

*Computer-Supported
Collaboration: Making
Business Work Better*

**ANNUAL
REPORT
1991**

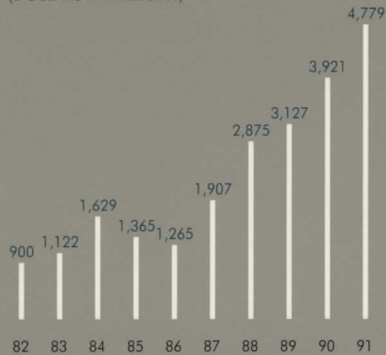
FINANCIAL HIGHLIGHTS

(Dollars in thousands — except per share amounts)

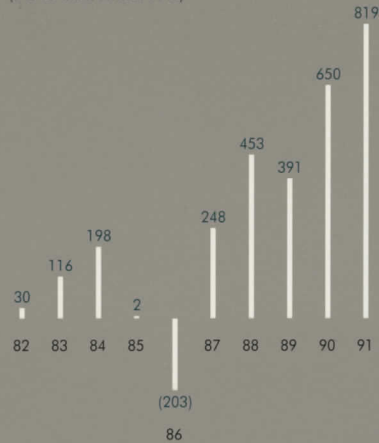
	1991	1990	1989
Net revenues	\$4,778,616	\$3,921,274	\$3,126,833
Income:			
Before taxes	\$1,194,629	\$ 986,261	\$ 583,021
Net	\$ 818,629	\$ 650,261	\$ 391,021
Net per share	\$ 3.92	\$ 3.20	\$ 2.07
Return on revenues:			
Before taxes	25.0%	25.2%	18.6%
Net	17.1%	16.6%	12.5%
Return on average stockholders' equity	20.4%	21.2%	16.9%

See pages 29-30 for a brief description of our industry segment reporting.

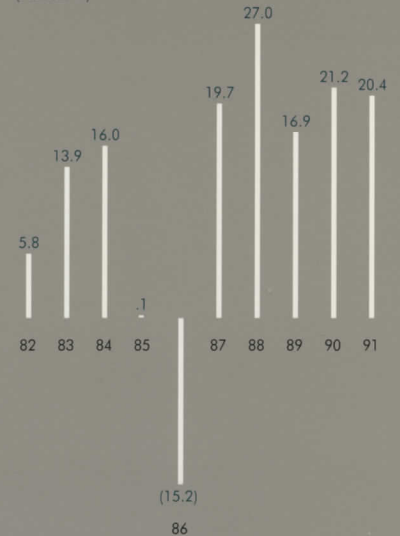
NET REVENUES
(DOLLARS IN MILLIONS)



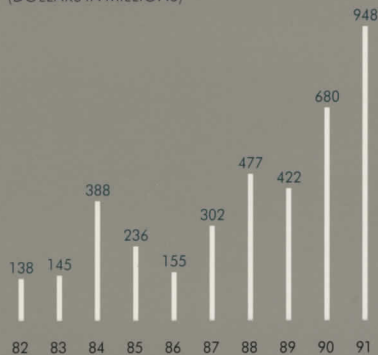
NET INCOME (LOSS)
(DOLLARS IN MILLIONS)



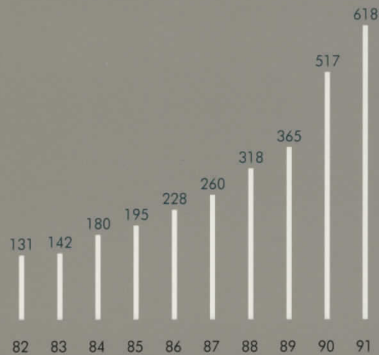
RETURN ON AVERAGE STOCKHOLDERS' EQUITY
(PERCENT)



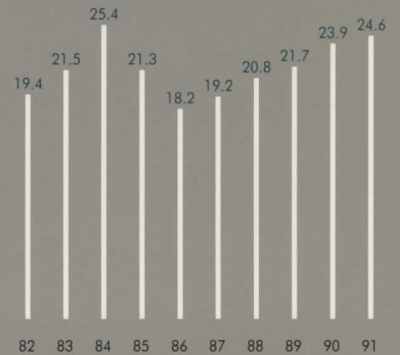
CAPITAL ADDITIONS
TO PROPERTY, PLANT AND EQUIPMENT
(DOLLARS IN MILLIONS)



RESEARCH AND DEVELOPMENT
(DOLLARS IN MILLIONS)



EMPLOYEES
AT YEAR END (IN THOUSANDS)



A rapid market transition to our newest-generation microprocessors fueled Intel's continued growth in 1991, producing record results for the year. Both revenues and earnings per share were up 22 percent over 1990.

SUPPORTING A STRONG PRODUCT TRANSITION

Computers based on our "second-wave" products—Intel486™ CPUs for desktop computers and Intel386™ SL microprocessors for notebook computers—are displacing machines based on the earlier "first wave" of Intel 32-bit microprocessors. We shipped 2 million second-wave CPUs in 1991, setting a record for new product ramps.

Committed to expanding manufacturing capacity for high-performance microprocessors, we spent close to \$1 billion on capital programs in 1991. This included the new 0.8-micron chip production line in Rio Rancho, New Mexico, which began production in mid-year, as well as the opening of a new systems plant in Ireland and the "sod-breaking" for our Irish wafer production plant.

On the other side of this coin, we phased out production at older chip fabrication facilities in Santa Clara and Livermore, California, and at our Singapore systems plant.

We are also supporting the market's rapid transition with an aggressive advertising program.



Intel's most complex and powerful microprocessors are produced in the ultra-clean environment of this new wafer fabrication facility in Rio Rancho, NM.

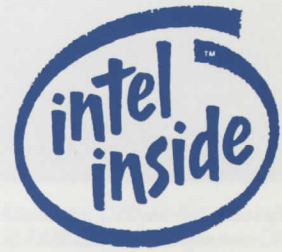
Our Intel Inside™ cooperative program, aimed at creating a PC-user preference for Intel 32-bit CPU-based PCs, has enlisted 342 original equipment manufacturers (OEMs) to date. The Intel Inside logo appeared on approxi-

mately 3000 pages of these companies' advertising in 1991. Another campaign, including a venture into TV advertising, educates PC users about the easy upgradability offered by many new Intel486 SX CPU-based PCs.

INDUSTRY TRENDS In a year of considerable turmoil in the PC industry, the Intel X86 architecture was generally acknowledged as the "port of choice" for the principal desktop computing software environments. Most major operating systems and software applications available today are aimed at the Intel standard. For the future, companies such as Microsoft (Windows NT), Sun Microsystems (SunSoft Solaris 2.0), the new Apple/IBM joint venture (Taligent's operating system) and NeXT Inc. (NeXTstep/486) have all announced that their operating systems will be ported to the Intel architecture. No other microprocessor offers the same range of operating-system options as the Intel386/Intel486 standard.

According to preliminary Dataquest estimates, Intel became the largest U.S. semiconductor supplier in 1991, passing Motorola. Worldwide, Intel became the second largest integrated circuit producer, passing Hitachi and Toshiba. Over the past five-year period, Intel's average annual compound growth rate of 32.6 percent in semiconductor revenues ranks first among the world's top ten semiconductor producers.

Following global trends, in 1991, Intel's international business exceeded our domestic business for the first time. Sales in Europe increased to more than \$1 billion.



Promoting the computer inside: the Intel Inside™ logo appeared on approximately 3000 pages of our customers' advertisements in 1991.



Epson's NB-SL/25C notebook PC was one of 54 Intel386™ SL microprocessor-based notebook PCs introduced in 1991.

NEW PRODUCTS

The Intel486 SX CPU, introduced in April, offers twice the power of an Intel386 CPU at the same clock speed. This processor is rapidly gaining acceptance as the new engine for mainstream

desktop computing. • New standards in supercomputing were set in 1991 with the installation of the Intel Touchstone Delta system, the world's fastest installed computer, at the California Institute of Technology. The introduction of Intel's next-generation Paragon™ supercomputer brings this high-end parallel computing power to commercial users for the first time. • The i860™ XP microprocessor, introduced in June, is a second-generation microprocessor that is garnering design wins in high-end supercomputing and parallel processing applications, and in visualization and graphics systems. • The 23 local area networking (LAN) products introduced in September are meeting with excellent acceptance, with LAN adapter demand well beyond original expectations. • Intel's position in multimedia was strengthened by the joint announcement with IBM of the ActionMedia™ II products, which won the Best of Show award at the COMDEX trade show in October.

CUSTOMER PARTNERSHIPS We continue to work closely with our customers to ensure progress toward com-



The massively parallel Touchstone Delta supercomputer uses hundreds of i860™ and i386™ CPUs to solve the most demanding computational problems. Intel Fellow Justin Rattner is the Director of Technology for the Supercomputer Systems Division.

mon goals, marked by the following key events:

- We were honored to be the first semiconductor company in the world to receive the NEC Second Office Automation Division's "zero-defect award," as well as its "partnership award." The award reads, in part, "You have made a significant contribution to our success by meeting our requirements in the areas of quality, cost and delivery, in spite of difficult business circumstances." • We announced, with IBM, the formation of the Robert N. Noyce Development Center in Boca Raton, Florida. The 100 employees of the joint design center, named for late Intel co-founder Robert Noyce, will design very highly integrated microprocessors. Intel's 10-year technology agreement



NEC's Second Office Automation Division honored Intel as the only semiconductor manufacturer, including Japanese suppliers, to receive its "zero-defect award."

with IBM continues the close relationship between the two companies. • In January 1992, Intel and the Defense Advanced Research Projects Agency (DARPA) announced a joint research program to accelerate development of computer systems capable of sustaining one trillion floating point operations per second (teraFLOPS). DARPA plans to contribute approximately \$21 million over five years to the jointly funded effort.

PROTECTING INTEL'S INTELLECTUAL PROPERTY

We were pleased with several favorable court rulings which included dismissal of a major portion of the antitrust suit filed by Advanced Micro Devices, Inc., two decisions preventing patent infringers from using licensed foundries to avoid infringement, and dismissal of five separate antitrust suits filed as counterclaims in response to various Intel cases. As imitations of our products continue to appear in the market, we will continue to protect

our intellectual property and, if necessary, defend against its illegal use by other companies.

COMMUNITY NEWS In 1991, we were pleased to announce that we have completely eliminated ozone-depleting substances from our worldwide systems manufacturing processes. We believe we are the world's first electronics company to do this. This milestone marks the first of three phases that will make all our manufacturing processes CFC-free by the end of 1992.

The Intel Corporation Foundation funded several significant programs in 1991, including co-sponsoring the Intel/Department of Energy National Science Bowl for hundreds of teenagers across the country, and underwriting the popular public television series, *Square One TV*, a math and science program for elementary school students.

A VIEW TO '92 After a turbulent year for the PC industry, Intel emerges from 1991 in a strong position. We believe that the coming year will bring a reordering of the market, driven by advances in microprocessor technology and new distribution channels for PC systems. Our new P5 micro-

processor, expected to be introduced in the summer of 1992, will extend the high end of our compatible family, with Intel486 CPU-based machines becoming the business desktop standard, and Intel386 CPU-based PCs, increasingly available at prices below \$1000, offering an attractive entry point for first-time users. With continued R&D and capital development, we intend to continue as an aggressive competitor on all three market tiers.

We see exciting possibilities for the future of the PC industry. The proliferation of technologies such as networking and multimedia will bring increased opportunity for Intel products. The feature section of this report explores the technologies of "computer-supported collaboration," which is key to making PCs more beneficial to users in the next decade.



Close Call, *Square One TV*'s quiz show, challenges kids to use their mathematical know-how. The public television program is underwritten by the Intel Corporation Foundation.



GORDON E. MOORE
Chairman of the Board

CRAIG R. BARRETT
Executive Vice President

ANDREW S. GROVE
President and Chief Executive Officer

In 1991, the Intel386™ and Intel486™ microprocessor family solidified its position as the 32-bit standard for business computing — from top to bottom. Intel386 and Intel486 microprocessors have become the most common computing platform for notebook, laptop and desktop PCs, as well as fueling workstations, servers and mainframes in both single-processor and multiprocessor configurations. Increasingly, large companies such as NCR are choosing to base their entire computing lines on Intel386 and Intel486 microprocessors. Worldwide, an estimated 90 million computers in use today are based on Intel X86 microprocessors.

It's historic: for the first time, a stable 32-bit microprocessor architecture spans the entire range of computing options. What this means for systems manufacturers and their customers is unquestioned compatibility, upgradability and connectivity throughout their product lines. The Intel386 and Intel486 architecture protects manufacturers' and PC users' investments for the future. Intel's pledge to make all future X86 processors 100-percent compatible with today's versions means continuous innovation with continued compatibility, across the spectrum of computing applications.

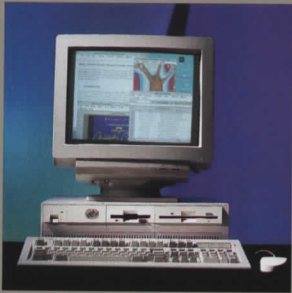


Compaq's Desktop Expansion Base instantly transforms a COMPAQ LTE 386s/20 notebook computer into a full-featured office personal computer.

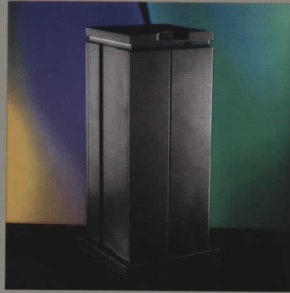


The Intel386™ SL microprocessor provides compact, power-conserving performance in Zenith Data Systems' MastersPort 386SLe notebook PC — one entry in the booming X86-based portable PC market.

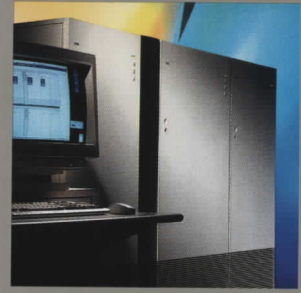




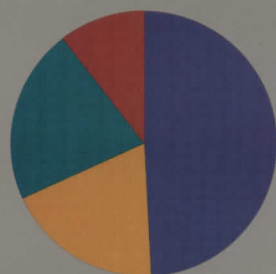
Based on the Intel486™ micro-processor, desktop PCs such as IBM's PS/2 Model 90 XP 486 are becoming the new business computing standard.



Combining the power of 10 Intel processors, including a 50-MHz Intel486 system processor, NetFRAME's NF450FT server for LAN-based applications handles the needs of most large client-server applications.



Taking chip power to the highest levels, NCR's System 3600 massively parallel general purpose computer is aimed at the most demanding mission-critical applications. Completely scalable to the customer's needs, the system is fueled by as few as 12 or as many as 288 Intel486 micro-processors.



**GEOGRAPHIC BREAKDOWN
OF SALES**
(PERCENT)

- Americas: 49
- Europe: 22
- Asia Pacific: 19
- Japan: 10

HISTORY AND MISSION Intel was founded in 1968 with the vision of designing and manufacturing very complex integrated circuits, or silicon "chips." The company's first products were semiconductor memory circuits, which remain an important part of Intel's business today. In 1971 Intel introduced the world's first microprocessor, a development that changed not only the future of the company, but much of the industrial world. Increasingly, Intel's business direction has been set by the directions that the microprocessor revolution has taken.

Today, Intel is a leading supplier of microcomputer components, modules and systems. Most of the company's activities are focused on extending and enhancing the worldwide business computing hardware standard that started with the introduction of the Intel microprocessor-based IBM PC ten years ago.

Today's desktop and portable systems deliver computing performance hundreds of times that of the original PC and approaching that of mainframe and minicomputers. These powerful yet inexpensive computers are being connected into networks that allow many types of data to be shared. Intel's mission is to supply the building blocks that allow this "new computer industry" to grow.

MAJOR CUSTOMERS Intel sells its microcomputer components, modules and systems directly to com-

panies that incorporate them into their products. These are primarily computer systems manufacturers, but also include manufacturers of automobiles and a wide range of industrial and telecommunications equipment. Sales to electronics distributors account for about one-fourth of sales.

In addition, enhancement products for personal computers are sold through a network of more than 8400 retail computer stores. Intel also sells supercomputers and certain networking products directly to end users.

MAJOR PRODUCTS **Microprocessors** are the central control units that direct the processing of data in PCs and other computer systems. The popular Intel386™ and Intel486™ microprocessors are the "brains" of most computer systems sold today. Intel is the world's leading supplier of microprocessors.

Microprocessor peripherals work with microprocessors to handle specific functions such as numerical calculations and control of disk drives and memory devices. **Multimedia products**, based on DVI® technology, bring multimedia capability, including full-motion, interactive video, to PC systems.

Micro-controllers are microcomputers programmed to perform specific functions in such products as automobile engines, laser printers, disk drives, home appliances, VCRs, etc. **EPROMs** store programs for microprocessors and microcontrollers, retaining their data even when system power is turned off. **Flash**

memory devices offer the same advantage as EPROMs, plus the ability to be reprogrammed frequently and easily. **OEM modules and systems**

are based on Intel components and sold to OEMs who integrate them into their products. **Intel's super-**

computer systems are very high performance computers utilizing many microprocessor modules working in parallel. While primarily used for solving demanding scientific and engineering problems, such "massively parallel" computers are increasingly finding their way into business and financial applications as well. **PC enhancement products** are

add-in boards, components and software sold through retail computer stores to PC users who want to upgrade their systems. These include products that allow users to connect to PC networks or to boost the computing power of their systems.



“Has the PC really changed the way businesses work? We all know that business does not usually consist of people sitting quietly at PCs running spreadsheets. Most office workers spend the majority of their time in meetings and conversations, fighting fires, solving problems.”

In its first decade, the personal computer dramatically changed the way people work. Volumes have been written about how spreadsheets and word processing programs have changed individual work habits and facilitated accomplishment of basic tasks.

Yet has the PC really changed the way *businesses* work? We all know that business does not usually consist of people sitting quietly at PCs running spreadsheets. Most office workers spend the majority of their time in meetings and conversations, fighting fires, solving problems.

In this environment, success depends on getting information from place to place quickly. Fax machines, cellular phones and express mail all illustrate business' addiction to speedy information exchange.

As the pace of competition picks up, we come to the threshold of “just-in-time business,” where getting the right information to where it's needed quickly may become the primary competitive advantage.

We at Intel believe that just-in-time business will be achieved through “**computer-supported collaboration.**” This is cooperative work facilitated by interconnected, interactive electronic communications. In this environment, all forms of data can be easily shared from anywhere to anywhere. Interaction takes place naturally, despite barriers of space and time. The worldwide computer infrastructure becomes a communications infrastructure, aimed at helping users meet their business needs faster.

To achieve this, we must leave behind the constraints of “first-decade” personal computing: keyboard dependence, text-based orientation, stand-alone computing. The key to many of these developments lies in the kind of silicon technology that Intel provides to the computing industry.

In the following pages, we look at what Intel is doing to support the technologies of computer-supported collaboration and to make faster, better problem-solving a reality.



Intel's microprocessors pack the raw computing power to drive a broad range of computing solutions.

PROCESSING POWER



Intel386™ and Intel486™ microprocessors fuel a wide range of business PC solutions, from entry-level systems to high-performance business workstations. At the high end, Dell Computer Corp.'s innovative new PC architecture harnesses the power of the Intel486 CPU to provide high-resolution, workstation-quality graphics.



Many of today's high-performance Intel486 SX CPU-based PCs are designed to allow for easy power upgrades in the future. Single-chip upgrade processors, to be introduced by Intel in 1992, will double CPU performance. The upgrade processor simply plugs into an empty socket next to the CPU.



For Grant Tensor Geophysical Corp., Intel microprocessor power strikes pay dirt. The Houston, Texas-based data processing firm uses four iPSC®/860 parallel supercomputers to analyze seismic data in search of oil deposits.

At the most fundamental level, the technologies of computer-supported collaboration depend on processing power. From graphical user interfaces to rapid, high-level computational analysis, Intel's powerful microprocessors drive a wide range of computing solutions.

For most business users, Intel386™ and Intel486™ microprocessors drive today's power-hungry software applications such as desktop publishing packages, spreadsheets, graphical user interfaces and even computer-aided design (CAD). And the Intel X86 family's 100-percent compatibility with earlier Intel CPU-based systems means it will run all the software written for those earlier PCs.

But what about tomorrow's software? Users want their machines to grow in power so that they can keep up with the latest applications. Now, new upgradable Intel486 SX CPU-based PCs provide users with an easy, affordable way to prevent PC obsolescence. With many systems, users will simply plug an upgrade chip into an existing socket on the motherboard. This upgrade will double the CPU's power, boosting overall system performance by as much as 70 percent.

At the high end, Intel is also a leader in the new field of parallel supercomputers. During 1991, Intel's Supercomputer Systems Division delivered the world's fastest computer to a consortium of laboratories led by the California Institute of Technology. In this system, 528 advanced microprocessors work together to solve highly complex scientific problems such as global climate modeling and pattern recognition of DNA sequences in human genes.

This leading-edge computing power is finding more and more applications in business and finance as well. With the success of its iPSC®/860 systems, Intel's Supercomputing Systems Division is the number-one supplier of parallel supercomputers worldwide, based on units sold.

Being on the move shouldn't be a liability. PC users want to take their data—and their power—anywhere. They want full desktop capabilities and connectivity in portable form.

The miniaturization of PC power represents some of the industry's most innovative efforts in recent years. With worldwide notebook PC sales booming by 83 percent in 1991 and projected to grow by another 57 percent in 1992, it's clear that users are becoming increasingly dependent on mobile computing power.

But there is a long way to go. Computer-supported collaboration will depend on users being able to send and receive any kind of data from anywhere to anywhere. This means that portable PCs must become as powerful, as graphically rich and as easily networked as their desk-bound brothers.

Packing power into tiny chips of silicon, Intel is working to provide full-scale computing capabilities in a scaled-down form. The Intel386™ SL microprocessor and its accompanying input/output module consolidate all the critical logic functions of a full 32-bit PC system into just two chips. Capitalizing on this high-integration technology, 46 PC manufacturers introduced 54 Intel386 SL CPU-based portable PCs in 1991.

A weak area in portable computers has been their ability to be upgraded and connected. As the machines become smaller, it becomes impossible to plug in standard PC add-in cards.

One solution: Intel's new exchangeable card architecture (ExCA™) standard, which allows a variety of small, low-power-consumption peripherals to be plugged directly into notebook PCs. Today, cards based on this standard are available for memory and modems. Soon we will see networking interfaces, fax modems and even wireless networking coming to portable PCs, all thanks to the ExCA standard.



Today's hottest portables, such as Sharp's PC-6881 notebook PC, pack a full-color active matrix display and the power of an Intel386™ SL microprocessor into a notebook-sized, lightweight package.



NCR's 3125 notepad PC depends on the Intel386 SL CPU and Intel's flash memory components and cards. The new stylus-based system makes input as easy as scribbling on a notepad.



Intel's exchangeable card architecture (ExCA™) specification outlines how to design system and add-in cards into portable PCs. Cards for modems, flash memory, fax and network connections based on the ExCA standard will make portables as capable as desktop PCs.



Users want the ultimate in convenience: full-scale technology in a portable format.



RAFAEL

Seeking easy, instant communication, users around the world are linking up via PC networks.

INTERCONNECTION MADE EASY



Intel's EtherExpress™ and TokenExpress™ cards let even intimidated users hook themselves up to PC networks. The card just slips into an open slot in the PC, making installation a snap.



New remote troubleshooting packages such as Intel's NetSight software make network administrators more efficient; they can diagnose and fix users' systems without leaving their offices.



Based on Intel's powerful i960™ microprocessor, the modules in Ungermann-Bass, Inc.'s Access/One Enterprise networking hub provide bandwidth on demand for complex communications, such as graphics files and video e-mail. Each hub connects hundreds of systems—from PCs to mainframes—for real-time multimedia data transmission.

To make computer-supported collaboration possible, PC users must be connected. And increasingly, users seeking easy, instant communication are linking up via PC networks. The stand-alone computer is a thing of the past.

However, this transition is hindered by the fact that PC networks historically have been difficult to build, use and maintain. Thousands of harassed network administrators spend their time installing and maintaining networks, and thousands of isolated users struggle to find easy, cost-effective ways to join PC networks.

Soon, all new PCs will include a network connection as a standard ingredient—just as they now include a printer connection. In the meantime, Intel is helping connect today's users through a variety of easy-to-use add-in networking products.

The EtherExpress™ and TokenExpress™ network cards are a snap to install, letting users hook up to networks as easily as plugging in a phone. And once users are connected, the NetSight remote diagnostic system helps solve any networking problems that may arise. This remote troubleshooting package allows network administrators to access and configure users' systems without leaving their offices, making them more efficient. These are just a few of the 23 new networking products introduced by Intel's Personal Computer Enhancement Division in September.

At the high end, Intel's i960™ microprocessor fuels new wider-bandwidth networking systems that can transfer complex multimedia files among hundreds of users. These products are helping create the networking infrastructure needed to support the computing demands of the next decade.

The first PC was designed to work with text only. Over time, the availability of color, improved resolution and faster processors led to the development of richer graphical applications. Today, the PC's original text-based orientation is being extended by a wide range of more natural data types such as voice and video.

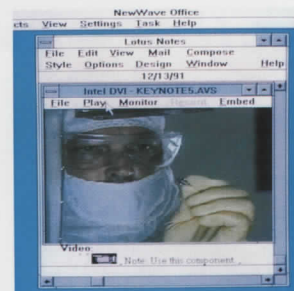
Thanks to breakthroughs in data-compression technology, use of *computer-captured* data such as video, faxes and photos is becoming more common. At the same time, *computer-generated* graphical data, such as 3D graphics, charts and animation packages, is also on the upswing. With all these types of data easily accessible to users, the PC will become a truly user-friendly communications tool.

Not surprisingly, the more complex the software, the more processing power it needs to run at acceptable performance levels. Intel processors are built to handle the demands of these richer data types.

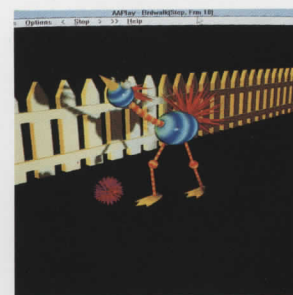
The silicon power of the company's processors based on DVI® multimedia technology compresses and decompresses photos, sound and even video, enabling a full range of multimedia applications on the PC. The ActionMedia™ II add-in cards and software, developed with IBM, won the Best Of Show award at this year's Fall COMDEX, the PC industry's largest trade show.

The i860™ microprocessor, built into many PC add-in cards, provides computational acceleration to improve the performance of computer-generated graphic programs.

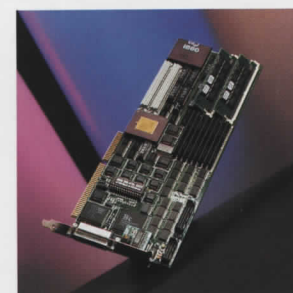
In addition, Intel works with original equipment manufacturers to design PC architectures that maximize the processing power of the Intel486 microprocessor family for graphics. These trends will continue until rich graphics capabilities become standard on all PCs.



Rich applications such as this video e-mail program, powered by Intel's i750® video processors, are completely within range of today's technology. As video e-mail becomes a standard PC feature, communication via PC will become as human and intuitive as picking up the phone.



In many new PC designs, the graphics bus is connected directly to the local processor bus, breaking up the graphics bottleneck and letting users reap the benefits of the powerful Intel486™ CPU that runs the machine. This unique graphics bus architecture allows for incredibly rich graphics performance, as shown in this animation package.



The Hercules SUPERSTATION^{3D} high-speed graphics adaptor, based on Intel's i860™ microprocessor, lets users plug additional processing power into their PCs for maximum graphics performance.



Increasing silicon capability enables video, text and still images to come together in richer, more natural PC applications.

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CONSOLIDATED STATEMENTS OF INCOME

THREE YEARS ENDED DECEMBER 28, 1991

(In thousands—except per share amounts)

	1991	1990	1989
Net revenues	\$4,778,616	\$3,921,274	\$3,126,833
Cost of sales	2,315,559	1,930,288	1,720,979
Research and development	618,048	516,747	365,104
Marketing, general and administrative	765,069	615,904	483,436
Operating costs and expenses	3,698,676	3,062,939	2,569,519
Operating income	1,079,940	858,335	557,314
Interest expense	(81,786)	(99,363)	(96,127)
Interest income and other, net	196,475	227,289	121,834
Income before taxes	1,194,629	986,261	583,021
Provision for taxes	376,000	336,000	192,000
Net income	\$ 818,629	\$ 650,261	\$ 391,021
Earnings per common and common equivalent share	\$ 3.92	\$ 3.20	\$ 2.07
Weighted average common and common equivalent shares outstanding	208,989	202,911	188,778

See accompanying notes.

CONSOLIDATED BALANCE SHEETS
DECEMBER 28, 1991 AND DECEMBER 29, 1990
1991
1990
(In thousands — except per share amounts)
Assets

Current assets:		
Cash and cash equivalents	\$1,519,047	\$1,619,648
Short-term investments (at cost, which approximates market)	757,602	165,239
Accounts receivable, net of allowance for doubtful accounts of \$9,234 (\$8,216 in 1990)	698,171	709,658
Inventories	422,300	415,433
Prepaid taxes on income	181,161	144,583
Other current assets	25,740	64,620
Total current assets	3,604,021	3,119,181
Property, plant and equipment:		
Land and buildings	1,097,526	961,368
Machinery and equipment	2,288,200	1,764,623
Construction in progress	258,430	87,614
	3,644,156	2,813,605
Less accumulated depreciation	1,481,433	1,156,037
Property, plant and equipment, net	2,162,723	1,657,568
Long-term investments (at cost, which approximates market)	479,752	561,477
Other non-current assets	45,608	38,082
Total assets	\$6,292,104	\$5,376,308
Liabilities and Stockholders' Equity		
Current liabilities:		
Short-term debt	\$ 173,258	\$ 171,330
Commercial paper	—	31,897
Long-term debt redeemable in 1991	—	75,369
Accounts payable	168,836	209,365
Deferred income on shipments to distributors	121,741	120,789
Accrued compensation and benefits	369,086	254,760
Other accrued liabilities	243,130	209,140
Income taxes payable	151,716	241,101
Total current liabilities	1,227,767	1,313,751
Long-term debt	362,529	344,605
Deferred taxes on income	143,956	126,446
Put warrants	140,000	—
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.001 par value, 50,000 shares authorized; none issued	—	—
Common stock, \$.001 par value, 350,000 shares authorized; 203,923 issued and outstanding in 1991 (199,651 in 1990)	204	200
Capital in excess of par value	1,640,432	1,572,555
Retained earnings	2,777,216	2,018,751
Total stockholders' equity	4,417,852	3,591,506
Total liabilities and stockholders' equity	\$6,292,104	\$5,376,308

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

THREE YEARS ENDED DECEMBER 28, 1991

(In thousands)

	1991	1990	1989
Cash and cash equivalents, beginning of year	\$1,619,648	\$1,063,734	\$ 929,712
Cash flows provided by (used for) operating activities:			
Net income	818,629	650,261	391,021
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	418,252	292,431	237,160
Net loss on retirements of property, plant and equipment	24,882	13,597	23,351
Amortization of debt discount	16,228	14,351	12,603
Change in prepaid and deferred taxes on income	(19,068)	(1,789)	30,684
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable	11,487	(140,949)	(62,232)
(Increase) decrease in inventories	(6,867)	(68,356)	18,859
Decrease (increase) in other assets	31,354	(33,785)	(10,546)
(Decrease) increase in accounts payable	(40,529)	44,013	12,810
Tax benefit for employee stock plans	35,246	21,724	14,928
Increase in other liabilities	59,883	226,415	35,163
Total adjustments	530,868	367,652	312,780
Net cash provided by operating activities	1,349,497	1,017,913	703,801
Cash flows provided by (used for) investing activities:			
Additions to property, plant and equipment	(948,289)	(679,546)	(422,102)
Sales and maturities of investments	36,756	38,261	69,607
Additions to investments	(547,394)	(237,663)	(159,295)
Net cash (used for) investing activities	(1,458,927)	(878,948)	(511,790)
Cash flows provided by (used for) financing activities:			
Additions to (repayment of) short-term debt, net	1,928	33,468	(59,855)
(Decrease) increase in commercial paper, net	(31,897)	31,897	(17,000)
Additions to long-term debt	1,696	1,288	286
Retirement of long-term debt	(75,369)	(20,422)	(44,220)
Proceeds from sales of shares through employee stock plans and other	98,252	79,668	62,800
Proceeds from exercise of warrants, net	-	393,426	-
Proceeds from sale of put warrants	14,219	-	-
Repurchase and retirement of common stock	-	(102,376)	-
Net cash provided by (used for) financing activities	8,829	416,949	(57,989)
Net (decrease) increase in cash and cash equivalents	(100,601)	555,914	134,022
Cash and cash equivalents, end of year	\$1,519,047	\$1,619,648	\$1,063,734
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	\$ 58,500	\$ 68,400	\$ 82,300
Income taxes	\$ 447,500	\$ 241,500	\$ 136,000

Certain 1989 and 1990 amounts have been reclassified to conform to the 1991 presentation. See accompanying notes.

**CONSOLIDATED STATEMENTS
OF STOCKHOLDERS' EQUITY**

THREE YEARS ENDED DECEMBER 28, 1991 <i>(In thousands)</i>	COMMON STOCK		CAPITAL IN EXCESS OF PAR VALUE	RETAINED EARNINGS	TOTAL
	NUMBER OF SHARES	AMOUNT			
Balance at December 31, 1988	180,540	\$181	\$1,087,467	\$ 992,406	\$2,080,054
Proceeds from sales of shares through employee stock plans, tax benefit of \$14,928 and other	3,976	4	77,724	—	77,728
Net income	—	—	—	391,021	391,021
Balance at December 30, 1989	184,516	185	1,165,191	1,383,427	2,548,803
Proceeds from sales of shares through employee stock plans, tax benefit of \$21,724 and other	4,243	4	101,388	—	101,392
Proceeds from exercise of warrants, net	14,103	14	393,412	—	393,426
Repurchase and retirement of common stock	(3,211)	(3)	(87,436)	(14,937)	(102,376)
Net income	—	—	—	650,261	650,261
Balance at December 29, 1990	199,651	200	1,572,555	2,018,751	3,591,506
Proceeds from sales of shares through employee stock plans, tax benefit of \$35,246 and other	4,272	4	133,494	—	133,498
Proceeds from sales of put warrants	—	—	14,219	—	14,219
Reclassification of put warrant obligation	—	—	(79,836)	(60,164)	(140,000)
Net income	—	—	—	818,629	818,629
Balance at December 28, 1991	203,923	\$204	\$1,640,432	\$2,777,216	\$4,417,852

See accompanying notes.

ACCOUNTING POLICIES

FISCAL YEAR

Intel Corporation has a fiscal year that ends the last Saturday in December. Fiscal years 1991, 1990 and 1989, each 52-week years, ended on December 28, 29 and 30, respectively. The next 53-week year will end on December 31, 1994.

BASIS OF PRESENTATION

The consolidated financial statements include the accounts of Intel Corporation and all of its wholly-owned subsidiaries. Investments in joint ventures are accounted for under the equity method. Accounts denominated in foreign currencies have been translated in accordance with Statement of Financial Accounting Standards (FAS) No. 52 "Foreign Currency Translation," using the U.S. dollar as the functional currency.

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 an average or first-in, first-out basis). Market is based upon estimated average selling price reduced by normal gross margin. Inventories at fiscal year-ends are as follows:

(In thousands)	1991	1990
Materials and purchased parts	\$ 70,570	\$ 78,409
Work in process	147,951	140,134
Finished goods	203,779	196,890
Total	\$422,300	\$415,433

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost. Depreciation is computed for financial reporting purposes principally by use of the straight-line method over the estimated useful lives of the assets. Accelerated methods of computing depreciation are used for tax purposes.

**DEFERRED INCOME ON SHIPMENTS
TO DISTRIBUTORS**

Certain of Intel's sales are made to distributors under agreements allowing price protection and 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.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are highly liquid investments with insignificant interest rate risk and original maturities of three months or less.

INTEREST

Interest related to contractual agreements to hedge certain investment positions and debt (see Other Financial Instruments) is recorded as net interest income or net interest expense on a monthly basis. Interest expense capitalized as a component of construction costs was \$6.0 million, \$3.1 million and \$6.0 million for 1991, 1990 and 1989, respectively.

ACCOUNTING FOR INCOME TAXES

During fiscal year 1988, the Company adopted accounting for income taxes pursuant to FAS No. 96 effective as of the beginning of fiscal year 1986.

**EARNINGS PER COMMON AND
COMMON EQUIVALENT SHARE**

Earnings per common and common equivalent share is computed using the weighted average number of outstanding common shares and dilutive common equivalent shares outstanding. Fully diluted earnings per share has not been presented as part of the consolidated statements of income because the differences are insignificant.

COMMON STOCK

STOCK REPURCHASE PROGRAM

In August 1990, the Board of Directors of Intel Corporation authorized the repurchase of up to 20 million shares of the Company's Common Stock in open market or negotiated transactions. The Company made no such repurchases in 1991. (See Put Warrants.) During 1990 approximately 3.2 million shares at a cost of \$102.4 million were repurchased and retired.

WARRANTS

On May 20, 1985, the Company issued \$236.5 million aggregate principal amount of zero coupon notes (see Borrowings) with detachable warrants. The warrants entitled the holders to purchase 8.9 million shares of Common Stock at a price of \$26.67 per share through May 15, 1995. In March 1990, the Company announced the acceleration of the expiration to April 24, 1990, as permitted under the terms of the Warrant Agreement. Subsequently, in April 1990, 8.9 million shares of Common Stock were issued for net proceeds of \$236.0 million.

On April 1, 1987, the Company issued warrants that entitled the holders to purchase 5.25 million shares of Common Stock at a price of \$30 per share through March 15, 1992. In June 1990, the Company announced the acceleration of the expiration date to July 25, 1990, as permitted under the terms of the Warrant Agreement. Accordingly, net proceeds of \$157.4 million were received and 5.2 million shares of Common Stock were issued in July 1990.

COMMON STOCK PURCHASE RIGHTS

In April 1989, the Board of Directors of Intel Corporation authorized the issuance of one Common Stock Purchase Right (a "Right") for each share of Common Stock. The Rights trade automatically with shares of Intel's Common Stock and may not be exercised or traded separately until certain events occur, including the announcement of an offer to acquire at least 20% of Intel's outstanding Common Stock. After becoming exercisable, each Right entitles its holder to purchase one share of Common Stock of Intel at \$120 per share. In addition, after any person (an "Acquiring Person") acquires 20% or more of Intel's outstanding Common Stock in a transaction which the Board of Directors has not determined to be in the best interests of Intel and its stockholders, each Right (other than those held by the Acquiring Person) entitles its holder to purchase for the exercise price that number of shares of Common Stock having a market value of two times the exercise price. Also, if after a person has become an Acquiring Person, Intel is a party to a merger or other business combination, each Right (other than Rights held by the Acquiring Person) entitles its holder to purchase for the exercise price that number of shares of common stock of the surviving corporation worth two times the exercise price.

At any time before the tenth day after a person becomes an Acquiring Person, Intel may redeem the Rights, in whole but not in part, at a redemption price of \$.01 per Right. In addition, at any time after a person becomes an Acquiring Person and prior to such Acquiring Person owning 50% or more of the outstanding Common Stock, Intel may exchange the Rights (other than Rights held by the Acquiring Person) in whole or in part, at an exchange ratio of one Common Share per Right. The Rights will expire, if not earlier redeemed or exchanged, on May 1, 1999. The exercise price, redemption price and exchange ratio are subject to adjustment under certain circumstances.

PUT WARRANTS

The Company sold 3.5 million put warrants in private placements during the fourth quarter of 1991. (See Stock Repurchase Program.) Each warrant obligates Intel to purchase one share of Common Stock at \$40 per share if the purchaser exercises the warrant. The warrants expire in December 1992. The proceeds of the put warrant offerings of \$14.2 million have been recorded in capital in excess of par value. The amount related to the Company's potential \$140 million obligation to buy back 3.5 million shares of Common Stock has been removed from Stockholders' Equity and recorded as Put Warrants. This transaction resulted in a decrease of \$80 million in capital in excess of par value and a decrease of \$60 million in retained earnings. There is no impact on earnings per share in 1991 since the repurchase would be antidilutive at the current market price of the Company's Common Stock.

BORROWINGS

SHORT-TERM DEBT

Short-term debt at December 28, 1991 consisted of \$8.8 million of notes payable, \$120.8 million borrowed under foreign and domestic lines of credit, and \$43.7 million borrowed under other arrangements. At December 28, 1991, the Company and its subsidiaries had established foreign and domestic lines of credit of approximately \$930 million. These lines are generally renegotiated on an annual basis. The Company complies with compensating balance requirements related to certain of these lines of credit; however, such requirements are immaterial and do not legally restrict the use of cash. The weighted average interest rate on notes payable and borrowings under lines of credit outstanding at December 28, 1991 approximated 6.6%.

COMMERCIAL PAPER

The Company borrows under commercial paper programs under which the aggregate outstanding balance reached a high of \$693 million in 1991 and \$650 million in 1990. This debt is rated A1 by Standard and Poor's and P1 by Moody's Investor Service. The proceeds are used to fund short-term working capital needs of the Company.

LONG-TERM DEBT

Long-term debt at fiscal year-ends is as follows:

(In thousands)	1991	1990
Payable in U.S. dollars:		
1983 Series A Industrial, Medical and Environmental Pollution Control Revenue Bonds	\$ 79,534	\$ 79,257
1983 Series B Industrial, Medical and Environmental Pollution Control Revenue Bonds	29,952	29,927
Zero Coupon Notes, net of unamortized discount of \$69,151 (\$85,024 in 1990)	147,194	131,321
8 1/8% Notes	98,259	98,223
Other U.S. dollar debt	4,500	14,500
Payable in other currencies:		
Yen Guaranteed Step-up Coupon Notes	—	75,369
Other foreign currency debt	3,125	1,758
(Less redeemable long-term debt)	—	(75,369)
(Less current portion of long-term debt)	(35)	(10,381)
Total long-term debt	\$362,529	\$344,605

Proceeds of \$80 million from the Adjustable Rate Industrial Revenue Bonds issued in September 1983 (the 1983 Series A Bonds) and \$30 million issued in December 1983 (the 1983 Series B Bonds) by the Puerto Rico Industrial, Medical and Environmental Pollution Control Facilities Financing Authority (the "Authority") have been loaned to the Company. In accordance with loan agreements between the

Company and the Authority, the Company has guaranteed repayment of principal and interest on these Bonds, which are subject to redemption prior to maturity upon the occurrence of certain events. The 1983 Series A Bonds are due September 1, 2013, and are adjustable and redeemable (at the option of either the Company or the bondholder) every five years from September 1988 through September 2008 in accordance with certain formulas. The 1983 Series B Bonds are due December 1, 2013, and are adjustable and redeemable (at the option of either the Company or the bondholder) every five years from December 1988 through December 2008 in accordance with certain formulas.

The Series A Bonds, which were repriced and a portion of such Bonds remarketed at a discount on September 1, 1988, have an effective yield of 6.9% through August 1993, and are next adjustable and redeemable on September 1, 1993. The Series B Bonds, which were repriced and remarketed at a discount on December 1, 1988, have an effective yield of 6.8% through November 1993 and are next adjustable and redeemable on December 1, 1993.

In connection with these agreements, the Company was obligated to spend a total of \$110 million to finance expansion in Puerto Rico. The Company met this obligation in 1990.

On May 20, 1985, the Company issued \$236.5 million aggregate principal amount of zero coupon notes with detachable warrants. (See Common Stock.) The notes are due May 15, 1995 and have an effective yield to maturity of 11.75%, compounded semiannually, with interest payable at maturity. As of December 28, 1991, \$147.2 million of notes were outstanding, net of unamortized discount.

On April 1, 1987, the Company completed a public offering of \$110 million aggregate principal amount of 8 1/8% notes and an offering of warrants to purchase 5.25 million shares of Common Stock. (See Common Stock.) The notes are due March 15, 1997 and are redeemable on or after March 15, 1994 at the option of the Company. As of December 28, 1991, \$98.3 million of notes were outstanding, net of unamortized discount.

On June 10, 1988, the Company issued Yen 10 billion Guaranteed Step-up Coupon Notes. The notes were redeemed at the option of the holders and repaid on June 10, 1991. The approximate dollar equivalent of the repayment was \$71.7 million.

In 1988 the Company filed a Registration Statement with the Securities and Exchange Commission relating to a proposed public offering of up to \$150 million of debt securities and up to 2 million foreign currency exchange warrants. The securities may be sold by the Company from time to time. At December 28, 1991, no debt or warrants had been issued.

As of December 28, 1991, aggregate debt maturities are as follows: 1992—none; 1993—\$110 million; 1994—none; 1995—\$216 million; 1996—none; and thereafter—\$106 million.

INVESTMENTS

Investments consist of time deposits, certificates of deposit, U.S. and European commercial paper, Euro-time deposits, U.S. and foreign government obligations, U.S. Government Agencies' obligations, corporate bonds, fixed and floating rate notes, loan participations, municipal obligations, collateralized mortgage obligations, hedged equity investments, and investments made under repurchase agreements. Investments denominated in foreign currencies are hedged by currency forward contracts and by currency interest rate swaps. Investments with maturities of greater than one fiscal year are classified as long-term. Investments are carried at cost which approximates market.

Investments consist primarily of AA or better quality bonds and investments with AA or better rated counterparties for long-term transactions and A1 or P1 or better rated counterparties for short-term transactions. Foreign government regulations imposed upon investment alternatives of foreign subsidiaries or the absence of AA rated financial institutions in some countries result in some minor exceptions. Collateral has been obtained and secured from counterparties against investments whenever deemed necessary. At December 28, 1991, investments were placed with approximately 120 different financial institutions or other issuers, and no individual security, financial institution, or issuer exceeded 10% of total investments.

OTHER FINANCIAL INSTRUMENTS

The Company enters into various off-balance-sheet financial transactions including currency forward contracts, currency options, interest rate swaps, and currency interest rate swaps to hedge its currency and interest rate exposures. Those instruments involve, to varying degrees, elements of market and interest rate risk in excess of the amount recognized in the consolidated balance sheets.

At December 28, 1991, the outstanding face amounts of currency forward contracts totaled approximately \$556 million (\$901 million at December 29, 1990), including \$235 million (\$505 million at December 29, 1990) which hedge foreign currency investments. Other outstanding contracts include \$19 million of currency options (none at December 29, 1990), and \$356 million of interest rate swaps (\$373 million at December 29, 1990).

While the contract or notional amounts often are used to express the volume of these transactions, 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 policies similar to those for investments are followed for off-balance-sheet transactions.

CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of investments and trade receivables. The Company places its investments with high-credit-quality financial institutions and, by policy, limits the amount of credit exposure to any one financial institution. 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. Management believes that any risk of accounting loss is significantly reduced due to the diversity of its products, end-customers, and geographic sales areas. The Company performs ongoing credit evaluations of its customers' financial condition and requires collateral, such as letters of credit and bank guarantees, whenever deemed necessary.

INTEREST INCOME AND OTHER

(In thousands)	1991	1990	1989
Interest income	\$194,318	\$203,351	\$153,870
Foreign currency gains	3,251	2,689	5,211
Other income (loss)	(1,094)	21,249	(2,247)
Charge for exit from joint venture	—	—	(35,000)
Total	\$196,475	\$227,289	\$121,834

Other income (loss) for 1991, 1990, and 1989 includes income from the sale of foreign tax credits and income from other investments. Other income (loss) for both 1991 and 1990 includes gains on the sales of investments and land. Other loss for 1991 also includes a loss in the fourth quarter on the anticipated disposal of certain portions of the Company's customer service operations, and the writedown of goodwill related to an acquisition. Other income (loss) for 1990 and 1989 includes income from export incentives. Other loss for 1989 includes the Company's share of losses from joint ventures.

PROVISION FOR TAXES

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

(In thousands)	1991	1990	1989
Income before taxes:			
U.S.	\$ 670,331	\$ 422,679	\$ 205,235
Foreign	524,298	563,582	377,786
Total income before taxes:	\$1,194,629	\$ 986,261	\$ 583,021
Provision for taxes:			
Federal:			
Current	\$ 270,996	\$ 245,964	\$ 94,472
Deferred (prepaid)	(16,081)	(12,413)	25,995
	254,915	233,551	120,467
State:			
Current	58,136	50,115	24,330
Foreign:			
Current	65,936	41,710	42,514
Deferred (prepaid)	(2,987)	10,624	4,689
	62,949	52,334	47,203
Total provision for taxes	\$ 376,000	\$ 336,000	\$ 192,000
Effective tax rate	31.5%	34.1%	32.9%

The provision for taxes reconciles to the amount computed by applying the statutory Federal rate of 34% to income before taxes as follows:

(In thousands)	1991	1990	1989
Computed expected tax	\$406,174	\$335,329	\$198,227
State taxes, net of Federal benefits	38,370	33,076	16,058
Research and experimental credit	(11,900)	(12,500)	(8,600)
Foreign sales corporation benefit	(35,000)	(15,900)	(9,300)
Reduction of taxes provided in prior periods	(20,000)	—	—
Provision for combined foreign and U.S. taxes on certain foreign income at rates less than U.S. rate	(15,674)	(15,817)	(12,148)
Other	14,030	11,812	7,763
Provision for taxes	\$376,000	\$336,000	\$192,000

Deferred (prepaid) income taxes result from differences in the timing of certain revenue and expense items for tax and financial reporting purposes. The sources and tax effects of these differences are as follows:

(In thousands)	1991	1990	1989
Inventory valuation and other reserves	\$(55,194)	\$(35,565)	\$ 9,304
Unremitted earnings of certain subsidiaries	6,824	24,751	4,598
Depreciation	24,867	21,274	11,870
Other, net	4,435	(12,249)	4,912
Deferred (prepaid) income taxes	<u>\$(19,068)</u>	<u>\$ (1,789)</u>	<u>\$ 30,684</u>

The Company's U.S. income tax returns for the years 1978 through 1982 have been examined by the Internal Revenue Service. In June 1989, the Company received a notice of proposed deficiencies from the Internal Revenue Service totaling \$36 million, exclusive of penalties and interest, for the years 1978 through 1982. These proposed deficiencies relate primarily to subsidiary operations in Puerto Rico. In September 1989, the Company filed a petition in the U.S. Tax Court contesting these proposed deficiencies. No decision has been rendered. In the third quarter of 1991, the Company reached settlement of certain of these issues with the Internal Revenue Service. As a result of this settlement, the Company's 1991 provision for taxes reflects a \$20 million reduction of taxes provided in previous periods. Management believes that adequate amounts of tax have been provided for any additional adjustments which may result from the unsettled portion of the case.

The Company's U.S. income tax returns for the years 1983 through 1987 are presently under examination by the Internal Revenue Service. Management believes that adequate amounts of tax have been provided for any adjustments which may result for the years under examination.

EMPLOYEE BENEFIT PLANS

STOCK OPTION PLANS

The Company has stock option plans (hereafter referred to as the EOP Plans) under which officers, key employees and, starting in 1990, non-employee directors may be granted options to purchase shares of the Company's authorized but unissued Common Stock. The Company also has an Executive Long-Term Stock Option Plan (ELTSOP) under which certain key executive officers may be granted options to purchase shares of the Company's authorized but unissued Common Stock. Under both the EOP and ELTSOP plans, the option purchase price is not less than the fair market value at date of grant.

Options currently expire no later than ten years from date of grant. No material charges have been made to income in accounting for options. Proceeds realized by the Company

as a result of transactions in these plans are credited to Common Stock and capital in excess of par value. Additional information with respect to EOP plans is as follows:

(In thousands)	Shares	Outstanding Options	
	Available For Options	Number of Shares	Aggregate Price
December 31, 1988	11,270	19,370	\$359,673
Options granted	(3,861)	3,861	108,622
Options exercised	—	(2,574)	(31,888)
Options canceled	1,085	(1,085)	(23,457)
Options lapsed under expired plans	(3,512)	—	—
Options canceled under expired plans	(158)	—	—
December 30, 1989	4,824	19,572	412,950
Additional shares reserved	20,000	—	—
Options granted	(3,958)	3,958	153,432
Options exercised	—	(2,864)	(41,985)
Options canceled	763	(763)	(19,907)
Options canceled under expired plans	(12)	—	—
December 29, 1990	21,617	19,903	504,490
Options granted	(3,344)	3,344	154,307
Options exercised	—	(2,954)	(48,480)
Options canceled	816	(816)	(25,576)
Options canceled under expired plans	(12)	—	—
December 28, 1991	19,077	19,477	\$584,741
Options exercisable at:			
December 30, 1989		5,748	\$ 82,702
December 29, 1990		5,697	\$ 89,874
December 28, 1991		5,740	\$100,575

The average exercise price for options outstanding at December 28, 1991 was \$30.02 while the range of individual exercise prices was \$7.04 to \$53.63. Individual options outstanding at that date will expire if not exercised at specific dates ranging from January 1992 to December 2001. The range of exercise prices for options exercised during the three year period ended December 28, 1991 was \$7.04 to \$46.00.

Additional information with respect to the ELTSOP Plan is as follows:

In 1989, 5.0 million shares were reserved for issuance and 2.0 million shares with an aggregate option price of \$58.7 million were granted. As of December 28, 1991, 1.75 million shares remained outstanding after exercises and cancellations of 70,000 and 180,000, respectively, during 1991. The average exercise price for options outstanding at

December 28, 1991 was \$29.37 while the range of individual exercise prices was \$29.25 to \$29.38. Individual options outstanding at that date will expire if not exercised at specific dates ranging from April 1999 to August 1999.

STOCK PARTICIPATION PLAN

Under this plan, qualified employees are entitled to purchase shares of the Company's Common Stock at 85% of the fair market value at certain specified dates. Of the 29.5 million shares authorized to be issued under this plan, as amended, 11.1 million shares are available for issuance at December 28, 1991. Employees purchased 1.3 million shares in 1991 (1.4 million in both 1990 and 1989) for \$48.5 million (\$39.3 million and \$32.1 million in 1990 and 1989, respectively).

RETIREMENT PLANS

Effective July 1, 1979 and January 1, 1988, the Company adopted profit sharing retirement plans (the Qualified Plans) for the benefit of qualified employees in the U.S. and Puerto Rico, respectively. The plans are designed to provide employees with an accumulation of funds at retirement and provide for annual discretionary contributions to trust funds.

Effective December 1, 1991, the Company adopted a non-qualified profit sharing retirement plan (the Non-Qualified Plan) for the benefit of qualified employees in the U.S. This plan is designed to permit certain discretionary employer contributions in excess of the tax limits applicable to the profit sharing retirement plans discussed above and to permit certain employee deferrals in excess of certain tax limits. This plan is intended to be an unfunded plan. As of December 28, 1991, no allocations had been made to the Non-Qualified Plan and, accordingly, the Company had no liability under this plan.

The Company accrued \$136 million for the Qualified Plans and the Non-Qualified Plan in 1991 (\$123 million in 1990 and \$54 million in 1989). Of the \$136 million accrued in 1991, the Company expects to fund approximately \$75 million for the 1991 contribution to the Qualified Plans and to allocate less than \$1 million for the Non-Qualified Plan. The remainder, plus approximately \$68 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 generally vest ratably over a five-year period (based on length of service) starting in the third year of service (certain portions vested immediately).

Effective January 1, 1988, the Company adopted defined benefit pension plans for the benefit of qualified employees in the U.S. and Puerto Rico. The plans provide for minimum

pension benefits which are determined by a participant's years of service credited under the plan, 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 profit sharing retirement plan. If the balance in the profit sharing retirement plan exceeds the pension guarantee, the participant will receive benefits from the profit sharing retirement plan only. The Company's funding policy is consistent with the funding requirements of Federal laws and regulations.

Pension expense for 1991, 1990 and 1989 for the U.S. and Puerto Rico plans included the following components:

(In thousands)	1991	1990	1989
Service cost-benefits			
earned during the year	\$1,183	\$1,017	\$1,134
Interest cost of projected			
benefit obligation	800	649	715
Actual investment return on plan assets	(713)	44	(239)
Net amortization and deferral	752	(99)	525
Net pension expense	\$2,022	\$1,611	\$2,135

The funded status of the plans as of December 28, 1991 and December 29, 1990 is as follows:

(In thousands)	1991	1990
Vested benefit obligation	\$ (1,166)	\$ (881)
Accumulated benefit obligation	\$ (1,508)	\$ (1,206)
Projected benefit obligation	\$(11,377)	\$(9,241)
Fair market value of plan assets	4,035	3,245
Projected benefit obligation in excess		
of plan assets	(7,342)	(5,996)
Unrecognized net (gain)	(4,017)	(4,077)
Unrecognized prior service cost	6,567	7,057
Accrued pension costs	\$ (4,792)	\$ (3,016)

The assumptions used to measure net periodic pension cost for these defined benefit plans were as follows:

	1991	1990	1989
Discount rate	8.5%	8.5%	8.5%
Expected long-term return on assets	8.5%	8.5%	8.5%
Average increase in compensation levels	5.5%	5.5%	5.5%

Plan assets of the U.S. and Puerto Rico plans consist primarily of listed stocks and bonds, repurchase agreements, money market securities and U.S. Government securities.

The Company's funding policy for foreign defined benefit plans is consistent with the local requirements in each

country. Pension expense for 1991, 1990 and 1989 for the foreign plans included the following:

(In thousands)	1991	1990	1989
Service cost-benefits earned during the year	\$5,119	\$4,420	\$3,946
Interest cost of projected benefit obligation	3,559	2,919	2,342
Actual investment return on plan assets	(8,328)	(2,462)	(2,198)
Net amortization and deferral	4,794	(489)	48
Net pension expense	\$5,144	\$4,388	\$4,138

The funded status of the foreign defined benefit plans as of December 28, 1991 and December 29, 1990 is set forth in the following tables:

1991 (In thousands)	Assets Exceed Accumulated Benefits
Vested benefit obligation	\$ (19,477)
Accumulated benefit obligation	\$ (22,376)
Projected benefit obligation	\$ (36,396)
Fair market value of plan assets	36,818
Projected benefit obligation less than plan assets	422
Unrecognized net (gain)	(3,127)
Unrecognized net transition obligation	877
Accrued pension costs	\$ (1,828)

1990 (In thousands)	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets
Vested benefit obligation	\$ (13,828)	\$ (349)
Accumulated benefit obligation	\$ (14,749)	\$ (3,193)
Projected benefit obligation	\$ (23,106)	\$ (6,455)
Fair market value of plan assets	22,011	1,685
Projected benefit obligation in excess of plan assets	(1,095)	(4,770)
Unrecognized net (gain) loss	586	(167)
Unrecognized net transition obligation	35	831
Accrued pension costs	\$ (474)	\$ (4,106)

Assumptions used to measure the foreign net periodic pension costs were as follows:

	1991	1990	1989
Discount rate	5.5%-24%	5.5%-24%	5.5%-24%
Expected long-term return on assets	5.5%-24%	5.5%-24%	5.5%-24%
Average increase in compensation levels	4.5%-18%	4.5%-18%	4.5%-18%

Plan assets of the foreign plans consist primarily of listed stocks, bonds, and cash surrender value life insurance policies.

OTHER POSTRETIREMENT BENEFITS

In 1990, the Financial Accounting Standards Board issued Statement No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" to be implemented for years beginning after December 15, 1992. As of December 28, 1991, the Company does not offer these types of benefits and therefore does not expect to be impacted by this pronouncement.

COMMITMENTS

The Company leases a portion of its capital equipment and certain of its facilities under operating leases which expire at various dates through 2009. Rental expense was \$50.2 million in 1991, \$52.1 million in 1990, and \$47.1 million in 1989. Minimum rental commitments under all non-cancelable leases with an initial term in excess of one year are payable as follows: 1992-\$31.4 million; 1993-\$14.1 million; 1994-\$5.1 million; 1995-\$1.9 million; 1996-\$0.7 million and 1997 and beyond-\$0.9 million. Commitments for construction or purchase of property, plant and equipment approximated \$304.3 million at December 28, 1991.

CONTINGENCIES

On September 18 and November 27, 1991, civil lawsuits were filed in the U.S. District Court for the Northern District of California against the Company and certain of its officers. These suits were filed by Intel stockholders who claim, on their own behalf and on behalf of a class of others similarly situated, that they were injured by the drop in the Company's stock price which resulted from lower earnings projections for the third quarter of 1991. After the filing of the second suit the Company filed a notice of related action and the plaintiffs have agreed to consolidate the two suits and to refile a consolidated complaint. The consolidated complaint is not due to be filed until the end of February 1992. The original suits claimed a class period of early July 1991 to mid-September 1991. The original suits sought compensatory and punitive damages of an unspecified amount. If the suits are consolidated and refiled, the amount and type of damages may be the same or different. The Company believes the suits to be without merit and will defend the cases vigorously. Although the ultimate outcome of these suits 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.

On August 29, 1991, the Company was sued by Advanced Micro Devices, Inc. (AMD) in the U.S. District Court for the Northern District of California, alleging violations of the U.S. Antitrust laws and claiming \$2 billion damages and requesting treble damages under the antitrust laws. Intel believes that the suit is without merit and has filed motions for dismissal and for summary judgment. Intel's motion to dismiss a significant portion of AMD's allegations was granted on December 17, 1991. No trial date is currently set. Intel intends to continue to defend these allegations vigorously. While the ultimate outcome of these claims cannot be determined at this early stage of the litigation, management, including internal counsel, does not believe that the ultimate outcome will have a material adverse effect on the Company's financial position.

In 1987, the Company was served with a demand for arbitration by AMD under which AMD alleged that the Company had breached specific provisions of a technology exchange agreement between the parties and had committed other such acts allegedly injurious to AMD. AMD's demand currently seeks monetary damages of \$2.2 billion. In addition, AMD has asked the arbitrator to order transfer of certain product technology to AMD. The Company has also made certain counter-claims against AMD.

In 1989 the arbitrator did issue an initial written decision on one product claim. On October 11, 1990, the arbitrator issued a decision that resolved all remaining liability issues. The latter decision did not require Intel to transfer the Intel386™ microprocessor, the 8087 math coprocessor or any other product to AMD. The decisions did state Intel breached the contract by failing to fulfill covenants of good faith and fair dealing in its relationship with AMD and by failing to transfer the 8087 and timely updates to the 80286. Further hearings have been held to determine remedies which the arbitrator said may include monetary damage awards and product transfers. The remedies ruling by the arbitrator is not expected until early 1992. On October 31, 1990, Intel filed a petition in Santa Clara County, California Superior Court to determine the enforceability of a clause in the contract which limits damages. On November 20, 1990, the Superior Court issued its decision that a ruling on such limitation was not appropriate at that time. Intel appealed this ruling to the California Appellate Court which affirmed the Superior Court holding. Intel appealed the decision of the Appellate Court to the California Supreme Court which declined to review the decision. The ultimate outcome of these matters 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.

The Company is a defendant in a lawsuit filed by Hughes Aircraft Corporation (Hughes) in a U.S. Federal Court in 1983. The suit alleged that the Company willfully infringed and continued to infringe three patents relating to ion implantation and asked for damages and an injunction against further infringement. On June 22, 1990, the Company was notified that one of the three patents had been dropped from the suit. Of the two remaining patents on which Hughes alleges infringement, one expired in October 1986, the other expired in October 1988. Upon expiration of the patent in October 1988, the possibility of an injunction has been eliminated.

Pretrial documents presented by Hughes in July 1990 sought monetary damages of \$165 million if they prevail on both remaining patents and all processes using those patents. In addition, Hughes seeks prejudgment interest and treble damages for the alleged willful infringement.

The trial on this case concluded in September 1991 and the jury found in favor of Intel that there was no literal infringement by Intel, and in favor of Hughes that there was no inequitable conduct by Hughes and that Hughes met its obligation to disclose the best mode. The court declared a mistrial on the remaining issues. As a result, it is expected that Hughes will request a second trial which may cover all of the issues. The ultimate outcome of this matter 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.

The Company has been named to the California and Federal Superfund lists for three of its sites and has completed, along with two other companies, a Remedial Investigation/Feasibility Study with the Federal Environmental Protection Agency (EPA) to evaluate the groundwater in a certain area related to one of its sites. The Company has reached agreement in principle with those same two companies which significantly limits the Company's liabilities under the proposed cleanup plan. In addition, the Company has done extensive cleanup and studies of its sites. In the opinion of management, the potential liability, if any, to the Company arising out of these matters will not have a material adverse effect on the Company's financial position.

INDUSTRY SEGMENT REPORTING

Intel and its subsidiaries operate in one dominant industry segment. The Company is engaged principally in the design, development, manufacture, and sale of microcomputer components and related products at various levels of integration. No one customer accounted for more than 10% of revenues in 1991 or 1990. In 1989, sales to one significant customer

accounted for approximately 10.5% of Intel's revenues. Major operations outside the United States include manufacturing facilities in Ireland, Israel, Malaysia, and the Philippines, and sales subsidiaries in Japan, Asia Pacific, and throughout Europe and other parts of the world. Summary balance sheet information for operations outside of the United States at fiscal year-ends is as follows:

(In thousands)	1991	1990
Total assets	\$1,220,673	\$ 931,495
Total liabilities	\$ 302,672	\$ 300,638
Net property, plant and equipment	\$ 392,654	\$ 301,075

Geographic information for the three years ended December 28, 1991 is presented in the table below. Transfers between geographic areas are accounted for at amounts which are generally above cost and consistent with rules and regulations of governing tax authorities. Such transfers are eliminated in the consolidated financial statements. Operating income by geographic segment does not include an allocation of general corporate expenses. Identifiable assets are those assets that can be directly associated with a particular geographic area. Corporate assets include cash and cash equivalents, short-term investments, prepaid taxes on income, other current assets, and long-term investments.

(In thousands)	Sales to unaffiliated customers	Transfers between geographic areas	Net revenues	Operating income	Identifiable assets
1991					
United States	\$2,328,946	\$1,949,362	\$4,278,308	\$ 943,156	\$3,087,447
Europe	1,057,205	23,942	1,081,147	113,551	620,933
Japan	492,218	37,346	529,564	40,309	252,219
Asia Pacific	899,858	466,582	1,366,440	121,362	209,334
Other	389	308,137	308,526	165,330	138,187
Eliminations	—	(2,785,369)	(2,785,369)	73,858	(700,429)
Corporate	—	—	—	(377,626)	2,684,413
Consolidated	\$4,778,616	\$ —	\$4,778,616	\$1,079,940	\$6,292,104
1990					
United States	\$2,115,957	\$1,202,272	\$3,318,229	\$ 788,363	\$2,494,462
Europe	865,544	17,602	883,146	112,456	363,214
Japan	400,167	8,779	408,946	28,759	259,065
Asia Pacific	539,054	268,748	807,802	129,297	194,689
Other	552	215,630	216,182	92,856	114,527
Eliminations	—	(1,713,031)	(1,713,031)	(11,905)	(517,772)
Corporate	—	—	—	(281,491)	2,468,123
Consolidated	\$3,921,274	\$ —	\$3,921,274	\$ 858,335	\$5,376,308
1989					
United States	\$1,774,585	\$ 997,935	\$2,772,520	\$ 414,272	\$2,058,820
Europe	690,703	6,908	697,611	104,954	270,204
Japan	340,820	16,338	357,158	33,014	199,170
Asia Pacific	319,723	225,287	545,010	104,109	178,330
Other	1,002	175,052	176,054	75,433	94,598
Eliminations	—	(1,421,520)	(1,421,520)	25,293	(420,589)
Corporate	—	—	—	(199,761)	1,613,450
Consolidated	\$3,126,833	\$ —	\$3,126,833	\$ 557,314	\$3,993,983

SUPPLEMENTAL INFORMATION (unaudited)

Quarterly information for each of the two years in the period ended December 28, 1991 is presented on page 35.

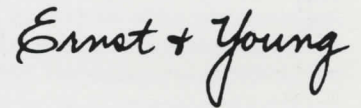
**THE BOARD OF DIRECTORS AND STOCKHOLDERS
INTEL CORPORATION**

We have audited the accompanying consolidated balance sheets of Intel Corporation at December 28, 1991 and December 29, 1990, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 28, 1991. 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Intel Corporation at December 28, 1991 and December 29, 1990, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 28, 1991 in conformity with generally accepted accounting principles.



San Jose, California
January 14, 1992

FINANCIAL SUMMARY

TEN YEARS ENDED
DECEMBER 28, 1991

	NET INVESTMENT IN PROPERTY, PLANT & EQUIP.	TOTAL ASSETS	LONG-TERM DEBT	STOCK- HOLDERS' EQUITY	PROCEEDS FROM EMPLOYEE STOCK PLANS & TAX BENEFITS	ADDITIONS TO PROPERTY, PLANT & EQUIPMENT
<i>(Thousands)</i>						
1991	\$2,162,723	\$6,292,104	\$ 362,529	\$4,417,852	\$ 133,498	\$ 948,289
1990	\$1,657,568	\$5,376,308	\$ 344,605	\$3,591,506	\$ 101,392	\$ 679,546
1989	\$1,284,050	\$3,993,983	\$ 412,480	\$2,548,803	\$ 77,728	\$ 422,102
1988	\$1,122,459	\$3,549,736	\$ 479,273	\$2,080,054	\$ 82,094	\$ 477,460
1987	\$ 891,196	\$2,498,784	\$ 298,062	\$1,276,425	\$ 54,293	\$ 301,530
1986	\$ 779,321	\$1,977,352	\$ 286,600	\$1,245,227	\$ 26,911	\$ 154,827
1985	\$ 848,246	\$2,152,774	\$ 270,831	\$1,421,481	\$ 32,612	\$ 236,216
1984	\$ 778,282	\$2,029,399	\$ 146,306	\$1,360,163	\$ 37,236	\$ 388,445
1983	\$ 503,592	\$1,679,650	\$ 127,586	\$1,121,740	\$ 56,780	\$ 144,974
1982	\$ 461,625	\$1,056,452	\$ 197,143	\$ 551,853	\$ 33,990	\$ 138,085

	NET REVENUES	COST OF SALES	RESEARCH & DEVELOPMENT	OPERATING INCOME (LOSS)	NET INCOME (LOSS)	
					TOTAL	PER SHARE
<i>(Thousands — except per share amounts)</i>						
1991	\$4,778,616	\$2,315,559	\$ 618,048	\$1,079,940	\$ 818,629	\$ 3.92
1990	\$3,921,274	\$1,930,288	\$ 516,747	\$ 858,335	\$ 650,261	\$ 3.20
1989	\$3,126,833	\$1,720,979	\$ 365,104	\$ 557,314	\$ 391,021	\$ 2.07
1988	\$2,874,769	\$1,505,925	\$ 318,331	\$ 594,313	\$ 452,922	\$ 2.51
1987	\$1,907,105	\$1,043,504	\$ 259,794	\$ 245,936	\$ 248,055	\$ 1.38
1986	\$1,265,011	\$ 860,680	\$ 228,250	\$ (195,259)	\$ (203,165)	\$ (1.16)
1985	\$1,364,982	\$ 943,435	\$ 195,171	\$ (60,169)	\$ 1,570	\$.01
1984	\$1,629,332	\$ 882,738	\$ 180,168	\$ 250,450	\$ 198,189	\$ 1.13
1983	\$1,121,943	\$ 624,296	\$ 142,295	\$ 138,717	\$ 116,111	\$.70
1982	\$ 899,812	\$ 541,928	\$ 130,801	\$ 28,443	\$ 30,046	\$.22

RESULTS OF OPERATIONS

Intel posted record revenues in 1991—the fifth consecutive year in which it has done so. Revenue rose to \$4.8 billion, a 22% increase over the previous record set in 1990. Net income in 1991 was also a record, increasing by 26% over the previous year. Compared to 1989, revenue and net income for 1991 increased by 53% and 109%, respectively.

The Company's Intel386™ and Intel486™ microprocessor products drove much of the growth in revenues during the 1989-1991 period. Results from other products were mixed. After showing significant overall growth from 1989 to 1990, revenues from system-level and commodity semiconductor products flattened in 1991, reflecting slowing demand and soft pricing. Revenues from math coprocessor products declined sharply in 1991, due primarily to increased competition and price cuts. Revenue from technology and patent licensing agreements returned to more normal levels after the exceptionally high amounts realized in 1990.

Gross margin as a percentage of revenues was 52% in 1991, compared to 51% in 1990 and 45% in 1989. The slight improvement in gross margin from 1990 to 1991 is primarily the result of increased volumes of higher-margin microprocessors in the product mix. This was partially offset by lower average selling prices for some products, particularly math coprocessors and certain maturing 32-bit microprocessors. The comparatively low margins in 1989 are attributable to higher costs caused by lower volumes and yields, and the non-recurring costs associated with closing two older fabrication plants. Intel386 and Intel486 microprocessors continue to comprise a substantial majority of the Company's gross margin and a significant portion of its revenues.

Operating income in 1991 reached a record \$1.1 billion, a 26% increase over 1990 and a 94% increase over 1989. Research and development spending increased significantly in 1990, as the Company aggressively pursued new technologies and processes, and increased an additional \$101 million in 1991. The Company considers investments in strategic technology programs to be critical to its future success, and further growth in spending is expected in 1992. As a percentage of revenue, research and development spending grew from 12% in 1989 to 13% in both 1990 and 1991.

The increases in marketing and administrative expenses from 1989 through 1991 were generally in line with the underlying expansion of Intel's business, driven largely by expenses related to personnel growth. As a percentage of revenue, these expenses were 15% in 1989, 16% in 1990, and 16% in 1991. The Company launched a number of strategic

marketing efforts in 1991, including end-user advertising and the Intel Inside™ program, resulting in higher expenditures for the year compared to 1990 and 1989. These expenses are expected to continue to grow in 1992.

Interest expense was \$82 million in 1991, an \$18 million decrease compared to 1990 and a \$14 million decrease compared to 1989, primarily due to lower average interest rates on borrowings.

Interest income and other was \$196 million in 1991, a \$31 million decrease compared to 1990 and a \$75 million increase over the 1989 level. The decrease from 1990 to 1991 can be attributed primarily to lower average rates on investments in 1991 and a gain on the sale of an investment and land in 1990, partially offset by higher investment balances and another land sale in 1991. The increase from 1989 to 1991 primarily reflects higher investment balances and a \$35 million charge in 1989 to cover costs associated with exiting a joint venture.

The provision for taxes increased by \$40 million from 1990 to 1991, primarily due to higher pretax income, partially offset by a \$20 million adjustment to previously provided taxes (resulting from the favorable settlement of an IRS dispute in the third quarter of 1991) and a slightly lower effective tax rate. Including the \$20 million adjustment, effective rates were: 1991, 31.5%; 1990, 34.1%; and 1989, 32.9%. The Company expects its effective rate to return to the 33-34% range in 1992.

OUTLOOK

Despite the record-setting financial results of 1991, the Company faces a number of uncertainties, including difficult-to-predict business conditions in the computer industry and the economy as a whole, various competitive factors, and pending litigation.

Revenues from maturing microprocessors, namely the Intel386 SX and DX microprocessors, declined substantially in the second half of 1991; this decline was offset, however, by rapidly expanding sales of newer microprocessors such as the Intel486 CPU. Recently introduced imitations of the Company's formerly proprietary math coprocessors and Intel386 microprocessors achieved a degree of market acceptance in 1991, to the detriment of Intel's revenues and margins. Competitors are also expected to begin shipping imitations of the Intel486 microprocessor in late 1992. The exact impact of these products on the Company's future market share and profitability cannot be determined at this time, but revenue growth and margins could be adversely affected. Due in part

to competitive pressures, Intel announced significant price reductions on older Intel386 microprocessors late in 1991, effective in April 1992.

Soft pricing and intense competition are also placing increasing pressure on margins for certain other products, including commodity semiconductors and system-level products, and the outlook for these products is uncertain.

The Company believes that it is well positioned to meet these challenges, with solid financial and technical resources and strong product offerings, but revenue and earnings trends cannot be precisely determined at this time.

Intel takes appropriate legal action against companies when it believes they are infringing upon the Company's intellectual property. In 1990, Intel filed suit against Advanced Micro Devices, Inc. (AMD) for copyright infringement of the Intel287™ microcode. AMD contends that it is licensed to copy and distribute Intel's microcode. If AMD were to prevail, and gain the right to copy and distribute Intel microcode (rather than having to develop its own microcode independently), AMD might be able to develop products which might more closely imitate Intel math coprocessors and microprocessors such as the Intel386 or Intel486 microprocessor. Any such right could include microcode published by Intel prior to December 31, 1995.

In 1991, Intel filed another suit against AMD for copyright infringement of the Intel386 microcode and its control program which is stored in a programmable logic array. Some of the issues in this case are similar to the issues in the Intel287 microcode case; however, the control program performs a different function and is not microcode. Intel believes that the copying of the control program is an infringement of Intel's copyrights and is not licensed.

Intel is also party to various legal matters. (See Notes to Consolidated Financial Statements – Contingencies.) Although the Company continues to contest these matters vigorously, an adverse judgment could negatively impact any future period's operating results or cash flows.

FINANCIAL CONDITION

Intel's financial position continues to be strong. During 1991, total cash and cash equivalents and investments increased by \$410 million, to \$2.8 billion, mainly due to strong results from operations.

Cash generated from operating activities was \$1.4 billion in 1991 compared to \$1.0 billion in 1990 and \$704 million in 1989. The 1991 increase is primarily due to strong operating results, and non-cash depreciation charges resulting from the Company's growing capital base.

Capital expenditures were \$948 million in 1991, \$680 million in 1990, and \$422 million in 1989. The Company plans to continue investing heavily in property, plant and equipment to support future business and new technologies. Approximately \$304 million had been committed at December 28, 1991 for the construction or purchase of property, plant and equipment, and the Company plans to spend over \$1 billion in 1992.

Cash provided by financing activities in 1991 was lower than the unusually high amounts realized in 1990, when the Company received \$393 million in proceeds from the exercise of warrants. The Company's 1991 financing requirements were met primarily with cash generated from operations and, to a lesser extent, proceeds from the sale of shares through employee stock plans.

As part of its stock repurchase program, the Company sold 3.5 million put warrants in private placements in late 1991. As a result of these sales, Intel has the potential obligation to buy back 3.5 million shares of its Common Stock at an aggregate price of \$140 million. Additional sales of warrants and repurchases of Common Stock may occur in the future, up to the 13 million authorized shares remaining under the program.

In addition to current cash balances, the Company's major sources of liquidity include credit lines of approximately \$930 million and authorized commercial paper borrowing levels of \$700 million. At December 29, 1991, only \$121 million was outstanding under lines of credit, and none under commercial paper arrangements. The Company also retains the authority to issue up to \$150 million in debt securities and up to 2 million foreign currency exchange warrants under a shelf registration filed with the Securities and Exchange Commission in 1988.

Based on expected cash flow from operations, existing working capital, and available lines of credit, the Company believes that its financial resources are sufficient to meet most future business requirements, including capital spending and research and development and strategic marketing expenses.

FINANCIAL INFORMATION BY QUARTER
(UNAUDITED)
FOR QUARTER ENDED
(In thousands — except per share data)
1991

		DECEMBER 28	SEPTEMBER 28	JUNE 29	MARCH 30
Net revenues		\$1,205,449	\$1,187,703	\$1,252,686	\$1,132,778
Cost of sales		\$ 579,310	\$ 595,831	\$ 590,017	\$ 550,401
Net income		\$ 188,686	\$ 201,729 ^(C)	\$ 230,803	\$ 197,411
Earnings per share		\$.90	\$.96 ^(C)	\$ 1.10	\$.95
Market price range Common Stock ^(A)	High	\$ 47.50	\$ 52.50	\$ 58.50	\$ 51.75
	Low	\$ 38.50	\$ 41.00	\$ 43.75	\$ 38.00

FOR QUARTER ENDED
(In thousands — except per share data)
1990

		DECEMBER 29	SEPTEMBER 29	JUNE 30	MARCH 31
Net revenues		\$1,046,075	\$1,012,441	\$ 968,301	\$ 894,457
Cost of sales		\$ 535,691	\$ 486,409	\$ 468,989	\$ 439,199
Net income		\$ 163,876	\$ 171,924	\$ 170,693	\$ 143,768
Earnings per share		\$.80	\$.83	\$.84	\$.73
Market price range Common Stock ^(A)	High	\$ 40.00	\$ 51.25	\$ 48.63	\$ 43.50
	Low	\$ 29.13	\$ 31.25	\$ 39.00	\$ 35.00
Market price range 1995 Warrants ^(B)	High	\$ —	\$ —	\$ 24.00	\$ 25.25
	Low	\$ —	\$ —	\$ 22.00	\$ 16.00
Market price range 1992 Warrants ^(B)	High	\$ —	\$ 31.63	\$ 28.25	\$ 21.38
	Low	\$ —	\$ 24.63	\$ 17.13	\$ 12.88

(A) Intel's Common Stock is traded in the over-the-counter market and quoted on NASDAQ and in the Wall Street Journal and other newspapers. Intel's Common Stock also trades on the Zurich, Basle and Geneva, Switzerland exchanges. At December 28, 1991 there were approximately 20,600 holders of Common Stock. All Common Stock prices are closing prices per the NASDAQ/National Market System. Intel has never paid cash dividends and has no present plans to do so.

(B) Intel's warrants were traded in the over-the-counter market and quoted on NASDAQ and in the Wall Street Journal and other newspapers. Prices for the 1995 Warrants and 1992 Warrants are given only through the last day they were traded, (April 17, 1990 and July 18, 1990, respectively) prior to their exercise or expiration. All Warrant prices are closing prices per the NASDAQ/National Market System.

(C) Net income for the third quarter of 1991 includes benefits of \$24 million from a favorable tax ruling during the quarter.

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