similar investigation, the FTC concluded that no further action was warranted and the investigation was closed. Although neither the extent nor the outcome of the investigation can be determined at this time, the Company expects that the current investigation will come to a similar conclusion.

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

revenues, pricing, new product development, gross margin, capital spending, depreciation, research and development expenses, marketing and general and administrative expenses, and net interest and other involve a number of risks and uncertainties. These statements do not take into account the potential financial and other effects of future mergers or acquisitions, including any one time charges, and related operational risks such as the Company's ability to successfully integrate any acquired businesses, enter new market segments and manage the growth of such businesses.

In addition to the factors discussed above, among the other factors that could cause actual results to differ materially are the following: business and economic conditions and growth in the computing industry in various geographic regions; changes in customer order patterns, including timing of delivery and changes in seasonal fluctuations in PC buying patterns; competitive factors, such as rival chip architectures and manufacturing technologies, competing software-compatible microprocessors, acceptance of new products and response to price pressures; risk of inventory obsolescence due to shifts in market demand; variations in inventory valuation; excess

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (continued)

Outlook (continued)

or shortage of purchased components; timing of software industry product introductions; continued success in technological advances and their implementation, including the manufacturing ramp; development, implementation and initial production of new strategic products and processes; excess or shortage of manufacturing capacity; unanticipated costs or other adverse effects associated with processors and other products containing errata (deviations from published specifications); risks associated with foreign operations; litigation involving intellectual property and consumer issues; and level of stock repurchases.

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, as discussed above, all of which are inherently difficult to forecast.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

A. Litigation

Reference is made to Item 3. Legal Proceedings, in the Registrant's Annual Report on Form 10-K for the year ended December 28, 1996 and to Part II, Item 1. Legal Proceedings, in the Registrant's Quarterly Report on Form 10-Q for the quarterly periods ended March 29, 1997 and June 28, 1997 for descriptions of the following and other legal proceedings.

Digital Equipment Corporation ("Digital") vs. Intel,
U.S. District Court, District of Mass. (97-40080)

The Company has filed a counterclaim against Digital for infringement of nine microprocessor-related (including manufacturing process) patents, and, in a separate action in District Court in Oregon, the Company has claimed that Digital infringes on six video and computer system patents.

On October 27, 1997, Intel and Digital announced that they have agreed to establish a broad-based business relationship as described in Note 12 under the heading "Intel Corporation, Notes to Consolidated Condensed Financial Statements" in Part I, Item 1 hereof. Among other matters, the two companies agreed to request a stay of all lawsuits until government approval of the agreement is obtained, following which the lawsuits would be dismissed with prejudice.

Item 2. Changes in Securities

(c) Unregistered sales of equity securities.

Reference is made to the information on sales of put warrants appearing in Note 8 under the heading "Intel Corporation, Notes to Consolidated Condensed Financial Statements" in Part I, Item 1 hereof. All such transactions are exempt from registration under Section 4 (2) of the Securities Act of 1933. Each transaction was privately negotiated and each offeree and purchaser was an accredited investor/qualified institutional buyer. No public offering or public solicitation was used by the registrant in the placement of these securities.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

11.1 Statement re: computation of earnings per share.

12.1 Statement setting forth the computation of ratios of earnings to fixed charges.

27 Financial Data Schedule.

(b) Reports on Form 8-K.

No reports on Form 8-K were filed with the Securities and Exchange Commission during the quarter ended September 27, 1997.

SIGNATURES

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

INTEL CORPORATION
(Registrant)

Date: November 10, 1997

By: /s/ Andy D. Bryant

Andy D. Bryant
Vice President, Chief Financial
Officer and Principal Accounting
Officer

INTEL CORPORATION
COMPUTATION OF EARNINGS PER SHARE (2)
(In millions, except per share amounts)

<TABLE>

	Three Months Ended		Nine Months Ended	
	Sept. 27, 1997	Sept. 28, 1996	Sept. 27, 1997	Sept. 28, 1996
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
PRIMARY SHARES CALCULATION:				
Reconciliation of weighted average number of shares outstanding to amount used in primary earnings per share computation:				
Weighted average number of shares outstanding	1,635	1,644	1,636	1,645
Add shares issuable from assumed exercise of options and warrants	162	126	162	124
	-----	-----	-----	-----
Weighted average number of shares outstanding as adjusted	1,797	1,770	1,798	1,769
	=====	=====	=====	=====
FULLY DILUTED SHARES CALCULATION:				
Reconciliation of weighted average number of shares outstanding to amount used in fully diluted earnings per share computation:				
Weighted average number of shares outstanding	1,635	1,644	1,636	1,645
Add shares issuable from assumed exercise of options and warrants	164	142	164	142
	-----	-----	-----	-----
Weighted average number of shares outstanding as adjusted	1,799	1,786	1,800	1,787
	=====	=====	=====	=====
NET INCOME	\$1,574	\$1,312	\$5,202	\$3,247
	=====	=====	=====	=====
PRIMARY EARNINGS PER SHARE	\$ 0.88	\$ 0.74	\$ 2.89	\$ 1.84
	=====	=====	=====	=====
(1) FULLY DILUTED EARNINGS PER SHARE	\$ 0.87	\$ 0.73	\$ 2.89	\$ 1.82
	=====	=====	=====	=====

<FN>

<F1>

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

<F2>

(2) A two-for-one stock split effected as a special stock distribution was paid on July 13, 1997 to stockholders of record as of June 10, 1997. All share and per share amounts reported herein have been adjusted to reflect the effects of this split.

</FN>

</TABLE>

Exhibit 12.1

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

(in millions)

<TABLE>

	Nine Months Ended	
	Sept. 27, 1997	Sept. 28, 1996
<S>	<C>	<C>
Income before taxes	\$ 8,065	\$ 4,995
Add fixed charges net of capitalized interest	33	23
	-----	-----
Income before taxes and fixed charges (net of capitalized interest)	\$ 8,098	\$ 5,018
	=====	=====
Fixed charges:		
Interest	\$ 20	\$ 14
Capitalized interest	7	23
Estimated interest component of rental expense	13	9
	-----	-----
Total	\$ 40	\$ 46
	=====	=====
Ratio of earnings before taxes and fixed charges, to fixed charges	202	109
	=====	=====

</TABLE>

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This schedule contains summary information extracted from Intel Corporation's CONSOLIDATED CONDENSED STATEMENTS OF INCOME and CONSOLIDATED CONDENSED BALANCE SHEETS and is qualified in its entirety by reference to such financial statements.

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<FN>

<F1> Item consists of put warrants.

<F2> Item consists of research and development.

<F3> Item shown net of allowance, consistent with the balance sheet presentation.

<F4> Item not reported because immaterially different from primary EPS.

</FN>

</TABLE>