INTEL CORP
Form 10-Q
August 03, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended June 27, 2009.

or

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

For the transition period from _____ to _____

Commission file number 000-06217

INTEL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	94-1672743
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2200 Mission College Boulevard, Santa Clara, California	95054-1549
(Address of principal executive offices)	(Zip Code)

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

N/A
(Former name, former address, and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

Shares outstanding of the Registrant s common stock:

Class	Outstanding as of July 24, 2009
Common stock, $0.001 par value	5,598 million

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

INTEL CORPORATION

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS (Unaudited)

(In Millions, Except Per Share Amounts)	Three Months Ended June 27, 2009	Three Months Ended June 28, 2008	Six Months Ended June 27, 2009	Six Months Ended June 28, 2008
Net revenue	**$ 8,024**	**$ 9,470**	**$ 15,169**	**$ 19,143**
Cost of sales	3,945	4,221	7,852	8,687
Gross margin	**4,079**	**5,249**	**7,317**	**10,456**
Research and development	1,303	1,468	2,620	2,935
Marketing, general and administrative	2,697	1,430	3,897	2,779
Restructuring and asset impairment charges	91	96	165	425
Operating expenses	**4,091**	**2,994**	**6,682**	**6,139**
Operating income (loss)	**(12)**	**2,255**	**635**	**4,317**
Gains (losses) on equity method investments, net	(44)	(43)	(116)	(95)
Gains (losses) on other equity investments, net	(25)	(66)	(66)	(73)
Interest and other, net	31	167	126	335
Income (loss) before taxes	**(50)**	**2,313**	**579**	**4,484**
Provision for taxes	348	712	348	1,440
Net income (loss)	**$ (398)**	**$ 1,601**	**$ 231**	**$ 3,044**
Basic earnings (loss) per common share	**$ (0.07)**	**$ 0.28**	**$ 0.04**	**$ 0.53**
Diluted earnings (loss) per common share	**$ (0.07)**	**$ 0.28**	**$ 0.04**	**$ 0.52**
Cash dividends declared per common share	**$**	**$**	**$ 0.28**	**$ 0.268**
Weighted average common shares outstanding:				
Basic	**5,595**	**5,699**	**5,584**	**5,743**

Diluted	**5,595**	**5,800**	**5,656**	**5,840**

See accompanying notes.

INTEL CORPORATION
CONSOLIDATED CONDENSED BALANCE SHEETS (Unaudited)

(In Millions)	June 27, 2009	Dec. 27, 2008[1]
Assets		
Current assets:		
Cash and cash equivalents	$ 3,826	$ 3,350
Short-term investments	5,195	5,331
Trading assets	2,603	3,162
Accounts receivable, net	1,938	1,712
Inventories	2,805	3,744
Deferred tax assets	1,217	1,390
Other current assets	883	1,182
Total current assets	**18,467**	**19,871**
Property, plant and equipment, net of accumulated depreciation of $30,956 ($30,544 as of December 27, 2008)	**17,515**	**17,574**
Marketable equity securities	**513**	**352**
Other long-term investments	**3,002**	**2,924**
Goodwill	**3,932**	**3,932**
Other long-term assets	**5,632**	**5,819**
Total assets	**$ 49,061**	**$ 50,472**
Liabilities and stockholders equity		
Current liabilities:		
Short-term debt	$ 24	$ 102
Accounts payable	1,726	2,390
Accrued compensation and benefits	1,412	2,015
Accrued advertising	718	807
Deferred income on shipments to distributors	480	463
Other accrued liabilities	2,719	2,041
Total current liabilities	**7,079**	**7,818**
Long-term income taxes payable	**556**	**736**
Long-term debt	**1,174**	**1,185**
Other long-term liabilities	**1,205**	**1,187**
Contingencies (Note 23)		
Stockholders equity:		
Preferred stock		
Common stock and capital in excess of par value, 5,597 shares issued and outstanding (5,562 as of December 27, 2008)	13,995	13,402
Accumulated other comprehensive income (loss)	(153)	(393)

Retained earnings	25,205	26,537
Total stockholders equity	**39,047**	**39,546**
Total liabilities and stockholders equity	**$ 49,061**	**$ 50,472**

[1] *As adjusted due to the implementation of FSP APB 14-1. See Note 2: Accounting Changes.*

See accompanying notes.

INTEL CORPORATION
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (Unaudited)

	Six Months Ended	
(In Millions)	**June 27, 2009**	**June 28, 2008**
Cash and cash equivalents, beginning of period	**$ 3,350**	**$ 7,307**
Cash flows provided by (used for) operating activities:		
Net income	231	3,044
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,419	2,144
Share-based compensation	471	462
Restructuring, asset impairment, and net loss on retirement of assets	212	460
Excess tax benefit from share-based payment arrangements		(28)
Amortization of intangibles	137	126
(Gains) losses on equity method investments, net	116	95
(Gains) losses on other equity investments, net	66	73
(Gains) on divestitures		(39)
Deferred taxes	116	(325)
Changes in assets and liabilities:		
Trading assets	(20)	49
Accounts receivable	(226)	140
Inventories	927	71
Accounts payable	(664)	18
Accrued compensation and benefits	(695)	(785)
Income taxes payable and receivable	(39)	(553)
Other assets and liabilities	711	91
Total adjustments	3,531	1,999
Net cash provided by operating activities	**3,762**	**5,043**
Cash flows provided by (used for) investing activities:		
Additions to property, plant and equipment	(2,490)	(2,058)
Purchases of available-for-sale investments	(2,953)	(3,849)
Maturities and sales of available-for-sale investments	3,063	4,719
Purchases of trading assets	(881)	(1,326)
Maturities and sales of trading assets	1,545	288
Loans receivable	(243)	
Investments in non-marketable equity investments	(124)	(444)
Return of equity method investments	239	91
Proceeds from divestitures		75
Other investing activities	28	(40)
Net cash used for investing activities	**(1,816)**	**(2,544)**

Cash flows provided by (used for) financing activities:		
Increase (decrease) in short-term debt, net	(76)	33
Excess tax benefit from share-based payment arrangements		28
Proceeds from sales of shares through employee equity incentive plans	248	828
Repurchase and retirement of common stock	(79)	(5,077)
Payment of dividends to stockholders	(1,563)	(1,539)
Net cash used for financing activities	**(1,470)**	**(5,727)**
Net increase (decrease) in cash and cash equivalents	**476**	**(3,228)**
Cash and cash equivalents, end of period	**$ 3,826**	**$ 4,079**
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest, net of capitalized interest	$ 3	$ 3
Income taxes, net of refunds	$ 278	$ 2,293

See accompanying notes.

INTEL CORPORATION
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS Unaudited

Note 1: Basis of Presentation

We prepared our interim consolidated condensed financial statements that accompany these notes in conformity with U.S. generally accepted accounting principles, consistent in all material respects with those applied in our Annual Report on Form 10-K for the year ended December 27, 2008, except for the adoption of Financial Accounting Standards Board (FASB) Staff Position (FSP) Accounting Principles Board (APB) 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement) (FSP APB 14-1). Prior year balances have been retrospectively adjusted. See Note 2: Accounting Changes and Note 17: Borrowings for further discussion.

We have made estimates and judgments affecting the amounts reported in our consolidated condensed financial statements and the accompanying notes. Our actual results may differ materially from these estimates. The accounting estimates that require our most significant, difficult, and subjective judgments include:

- the valuation of non-marketable equity investments and the determination of other-than-temporary impairments;
- the valuation of investments in debt instruments and the determination of other-than-temporary impairments;
- the assessment of recoverability of long-lived assets;
- the recognition and measurement of current and deferred income taxes (including the measurement of uncertain tax positions); and
- the valuation of inventory.

The interim financial information is unaudited, but reflects all normal adjustments that are, in our opinion, necessary to provide a fair statement of results for the interim periods presented. This interim information should be read in conjunction with the consolidated financial statements in our Annual Report on Form 10-K for the year ended December 27, 2008.

We have evaluated subsequent events, as defined by Statement of Financial Accounting Standards (SFAS) No. 165, Subsequent Events, through the date that the financial statements were issued on August 3, 2009.

Note 2: Accounting Changes

In the first quarter of 2009, we adopted the provisions of FSP APB 14-1, which changed the accounting for convertible debt instruments with cash settlement features. As of adoption, FSP APB 14-1 applied to our junior subordinated convertible debentures issued in 2005 (the 2005 debentures). In accordance with FSP APB 14-1, we recognized both the liability and equity components of the 2005 debentures at fair value. The liability component is recognized as the fair value of a similar instrument that does not have a conversion feature at issuance. The equity component, which is the value of the conversion feature at issuance, is recognized as the difference between the proceeds from the issuance of the 2005 debentures and the fair value of the liability component, after adjusting for the deferred tax impact. The 2005 debentures were issued at a coupon rate of 2.95%, which was below that of a similar instrument that does not have a conversion feature (6.45%). Therefore, the valuation of the debt component, using the income approach, resulted in a debt discount. The debt discount is reduced over the expected life of the debt, which is also the stated life of the debt. FSP APB 14-1 will also be applicable for the issuance of our convertible debt issued subsequent to the second quarter of 2009. See Note 17: Borrowings for further discussion.

As a result of applying FSP APB 14-1 retrospectively to all periods presented, we recognized the following incremental effects on individual line items on the consolidated condensed balance sheets:

	December 27, 2008	
	Before	After FSP APB

(In millions)	FSP APB 14-1	Adjustments	14-1
Property, plant and equipment, net	$ 17,544	$ 30	$ 17,574
Other long-term assets[1]	$ 6,092	$ (273)	$ 5,819
Long-term debt	$ 1,886	$ (701)	$ 1,185
Common stock and capital in excess of par value	$ 12,944	$ 458	$ 13,402

[1] *Primarily relates to the adjustment made to the net deferred tax asset.*

FSP APB 14-1 did not result in a change to our prior-period consolidated condensed statements of operations, as the interest associated with our debt issuances is capitalized and added to the cost of qualified assets. The adoption of FSP APB 14-1 did not result in a significant change to depreciation expense or earnings per common share for the second quarter or the first half of 2009.

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

In the first quarter of 2009, we adopted Statement of Financial Accounting Standards No. 141 (revised 2007), Business Combinations (SFAS No. 141(R)) as amended by FASB staff position FSP 141(R)-1, Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies. SFAS No. 141(R) generally requires an entity to recognize the assets acquired, liabilities assumed, contingencies, and contingent consideration at their fair value on the acquisition date. In circumstances where the acquisition-date fair value for a contingency cannot be determined during the measurement period and it is concluded that it is probable that an asset or liability exists as of the acquisition date and the amount can be reasonably estimated, a contingency is recognized as of the acquisition date based on the estimated amount. It further requires that acquisition-related costs be recognized separately from the acquisition and expensed as incurred, restructuring costs generally be expensed in periods subsequent to the acquisition date, and changes in accounting for deferred tax asset valuation allowances and acquired income tax uncertainties after the measurement period impact income tax expense. In addition, acquired in-process research and development is capitalized as an intangible asset and amortized over its estimated useful life. SFAS No. 141(R) is applicable to business combinations on a prospective basis beginning in the first quarter of 2009. We did not complete any business combinations in the first half of 2009; however, our acquisition of Wind River Systems Inc., which was completed in the third quarter of 2009, will be accounted for under SFAS No. 141(R). See Note 14: Acquisition.

In February 2008, the FASB issued FSP FAS 157-2, Effective Date of FASB Statement No. 157 (FSP 157-2), which delayed the effective date of SFAS No. 157, Fair Value Measurements (SFAS No. 157) for all non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), until the beginning of the first quarter of 2009. Therefore, in the first quarter of 2009, we adopted SFAS No. 157 for non-financial assets and non-financial liabilities. The adoption of SFAS No. 157 for non-financial assets and non-financial liabilities that are not measured and recorded at fair value on a recurring basis did not have a significant impact on our consolidated financial statements.

In the second quarter of 2009, we adopted FSP FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly (FSP 157-4). FSP 157-4 provides guidance on how to determine the fair value of assets and liabilities when the volume and level of activity for the asset/liability has significantly decreased. FSP 157-4 also provides guidance on identifying circumstances that indicate a transaction is not orderly. In addition, FSP 157-4 requires disclosure in interim and annual periods of the inputs and valuation techniques used to measure fair value and a discussion of changes in valuation techniques. The adoption of FSP 157-4 did not have a significant impact on our consolidated financial statements.

In the second quarter of 2009, we adopted FSP FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairment (FSP 115-2). FSP 115-2 amends the requirements for the recognition and measurement of other-than-temporary impairments for debt securities by modifying the pre-existing intent and ability indicator. If the fair value of a debt security is less than its amortized cost basis, under FSP 115-2, an other-than-temporary impairment is triggered in circumstances where (1) an entity has an intent to sell the security, (2) it is more likely than not that the entity will be required to sell the security before recovery of its amortized cost basis, or (3) the entity does not expect to recover the entire amortized cost basis of the security (that is, a credit loss exists). If an entity intends to sell the security or if it is more likely than not that the entity will be required to sell the security before recovery of its amortized cost basis, the other-than-temporary impairment is recognized in earnings equal to the entire difference between the security s amortized cost basis and its fair value. If a credit loss exists for a debt security but an entity does not intend to sell the security and it is not more likely than not that it will be required to sell the security before recovery of its remaining amortized cost basis (amortized cost basis less any current-period credit loss), the other-than-temporary impairment is separated into an amount representing the credit loss, which is recognized in earnings, and the amount related to all other factors, which is recognized in other comprehensive income (loss). The adoption of FSP 115-2 did not have a significant impact on our consolidated financial statements.

Note 3: Recent Accounting Pronouncements

In December 2008, the FASB issued FSP 132(R)-1, Employers Disclosures about Postretirement Benefit Plan Assets (FSP 132(R)-1). FSP 132(R)-1 requires additional disclosures for plan assets of defined benefit pension or other postretirement plans. The required disclosures include a description of our investment policies and strategies, the fair value of each major category of plan assets, the inputs and valuation techniques used to measure the fair value of plan assets, the effect of fair value measurements using significant unobservable inputs on changes in plan assets, and the significant concentrations of risk within plan assets. FSP 132 (R)-1 does not change the accounting treatment for postretirement benefits plans. FSP 132(R)-1 is effective for us for fiscal year 2009.

In June 2009, the FASB issued SFAS No. 166, Accounting for Transfers of Financial Assets an amendment of FASB Statement No. 140 (SFAS No. 166). SFAS No. 166 eliminates the concept of a qualifying special-purpose entity; removes the scope exception from applying FASB Interpretation No. 46(R), Consolidation of Variable Interest Entities (FIN 46(R)) to qualifying special-purpose entities; changes the requirements for derecognizing financial assets; and requires enhanced disclosure. SFAS No. 166 is effective for us beginning in the first quarter of fiscal year 2010. SFAS No. 166 is not expected to have a significant impact on our consolidated financial statements.

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

In June 2009, the FASB issued SFAS No. 167, Amendments to FASB Interpretation No. 46(R) (SFAS No 167). SFAS No. 167 eliminates a required quantitative approach to determine whether a variable interest gives the entity a controlling financial interest in a variable interest entity in favor of a qualitatively focused analysis. It requires an ongoing reassessment of whether an entity is the primary beneficiary. It also nullifies FSP FAS 140-4 and FIN 46(R)-8, Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities (FSP FAS 140-4 and FIN 46(R)-8). However, the content of the disclosures required by SFAS No. 167 is generally consistent with FSP FAS 140-4 and FIN 46(R)-8, which we adopted beginning with our 2008 consolidated financial statements. SFAS No. 167 is effective for us beginning in the first quarter of fiscal year 2010. We are currently evaluating the impact that the adoption of SFAS No. 167 will have on our consolidated financial statements.

Note 4: Fair Value

SFAS No. 157 defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining fair value, we consider the principal or most advantageous market in which we would transact, and we consider assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of non-performance.

Our financial instruments are measured and recorded at fair value, except for equity method investments, cost method investments, and most of our long-term debt. Our equity method and cost method investments are measured at fair value quarterly; however, they are only recorded at fair value when an impairment charge is recognized. Our non-financial assets, such as goodwill; intangible assets; and property, plant and equipment, are measured at fair value when there is an indicator of impairment and recorded at fair value only when an impairment charge is recognized. For financial instruments that are not recorded at fair value, we disclose fair value in accordance with FSP SFAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments. The fair value of our non-marketable equity investments exceeded the carrying value by approximately $1.1 billion as of June 27, 2009 (the fair value exceeded the carrying value by approximately $300 million as of December 27, 2008). As of June 27, 2009, we had non-marketable equity investments in an unrealized loss position of approximately $80 million that had a fair value of approximately $350 million (unrealized loss position of approximately $100 million on non-marketable equity investments with a fair value of approximately $270 million as of December 27, 2008). The fair value of these investments takes into account the movements of the equity and venture capital markets as well as changes in the interest rate environment, and other economic variables. The fair value of our long-term debt was approximately $65 million lower than the long-term debt carrying value as of June 27, 2009 on our consolidated condensed balance sheet (approximately $35 million lower than the long-term debt carrying value as of December 27, 2008). The fair value of our long-term debt takes into consideration credit rating changes, equity price movements, interest rate changes, and other economic variables.

Fair Value Hierarchy

SFAS No. 157 establishes three levels of inputs that may be used to measure fair value:

Level 1. Quoted prices in active markets for identical assets or liabilities.

Level 1 assets and liabilities consist of certain of our money market fund deposits and marketable debt and equity instruments, including equity securities offsetting deferred compensation, that are traded in an active market with sufficient volume and frequency of transactions.

Level 2. Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets with insufficient volume or infrequent transactions (less active markets), or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data for substantially the full term of the assets or liabilities.

Level 2 assets consist of certain of our marketable debt and equity instruments with quoted market prices that are traded in less active markets or priced using a quoted market price for similar instruments. Level 2 assets also include marketable debt instruments priced using non-binding market consensus prices that can be corroborated with

observable market data, marketable equity securities with security-specific restrictions that would transfer to the buyer, as well as debt instruments, loans receivable, and derivative contracts priced using inputs that are observable in the market or can be derived principally from or corroborated with observable market data. Marketable debt instruments in this category include commercial paper, bank time deposits, municipal bonds, certain of our money market fund deposits and corporate bonds, and a majority of our floating-rate notes.

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

Level 3. Unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of assets or liabilities.

Level 3 assets and liabilities include marketable debt instruments, non-marketable equity investments, derivative contracts, property, plant and equipment, and company-issued debt whose values are determined using inputs that are both unobservable and significant to the fair value measurements. Level 3 assets also include marketable debt instruments that are priced using non-binding market consensus prices or non-binding broker quotes that we were unable to corroborate with observable market data. Marketable debt instruments in this category include asset-backed securities and certain of our floating-rate notes and corporate bonds.

Assets/Liabilities Measured and Recorded at Fair Value on a Recurring Basis

Assets and liabilities measured and recorded at fair value on a recurring basis, excluding accrued interest components, consisted of the following types of instruments as of June 27, 2009 and December 27, 2008:

	June 27, 2009 Fair Value Measured and Recorded at Reporting Date Using				December 27, 2008 Fair Value Measured and Recorded at Reporting Date Using			
(In Millions)	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets								
Commercial paper	$	$ 3,898	$	$ 3,898	$	$ 4,387	$	$ 4,387
Bank time deposits		610		610		633		633
Money market fund deposits	532	15		547	373	49		422
Floating-rate notes	366	6,149	382	6,897	126	6,366	392	6,884
Corporate bonds	205	458	134	797	26	225	163	414
Asset-backed securities			895	895			1,083	1,083
Municipal bonds		386		386		383		383
Marketable equity securities	493	20		513	308	44		352
Equity securities offsetting deferred compensation	319			319	299			299
Loans receivable		243		243				
Derivative assets		105	17	122		158	15	173
Total assets measured and recorded at fair value	**$ 1,915**	**$ 11,884**	**$ 1,428**	**$ 15,227**	**$ 1,132**	**$ 12,245**	**$ 1,653**	**$ 15,030**
Liabilities								
Long-term debt	$	$	$ 124	$ 124	$	$	$ 122	$ 122
Derivative liabilities		143	48	191		274	25	299
Total liabilities measured and	**$**	**$ 143**	**$ 172**	**$ 315**	**$**	**$ 274**	**$ 147**	**$ 421**

recorded at fair value

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

Assets and liabilities measured and recorded at fair value on a recurring basis, excluding accrued interest components, were presented on our consolidated condensed balance sheets as of June 27, 2009 and December 27, 2008 as follows:

	June 27, 2009 Fair Value Measured and Recorded at Reporting Date Using				December 27, 2008 Fair Value Measured and Recorded at Reporting Date Using			
(In Millions)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Cash and cash equivalents	$ 524	$ 3,025	$	$ 3,549	$ 336	$ 2,772	$	$ 3,108
Short-term investments	80	5,056	59	5,195	149	4,953	227	5,329
Trading assets	394	1,461	748	2,603	328	2,020	814	3,162
Other current assets		103		103		158	3	161
Marketable equity securities	493	20		513	308	44		352
Other long-term investments	424	1,974	604	3,002	11	2,298	597	2,906
Other long-term assets		245	17	262			12	12
Total assets measured and recorded at fair value	**$ 1,915**	**$ 11,884**	**$ 1,428**	**$ 15,227**	**$ 1,132**	**$ 12,245**	**$ 1,653**	**$ 15,030**
Liabilities								
Other accrued liabilities	$	$ 113	$ 48	$ 161	$	$ 236	$ 25	$ 261
Long-term debt			124	124			122	122
Other long-term liabilities		30		30		38		38
Total liabilities measured and recorded at fair value	**$**	**$ 143**	**$ 172**	**$ 315**	**$**	**$ 274**	**$ 147**	**$ 421**

The table below presents a reconciliation for all assets and liabilities measured and recorded at fair value on a recurring basis, excluding accrued interest components, using significant unobservable inputs (Level 3) for the three months ended June 27, 2009:

	Fair Value Measured and Recorded Using Significant Unobservable Inputs (Level 3)					
	Floating-Rate	Corporate	Asset-Backed	Derivative	Derivative	Long-Term

(In Millions)	Notes	Bonds	Securities	Assets	Liabilities	Debt	Total Gains (Losses)
Balance as of March 28, 2009	**$ 99**	**$ 127**	**$ 980**	**$ 22**	**$ (42)**	**$ (123)**	
Total gains or losses (realized and unrealized):							
Included in earnings		1	16	(6)	8	(1)	18
Included in other comprehensive income (loss)	(2)	1	(12)				(13)
Purchases, sales, issuances, and settlements, net	390	5	(89)	1			
Transfers in and/or out of Level 3	(105)				(14)		
Balance as of June 27, 2009	**$ 382**	**$ 134**	**$ 895**	**$ 17**	**$ (48)**	**$ (124)**	
The amount of total gains or losses for the period included in earnings attributable to the changes in unrealized gains or losses related to assets and liabilities still held as of June 27, 2009	$	$ 1	$ 15	$ (5)	$ 8	$ (1)	$ 18

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

The table below presents a reconciliation for all assets and liabilities measured and recorded at fair value on a recurring basis, excluding accrued interest components, using significant unobservable inputs (Level 3) for the six months ended June 27, 2009:

	Fair Value Measured and Recorded Using Significant Unobservable Inputs (Level 3)						
(In Millions)	**Floating-Rate Notes**	**Corporate Bonds**	**Asset-Backed Securities**	**Derivative Assets**	**Derivative Liabilities**	**Long-Term Debt**	**Total Gains (Losses)**
Balance as of December 27, 2008	**$ 392**	**$ 163**	**$ 1,083**	**$ 15**	**$ (25)**	**$ (122)**	
Total gains or losses (realized and unrealized):							
Included in earnings		1	40	(5)	20	(2)	54
Included in other comprehensive income (loss)	(4)	(11)	(19)				(34)
Purchases, sales, issuances, and settlements, net	357	(19)	(209)	7			
Transfers in and/or out of Level 3	(363)				(43)		
Balance as of June 27, 2009	**$ 382**	**$ 134**	**$ 895**	**$ 17**	**$ (48)**	**$ (124)**	
The amount of total gains or losses for the period included in earnings attributable to the changes in unrealized gains or losses related to assets and liabilities still held as of June 27, 2009	$	$ (3)	$ 39	$ (4)	$ 20	$ (2)	$ 50

Gains and losses (realized and unrealized) included in earnings for the three and six months ended June 27, 2009 are reported in interest and other, net and gains (losses) on other equity investments, net on the consolidated condensed statements of operations, as follows:

	Level 3			
	Three Months Ended June 27, 2009		Six Months Ended June 27, 2009	
(In Millions)	**Interest and Other, Net**	**Gains (Losses) on Other Equity Investments, Net**	**Interest and Other, Net**	**Gains (Losses) on Other Equity Investments, Net**
Total gains or (losses) included in earnings	$ 20	$ (2)	$ 57	$ (3)
Change in unrealized gains or (losses) relating to assets and liabilities still held	$ 19	$ (1)	$ 52	$ (2)

The table below presents a reconciliation for all assets and liabilities measured and recorded at fair value on a recurring basis, excluding accrued interest components, using significant unobservable inputs (Level 3) for the three months ended June 28, 2008:

	Fair Value Measured and Recorded Using Significant Unobservable Inputs (Level 3)							
(In Millions)	**Floating-Rate Notes**	**Corporate Bonds**	**Asset-Backed Securities**	**Municipal Bonds**	**Derivative Assets**	**Derivative Liabilities**	**Long-Term Debt**	**Total Gains (Losses)**
Balance as of March 29, 2008	**$ 1,227**	**$ 202**	**$ 1,781**	**$ 5**	**$ 20**	**$ (32)**	**$ (128)**	
Total gains or losses (realized and unrealized):								
Included in earnings	(2)	4	15		(6)	6	2	19
Included in other comprehensive income (loss)	(1)		2					1
Purchases, sales, issuances, and settlements, net	388		(157)		3			
Transfers in and/or out of Level 3	(1,048)			11	5			
Balance as of June 28, 2008	**$ 564**	**$ 206**	**$ 1,641**	**$ 16**	**$ 22**	**$ (26)**	**$ (126)**	
The amount of total gains or losses for the period included in earnings attributable to the changes in unrealized gains or losses related to assets and liabilities still held as of June 28, 2008	$ (2)	$ 4	$ 15	$	$ (6)	$ 6	$ 2	$ 19

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The table below presents a reconciliation for all assets and liabilities measured and recorded at fair value on a recurring basis, excluding accrued interest components, using significant unobservable inputs (Level 3) for the six months ended June 28, 2008:

	Fair Value Measured and Recorded Using Significant Unobservable Inputs (Level 3)							
(In Millions)	**Floating-Rate Notes**	**Corporate Bonds**	**Asset-Backed Securities**	**Municipal Bonds**	**Derivative Assets**	**Derivative Liabilities**	**Long-Term Debt**	**Total Gains (Losses)**
Balance as of December 29, 2007	**$ 553**	**$ 180**	**$ 1,840**	**$**	**$ 18**	**$ (15)**	**$ (125)**	
Total gains or losses (realized and unrealized):								
Included in earnings	(1)	10	(19)		4	(11)	(1)	(18)
Included in other comprehensive income (loss)	(11)							(11)
Purchases, sales, issuances, and settlements, net	621	16	(180)		(5)			
Transfers in and/or out of Level 3	(598)			16	5			
Balance as of June 28, 2008	**$ 564**	**$ 206**	**$ 1,641**	**$ 16**	**$ 22**	**$ (26)**	**$ (126)**	
The amount of total gains or losses for the period included in earnings attributable to the changes in unrealized gains or losses related to assets and liabilities still held as of June 28, 2008	$ (1)	$ 10	$ (19)	$	$ 4	$ (11)	$ (1)	$ (18)

Gains and losses (realized and unrealized) included in earnings for the three and six months ended June 28, 2008 are reported in interest and other, net and gains (losses) on other equity investments, net on the consolidated condensed statements of operations, as follows:

	Level 3			
	Three Months Ended June 28, 2008		Six Months Ended June 28, 2008	
(In Millions)	**Interest and Other, Net**	**Gains (Losses) on Other Equity Investments, Net**	**Interest and Other, Net**	**Gains (Losses) on Other Equity Investments, Net**
Total gains or (losses) included in earnings	$ 17	$ 2	$ (22)	$ 4
	$ 17	$ 2	$ (22)	$ 4

Change in unrealized gains or (losses) relating to assets and liabilities still held	

Fair Value Option for Financial Assets/Liabilities

All of our long-term debt was eligible for the fair value option allowed by SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115 (SFAS No. 159) as of the effective date of the standard; however, we elected the fair value option only for the bonds issued in 2007 by the Industrial Development Authority of the City of Chandler, Arizona (2007 Arizona bonds). In connection with the 2007 Arizona bonds, we entered into a total return swap agreement that effectively converts the fixed rate obligation on the bonds to a floating LIBOR-based rate. As a result, changes in the fair value of this debt are primarily offset by changes in the fair value of the total return swap agreement, without the need to apply the hedge accounting provisions of SFAS No. 133 Accounting for Derivative Instruments and Hedging Activities (SFAS No. 133). We elected not to adopt SFAS No. 159 for our Arizona bonds issued in 2005, since the bonds were carried at amortized cost and were not eligible to apply the hedge accounting provisions of SFAS No. 133 due to the use of non-derivative hedging instruments. The 2007 Arizona bonds are included within the long-term debt balance on our consolidated condensed balance sheets. As of June 27, 2009 and December 27, 2008, no other long-term debt instruments were similar to the instrument for which we have elected SFAS No. 159 fair value treatment.

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The fair value of the 2007 Arizona bonds approximated carrying value at the time we elected the fair value option under SFAS No. 159. As such, we did not record a cumulative-effect adjustment to the beginning balance of retained earnings or to the deferred tax liability. As of June 27, 2009, the fair value of the 2007 Arizona bonds did not significantly differ from the contractual principal balance. The fair value of the 2007 Arizona bonds was determined using inputs that are observable in the market or that can be derived from or corroborated with observable market data as well as unobservable inputs which were significant to the fair value. Gains and losses on the 2007 Arizona bonds are recorded in interest and other, net on the consolidated condensed statements of operations. We capitalize interest associated with the 2007 Arizona bonds. We add capitalized interest to the cost of qualified assets and amortize it over the estimated useful lives of the assets.

We elected the fair value option for loans made in the second quarter of 2009. Our loans receivable are denominated in euros and mature in 2012-2013. In connection with our loans receivable, we entered into a currency interest rate swap agreement that effectively converts the euro-denominated fixed-rate loans receivable to a floating LIBOR-based rate. As a result, changes in the fair value are primarily offset by changes in the fair value of the currency interest rate swap agreement, without the need to apply the hedge accounting provisions of SFAS No. 133. As of June 27, 2009, the fair value of our loans receivable of $243 million did not significantly differ from the contractual principal balance. These loans receivable are classified within other long-term assets. Fair value is determined using a discounted cash flow model with all significant inputs derived from or corroborated with observable market data. Gains and losses from changes in fair value, as well as interest income, are recorded in interest and other, net on the consolidated condensed statements of operations. We measure interest income using the interest method, which is based on the effective yield of the loans receivable rather than the stated coupon rate. During the second quarter of 2009, gains and losses from fair value changes of our loans receivable (including gains and losses attributable to changes in credit risk) were not significant. Gains and losses attributable to changes in credit risk are determined using observable credit default spreads for comparable companies.

Assets/Liabilities Measured and Recorded at Fair Value on a Nonrecurring Basis

The following table presents the financial instruments and non-financial assets that were measured and recorded at fair value on a non-recurring basis as of June 27, 2009, and the gains (losses) recorded during the three and six months ended June 27, 2009 on those assets:

	Net Carrying Value as of June 27,	Fair Value Measured and Recorded At Reporting Date Using			Total Gains (Losses) for Three Months Ended June 27,	Total Gains (Losses) for Six Months Ended June 27,
(In Millions)	**2009**	**Level 1**	**Level 2**	**Level 3**	**2009**	**2009**
Non-marketable equity investments[1]	$ 113	$	$	$ 115	$ (39)	$ (115)
Property, plant and equipment[2]	13			15		(10)
Total gains (losses) for assets held as of June 27, 2009					**$ (39)**	**$ (125)**
					$ (25)	$ (52)

Gains (losses) for property, plant and equipment assets no longer held		
Gains (losses) for non-marketable equity investments no longer held		(3)
Total gains (losses) for recorded non-recurring measurement	**$ (64)**	**$ (180)**

[1] *Our carrying value as of June 27, 2009 did not equal our fair value measurement at the time of impairment due to the subsequent recognition of equity method adjustments.*

[2] *Our carrying value as of June 27, 2009 did not equal our fair value measurement at the time of impairment due to the subsequent recognition of depreciation expense.*

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The following table presents the financial instruments that were measured and recorded at fair value on a non-recurring basis as of June 28, 2008, and the gains (losses) recorded during the three and six months ended June 28, 2008 on those assets:

(In Millions)	Net Carrying Value as of June 28, 2008	Fair Value Measured and Recorded At Reporting Date Using Level 1	Level 2	Level 3	Total Gains (Losses) for Three Months Ended June 28, 2008	Total Gains (Losses) for Six Months Ended June 28, 2008
Non-marketable equity investments	$ 12	$	$	$ 12	$ (11)	$ (44)
Total gains (losses) for assets held as of June 28, 2008					**$ (11)**	**$ (44)**
Gains (losses) for assets no longer held					$	$
Total gains (losses) for recorded non-recurring measurement					**$ (11)**	**$ (44)**

A portion of our non-marketable equity investments were measured and recorded at fair value in the first half of 2009 and 2008 due to events or circumstances that significantly impacted the fair value of these investments, resulting in other-than-temporary impairment charges. We classified these impaired non-marketable equity investments as Level 3, as we use unobservable inputs to the valuation methodology that are significant to the fair value measurement, and the valuation requires management judgment due to the absence of quoted market prices and inherent lack of liquidity. We calculated these fair value measurements using the market approach and/or the income approach. The market approach includes the use of financial metrics and ratios of comparable public companies. The selection of comparable companies requires management judgment and is based on a number of factors, including comparable companies sizes, growth rates, products and services lines, development stage, and other relevant factors. The income approach includes the use of a discounted cash flow model, which requires the following significant estimates for the investee: revenue, based on assumed market segment size and assumed market segment share; estimated costs; and appropriate discount rates based on the risk profile of comparable companies. Estimates of market segment size, market segment share, and costs are developed by the investee and/or Intel using historical data and available market data. The valuation of these non-marketable equity investments also takes into account movements of the equity and venture capital markets, recent financing activities by the investees, changes in the interest rate environment, the investee s capital structure, liquidation preferences for the investee s capital, and other economic variables.

Additionally, certain of our non-financial assets were measured and recorded at fair value in the first half of 2009 due to events or circumstances we identified that indicated that the carrying value of the assets or the asset grouping was not recoverable, resulting in other-than-temporary impairment charges. Most of these asset impairments relate to manufacturing assets.

Note 5: Trading Assets

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

	June 27, 2009		Dec. 27, 2008	
(In Millions)	**Net Unrealized Gains (Losses)**	**Fair Value**	**Net Unrealized Gains (Losses)**	**Fair Value**
Marketable debt instruments	$ (8)	$ 2,284	$ (96)	$ 2,863
Equity securities offsetting deferred compensation	(21)	319	(41)	299
Total trading assets	**$ (29)**	**$ 2,603**	**$ (137)**	**$ 3,162**

Net gains on marketable debt instruments that we classified as trading assets held at the reporting date were $59 million in the second quarter of 2009 and $82 million in the first half of 2009 (losses of $1 million in the second quarter of 2008 and gains of $7 million in the first half of 2008). Net losses on the related derivatives were $27 million in the second quarter of 2009 and $13 million in the first half of 2009 (gains of $23 million in the second quarter of 2008 and losses of $31 million in the first half of 2008). We maintain certain equity securities which are classified as trading assets to generate returns that seek to offset changes in liabilities related to the equity market risk of certain deferred compensation arrangements. These deferred compensation liabilities were $411 million as of June 27, 2009 ($332 million as of December 27, 2008) and are included in other accrued liabilities. Net gains on equity securities offsetting deferred compensation arrangements still held at the reporting date were $36 million in the second quarter of 2009 and $7 million in the first half of 2009 (losses of $19 million in the second quarter of 2008 and $64 million in the first half of 2008).

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Note 6: Available-for-Sale Investments

Available-for-sale investments as of June 27, 2009 and December 27, 2008 were as follows:

	June 27, 2009				December 27, 2008			
(In Millions)	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized Losses[1]	Fair Value	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Floating-rate notes	$ 6,576	$ 10	$ (49)	$ 6,537	$ 6,599	$ 3	$ (133)	$ 6,469
Commercial paper	3,658	2		3,660	3,244	4		3,248
Bank time deposits[2]	582	3		585	606	2		608
Money market fund deposits	538			538	419			419
Marketable equity securities	398	115		513	393	2	(43)	352
Asset-backed securities	250		(60)	190	374		(43)	331
Corporate bonds	247	8	(19)	236	270	4	(6)	268
Total available-for-sale investments	**$ 12,249**	**$ 138**	**$ (128)**	**$ 12,259**	**$ 11,905**	**$ 15**	**$ (225)**	**$ 11,695**

[1] *As of June 27, 2009, unrealized non-credit-related other-than-temporary impairment losses recognized in other comprehensive income (loss) were not significant.*

[2] *Bank time deposits were primarily issued by institutions outside the U.S. as of June 27, 2009 and December 27, 2008.*

The available-for-sale investments that were in an unrealized loss position as of June 27, 2009 and December 27, 2008, aggregated by length of time that individual securities have been in a continuous loss position, were as follows:

	June 27, 2009					
	Less than 12 Months		12 Months or Greater		Total	
(In Millions)	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Floating-rate notes	$ (26)	$ 1,482	$ (23)	$ 2,282	$ (49)	$ 3,764

Asset-backed securities			(60)	183	(60)	183
Corporate bonds			(19)	76	(19)	76
Total	**$ (26)**	**$ 1,482**	**$ (102)**	**$ 2,541**	**$ (128)**	**$ 4,023**

	December 27, 2008					
	Less than 12 Months		12 Months or Greater		Total	
(In Millions)	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**
Floating-rate notes	$ (70)	$ 2,933	$ (63)	$ 1,701	$ (133)	$ 4,634
Marketable equity securities	(43)	322			(43)	322
Asset-backed securities			(43)	312	(43)	312
Corporate bonds	(1)	6	(5)	77	(6)	83
Total	**$ (114)**	**$ 3,261**	**$ (111)**	**$ 2,090**	**$ (225)**	**$ 5,351**

As of June 27, 2009, the unrealized losses on our available-for-sale investments were insignificant in relation to our total available-for-sale portfolio. Substantially all of our unrealized losses on our available-for-sale marketable debt instruments can be attributed to fair value fluctuations in an unstable credit environment that resulted in a decrease in the market liquidity for these debt instruments. As of June 27, 2009, the majority of our available-for-sale investments in an unrealized loss position were rated AA-/Aa3 or better. With the exception of a limited amount of investments for which we have recognized other-than-temporary impairments, we have not seen significant liquidation delays, and for those that have matured we have received the full par value of our original debt investments. We do not intend to sell our debt investments that have unrealized losses in accumulated other comprehensive income (loss). In addition, it is not more likely than not that we will be required to sell our debt investments that have unrealized losses in accumulated other comprehensive income (loss) before we recover the principal amounts invested. We believe that the unrealized losses are temporary and do not require an other-than-temporary impairment, based on our evaluation of available evidence as of June 27, 2009.

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The amortized cost and fair value of available-for-sale debt investments as of June 27, 2009, by contractual maturity, were as follows:

(In Millions)	Cost	Fair Value
Due in 1 year or less	$ 8,149	$ 8,149
Due in 1 2 years	1,304	1,299
Due in 2 5 years	1,610	1,570
Instruments not due at a single maturity date[1]	788	728
Total	**$ 11,851**	**$ 11,746**

[1] *Includes asset-backed securities and money market fund deposits.*

We sold available-for-sale investments, primarily marketable equity securities, for proceeds of $32 million in the second quarter of 2009 and $62 million in the first half of 2009 ($479 million in the second quarter of 2008 and $886 million in the first half of 2008, primarily marketable debt instruments). The gross realized gains on sales of available-for-sale investments totaled $9 million in the second quarter of 2009 and $11 million in the first half of 2009 ($12 million in the second quarter of 2008 and $22 million in the first half of 2008) and were primarily related to our sales of marketable equity securities. We determine the cost of the investment sold based on the specific identification method. Impairment charges recognized on available-for-sale investments were $2 million in the second quarter of 2009 and $9 million in the first half of 2009 ($76 million in the second quarter of 2008 and $95 million in the first half of 2008). The 2008 impairment charges were primarily related to a $72 million impairment charge on our investment in Micron Technology, Inc. Gross realized losses on sales were insignificant during the second quarter of 2009 and 2008 and the first half of 2009 and 2008.

The before-tax net unrealized holding gains (losses) on available-for-sale investments that have been included in accumulated other comprehensive income (loss) and the before-tax net gains (losses) reclassified from accumulated other comprehensive income (loss) into earnings were as follows:

	Three Months Ended		Six Months Ended	
(In Millions)	June 27, 2009	June 28, 2008	June 27, 2009	June 28, 2008
Net unrealized holding gains (losses) included in accumulated other comprehensive income (loss)	$ 157	$ 100	$ 223	$ (359)
Net gains (losses) reclassified from accumulated other comprehensive income (loss) into earnings	$ (3)	$ (70)	$ (8)	$ (66)

Other-Than-Temporary Impairment

We recognize other-than-temporary impairments for available-for-sale debt instruments in accordance with FSP 115-2. If the fair value of an available-for-sale debt instrument is less than its amortized cost basis, an other-than-temporary impairment is triggered in circumstances where (1) we intend to sell the instrument, (2) it is more likely than not that we will be required to sell the instrument before recovery of its amortized cost basis, or (3) we do not expect to recover the entire amortized cost basis of the instrument (that is, a credit loss exists). If we intend to sell or it is more likely than not that we will be required to sell the available-for-sale debt instrument before

recovery of its amortized cost basis, we recognize an other-than-temporary impairment in earnings equal to the entire difference between the debt instruments s amortized cost basis and its fair value. For available-for-sale debt instruments that are considered other-than-temporarily impaired due to the existence of a credit loss, if we do not intend to sell and it is not more likely than not that we will be required to sell the instrument before recovery of its remaining amortized cost basis (amortized cost basis less any current-period credit loss), we separate the amount of the impairment into the amount that is credit related and the amount due to all other factors. The credit loss component is recognized in earnings and is the difference between the debt instrument s amortized cost basis and the present value of its expected future cash flows. The remaining difference between the debt instrument s fair value and the present value of future expected cash flows is due to factors that are not credit related and is recognized in other comprehensive income (loss). In the second quarter of 2009, the credit and non-credit components of other-than-temporary impairments recognized on available-for-sale debt instruments were not significant.

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Note 7: Inventories

Inventories at the end of each period were as follows:

(In Millions)	June 27, 2009	Dec. 27, 2008
Raw materials	$ 385	$ 608
Work in process	1,209	1,577
Finished goods	1,211	1,559
Total inventories	**$ 2,805**	**$ 3,744**

The valuation of inventory requires us to estimate obsolete or excess inventory as well as inventory that is not of saleable quality. The determination of obsolete or excess inventory requires us to estimate the future demand for our products. Estimates of future demand for our products could change and result in additional inventory write-offs, which would negatively impact our gross margin.

Note 8: Derivative Financial Instruments

Our primary objective for holding derivative financial instruments is to manage currency exchange rate risk and interest rate risk, and to a lesser extent, equity market risk and commodity price risk.

We currently do not enter into derivative instruments to manage credit risk; however, we manage our exposure to credit risk through our policies. We generally enter into derivative transactions with high-credit-quality counterparties and, by policy, limit the amount of credit exposure to any one counterparty based on our analysis of that counterparty s relative credit standing. The amounts subject to credit risk related to derivative instruments are generally limited to the amounts, if any, by which a counterparty s obligations exceed our obligations with that counterparty, because we enter into master netting arrangements with counterparties when possible to mitigate credit risk in derivative transactions subject to International Swaps and Derivatives Association, Inc. (ISDA) agreements. A master netting arrangement may allow counterparties to net settle amounts owed to each other as a result of multiple, separate derivative transactions.

Currency Exchange Rate Risk

We are exposed to currency exchange risk on our non-U.S.-dollar-denominated investments in debt instruments and loans receivable, which are generally hedged with offsetting currency forward contracts, currency options, or currency interest rate swaps. A majority of our revenue, expense, and capital purchasing activities are transacted in U.S. dollars. However, certain operating expenditures and capital purchases are incurred in or exposed to other currencies, primarily the euro, the Israeli shekel, and the Japanese yen. We have established balance sheet and forecasted transaction currency risk management programs to protect against fluctuations in fair value and the volatility of future cash flows caused by changes in exchange rates. These programs reduce, but do not always entirely eliminate, the impact of currency exchange movements. In addition, as of the end of the second quarter of 2009, we had euro exposure related to our euro-denominated liability for the European Commission (EC) fine. For further information on the EC fine, see Note 23: Contingencies.

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Our currency risk management programs include:

Currency derivatives with cash flow hedge accounting designation that utilize currency forward contracts and currency options to hedge exposures to the variability in the U.S.-dollar equivalent of anticipated non-U.S.-dollar-denominated cash flows. These instruments generally mature within 12 months. For these derivatives, we report the after-tax gain or loss from the effective portion of the hedge as a component of accumulated other comprehensive income (loss) in stockholders equity and reclassify it into earnings in the same period or periods in which the hedged transaction affects earnings, and within the same line item on the consolidated condensed statements of operations as the impact of the hedged transaction.

Currency derivatives with fair value hedge accounting designation that utilize currency forward contracts and currency options to hedge the fair value exposure of recognized foreign-currency-denominated assets or liabilities, or previously unrecognized firm commitments. For fair value hedges, we recognize gains or losses in earnings to offset fair value changes in the hedged asset/liability. As of June 27, 2009 and December 27, 2008, we did not have any derivatives designated as foreign currency fair value hedges.

Currency derivatives without hedge accounting designation that utilize currency forward contracts, currency options, or currency interest rate swaps to economically hedge the functional currency equivalent cash flows of recognized monetary assets and liabilities and non-U.S.-dollar-denominated debt instruments classified as trading assets. The maturity of these instruments generally occurs within 12 months, except for derivatives associated with certain long-term equity-related investments and our loans receivable that generally mature within five years. Changes in the U.S.-dollar-equivalent cash flows of the underlying assets and liabilities are approximately offset by the changes in fair values of the related derivatives. We record net gains or losses in the income statement line item most closely associated with the economic underlying, primarily in interest and other, net, except for equity-related gains or losses, which we primarily record in gains (losses) on other equity investments, net.

Interest Rate Risk

Our primary objective for holding investments in debt instruments is to preserve principal while maximizing yields. We generally swap the returns on our investments in fixed-rate debt instruments with remaining maturities longer than six months into U.S. dollar three-month LIBOR-based returns unless management specifically approves otherwise. Our interest rate risk management programs include:

Interest rate derivatives with cash flow hedge accounting designation that utilize interest rate swap agreements to modify the interest characteristics of some of our investments. For these derivatives, we report the after-tax gain or loss from the effective portion of the hedge as a component of accumulated other comprehensive income (loss) and reclassify it into earnings in the same period or periods in which the hedged transaction affects earnings, and within the same income statement line item as the impact of the hedged transaction.

Interest rate derivatives with fair value hedge accounting designation that utilize interest rate swap agreements to hedge the fair values of debt instruments. We recognize the gains or losses from the changes in fair value of these instruments, as well as the offsetting change in the fair value of the hedged long-term debt, in interest expense. As of June 27, 2009 and December 27, 2008, we did not have any interest rate derivatives designated as fair value hedges.

Interest rate derivatives without hedge accounting designation that utilize interest rate swaps and currency interest rate swaps in economic hedging transactions, including hedges of non-U.S.-dollar-denominated debt instruments classified as trading assets. Floating interest rates on the swaps are reset on a monthly, quarterly, or semiannual basis. Changes in fair value of the debt instruments classified as trading assets are generally offset by changes in fair value of the related derivatives, both of which are recorded in interest and other, net.

Equity Market Risk

Our marketable investments include marketable equity securities and equity derivative instruments such as warrants and options. To the extent that our marketable equity securities have strategic value, we typically do not attempt to reduce or eliminate our market exposure; however, for our investments in strategic equity derivative instruments, including warrants, we may enter into transactions to reduce or eliminate the market risks. For securities that we no longer consider strategic, we evaluate legal, market, and economic factors in our decision on the timing of disposal and whether it is possible and appropriate to hedge the equity market risk.

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Our equity market risk management programs include:

Equity derivatives with hedge accounting designation that utilize equity options, swaps, or forward contracts to hedge the equity market risk of marketable equity securities when these investments are not considered to have strategic value. These derivatives are generally designated as fair value hedges. We recognize the gains or losses from the change in fair value of these equity derivatives, as well as the offsetting change in the fair value of the underlying hedged equity securities, in gains (losses) on other equity investments, net. As of June 27, 2009 and December 27, 2008, we did not have any equity derivatives designated as fair value hedges.

Equity derivatives without hedge accounting designation that utilize equity derivatives, such as warrants, equity options, or other equity derivatives. We recognize changes in the fair value of such derivatives in gains (losses) on other equity investments, net.

Commodity Price Risk

We operate facilities that consume commodities, and we have established forecasted transaction risk management programs to protect against fluctuations in fair value and the volatility of future cash flows caused by changes in commodity prices, such as those for natural gas. These programs reduce, but do not always entirely eliminate, the impact of commodity price movements.

Our commodity price risk management program includes:

Commodity derivatives with cash flow hedge accounting designation that utilize commodity swap contracts to hedge future cash flow exposures to the variability in commodity prices. These instruments generally mature within 12 months. For these derivatives, we report the after-tax gain (loss) from the effective portion of the hedge as a component of accumulated other comprehensive income (loss) in stockholders equity and reclassify it into earnings in the same period or periods in which the hedged transaction affects earnings, and within the same line item on the consolidated condensed statements of operations as the impact of the hedged transaction.

Credit Risk

We typically do not hold derivative instruments for the purpose of managing credit risk, since we limit the amount of credit exposure to any one counterparty and generally enter into derivative transactions with high-credit-quality counterparties. As of June 27, 2009 and December 27, 2008, our credit risk management program did not include credit derivatives.

Volume of Derivative Activity

Total gross notional amounts for outstanding derivatives (recorded at fair value) were as follows:

(In Millions)	**June 27, 2009**	**Dec. 27, 2008**	**June 28, 2008**
Currency forwards	$ 3,666	$ 4,331	$ 4,045
Embedded debt derivative	1,600	1,600	1,600
Currency interest rate swaps	825	612	649
Interest rate swaps	763	1,209	1,098
Currency options	281		
Total return swaps	125	125	125
Other	98	163	164
Total	**$ 7,358**	**$ 8,040**	**$ 7,681**

The gross notional amounts for currency forwards, currency interest rate swaps, and currency options, presented by currency, were as follows:

	June 27,	**Dec. 27,**	**June 28,**

(In Millions)	2009	2008	2008
Euro	$ 2,049	$ 1,819	$ 1,827
Israeli shekel	657	680	659
Japanese yen	656	909	712
British pound sterling	606	366	270
Chinese yuan	354	491	500
Malaysian ringgit	213	326	300
Other	237	352	426
Total	**$ 4,772**	**$ 4,943**	**$ 4,694**

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We utilize a rolling hedge strategy for the majority of our currency forward contracts with cash flow hedge accounting designation that hedge exposures to the variability in the U.S.-dollar equivalent of anticipated non-U.S.-dollar-denominated cash flows. All of our currency forward contracts are single delivery, which are settled at maturity involving one cash payment exchange.

We use currency interest rate swaps to hedge interest rate and currency exchange rate risk components for our non-U.S.-dollar denominated fixed-rate debt instruments with remaining maturities longer than six months. Our currency interest rate swaps have multiple deliveries, which are settled at various interest payment times involving cash payments at each interest and principal payment date, with the majority of the contracts having quarterly payments.

Credit-Risk-Related Contingent Features

An insignificant amount of our derivative instruments contain credit-risk-related contingent features, such as provisions that require our debt to maintain an investment grade credit rating from each of the major credit rating agencies. As of June 27, 2009 and December 27, 2008, we did not have any derivative instruments with credit-risk-related contingent features that were in a significant net liability position.

Fair Values of Derivative Instruments in the Consolidated Condensed Balance Sheets

The fair values of our derivative instruments as of June 27, 2009 and December 27, 2008 were as follows:

	June 27, 2009				Dec. 27, 2008			
(In Millions)	Other Current Assets	Other Long-Term Assets	Other Accrued Liabilities	Other Long-Term Liabilities	Other Current Assets	Other Long-Term Assets	Other Accrued Liabilities	Other Long-Term Liabilities
Derivatives designated as hedging instruments under SFAS 133								
Currency forwards	$ 69	$	$ 45	$	$ 83	$	$ 122	$ 2
Commodity swaps			4				4	
Interest rate swaps	1				1			
Total derivatives designated as hedging instruments	**$ 70**	**$**	**$ 49**	**$**	**$ 84**	**$**	**$ 126**	**$ 2**
Derivatives not designated as hedging instruments under SFAS 133								
Currency forwards	$ 11	$	$ 16	$	$ 38	$	$ 38	$
Interest rate swaps	7		52				62	
Currency interest rate swaps	12	2	35		38		25	
Embedded debt derivative				30				36
Equity options		2	6		1	2	10	

Warrants				12								8							
Total return swaps				3								2							
Currency options		3				3													
Total derivatives not designated as hedging instruments	**$**	**33**	**$**	**19**	**$**	**112**	**$**	**30**	**$**	**77**	**$**	**12**	**$**	**135**	**$**	**36**			
Total derivatives	**$**	**103**	**$**	**19**	**$**	**161**	**$**	**30**	**$**	**161**	**$**	**12**	**$**	**261**	**$**	**38**			

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Derivatives in Cash Flow Hedging Relationships

The before-tax effect of derivative instruments in cash flow hedging relationships for the three months ended June 27, 2009 and June 28, 2008 was as follows:

	Gains (Losses) Recognized in OCI on Derivatives (Effective Portion)		Gains (Losses) Reclassified From Accumulated OCI Into Income (Effective Portion)			Gains (Losses) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded From Effectiveness Testing)[1]		
(In Millions)	**Q2 2009**	**Q2 2008**	**Location**	**Q2 2009**	**Q2 2008**	**Location**	**Q2 2009**	**Q2 2008**
Currency forwards	$ 65	$ (16)	Cost of sales	$ (12)	$ 39	Interest and other, net	$	$ (5)
			R&D	(17)	16			
			MG&A	(10)	12			
Commodity swaps	(2)	1	Cost of sales	(3)		Interest and other, net		
Interest rate swaps		(1)	Interest and other, net			Interest and other, net		
Total	**$ 63**	**$ (16)**		**$ (42)**	**$ 67**		**$**	**$ (5)**

[1] *Gains (losses) related to the ineffective portion of the hedges were not significant in the second quarters of 2009 and 2008.*

The before-tax effect of derivative instruments in cash flow hedging relationships for the six months ended June 27, 2009 and June 28, 2008 was as follows:

	Gains (Losses) Recognized in OCI on Derivatives (Effective Portion)		Gains (Losses) Reclassified From Accumulated OCI Into Income (Effective Portion)			Gains (Losses) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded From Effectiveness Testing)[1]		
(In Millions)	**2009**	**2008**	**Location**	**2009**	**2008**	**Location**	**2009**	**2008**
Currency forwards	$ (59)	$ 172	Cost of sales	$ (30)	$ 64	Interest and other, net	$ 2	$ (10)
			R&D	(30)	28			

				MG&A	(23)	21				
Commodity swaps	(7)	1		Cost of sales	(8)		Interest and other, net			
Total	**$ (66)**	**$ 173**			**$ (91)**	**$ 113**		**$ 2**	**$**	**(10)**

[1] *Gains (losses) related to the ineffective portion of the hedges were not significant in the first half of 2009 and 2008.*

We estimate that we will reclassify approximately $20 million (before taxes) of net derivative gains included in other accumulated comprehensive income (loss) into earnings within the next 12 months. For all periods presented, there was not a significant impact on results of operations from discontinued cash flow hedges as a result of forecasted transactions that did not occur.

Derivatives Not Designated as Hedging Instruments

The effect of derivative instruments not designated as hedging instruments on the consolidated condensed statements of operations was as follows:

		Three Months Ended		Six Months Ended	
(In Millions)	**Location of Gains (Losses) Recognized in Income on Derivative**	**June 27, 2009**	**June 28, 2008**	**June 27, 2009**	**June 28, 2008**
Currency forwards	Interest and other, net	$ (1)	$ (20)	$ (27)	$ 17
Interest rate swaps	Interest and other, net	11	12	17	(1)
Currency interest rate swaps	Interest and other, net	(21)	39	(5)	(23)
Other	Interest and other, net	3	(8)	6	(8)
Other	Gains (losses) on other equity investments, net		(2)	7	
Total		**$ (8)**	**$ 21**	**$ (2)**	**$ (15)**

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Note 9: Other Long-Term Assets

Other long-term assets at the end of each period were as follows:

(In Millions)	June 27, 2009	Dec. 27, 2008
Non-marketable equity method investments	$ 2,700	$ 3,032
Non-marketable cost method investments	1,006	1,021
Identified intangible assets	666	775
Other	1,260	991
Total other long-term assets	**$ 5,632**	**$ 5,819**

Long-term loans receivable are included in Other in the table above. See Note 4: Fair Value for further discussion on our loans receivable.

Note 10: Equity Method Investments

IMFT/IMFS

Micron and Intel formed IM Flash Technologies, LLC (IMFT) in January 2006 and IM Flash Singapore, LLP (IMFS) in February 2007. We established these joint ventures to manufacture NAND flash memory products for Micron and Intel. We own a 49% interest in each of these ventures. Our investments were $1.5 billion in IMFT and $308 million in IMFS as of June 27, 2009 ($1.7 billion in IMFT and $329 million in IMFS as of December 27, 2008). Our investments in these ventures are classified within other long-term assets. During the first half of 2009, $218 million was returned to Intel by IMFT, which is reflected as a return of equity method investment within investing activities on the consolidated condensed statements of cash flows ($91 million during the first half of 2008). Our portion of IMFT costs, primarily related to product purchases and start-up costs, was approximately $185 million during the second quarter of 2009 and approximately $395 million during the first half of 2009 (approximately $275 million during the second quarter of 2008 and approximately $525 million during the first half of 2008). The amount due to IMFT for product purchases and services provided was approximately $90 million as of June 27, 2009 and approximately $190 million as of December 27, 2008.

Subject to certain conditions, we originally agreed to contribute up to approximately $1.7 billion for IMFS in the three years following the initial capital contributions, of which our maximum remaining commitment was approximately $1.3 billion as of June 27, 2009. Initial production at the IMFS fabrication facility, including the purchase and installation of manufacturing equipment, remains on hold.

These joint ventures are variable interest entities as defined by FIN 46(R), because all costs of the joint ventures will be passed on to Micron and Intel through our purchase agreements. IMFT and IMFS are dependent upon Micron and Intel for any additional cash requirements. Our known maximum exposure to loss approximated our investment balances as of June 27, 2009, which were $1.5 billion in IMFT and $308 million in IMFS ($1.7 billion in IMFT and $329 million in IMFS as of December 27, 2008). As of June 27, 2009, except for the amount due to IMFT and IMFS for product purchases and services, we did not incur any additional liabilities in connection with our interests in these joint ventures. In addition to the potential loss of our existing investments, our actual losses could be higher, as Intel and Micron are liable for other future operating costs and/or obligations of IMFT and IMFS. In addition, future cash calls could increase our investment balance and the related exposure to loss. Finally, as we are currently committed to purchasing 49% of IMFT s production output and production-related services, we may be required to purchase products at a cost in excess of realizable value.

Micron and Intel are also considered related parties under the provisions of FIN 46(R). As a result, the primary beneficiary is the entity that is most closely associated with the joint ventures. To make that determination, we reviewed several factors. The most important factors were consideration of the size and nature of the joint ventures operations relative to Micron and Intel, and which party had the majority of economic exposure under the purchase

agreements. Based on those factors, we have determined that Micron is most closely associated with the joint ventures; therefore, we account for our interests using the equity method of accounting and do not consolidate these joint ventures.

We determine the fair value of our investments in IMFT and IMFS and related intangible assets using the income approach, based on a weighted average of multiple discounted cash flow scenarios of our NAND Solutions Group business. The assumptions that most significantly affect the fair value determination are the estimates for the projected revenue and discount rate. Estimates used in the fair value determination could change and result in an impairment of our investment.

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Numonyx

In 2008, we divested our NOR flash memory business in exchange for a 45.1% ownership interest in Numonyx B.V. As of June 27, 2009, our investment balance in Numonyx was $447 million and is included within other long-term assets ($484 million as of December 27, 2008). Our investment in Numonyx is accounted for under the equity method of accounting, and our proportionate share of the income or loss is recognized on a one-quarter lag.

In 2008, Numonyx entered into an unsecured, four-year senior credit facility of up to $550 million, consisting of a $450 million term loan and a $100 million revolving loan. Intel and STMicroelectronics N.V. have each provided the lenders with a guarantee of 50% of the payment obligations of Numonyx under the senior credit facility. A demand on our guarantee can be triggered if Numonyx is unable to meet its obligations under the credit facility. Acceleration of the obligations of Numonyx under the credit facility could be triggered by a monetary default of Numonyx or, in certain circumstances, by events affecting the creditworthiness of STMicroelectronics. This guarantee is within the scope of FASB Interpretation No. 45, Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others. The maximum amount of future undiscounted payments that we could be required to make under the guarantee is $275 million plus accrued interest, expenses of the lenders, and penalties. As of June 27, 2009, the carrying amount of the liability associated with the guarantee was $79 million, unchanged from the amount initially recorded in 2008, and is included in other accrued liabilities.

Clearwire LLC

As of June 27, 2009, our investment balance in Clearwire Communications, LLC (Clearwire LLC) was $211 million and is included within other long-term assets ($238 million as of December 27, 2008). Our investment in Clearwire LLC is accounted for under the equity method of accounting, and our proportionate share of the income or loss is recognized on a one-quarter lag. As of June 27, 2009, the carrying value of our investment in Clearwire LLC is approximately $385 million below our share of the book value of the net assets of Clearwire Corporation, and a substantial majority of this difference has been assigned to Clearwire spectrum assets, a majority of which have an indefinite life.

Note 11: Gains (Losses) on Equity Method Investments, Net

Gains (losses) on equity method investments, net included:

	Three Months Ended		Six Months Ended	
(In Millions)	**June 27, 2009**	**June 28, 2008**	**June 27, 2009**	**June 28, 2008**
Equity method losses, net	$ (41)	$ (42)	$ (103)	$ (92)
Impairment charges	(3)	(2)	(13)	(4)
Other, net		1		1
Total gains (losses) on equity method investments, net	**$ (44)**	**$ (43)**	**$ (116)**	**$ (95)**

Note 12: Gains (Losses) on Other Equity Investments, Net

Gains (losses) on other equity investments, net included:

	Three Months Ended		Six Months Ended	
(In Millions)	**June 27, 2009**	**June 28, 2008**	**June 27, 2009**	**June 28, 2008**
Impairment charges	$ (36)	$ (85)	$ (105)	$ (118)
Gains on sales	9	15	10	34

Other, net	2	4	29	11
Total gains (losses) on other equity investments, net	**$ (25)**	**$ (66)**	**$ (66)**	**$ (73)**

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Note 13: Interest and Other, Net

The components of interest and other, net were as follows:

	Three Months Ended		Six Months Ended	
(In Millions)	June 27, 2009	June 28, 2008	June 27, 2009	June 28, 2008
Interest income	$ 38	$ 137	$ 110	$ 335
Interest expense	(1)	(8)	(1)	(8)
Other, net	(6)	38	17	8
Total interest and other, net	**$ 31**	**$ 167**	**$ 126**	**$ 335**

Note 14: Acquisition

Subsequent to the end of the second quarter of 2009, we completed the acquisition of Wind River Systems Inc., a leading software vendor in embedded devices, in exchange for $884 million to be paid to the stockholders of Wind River. We are currently in the process of completing the initial accounting for the acquisition.

Note 15: Identified Intangible Assets

We classify identified intangible assets within other long-term assets on the consolidated condensed balance sheets. Identified intangible assets consisted of the following as of June 27, 2009:

(In Millions)	Gross Assets	Accumulated Amortization	Net
Intellectual property assets	$ 1,124	$ (546)	$ 578
Acquisition-related developed technology	18	(7)	11
Other intangible assets	340	(263)	77
Total identified intangible assets	**$ 1,482**	**$ (816)**	**$ 666**

Identified intangible assets consisted of the following as of December 27, 2008:

(In Millions)	Gross Assets	Accumulated Amortization	Net
Intellectual property assets	$ 1,206	$ (582)	$ 624
Acquisition-related developed technology	22	(8)	14
Other intangible assets	340	(203)	137
Total identified intangible assets	**$ 1,568**	**$ (793)**	**$ 775**

All of our identified intangible assets are subject to amortization. We recorded the amortization of identified intangible assets on the consolidated condensed statements of operations as follows: intellectual property assets generally in cost of sales; acquisition-related developed technology in marketing, general and administrative; and other intangible assets as either a reduction of revenue or in marketing, general and administrative. The amortization expense was as follows:

	Three Months Ended	Six Months Ended

(In Millions)	June 27, 2009	June 28, 2008	June 27, 2009	June 28, 2008
Intellectual property assets	$ 38	$ 40	$ 74	$ 81
Acquisition-related developed technology	$ 1	$ 1	$ 3	$ 2
Other intangible assets	$ 36	$ 22	$ 60	$ 43

Based on identified intangible assets recorded as of June 27, 2009, and assuming the underlying assets will not be impaired in the future, we expect amortization expense for each period to be as follows:

(In Millions)	2009[1]	2010	2011	2012	2013
Intellectual property assets	$ 73	$ 137	$ 85	$ 74	$ 57
Acquisition-related developed technology	$ 2	$ 5	$ 4	$	$
Other intangible assets	$ 66	$ 11	$	$	$

[1] *Reflects the remaining six months of 2009.*

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Note 16: Restructuring and Asset Impairment Charges

The following table summarizes restructuring and asset impairment charges by plan:

	Three Months Ended		Six Months Ended	
(In Millions)	June 27, 2009	June 28, 2008	June 27, 2009	June 28, 2008
2009 restructuring program	$ 88	$	$ 149	$
2006 efficiency program	3	96	16	425
Total restructuring and asset impairment charges	**$ 91**	**$ 96**	**$ 165**	**$ 425**

We may incur additional restructuring charges in the future for employee severance and benefit arrangements, and facility-related or other exit activities.

2009 Restructuring Program

In the first quarter of 2009, management approved plans to restructure some of our manufacturing and assembly and test operations, and align our manufacturing and assembly and test capacity to current market conditions. These plans include closing two assembly and test facilities in Malaysia, one facility in the Philippines, and one facility in China; stopping production at a 200mm wafer fabrication facility in Oregon; and ending production at our 200mm wafer fabrication facility in California. Restructuring and asset impairment charges were as follows:

	Three Months Ended		Six Months Ended	
(In Millions)	June 27, 2009	June 28, 2008	June 27, 2009	June 28, 2008
Employee severance and benefit arrangements	$ 88	$	$ 142	$
Asset impairment charges			7	
Total restructuring and asset impairment charges	**$ 88**	**$**	**$ 149**	**$**

The following table summarizes the restructuring and asset impairment activity for the 2009 restructuring program during the first half of 2009:

(In Millions)	Employee Severance and Benefits	Asset Impairments	Total
Accrued restructuring balance as of December 27, 2008	**$**	**$**	**$**
Additional accruals	143	7	150
Adjustments	(1)		(1)
Cash payments	(78)		(78)
Non-cash settlements		(7)	(7)
Accrued restructuring balance as of June 27, 2009	**$ 64**	**$**	**$ 64**

We recorded the additional accruals, net of adjustments, as restructuring and asset impairment charges. The remaining accrual as of June 27, 2009 was related to severance benefits that are recorded within accrued compensation and benefits.

The charges above include $142 million that relate to employee severance and benefit arrangements for approximately 6,900 employees, and $7 million in asset impairment charges.

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2006 Efficiency Program

In the third quarter of 2006, management approved several actions as part of a restructuring plan designed to improve operational efficiency and financial results. Restructuring and asset impairment charges were as follows:

	Three Months Ended		Six Months Ended	
(In Millions)	**June 27, 2009**	**June 28, 2008**	**June 27, 2009**	**June 28, 2008**
Employee severance and benefit arrangements	$ 3	$ 42	$ 8	$ 96
Asset impairment charges		54	8	329
Total restructuring and asset impairment charges	**$ 3**	**$ 96**	**$ 16**	**$ 425**

During the first quarter of 2008, we incurred $275 million in additional asset impairment charges related to assets that we sold in the second quarter of 2008 in conjunction with the divestiture of our NOR flash memory business. We determined the impairment charges using the revised fair value of the equity and note receivable that we received upon completion of the divestiture, less selling costs. The lower fair value was primarily a result of a decline in the outlook for the flash memory market segment. We had previously incurred $85 million in asset impairment charges in 2007 related to assets that we sold in conjunction with the divestiture of our NOR flash memory business. We determined the impairment charges based on the fair value, less selling costs, that we expected to receive upon completion of the divestiture.

The following table summarizes the restructuring and asset impairment activity for the 2006 efficiency program during the first half of 2009:

(In Millions)	**Employee Severance and Benefits**	**Asset Impairments**	**Total**
Accrued restructuring balance as of December 27, 2008	**$ 57**	**$**	**$ 57**
Additional accruals	16	8	24
Adjustments	(8)		(8)
Cash payments	(37)		(37)
Non-cash settlements		(8)	(8)
Accrued restructuring balance as of June 27, 2009	**$ 28**	**$**	**$ 28**

We recorded the additional accruals, net of adjustments, as restructuring and asset impairment charges. The remaining accrual as of June 27, 2009 was related to severance benefits that are recorded within accrued compensation and benefits.

From the third quarter of 2006 through the second quarter of 2009, we incurred a total of $1.6 billion in restructuring and asset impairment charges related to this plan. These charges included a total of $686 million related to employee severance and benefit arrangements for approximately 11,300 employees, and $896 million in asset impairment charges.

Note 17: Borrowings

We have an ongoing authorization from our Board of Directors to borrow up to $3.0 billion, including through the issuance of commercial paper. Maximum borrowings under our commercial paper program during the first half of

2009 were approximately $610 million, although no commercial paper remained outstanding as of June 27, 2009.
In 2005, we issued $1.6 billion of 2.95% junior subordinated convertible debentures (the 2005 debentures) due in 2035. The 2005 debentures pay cash interest of 2.95%. However, we recognize an effective interest rate of 6.45% on the carrying value of the debt. The effective rate is based on the rate for a similar instrument that does not have a conversion feature. We capitalized all interest associated with the 2005 debentures during the first half of 2009 and the first half of 2008.

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The 2005 debentures issued have an outstanding principal of $1.6 billion and are reflected on our consolidated condensed balance sheets as follows:

(In Millions)	June 27, 2009	Dec. 27, 2008
Equity component carrying amount	$ 466	$ 466
Unamortized discount[1]	$ 696	$ 701
Net debt carrying amount	$ 890	$ 886

[1] *Remaining amortization period of approximately 26 years as of June 27, 2009*

The 2005 debentures are convertible, subject to certain conditions, into shares of our common stock. As of June 27, 2009, the conversion rate was 32.1175 shares of common stock per $1,000 principal amount of debentures, representing an effective conversion price of approximately $31.14 per share of common stock. As of December 27, 2008, the conversion rate was 31.7162 shares of common stock per $1,000 principal amount of debentures, representing an effective conversion price of approximately $31.53 per share of common stock. Holders can surrender the 2005 debentures for conversion at any time. The conversion rate adjusts for certain events outlined in the indenture governing the 2005 debentures (the indenture), such as quarterly dividend distributions in excess of 10 cents per share, but does not adjust for accrued interest. In addition, the conversion rate will increase for a holder who elects to convert the 2005 debentures in connection with certain share exchanges, mergers, or consolidations involving Intel, as described in the indenture. The 2005 debentures, which pay a fixed rate of interest semiannually, have a contingent interest component that will require us to pay interest based on certain thresholds and for certain events commencing on December 15, 2010, as outlined in the indenture. The maximum amount of contingent interest that will accrue is 0.40% per year. The fair value of the related embedded derivative was $30 million as of June 27, 2009 ($36 million as of December 27, 2008).

We can settle any conversion or repurchase of the 2005 debentures in cash or stock at our option. On or after December 15, 2012, we can redeem, for cash, all or part of the 2005 debentures for the principal amount, plus any accrued and unpaid interest, if the closing price of Intel common stock has been at least 130% of the conversion price then in effect for at least 20 trading days during any 30 consecutive trading-day period prior to the date on which we provide notice of redemption. If certain events occur in the future, the indenture provides that each holder of the 2005 debentures can, for a pre-defined period of time, require us to repurchase the holder s debentures for the principal amount plus any accrued and unpaid interest. The 2005 debentures are subordinated in right of payment to our existing and future senior debt and to the other liabilities of our subsidiaries. We concluded that the 2005 debentures are not conventional convertible debt instruments and that the embedded stock conversion option qualifies as a derivative under SFAS No. 133. In addition, in accordance with Emerging Issues Task Force (EITF) Issue No. 00-19, Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company s Own Stock, we have concluded that the embedded conversion option would be classified in stockholders equity if it were a freestanding instrument. As such, the embedded conversion option is not accounted for separately as a derivative.

Subsequent to the second quarter of 2009, we issued $2.0 billion of 3.25% junior subordinated convertible debentures (the 2009 debentures) due in 2039, which pay a fixed rate of interest semiannually. The 2009 debentures pay cash interest of 3.25% annually; however, we will recognize an effective annual interest rate of 7.20% on the carrying value of the debt. The effective rate is based on the rate for a similar instrument that does not have a conversion feature. The conversion rate of the 2009 debentures is 44.0917 shares of common stock per $1,000 principal amount

of debentures, representing an effective conversion price of approximately $22.68 per share of common stock. At issuance the debt component of the 2009 debentures was valued at approximately $1.0 billion and the equity component was valued at approximately $600 million, net of deferred taxes. We utilized the majority of the proceeds of the 2009 debentures to repurchase shares of our common stock.

Note 18: Employee Equity Incentive Plans

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

In May 2009, stockholders approved an extension of the 2006 Equity Incentive Plan (the 2006 Plan). Stockholders approved 134 million additional shares for issuance, increasing the total shares of common stock available for issuance as equity awards to employees and non-employee directors to 428 million shares. The approval also extended the expiration date of the 2006 Plan to June 2012. The maximum shares to be awarded as non-vested shares (restricted stock) or non-vested share units (restricted stock units) were increased to 253 million shares. As of June 27, 2009, 216 million shares remained available for future grant under the 2006 Plan.

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In addition, stockholders approved an employee stock option exchange program (Option Exchange) that could commence within nine months from stockholder approval, as determined by the Board of Directors. The Option Exchange would provide Intel employees, except listed officers, the opportunity to exchange eligible stock options for a lesser number of new stock options with a lower exercise price that have approximately the same fair value as options surrendered. The new stock options granted as part of the exchange will vest in equal annual increments over a four-year period from date of grant and expire seven years from the grant date. An additional 235 million shares were approved in the 2006 Plan to be used for the Option Exchange only and would be automatically cancelled to the extent not issued under stock options granted in the Option Exchange.

In the second quarter of 2009, we began issuing restricted stock units with both a market condition and a service condition (market-based restricted stock units), which were referred to in our 2009 Proxy Statement as outperformance stock units, to a small group of senior officers. The number of shares of Intel common stock the senior officer receives at vesting will range from 33% to 200% of the target amount, based on total shareholder return (TSR) on Intel common stock measured against the benchmark TSR of a peer group over a three year period. TSR is a measure of stock price appreciation plus any dividends paid in this performance period. As of June 27, 2009, there were 2 million market-based restricted stock units outstanding. These market-based awards accrue dividend equivalents and vest three years and one month from the grant date.

The 2006 Stock Purchase Plan allows eligible employees to purchase shares of our common stock at 85% of the average of the high and low price of our common stock on specific dates. Under the 2006 Stock Purchase Plan, 240 million shares of common stock were made available for issuance through August 2011. As of June 27, 2009, 166 million shares are available for issuance under the 2006 Stock Purchase Plan.

Share-Based Compensation

Share-based compensation recognized in the second quarter of 2009 was $258 million and $471 million for the first half of 2009 ($243 million in the second quarter of 2008 and $462 million for the first half of 2008).

We estimate the fair value of restricted stock unit awards with time-based vesting using the value of our common stock on the date of grant, reduced by the present value of dividends expected to be paid on our common stock prior to vesting. We estimate the fair value of market-based restricted stock units using a Monte Carlo simulation model on the date of grant. We based the weighted average estimated values, as well as the weighted average assumptions that we used in calculating the fair value, on estimates at the date of grant, as follows:

	Three Months Ended		Six Months Ended	
	June 27, 2009	June 28, 2008	June 27, 2009	June 28, 2008
Estimated values	$ 14.59	$ 20.79	$ 14.54	$ 20.73
Risk-free interest rate	0.9%	2.1%	0.9%	2.1%
Dividend yield	3.5%	2.5%	3.5%	2.5%
Volatility	46%	n/a	46%	n/a

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

	Stock Options		Stock Purchase Plan[1]
	Three Months Ended	Six Months Ended	Six Months Ended

	June 27, 2009	June 28, 2008	June 27, 2009	June 28, 2008	June 27, 2009	June 28, 2008
Estimated values	$ 4.73	$ 5.76	$ 4.72	$ 5.82	$ 3.82	$ 5.10
Expected life (in years)	4.7	4.7	4.9	4.9	0.5	0.5
Risk-free interest rate	1.8%	2.9%	1.8%	2.9%	0.4%	2.2%
Volatility	46%	34%	46%	34%	54%	35%
Dividend yield	3.5%	2.5%	3.6%	2.5%	4.2%	2.4%

[1] *Under the stock purchase plan, rights to purchase shares are only granted during the first and third quarters of each year.*

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

Restricted Stock Unit Awards

Activity with respect to outstanding restricted stock units for the first half of 2009 was as follows:

(In Millions, Except Per Share Amounts)	Number of Shares	Weighted Average Grant-Date Fair Value	Aggregate Fair Value[1]
December 27, 2008	**67.3**	**$ 20.18**	
Granted	58.8	$ 14.54	
Vested[2]	(17.8)	$ 20.07	$ 273
Forfeited	(1.4)	$ 19.10	
June 27, 2009	**106.9**	**$ 17.11**	

[1] *Represents the value of Intel common stock on the date that the restricted stock units vest. On the grant date, the fair value for these vested awards was $357 million.*

[2] *The number of restricted stock units vested includes shares that we withheld on behalf of employees to satisfy the minimum statutory tax withholding requirements.*

Stock Option Awards

Activity with respect to outstanding stock options for the first half of 2009 was as follows:

	Weighted	Aggregate

(In Millions, Except Per Share Amounts)	Number of Shares	Average Exercise Price	Intrinsic Value[1]
December 27, 2008	**612.0**	**$ 27.70**	
Grants	35.0	$ 15.54	
Exercises	(0.2)	$ 3.36	$ 2
Cancellations and forfeitures	(15.5)	$ 28.92	
Expirations	(30.4)	$ 30.63	
June 27, 2009	**600.9**	**$ 26.82**	
Options exercisable as of:			
December 27, 2008	517.0	$ 28.78	
June 27, 2009	506.7	$ 28.20	

[1] *Represents the difference between the exercise price and the value of Intel common stock at the time of exercise.*

Stock Purchase Plan

Employees purchased 22.3 million shares in the first half of 2009 (14.9 million shares in the first half of 2008) for $247 million ($258 million in the first half of 2008) under the 2006 Stock Purchase Plan.

Note 19: Common Stock Repurchase Program

We have an ongoing authorization, amended in November 2005, from our Board of Directors to repurchase up to $25 billion in shares of our common stock in open market or negotiated transactions. As of June 27, 2009, $7.4 billion remained available for repurchase under the existing repurchase authorization. During the second quarter and the first half of 2009, we did not make any common stock repurchases under our authorized plan. We repurchased 108.8 million shares at a cost of $2.5 billion during the second quarter of 2008 and 230.7 million shares at a cost of $5.0 billion during the first half of 2008. We have repurchased and retired 3.3 billion shares at a cost of approximately $67 billion since the program began in 1990.

Subsequent to the second quarter of 2009, we issued $2.0 billion of 3.25% junior subordinated convertible debentures due in 2039. We utilized the majority of the proceeds to repurchase shares of our common stock. See Note 17: Borrowings in the Notes to Consolidated Condensed Financial Statements of this Form 10-Q.

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

Restricted Stock Unit Withholdings

We issue restricted stock units as part of our equity incentive plans. For the majority of restricted stock units granted, the number of shares issued on the date the restricted stock units vest is net of the statutory withholding requirements that we pay in cash to the appropriate taxing authorities on behalf of our employees. During the first half of 2009, we withheld 5.2 million shares (3.4 million shares during the first half of 2008) to satisfy $79 million ($77 million during the first half of 2008) of employees tax obligations. Although shares withheld are not issued, they are treated as common stock repurchases in our financial statements, as they reduce the number of shares that would have been issued upon vesting.

Note 20: Earnings (Loss) Per Share

We computed our basic and diluted earnings (loss) per common share as follows:

	Three Months Ended		Six Months Ended	
(In Millions, Except Per Share Amounts)	June 27, 2009	June 28, 2008	June 27, 2009	June 28, 2008
Net income (loss) available to common shareholders[1]	**$ (398)**	**$ 1,601**	**$ 231**	**$ 3,044**
Weighted average common shares outstanding basic	**5,595**	**5,699**	**5,584**	**5,743**
Dilutive effect of employee equity incentive plans		50	21	46
Dilutive effect of convertible debt		51	51	51
Weighted average common shares outstanding diluted	**5,595**	**5,800**	**5,656**	**5,840**
Basic earnings (loss) per common share	**$ (0.07)**	**$ 0.28**	**$ 0.04**	**$ 0.53**
Diluted earnings (loss) per common share	**$ (0.07)**	**$ 0.28**	**$ 0.04**	**$ 0.52**

[1] *Net income available to participating securities was not material for the second quarter and first half of 2009.*

We computed our basic earnings (loss) per common share using net income (loss) available to common shareholders and the weighted average number of common shares outstanding during the period. We computed diluted earnings (loss) per common share using net income (loss) available to common shareholders and the weighted average number of common shares outstanding plus potentially dilutive common shares outstanding during the period. Potentially dilutive common shares are determined by applying the treasury stock method to the assumed exercise of outstanding stock options, the assumed vesting of outstanding restricted stock units, and the assumed issuance of common stock under the stock purchase plan, and applying the if-converted method for the assumed conversion of debt.

Due to our net loss in the second quarter of 2009, the assumed exercise of outstanding stock options, the assumed vesting of outstanding restricted stock units, the assumed issuance of common stock under the stock purchase plan, and the assumed conversion of debt had an antidilutive effect. If we had recognized net income, the dilutive effect of employee equity incentive plans would have been 32 million shares and the dilutive effect of convertible debt would have been 51 million shares.

For the first six months of 2009, we excluded 578 million outstanding weighted average stock options (466 million for the second quarter of 2008 and 478 million for the first six months of 2008) from the calculation of diluted earnings per common share because the exercise prices of these stock options were greater than or equal to the average market value of the common shares. These options could be included in the calculation in the future if the average market value of the common shares increases and is greater than the exercise price of these options.

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

Note 21: Comprehensive Income (Loss)

The components of total comprehensive income (loss) were as follows:

	Three Months Ended		Six Months Ended	
(In Millions)	**June 27, 2009**	**June 28, 2008**	**June 27, 2009**	**June 28, 2008**
Net income (loss)	$ (398)	$ 1,601	$ 231	$ 3,044
Change in net unrealized holding gain (loss) on available-for-sale investments[1]	141	107	198	(185)
Change in net unrealized holding gain (loss) on derivatives	85	(50)	31	53
Change in net actuarial loss	11		11	
Total comprehensive income (loss)	**$ (161)**	**$ 1,658**	**$ 471**	**$ 2,912**

[1] *Beginning in the second quarter of 2009, non-credit-related other-than-temporary impairment losses are included as a component of total comprehensive income (loss) due to the adoption of FSP 115-2.*

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

(In Millions)	**June 27, 2009**	**Dec. 27, 2008**
Accumulated net unrealized holding gain (loss) on available-for-sale investments[1]	$ 59	$ (139)
Accumulated net unrealized holding gain (loss) on derivatives	79	48
Accumulated net prior service costs	(10)	(10)
Accumulated net actuarial losses	(279)	(290)
Accumulated transition obligation	(2)	(2)
Total accumulated other comprehensive income (loss)	**$ (153)**	**$ (393)**

[1] *As of June 27, 2009, accumulated unrealized*

non-credit-related other-than-temporary impairment losses on available-for-sale debt instruments were not significant.

Note 22: Taxes

Provision for taxes

Based on our analysis, the EC fine is not tax deductible. For further information on the EC fine, see Note 23: Contingencies. The EC fine of $1.447 billion, with no associated reduction in the provision for taxes, significantly impacted our effective tax rate for the three and six months ended June 27, 2009. As the EC fine was not deductible, we incurred a provision for taxes in the second quarter of 2009 despite a net loss before taxes.

Unrecognized tax benefits

Our gross unrecognized tax benefit was $536 million as of June 27, 2009 ($744 million as of December 27, 2008). Although the timing of the resolution and/or closure on audits is highly uncertain, it is reasonably possible that the balance of gross unrecognized tax benefits could significantly change in the next 12 months. Given the number of years remaining subject to examination and the number of matters being examined, we are unable to estimate the full range of possible adjustments to the balance of gross unrecognized tax benefits. However, we can reasonably expect a minimum reduction of $280 million of our existing gross unrealized tax benefits upon settlement or effective settlement with the various tax authorities, the closure of certain audits, and the lapse of statute of limitations within the next 12 months.

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

Note 23: Contingencies

Legal Proceedings

We are currently a party to various legal proceedings, including those noted in this section. While management presently believes that the ultimate outcome of these proceedings, individually and in the aggregate, will not materially harm the company s financial position, cash flows, or overall trends in results of operations, legal proceedings are subject to inherent uncertainties, and unfavorable rulings could occur. An unfavorable ruling could include money damages or, in matters for which injunctive relief or other conduct remedies are sought, an injunction prohibiting us from selling one or more products at all or in particular ways. Were unfavorable final outcomes to occur, there exists the possibility of a material adverse impact on our business, results of operation, financial position, and overall trends. Except as may be otherwise indicated, the outcomes in these matters are not reasonably estimable.

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

A number of proceedings, described below, generally challenge certain of our competitive practices, contending generally that we improperly condition price rebates and other discounts on our microprocessors on exclusive or near exclusive dealing by some of our customers. We believe that we compete lawfully and that our marketing practices benefit our customers and our stockholders, and we will continue to vigorously defend ourselves. The distractions caused by challenges to our business practices, however, are undesirable, and the legal and other costs associated with defending our position have been and continue to be significant. We assume, as should investors, that these challenges could continue for a number of years and may require the investment of substantial additional management time and substantial financial resources to explain and defend our position. While management presently believes that the ultimate outcome of these proceedings, individually and in the aggregate, will not materially harm the company s financial position, cash flows, or overall trends in results of operations, these litigation matters and the related government investigations are subject to inherent uncertainties, and unfavorable rulings could occur. An unfavorable ruling could include substantial money damages and, in matters in which injunctive relief or other conduct remedies are sought, an injunction or other order prohibiting us from selling one or more products at all or in particular ways. Were unfavorable final outcomes to occur, our business, results of operations, financial position, and overall trends could be materially harmed.

In June 2005, AMD filed a complaint in the United States District Court for the District of Delaware alleging that we and our Japanese subsidiary engaged in various actions in violation of the Sherman Act and the California Business and Professions Code, including, among other things, providing discounts and rebates to our manufacturer and distributor customers conditioned on exclusive or near exclusive dealing that allegedly unfairly interfered with AMD s ability to sell its microprocessors, interfering with certain AMD product launches, and interfering with AMD s participation in certain industry standards-setting groups. AMD s complaint seeks unspecified treble damages, punitive damages, an injunction requiring Intel to cease any conduct found to be unlawful, and attorneys fees and costs. We have answered the complaint, denying the material allegations and asserting various affirmative defenses. In February 2007, we reported to the Court that we had discovered certain lapses in our retention of electronic documents. We then stipulated to a court order requiring us to further investigate and report on those lapses, as well as develop a plan to remediate the issues. We completed the investigation and provided detailed information to the Court and AMD throughout 2007 and 2008. The Court also approved our remediation plan, which is now almost completed. The Court granted our request for an order to permit discovery against AMD in order to investigate its retention practices, including potential lapses in AMD s retention of electronic documents. The parties have largely completed document discovery and are in the process of taking depositions of current and former employees and of third parties. The AMD litigation currently is scheduled for trial to commence on March 30, 2010.

AMD s Japanese subsidiary also filed suits in the Tokyo High Court and the Tokyo District Court against our Japanese subsidiary, asserting violations of Japan s Antimonopoly Law and alleging damages in each suit of approximately $55 million, plus various other costs and fees. Proceedings in those matters are ongoing.

In addition, at least 82 separate class actions have been filed in the U.S. District Courts for the Northern District of California, Southern District of California, District of Idaho, District of Nebraska, District of New Mexico, District of Maine, and District of Delaware, as well as in various California, Kansas, and Tennessee state courts. These actions generally repeat AMD s allegations and assert various consumer injuries, including that consumers in various states have been injured by paying higher prices for computers containing our microprocessors. All of the federal class actions and the Kansas and Tennessee state court class actions have been or will be consolidated by the Multidistrict Litigation Panel to the District of Delaware and are being coordinated for pre-trial purposes with the AMD litigation. The putative class in the coordinated actions has moved for class certification, which we are in the process of opposing. All California class actions have been consolidated to the Superior Court of California in Santa Clara County. The plaintiffs in the California actions have moved for class certification, which we are in the process of opposing. At our request, the Court in the California actions has agreed to delay ruling on this motion until after the Delaware Federal Court rules on the similar motion in the coordinated actions.

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

We dispute AMD s claims and the class-action claims, and intend to defend the lawsuits vigorously.

We are also subject to certain antitrust regulatory inquiries. In 2001, the European Commission (EC) commenced an investigation regarding claims by AMD that we used unfair business practices to persuade clients to buy our microprocessors. Since that time, we have received numerous requests for information and documents from the EC, and we have responded to each of those requests. The EC issued a Statement of Objections in July 2007 and held a hearing on that Statement in March 2008. The EC issued a Supplemental Statement of Objections in July 2008.

On May 13, 2009, the EC issued a decision finding that we had violated Article 82 of the EC Treaty and Article 54 of the European Economic Area (EEA) Agreement. In general, the EC found that we violated Article 82 by offering alleged conditional rebates and payments that required Intel customers to purchase all or most of their x86 microprocessors from us. The EC also found that we violated Article 82 by making alleged payments to prevent sales of specific rival products. The EC imposed a fine on us in the amount of 1.06 billion ($1.447 billion as of May 13, 2009), and also ordered us to immediately bring to an end the infringement referred to in the EC decision. As of June 27, 2009 the liability related to the fine ($1.483 billion) was recorded within other accrued liabilities and we expect to pay the entire amount of the fine in the third quarter of 2009. We strongly disagree with the EC s decision and we have appealed the decision to the Court of First Instance.

In June 2005, we received an inquiry from the Korea Fair Trade Commission (KFTC) requesting documents from our Korean subsidiary related to marketing and rebate programs that we entered into with Korean PC manufacturers. In February 2006, the KFTC initiated an inspection of documents at our offices in Korea. In September 2007, the KFTC served us an Examination Report alleging that sales to two customers during parts of 2002-2005 violated Korea s Monopoly Regulation and Fair Trade Act. In December 2007, we submitted our written response to the KFTC. In February 2008, the KFTC s examiner submitted a written reply to our response. In March 2008, we submitted a further response. In April 2008, we participated in a pre-hearing conference before the KFTC, and we participated in formal hearings in May and June 2008. In June 2008, the KFTC announced its intent to fine us approximately $25 million for providing discounts to Samsung Electronics Co., Ltd. and TriGem Computer Inc. On November 7, 2008, the KFTC issued a final written decision concluding that Intel s discounts had violated Korean antitrust law and imposing a fine on Intel of approximately $20 million, which Intel paid in January 2009. On December 9, 2008, Intel appealed this decision by filing a lawsuit in the Seoul High Court seeking to overturn the KFTC s decision. The KFTC through its attorneys filed its answer to Intel s complaint in March 2009. Thereafter Intel and the KFTC will provide arguments to the court in sequential briefs.

In January 2008, we received a subpoena from the Attorney General of the State of New York requesting documents and information to assist in its investigation of whether there have been any agreements or arrangements establishing or maintaining a monopoly in the sale of microprocessors in violation of federal or New York antitrust laws. We continue to cooperate and provide requested information in connection with this investigation.

In June 2008, the U.S. Federal Trade Commission announced a formal investigation into our sales practices. We continue to cooperate and provide requested information in connection with this investigation.

We dispute any claims made in these investigations that Intel has acted unlawfully. We intend to cooperate with and respond to these investigations as appropriate and we expect that these matters will be acceptably resolved.

Intel/AMD Cross-License Agreement

Intel and AMD entered into a patent cross license on January 1, 2001. Under that license, Intel granted AMD a limited license to certain Intel patents, subject to the terms of that agreement. On October 7, 2008, AMD announced its intention to form a joint venture called The Foundry Company (later renamed to GlobalFoundries Inc.) with two investment entities of the Emirate of Abu Dhabi. On March 2, 2009, AMD announced that it has closed this transaction. AMD has claimed that GlobalFoundries is entitled to a license to Intel patents under the 2001 Intel/AMD cross license. Intel disagrees with that claim. Intel has notified AMD that it has breached the terms of the cross license, and Intel has initiated the formal dispute resolution process outlined in the cross license. AMD and Intel have agreed to extend the time period for this process.

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

Intel Corporation v. Commonwealth Scientific and Industrial Research Organisation (CSIRO)

In May 2005, Intel filed a lawsuit in the United States District Court for the Northern District of California against CSIRO, an Australian research institute. CSIRO had sent letters to Intel customers claiming that products compliant with the IEEE 802.11a and 802.11g standards infringe CSIRO s U.S. Patent No. 5,487,069 (the 069 patent). Intel s lawsuit sought a declaration that the CSIRO patent is invalid and that no Intel product infringes it. Dell Inc. is a co-declaratory judgment plaintiff with Intel; Microsoft Corporation, Netgear Inc., and Hewlett-Packard Company filed a similar, separate lawsuit against CSIRO. In its amended answer, CSIRO claimed that various Intel products that practice the IEEE 802.11a, 802.11g, and/or draft 802.11n standards infringe the 069 patent. In the first quarter of 2009, we entered into a settlement agreement with CSIRO pursuant to which, among other things, we will make payments to CSIRO in exchange for a license to certain patents. The settlement agreement did not significantly impact our results of operations or cash flows.

Saxon Innovations, LLC v. Intel Corporation

On August 21, 2008, Saxon Innovations, LLC, filed an action for patent infringement against six personal computer OEMs, Apple, Gateway, Acer, HP, Dell and ASUS in the U.S. District Court for the Eastern District of Texas. The asserted patents are U.S. Patent No. 5,592,555, entitled Wireless Communications Privacy Method and System , U.S. Patent No. 5,502,689, entitled Clock Generator Capable of Shut-Down Mode and Clock Generation Method , U.S. Patent No. 5,530,597, entitled Apparatus and Method for Disabling Interrupt Masks in Processors or the Like , U.S. Patent No. 5,247,621, entitled System and Method for Processor Bus Use , U.S. Patent No. 5,235,635, entitled Keypad Monitor with Keypad Activity-Based Activation. The complaint seeks unspecified damages and a permanent injunction. In September 2008, Intel filed an unopposed motion to intervene in the case. In response, Saxon filed a counterclaim against Intel, accusing Intel of infringing the patents listed above, and asserting two additional patents against Intel U.S. Patent No. 5,422,832 entitled Variable Thermal Sensor and U.S. Patent No. 5,829,031 entitled Microprocessor Configured to Detect a Group of Instructions and to Perform a Specific Function upon Detection. Intel disputes Saxon s claims and intends to defend the lawsuit vigorously.

Frank T. Shum v. Intel Corporation, Jean-Marc Verdiell and LightLogic, Inc.

Intel acquired LightLogic, Inc. in May 2001. Frank Shum has sued Intel, LightLogic, and LightLogic s founder, Jean-Marc Verdiell, claiming that much of LightLogic s intellectual property is based on alleged inventions that Shum conceived while he and Verdiell were partners at Radiance Design, Inc. Shum has alleged claims for fraud, breach of fiduciary duty, fraudulent concealment, and breach of contract. Shum also seeks alleged correction of inventorship of seven patents acquired by Intel as part of the LightLogic acquisition. In January 2005, the U.S. District Court for the Northern District of California denied Shum s inventorship claim, and thereafter granted Intel s motion for summary judgment on Shum s remaining claims. In August 2007, the United States Court of Appeals for the Federal Circuit vacated the District Court s rulings and remanded the case for further proceedings. In October 2008, the District Court granted Intel s motion for summary judgment on Shum s claims for breach of fiduciary duty and fraudulent concealment, but denied Intel s motion on Shum s remaining claims. A jury trial on Shum s remaining claims took place in November and December 2008. In pre-trial proceedings and at trial, Shum requested monetary damages against the defendants in amounts ranging from $31 million to $931 million, and his final request to the jury was for as much as $175 million. Following deliberations, the jury was unable to reach a verdict on most of the claims. With respect to Shum s claim that he is the proper inventor on certain LightLogic patents now assigned to Intel, the jury agreed with Shum on some of those claims. But the jury was unable to reach a verdict on the breach of contract, fraud, or unjust enrichment claims. On April 30, 2009, the court granted defendants motions for judgment as a matter of law. Shum has appealed that ruling to the United States Court of Appeals for the Federal Circuit.

Martin Smilow v. Craig R. Barrett et al. & Intel Corporation; Christine Del Gaizo v. Paul S. Otellini et al. & Intel Corporation

In February 2008, Martin Smilow, an Intel stockholder, filed a putative derivative action in the United States District Court for the District of Delaware against members of our Board of Directors. The complaint alleges generally that the Board allowed the company to violate antitrust and other laws, as described in AMD s antitrust lawsuits against us, and

that those Board-sanctioned activities have harmed the company. The complaint repeats many of AMD s allegations and references various investigations by the European Community, the KFTC, and others. In February 2008, a second plaintiff, Evan Tobias, filed a derivative suit in the same court against the Board containing many of the same allegations as in the Smilow suit. On July 30, 2008, the District Court entered an order directing Smilow and Tobias to file a single, consolidated complaint by August 7, 2008 and directing us to respond within 30 days thereafter. An amended consolidated complaint was filed on August 7, 2008. On June 4, 2009, the Court granted the defendants motion to dismiss the plaintiffs consolidated complaint, with prejudice.

On June 27, 2008, a third plaintiff, Christine Del Gaizo, filed a derivative suit in the Santa Clara County Superior Court against the Board, a former director of the Board, and six of our officers, containing many of the same allegations as in the Smilow and Tobias suits. On August 27, 2008, the parties in the California derivative suit entered into a stipulation to stay the action pending further order of the Court, and the Court entered an order to that effect on September 2, 2008. We deny the allegations and intend to defend the lawsuits vigorously.

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

Wisconsin Alumni Research Foundation v. Intel Corporation

On February 5, 2008, the Wisconsin Alumni Research Foundation filed an action for patent infringement against Intel in the U.S. District Court for the Western District of Wisconsin. The complaint generally alleges that Intel is infringing U.S. Patent No. 5,781,752 by making, using, offering for sale, importing, and/or selling certain of Intel s microprocessors including the Intel® Core™2 Duo microarchitecture with Smart Memory Access and any other microprocessor using the same or a similar memory disambiguation technique. The complaint seeks unspecified damages, injunctive and other relief. A trial date has been set for October 2009. Intel disputes the Wisconsin Alumni Research Foundation s claims and intends to defend the lawsuit vigorously. Intel contends that it provided grant money to the University of Wisconsin which resulted in the patents being asserted against Intel and that the funding agreement entitles Intel to the right to use the technology at no cost. On December 5, 2008, Intel sued the University of Wisconsin and all the named-inventors on the patents-in-suit in the preceding case along with the Chancellor in the U.S. District Court for the Western District of Wisconsin. The court granted the defendants motion to dismiss this lawsuit, and Intel has appealed that decision.

Note 24: Operating Segment Information

Our operating segments as of June 27, 2009 included the Digital Enterprise Group, Mobility Group, NAND Solutions Group, Digital Home Group, Digital Health Group, and Software and Services Group. Prior-period amounts have been adjusted retrospectively to reflect minor reorganizations.

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

We report the financial results of the following operating segments:

Digital Enterprise Group. Includes microprocessors and related chipsets and motherboards designed for the desktop (including high-end enthusiast PCs), nettop, and enterprise computing market segments; microprocessors and related chipsets for embedded applications; communications infrastructure components such as network processors and communications boards; wired connectivity devices; and products for network and server storage.

Mobility Group. Includes microprocessors and related chipsets designed for the notebook and netbook market segments, wireless connectivity products, and products designed for the ultra-mobile market segment, which includes various handheld devices.

The NAND Solutions Group, Digital Home Group, Digital Health Group, and Software and Services Group operating segments do not qualify as reportable segments as defined by SFAS No. 131 and are included within the all other category.

We have sales and marketing, manufacturing, finance, and administration groups. Expenses for these groups are generally allocated to the operating segments, and the expenses are included in the operating results reported below. Revenue for the all other category is primarily related to the sale of NAND flash memory products, microprocessors and related chipsets by the Digital Home Group, and NOR flash memory products. In the second quarter of 2008, we completed the divestiture of our NOR flash memory assets to Numonyx. At that time, we entered into supply and service agreements to provide products, services, and support to Numonyx following the close of the transaction. Revenue and expenses related to the supply and service agreements are included in the all other category. For further information on Numonyx, see Note 10: Equity Method Investments.

In the second quarter of 2009, we incurred charges of $1.447 billion (1.06 billion) as result of the fine from the EC, see Note 23: Contingencies. This charge was included in the all other category. Additionally, the all other category includes certain corporate-level operating expenses and charges. These expenses and charges include:

amounts included within restructuring and asset impairment charges;

a portion of profit-dependent compensation and other expenses not allocated to the operating segments;

results of operations of seed businesses that support our initiatives; and

acquisition-related costs, including amortization and any impairment of acquisition-related intangibles and goodwill.

With the exception of goodwill, we do not identify or allocate assets by operating segment, nor does the CODM evaluate operating segments using discrete asset information. Operating segments do not record inter-segment revenue, and, accordingly, there is none to be reported. We do not allocate gains and losses from equity investments, interest and other income, or taxes to operating segments. Although the CODM uses operating income to evaluate the segments, operating costs included in one segment may benefit other segments. Except as discussed above, the accounting policies for segment reporting are the same as for Intel as a whole.

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

Segment information is summarized as follows:

(In Millions)	Three Months Ended June 27, 2009	Three Months Ended June 28, 2008	Six Months Ended June 27, 2009	Six Months Ended June 28, 2008
Net revenue				
Digital Enterprise Group				
Microprocessor revenue	$ 3,418	$ 4,108	$ 6,676	$ 8,344
Chipset, motherboard and other revenue	886	1,265	1,637	2,470
	4,304	**5,373**	**8,313**	**10,814**
Mobility Group				
Microprocessor revenue	2,554	2,742	4,742	5,468
Chipset and other revenue	927	1,055	1,653	1,998
	3,481	**3,797**	**6,395**	**7,466**
All other	**239**	**300**	**461**	**863**
Total net revenue	**$ 8,024**	**$ 9,470**	**$ 15,169**	**$ 19,143**
Operating income (loss)				
Digital Enterprise Group	$ 917	$ 1,709	$ 1,620	$ 3,472
Mobility Group	803	1,252	1,047	2,418
All other	(1,732)	(706)	(2,032)	(1,573)
Total operating income (loss)	**$ (12)**	**$ 2,255**	**$ 635**	**$ 4,317**

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

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

Overview. Discussion of our business and overall analysis of financial and other highlights affecting the company in order to provide context for the remainder of MD&A.

Strategy. Overall strategy, and the strategy for our operating segments as of June 27, 2009.

Critical Accounting Estimates. Accounting estimates that we believe are most important to understanding the assumptions and judgments incorporated in our reported financial results and forecasts.

Results of Operations. An analysis of our financial results comparing the three and six months ended June 27, 2009 to the three and six months ended June 28, 2008.

Business Outlook. Our expectations for selected financial items for the third quarter of 2009 and the 2009 full year.

Liquidity and Capital Resources. An analysis of changes in our balance sheets and cash flows, and discussion of our financial condition including the credit quality of our investment portfolio and potential sources of liquidity.

Fair Value of Financial Instruments. Discussion of the methodologies used in the valuation of our financial instruments.

The various sections of this MD&A contain a number of forward-looking statements. Words such as expects, goals, plans, believes, continues, may, will, and variations of such words and similar expressions are intended to identi such forward-looking statements. In addition, any statements that refer to projections of our future financial performance, our anticipated growth and trends in our businesses, and other characterizations of future events or circumstances are forward-looking statements. Such statements are based on our current expectations and could be affected by the uncertainties and risk factors described throughout this filing and particularly in the Business Outlook section (see also Risk Factors in Part II, Item 1A of this Form 10-Q). Our actual results may differ materially, and these forward-looking statements do not reflect the potential impact of any divestitures, mergers, acquisitions, or other business combinations that had not been completed as of August 3, 2009.

Overview

Our goal is to be the preeminent provider of semiconductor chips and platforms for the worldwide digital economy. Our primary component-level products include microprocessors, chipsets, and flash memory.

Net revenue, gross margin, operating income (loss), and net income (loss) for the first and second quarters of 2009 and the second quarter of 2008 were as follows:

(In Millions)	Q2 2009	Q1 2009	Q2 2008
Net revenue	$ 8,024	$ 7,145	$ 9,470
Gross margin	$ 4,079	$ 3,238	$ 5,249
Operating income (loss)	$ (12)	$ 647	$ 2,255
Net income (loss)	$ (398)	$ 629	$ 1,601

Our second quarter results were better than expected. In anticipation of a seasonally up second half, the supply chain began refilling inventory positions that had been depleted over the past two quarters. As a result, revenue was up 12% sequentially on higher microprocessor and chipset revenue. Revenue from Intel® Atom™ processors and chipsets also significantly increased sequentially. Compared to Q2 2008, revenue was down 15%, an improvement from the 26% year over year decline we saw in the first quarter of 2009. While this may signal increased market confidence, we believe the global economic environment remains volatile, creating an uncertain demand environment.

Our overall gross margin dollars for the second quarter of 2009 were up 26% compared to the first quarter of 2009, and down 22% compared to the second quarter of 2008. Our overall gross margin percentage for the second quarter of 2009 was higher than our outlook at 50.8%, compared to 45.3% in the first quarter of 2009 and 55.4% in the second quarter of 2008. Compared to the first quarter of 2009, higher microprocessor sales volume and reductions in factory

underutilization charges positively impacted our gross margin while higher start-up costs associated with our new 32nm process technology and lower average selling prices on microprocessors negatively impacted our gross margin. We expect reductions in both factory underutilization charges and start-up costs in the third quarter to positively impact our gross margin, in addition to anticipated improvements we expect in the microprocessor business with higher sales volumes and lower unit costs. We expect these reductions in costs to be partially offset by inventory write-offs on our new 32nm microprocessor products built prior to qualification for sale and lower microprocessor average selling prices.

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

Despite the company s strong execution, we had a net loss per common share for the quarter of $0.07, which included the impact of the decision received from the European Commission (EC) on May 13, 2009. We recorded the full amount of the fine, 1.06 billion ($1.447 billion), which reduced earnings per common share by $0.25. Our tax provision for the quarter was $348 million on negative pre-tax income as the fine is not tax deductible. We disagree with the EC decision and have filed our appeal.

From a financial condition perspective, we were able to generate nearly $3.4 billion in cash from operations and pay $784 million in dividends despite being in a net loss position for the quarter. As of June 27, 2009, cash and cash equivalents, debt instruments included in trading assets, and short-term investments totaled $11.3 billion and continued to be of high credit quality.

Subsequent to the end of the second quarter of 2009, we completed the acquisition of Wind River Systems Inc., a leading software vendor in embedded devices, in exchange for $884 million to be paid to the stockholders of Wind River. With this acquisition we expect to create a new class of differentiated products for the embedded and handheld market segments.

Strategy

Our goal is to be the preeminent provider of semiconductor chips and platforms for the worldwide digital economy. As part of our overall strategy to compete in each relevant market segment, we use our core competencies in the design and manufacture of integrated circuits, as well as our financial resources, global presence, and brand recognition. We believe that we have the scale, capacity, and global reach to establish new technologies and respond to customers needs quickly.

Some of our key focus areas are listed below:

Customer Orientation. Our strategy focuses on developing our next generation of products based on the needs and expectations of our customers. In turn, our products help enable the design and development of new form factors and usage models for businesses and consumers. We offer platforms that incorporate various components designed and configured to work together to provide an optimized user computing solution, compared to components that are used separately.

Architecture and Platforms. We are developing integrated platform solutions by moving the memory controller and graphics functionality from the chipset to the microprocessor. This platform repartitioning is designed to provide improved performance due to higher integration, lower power consumption, and reduced platform size. In addition, we are focusing on improved energy-efficient performance for computing and communications systems and devices. Improved energy-efficient performance involves balancing improved performance with lower power consumption. We continue to develop multi-core microprocessors with an increasing number of cores, which enable improved multitasking and energy efficiency.

Silicon and Manufacturing Technology Leadership. Our strategy for developing microprocessors with improved performance is to synchronize the introduction of a new microarchitecture with improvements in silicon process technology. We plan to introduce a new microarchitecture approximately every two years and ramp the next generation of silicon process technology in the intervening years. This coordinated schedule allows us to develop and introduce new products based on a common microarchitecture quickly, without waiting for the next generation of silicon process technology. We refer to this as our tick-tock technology development cadence.

Strategic Investments. We make equity investments in companies around the world that we believe will generate returns, further our strategic objectives, and support our key business initiatives. Our investments, including those made through our Intel Capital program, generally focus on investing in companies and initiatives to stimulate growth in the digital economy, create new business opportunities for Intel, and expand global markets for our products. Our current investments focus on the following areas: advancing flash memory products, enabling mobile wireless devices, advancing the digital home, enhancing the digital enterprise, advancing high-performance communications infrastructures, and developing the next generation of silicon process technologies. Our focus areas and investment activities tend to develop and change over time

due to rapid advancements in technology and changes in the economic climate.

Business Environment and Software. We believe that we are well positioned in the technology industry to help drive innovation, foster collaboration, and promote industry standards that will yield innovation and improved technologies for users. We plan to continue to cultivate new businesses and work to encourage the industry to offer products that take advantage of the latest market trends and usage models. We frequently participate in industry initiatives designed to discuss and agree upon technical specifications and other aspects of technologies that could be adopted as standards by standards-setting organizations. In addition, we work collaboratively with other companies to protect digital content and the consumer. Through our Software and Services Group (SSG), we help enable and advance the computing ecosystem by providing development tools and support to help software developers create software applications and operating systems that take advantage of our platforms. Through Wind River, which we acquired in the third quarter of 2009, we license software products and provide services that are optimized for the needs of customers in the embedded and handheld market segments. We believe that the software expertise of Wind River in the embedded and handheld market segments will expedite our growth strategy in these market segments.

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

We believe that the proliferation of the Internet, including user demand for premium content and rich media, drives the need for greater performance in PCs and servers. Older PCs are increasingly incapable of handling the tasks that users demand, such as streaming video, uploading photos, and online gaming. As these tasks become even more demanding and require more computing power, we believe that users will need and want to buy new PCs to perform everyday tasks on the Internet. We also believe that increased Internet traffic creates a need for greater server infrastructure, including server products optimized for energy-efficient performance.

We believe the trend of mobile microprocessor unit growth outpacing the growth in desktop microprocessor units will continue. We believe that the demand for mobile microprocessors will result in the increased development of products with form factors and uses that require low-power microprocessors. We also believe that these products will result in demand that is incremental to that of microprocessors designed for notebook and desktop computers, as a growing number of households have multiple devices for different computing functions. Our silicon and manufacturing technology leadership allows us to develop low-power microprocessors for these and other new uses and form factors. We believe that Intel Atom processors give us the ability to extend Intel architecture and drive growth in new market segments, including a growing number of products that require processors specifically designed for embedded solutions, handheld solutions, consumer electronics devices, nettops, and netbooks. We believe that the common elements for products in these new market segments are low power consumption and the ability to access the Internet. To meet the demands of new and evolving mobile markets segments and various embedded market segments, we also offer, and are continuing to develop, System on Chip (SoC) products that integrate core processing functionality with specific components, such as graphics, audio, and video, onto a single chip to form a purpose-built solution. This integration reduces cost, power consumption, and size. In the first quarter of 2009, we announced plans to collaborate with Taiwan Semiconductor Manufacturing Company, Ltd. (TSMC), a large semiconductor foundry, in an effort to broaden the market opportunities for Intel Atom processors in SoC products by integrating our Intel Atom processor cores with TSMC s process technology platform.

We are also focusing on the development of a new highly scalable, many-core architecture aimed at parallel processing. This architecture will initially be used in developing discrete graphics processors designed for gaming and media creation. Over time, this architecture may be utilized in the development of products for scientific and professional workstations as well as high-performance computing applications.

Strategy by Operating Segment

The strategy for our ***Digital Enterprise Group*** (DEG) is to offer computing and communications products for businesses, service providers, and consumers. DEG products are incorporated into desktop and nettop computers, enterprise computer servers and workstations, and products that make up the infrastructure for the Internet. We also offer products for embedded designs, such as industrial equipment, point-of-sale systems, telecommunications, panel PCs, in-vehicle information/entertainment systems, and medical equipment. Our strategy for the desktop computing market segment is to offer products that provide increased manageability, security, and energy-efficient performance while at the same time lowering total cost of ownership for businesses. For consumers in the desktop computing market segment, we also focus on the design of components for high-end enthusiast PCs and mainstream PCs with rich audio and video capabilities. Our strategy for the nettop computing market segment is to offer products that enable affordable, Internet-focused devices with small form factors. Our strategy for the enterprise computing market segment is to offer products that provide energy-efficient performance and virtualization technology for server, workstation, and storage platforms. We are also increasing our focus on products designed for high-performance computing, data centers, and blade server systems. Our strategy for the embedded computing market segment is to drive Intel architecture as an embedded solution by delivering long life cycle support, architectural scalability, and platform integration.

The strategy for our ***Mobility Group*** is to offer notebook PC products designed to improve performance, battery life, and wireless connectivity, as well as to allow for the design of smaller, lighter, and thinner form factors. We are also increasing our focus on products designed for the business and consumer environments by offering technologies that provide increased manageability and security, and we continue to invest in the build-out of WiMAX. We also offer, and are continuing to develop, products that enable mobile devices to deliver digital content and the Internet to users

in new ways, including products for handhelds and netbooks.

The strategy for our ***NAND Solutions Group*** is to offer advanced NAND flash memory products, focusing on system-level solutions for Intel architecture platforms such as solid-state drives. Additionally, we offer NAND products used in memory cards. In support of our strategy to provide advanced flash memory products, we continue to focus on the development of innovative products designed to address the needs of customers for reliable, non-volatile, low-cost, high-density memory.

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

The strategy for our ***Digital Home Group*** is to offer products and solutions, including SoC designs, for use in consumer electronics devices designed to access and share Internet, broadcast, optical media, and personal content through a variety of linked digital devices within the home. We are focusing on the design of components for consumer electronics devices, such as digital TVs, high-definition media players, and set-top boxes, which receive, decode, and convert incoming data signals.

The strategy for our ***Digital Health Group*** is to design and deliver technology-enabled products and explore global business opportunities in healthcare information technology and healthcare research, as well as personal healthcare. In support of this strategy, we are focusing on the design of technology solutions and platforms for the digital hospital and consumer/home health products. In addition, we have formed an alliance with General Electric Company for the development of consumer/home health products and to address demand for independent living and disease management products.

The strategy for our ***Software and Services Group*** is to promote Intel architecture as the platform of choice for software and services. SSG works with the worldwide software and services ecosystem by providing software products, engaging with developers, and driving strategic software investments.

Critical Accounting Estimates

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

- the valuation of non-marketable equity investments and the determination of other-than-temporary impairments, which impact gains (losses) on equity method investments, net, or gains (losses) on other equity investments, net when we record impairments;
- the valuation of investments in debt instruments and the determination of other-than-temporary impairments, which impact our investment portfolio balance when we assess fair value, and interest and other, net when we record credit-related impairments of available-for-sale debt instruments;
- the assessment of recoverability of long-lived assets, which primarily impacts gross margin or operating expenses when we record asset impairments or accelerate their depreciation;
- the recognition and measurement of current and deferred income taxes (including the measurement of uncertain tax positions), which impact our provision for taxes; and
- the valuation of inventory, which impacts gross margin.

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

Non-Marketable Equity Investments

The carrying value of our non-marketable equity investment portfolio, excluding equity derivatives, totaled $3.7 billion as of June 27, 2009 ($4.1 billion as of December 27, 2008). The majority of this balance as of June 27, 2009 was concentrated in companies in the flash memory market segment. Our flash memory market segment investments include our investment in IM Flash Technologies, LLC (IMFT) of $1.5 billion ($1.7 billion as of December 27, 2008), our investment in IM Flash Singapore, LLP (IMFS) of $308 million ($329 million as of December 27, 2008), and our investment in Numonyx B.V. of $447 million ($484 million as of December 27, 2008). In addition, we regularly invest in non-marketable equity instruments of private companies, which range from early-stage companies that are often still defining their strategic direction to more mature companies with established revenue streams and business models. For additional information, see Note 10: Equity Method Investments in the Notes to Consolidated Condensed Financial Statements of this Form 10-Q.

Our non-marketable equity investments are recorded using adjusted cost basis or the equity method of accounting, depending on the facts and circumstances of each investment. Our non-marketable equity investments are classified in

other long-term assets on the consolidated condensed balance sheets.

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

Non-marketable equity investments are inherently risky, and a number of the companies in which we invest are likely to fail. Their success is dependent on product development, market acceptance, operational efficiency, and other key business factors. Depending on their future prospects, the companies may not be able to raise additional funds when the funds are needed or they may receive lower valuations, with less favorable investment terms than in previous financings, and our investments would likely become impaired. Additionally, the current financial markets are extremely volatile and there has been a tightening of the credit markets, which could negatively affect the prospects of the companies we invest in, their ability to raise additional capital, and the likelihood of our being able to realize value in our investments through liquidity events such as initial public offerings, mergers, and private sales. For further information about our investment portfolio risks, see Risk Factors in Part II, Item 1A of this Form 10-Q.

We measure the fair value of our non-marketable equity investments quarterly in accordance with FSP 107-1/APB 28-1; however, the investments are only recorded at fair value when the investments are impaired. The assessment of fair value for non-marketable investments is based on the provisions of Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements (SFAS No. 157).

For non-marketable equity investments, the measurement of fair value requires significant judgment and includes quantitative and qualitative analysis of events or circumstances identified that impact the fair value of the investment, including:

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

If the fair value of an investment is below our carrying value, we determine if the investment is other than temporarily impaired based on our qualitative and quantitative analysis as well as the severity and duration of the impairment. If the investment is considered to be other than temporarily impaired, we write down the investment to its fair value.

With the exception of Clearwire Communications, LLC (Clearwire LLC), the fair value of our non-marketable investments are classified as Level 3 when impaired, as we use unobservable inputs to the valuation methodology that are significant to the fair value measurement, and the valuation requires management judgment due to the absence of quoted market prices and inherent lack of liquidity. If impaired, the fair value of our investment in Clearwire LLC would be classified as Level 2, as the unobservable inputs to the valuation methodology are not significant to the fair value measurement.

Impairments of non-marketable equity investments were $39 million in the second quarter of 2009 ($118 million in the first half of 2009). Over the past 12 quarters, including the second quarter of 2009, impairments of non-marketable equity investments have ranged from $11 million to $896 million per quarter. This range includes impairments of $896 million during the fourth quarter of 2008, which were primarily related to a $762 million impairment charge on our investment in Clearwire LLC.

The following is a discussion of the methods, estimates, and judgments that management uses in our analysis to determine if our non-marketable equity investments are other than temporarily impaired.

IMFT/IMFS

IMFT and IMFS are variable interest entities that are designed to manufacture and sell NAND products to Intel and Micron Technology, Inc. at manufacturing cost. Our NAND Solutions Group operating segment purchases 49% of these NAND products from IMFT and sells them to our customers. As a result, we generate cash flows from our investments in IMFT, IMFS, and our intangible assets related to the NAND product designs through our NAND Solutions Group business. Therefore, we determine the fair value of our investments in IMFT and IMFS using the income approach, based on a weighted average of multiple discounted cash flow scenarios of our NAND Solutions Group business.

The discounted cash flow scenarios require the use of unobservable inputs, including assumptions of projected revenues (including product volume, product mix, and average selling prices), expenses, capital spending, and other costs, as well as a discount rate. Estimates of projected revenues, expenses, capital spending, and other costs are developed by IMFT, IMFS, and Intel using historical data and available market data. Management also determines how multiple discounted cash flow scenarios are weighted in the fair value determination. Additionally, the development of several inputs used in our income model (such as discount rate) requires the selection of comparable companies within the NAND flash memory market segment. The selection of comparable companies requires management judgment and is based on a number of factors, including NAND products and services lines within the flash memory market segment, comparable companies sizes, growth rates, and other relevant factors.

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

Changes in management estimates to the unobservable inputs would change the fair value of the investment. The estimates for the projected revenue and discount rate are the assumptions that most significantly affect the fair value determination. We did not have an other-than-temporary impairment on our investments in IMFT and IMFS in the first half of 2009 or the first half of 2008. It is reasonably possible that the estimates used in the fair value determination could change in the near term and result in an impairment of our investment.

Numonyx

We determine the fair value of our investment in Numonyx using a combination of the income approach and the market approach. The income approach includes the use of a weighted average of multiple discounted cash flow scenarios of Numonyx, which requires the use of unobservable inputs, including assumptions of projected revenues, expenses, capital spending, and other costs, as well as a discount rate calculated based on the risk profile of the flash memory market segment. Estimates of projected revenues, expenses, capital spending, and other costs are developed by Numonyx and Intel. The market approach includes using financial metrics and ratios of comparable public companies, such as projected revenues, expenses, and other costs. The selection of comparable companies used in the market approach requires management judgment and is based on a number of factors, including NOR products and services lines within the flash memory market segment, comparable companies sizes, growth rates, and other relevant factors.

Changes in management estimates to the unobservable inputs in our valuation models would change the fair value of the investment. The estimated projected revenue is the assumption that most significantly affects the fair value determination. Management judgment is also involved in determining how the income approach and the market approach are weighted in the fair value determination. We did not have an other-than-temporary impairment on our investments in Numonyx in the first half of 2009 or the first half of 2008. It is reasonably possible that the estimates used in the fair value determination could change in the near term and result in an impairment of our investment.

Other Non-Marketable Equity Investments

We determine the fair value of these non-marketable equity investments using the market approach and/or the income approach. The market approach includes the use of financial metrics and ratios of comparable public companies. The selection of comparable companies requires management judgment and is based on a number of factors, including comparable companies sizes, growth rates, products and services lines, development stage, and other relevant factors. The income approach includes the use of a discounted cash flow model, which requires the following significant estimates for the investee: revenue, based on assumed market segment size and assumed market segment share; estimated costs; and appropriate discount rates based on the risk profile of comparable companies. Estimates of market segment size, market segment share, and costs are developed by the investee and/or Intel using historical data and available market data. The valuation of our other non-marketable investments also takes into account movements of the equity and venture capital markets, recent financing activities by the investees, changes in the interest rate environment, the investee s capital structure, liquidation preferences for the investee s capital, and other economic variables.

Investments in Debt Instruments

Fair Value

In the current market environment, the assessment of the fair value of debt instruments can be difficult and subjective. Rapid changes occurring in today s financial markets can lead to changes in the fair value of financial instruments in relatively short periods of time. SFAS No. 157 establishes three levels of inputs that may be used to measure fair value (see Note 4: Fair Value in the Notes to Consolidated Condensed Financial Statements of this Form 10-Q). Each level of input has different levels of subjectivity and difficulty involved in determining fair value.

Level 1 instruments represent quoted prices in active markets. Therefore, determining fair value for Level 1 instruments does not require significant management judgment, and the estimation is not difficult.

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

Level 2 instruments include observable inputs other than Level 1 prices, such as quoted prices for identical instruments in markets with insufficient volume or infrequent transactions (less active markets), issuer credit ratings, non-binding market consensus prices that can be corroborated with observable market data, model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data for substantially the full term of the assets or liabilities, or quoted prices for similar assets or liabilities. These Level 2 instruments require more management judgment and subjectivity compared to Level 1 instruments, including:

- Determining which instruments are most similar to the instrument being priced requires management to identify a sample of similar securities based on the coupon rates, maturity, issuer, credit rating, and instrument type, and subjectively select an individual security or multiple securities that are deemed most similar to the security being priced.
- Determining whether a market is considered active requires management judgment. Our assessment of an active market for our marketable debt instruments generally takes into consideration activity during each week of the one-month period prior to the valuation date of each individual instrument, including the number of days each individual instrument trades and the average weekly trading volume in relation to the total outstanding amount of the issued instrument.
- Determining which model-derived valuations to use in determining fair value requires management judgment. When observable market prices for identical securities or similar securities are not available, we price our marketable debt instruments using non-binding market consensus prices that are corroborated with observable market data or pricing models, such as discounted cash flow models, with all significant inputs derived from or corroborated with observable market data.

Level 3 instruments include unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets or liabilities. The determination of fair value for Level 3 instruments requires the most management judgment and subjectivity. Most of our marketable debt instruments classified as Level 3 are valued using a non-binding market consensus price or a non-binding broker quote, both of which we corroborate with unobservable data. Non-binding market consensus prices are based on the proprietary valuation models of pricing providers or brokers. These valuation models incorporate a number of inputs, including non-binding and binding broker quotes; observable market prices for identical and/or similar securities; and the internal assumptions of pricing providers or brokers that use observable market inputs, and to a lesser degree non-observable market inputs. Adjustments to the fair value of instruments priced using non-binding market consensus prices and non-binding broker quotes, and classified as Level 3, were not significant in the second quarter of 2009.

Other-Than-Temporary Impairment

After determining the fair value of our available-for-sale debt instruments, gains or losses on these investments are recorded to other comprehensive income (loss), until either the investment is sold or we determine that the decline in value is other-than-temporary. Determining whether the decline in fair value is other-than-temporary requires management judgment based on the specific facts and circumstances of each investment. For investments in debt instruments, these judgments primarily consider the financial condition and liquidity of the issuer, the issuer s credit rating, and any specific events that may cause us to believe that the debt instrument will not mature and be paid in full; if we have the intent to sell the investment; and if it is more likely than not that we will be required to sell an investment that has unrealized losses in accumulated other comprehensive income (loss) before we recover the amortized cost basis. Given the current market conditions, these judgments could prove to be wrong, and companies with relatively high credit ratings and solid financial conditions may not be able to fulfill their obligations.

For available-for-sale debt instruments that are considered other-than-temporarily impaired and that we do not intend to sell and will not be required to sell prior to recovery of our amortized cost basis, we separate the amount of the impairment into the amount that is credit related and the amount due to all other factors. The credit loss component is recognized in earnings and is the difference between the debt instrument s amortized cost basis and the present value of its expected future cash flows. The remaining difference between the debt instrument s fair value and the present value

of future expected cash flows is due to factors that are not credit related and is recognized in other comprehensive income (loss).

As of June 27, 2009, our investments included $11.7 billion of available-for-sale debt instruments. We have recognized less than $55 million of credit-related other-than-temporary impairment losses in earnings on our available-for-sale debt instruments cumulatively since the beginning of 2008. As of June 27, 2009, our cumulative unrealized losses related to debt instruments classified as available-for-sale were approximately $165 million (approximately $215 million as of December 27, 2008). As of June 27, 2009, this amount included approximately $110 million of unrecognized losses that could be recognized in the future.

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

Long-Lived Assets

We assess the impairment of long-lived assets when events or changes in circumstances indicate that the carrying value of the assets or the asset grouping may not be recoverable. Factors that we consider in deciding when to perform an impairment review include significant under-performance of a business or product line in relation to expectations, significant negative industry or economic trends, and significant changes or planned changes in our use of the assets.

We measure the recoverability of assets that will continue to be used in our operations by comparing the carrying value of the asset grouping to our estimate of the related total future undiscounted net cash flows. If an asset grouping s carrying value is not recoverable through the related undiscounted cash flows, the asset grouping is considered to be impaired. The impairment is measured by comparing the difference between the asset grouping s carrying value and its fair value. The assessment of fair value is based on the provisions of SFAS No. 157. Long-lived assets such as goodwill; intangible assets; and property, plant and equipment are considered non-financial assets, and are recorded at fair value only when an impairment charge is recognized.

Impairments of long-lived assets are determined for groups of assets related to the lowest level of identifiable independent cash flows. Due to our asset usage model and the interchangeable nature of our semiconductor manufacturing capacity, we must make subjective judgments in determining the independent cash flows that can be related to specific asset groupings. In addition, as we make manufacturing process conversions and other factory planning decisions, we must make subjective judgments regarding the remaining useful lives of assets, primarily process-specific semiconductor manufacturing tools and building improvements. When we determine that the useful lives of assets are shorter than we had originally estimated, we accelerate the rate of depreciation over the assets new, shorter useful lives. Over the past 12 quarters, including the second quarter of 2009, impairments and accelerated depreciation of long-lived assets ranged from $25 million to $320 million per quarter. For further discussion on asset impairment charges, see Note 16: Restructuring and Asset Impairment Charges in the Notes to Consolidated Condensed Financial Statements of this Form 10-Q.

Income Taxes

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

We must assess the likelihood that we will be able to recover our deferred tax assets. If recovery is not likely, we must increase our provision for taxes by recording a valuation allowance against the deferred tax assets that we estimate will not ultimately be recoverable. We believe that we will ultimately recover a majority of the deferred tax assets recorded on our consolidated condensed balance sheets. However, should there be a change in our ability to recover our deferred tax assets, our tax provision would increase in the period in which we determined that the recovery was not likely. Changes in management s plans with respect to holding or disposing of investments could affect our future provision for taxes.

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

tax benefit or an additional charge to the tax provision.

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

Inventory

The valuation of inventory requires us to estimate obsolete or excess inventory as well as inventory that is not of saleable quality. The determination of obsolete or excess inventory requires us to estimate the future demand for our products. The estimate of future demand is compared to work in process and finished goods inventory levels to determine the amount, if any, of obsolete or excess inventory. As of June 27, 2009, we had total work-in-process inventory of $1,209 million and total finished goods inventory of $1,211 million. The demand forecast is included in the development of our short-term manufacturing plans to enable consistency between inventory valuation and build decisions. Product-specific facts and circumstances reviewed in the inventory valuation process include a review of the customer base, the stage of the product life cycle of our products, consumer confidence, and customer acceptance of our products, as well as an assessment of the selling price in relation to the product cost. If our demand forecast for specific products is greater than actual demand and we fail to reduce manufacturing output accordingly, or if we fail to forecast the demand accurately, we could be required to write off inventory, which would negatively impact our gross margin. In order to determine what costs can be included in the valuation of inventory we must determine normal capacity at our manufacturing and assembly and test facilities. If the factory loadings are below normal capacity a portion of our manufacturing overhead costs will not be included in the cost of inventory, and therefore, will be recognized as cost of sales in that period, which negatively impacts our gross margin.

Accounting Changes and Recent Accounting Pronouncements

For a description of accounting changes and recent accounting pronouncements, including the expected dates of adoption and estimated effects, if any, on our consolidated condensed financial statements, see Note 2: Accounting Changes and Note 3: Recent Accounting Pronouncements in the Notes to Consolidated Condensed Financial Statements of this Form 10-Q.

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

Results of Operations - Second Quarter of 2009 Compared to Second Quarter of 2008

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

	Q2 2009		Q2 2008	
(Dollars in Millions, Except Per Share Amounts)	Dollars	% of Net Revenue	Dollars	% of Net Revenue
Net revenue	**$ 8,024**	**100.0%**	**$ 9,470**	**100.0%**
Cost of sales	3,945	49.2%	4,221	44.6%
Gross margin	**4,079**	**50.8%**	**5,249**	**55.4%**
Research and development	1,303	16.2%	1,468	15.5%
Marketing, general and administrative	2,697	33.6%	1,430	15.1%
Restructuring and asset impairment charges	91	1.1%	96	1.0%
Operating income (loss)	**(12)**	**(0.1)%**	**2,255**	**23.8%**
Gains (losses) on equity method investments, net	(44)	(0.6)%	(43)	(0.5)%
Gains (losses) on other equity investments, net	(25)	(0.3)%	(66)	(0.7)%
Interest and other, net	31	0.4%	167	1.8%
Income (loss) before taxes	**(50)**	**(0.6)%**	**2,313**	**24.4%**
Provision for taxes	348	4.4%	712	7.5%
Net income (loss)	**$ (398)**	**(5.0)%**	**$ 1,601**	**16.9%**
Diluted earnings (loss) per common share	**$ (0.07)**		**$ 0.28**	

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

	Q2 2009		Q2 2008	
(Dollars In Millions)	Revenue	% of Total	Revenue	% of Total
Asia-Pacific	$ 4,409	55%	$ 4,805	51%
Americas	1,698	21%	1,985	21%
Europe[1]	1,153	14%	1,741	18%
Japan	764	10%	939	10%
Total	**$ 8,024**	**100%**	**$ 9,470**	**100%**

[1] *Region includes Europe, the Middle East, and Africa.*

Our net revenue for Q2 2009 was $8.0 billion, a decrease of 15% compared to Q2 2008. Across the majority of our microprocessor and chipset products we experienced a decline in unit sales compared to Q2 2008. However, with the ramp of Intel Atom processors and chipsets, overall microprocessor and chipset units only decreased slightly. In addition, the ramp of Intel Atom processors and chipsets led to a decrease in average selling prices for microprocessors and chipsets compared to Q2 2008. Revenue from the sale of communication products and NOR flash memory products declined approximately $170 million, primarily as a result of the divestiture of these businesses. Additionally, revenue from the sale of wireless connectivity products declined.

Revenue in the Europe, Japan, Americas, and Asia-Pacific regions decreased by 34%, 19%, 14%, and 8%, respectively compared to Q2 2008.

Our overall gross margin dollars for Q2 2009 were $4.1 billion, a decrease of $1.2 billion, or 22%, compared to Q2 2008. Our overall gross margin percentage decreased to 50.8% in Q2 2009, from 55.4% in Q2 2008. The decrease in gross margin percentage was primarily attributable to the gross margin percentage decrease in the Mobility Group and Digital Enterprise Group operating segments. This was partially offset by the gross margin percentage increase in the NAND Solutions Group operating segment. We derived most of our overall gross margin dollars in Q2 2009 and Q2 2008 from the sales of microprocessors in the Digital Enterprise Group and Mobility Group operating segments. See Business Outlook for a discussion of gross margin expectations.

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

Digital Enterprise Group

The revenue and operating income for the Digital Enterprise Group (DEG) operating segment for Q2 2009 and Q2 2008 were as follows:

(In Millions)	Q2 2009	Q2 2008
Microprocessor revenue	$ 3,418	$ 4,108
Chipset, motherboard, and other revenue	886	1,265
Net revenue	**$ 4,304**	**$ 5,373**
Operating income	**$ 917**	**$ 1,709**

Net revenue for the DEG operating segment decreased by $1.1 billion, or 20%, in Q2 2009 compared to Q2 2008. Microprocessors within DEG include microprocessors designed for the desktop and enterprise computing market segments as well as embedded microprocessors. The decrease in microprocessor revenue was primarily due to lower unit sales. Higher enterprise average selling prices were partially offset by lower desktop average selling prices. The decrease in chipset, motherboard, and other revenue was due to lower chipset average selling prices and unit sales as well as lower revenue from the sale of communications products and lower motherboard unit sales.

Operating income decreased by $792 million, or 46%, in Q2 2009 compared to Q2 2008. The decrease in operating income was primarily due to lower desktop microprocessors and chipset revenue. In addition, during the second quarter of 2009 we recorded approximately $110 million of factory underutilization charges, primarily relating to microprocessors and chipsets. This was partially offset by lower operating expenses.

Mobility Group

The revenue and operating income for the Mobility Group (MG) operating segment for Q2 2009 and Q2 2008 were as follows:

(In Millions)	Q2 2009	Q2 2008
Microprocessor revenue	$ 2,554	$ 2,742
Chipset and other revenue	927	1,055
Net revenue	**$ 3,481**	**$ 3,797**
Operating income	**$ 803**	**$ 1,252**

Net revenue for the MG operating segment decreased by $316 million, or 8%, in Q2 2009 compared to Q2 2008. The decrease in microprocessor revenue was due to lower microprocessor average selling prices partially offset by higher microprocessor unit sales. The increase in unit sales and the decrease in average selling prices were due to the ramp of Intel Atom processors. The decrease in chipset and other revenue was primarily due to lower revenue from the sale of wireless connectivity products.

Operating income decreased by $449 million, or 36%, in Q2 2009 compared to Q2 2008. The decrease was primarily due to lower microprocessor revenue and approximately $230 million of factory underutilization charges recorded during the second quarter of 2009, primarily related to microprocessors and chipsets. In addition, operating income also decreased due to higher start-up costs.

Operating Expenses

Operating expenses for Q2 2009 and Q2 2008 were as follows:

(In Millions)	Q2 2009	Q2 2008
Research and development	$ 1,303	$ 1,468
Marketing, general and administrative	$ 2,697	$ 1,430
Restructuring and asset impairment charges	$ 91	$ 96

Research and Development. R&D spending decreased $165 million, or 11%, in Q2 2009 compared to Q2 2008. This decrease was primarily due to lower process development costs as we transitioned from research and development to manufacturing using our 32nm manufacturing process technology, and to a lesser extent, lower profit-dependent compensation.

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

Marketing, General and Administrative. Marketing, general and administrative expenses increased $1.3 billion, or 89%, in Q2 2009 compared to Q2 2008. This increase was due to the Q2 2009 charge of $1.447 billion incurred as a result of the fine imposed by the European Commission (see Note 23: Contingencies in the Notes to Consolidated Condensed Financial Statements of this Form 10-Q). Advertising expenses, including cooperative advertising expenses, and profit-dependent compensation were lower in Q2 2009 compared to Q2 2008.

R&D, combined with marketing, general and administrative expenses, were 50% of net revenue in Q2 2009 (31% of net revenue in Q2 2008).

Restructuring and Asset Impairment Charges. The following table summarizes restructuring and asset impairment charges by plan for Q2 2009 and Q2 2008:

(In Millions)	Q2 2009	Q2 2008
2009 restructuring program	$ 88	$
2006 efficiency program	3	96
Total restructuring and asset impairment charges	**$ 91**	**$ 96**

See Management s Discussion and Analysis of Financial Condition and Results of Operations First Half of 2009 compared to First Half of 2008 of this Form 10-Q for further discussion.

Gains (Losses) on Equity Method Investments, Net

Gains (losses) on equity method investments, net were as follows:

(In Millions)	Q2 2009	Q2 2008
Equity method losses, net	$ (41)	$ (42)
Impairment charges	(3)	(2)
Other, net		1
Total gains (losses) on equity method investments, net	**$ (44)**	**$ (43)**

Net losses on equity method investments were approximately flat in Q2 2009 compared to Q2 2008. Our equity method losses include losses related to Clearwire LLC ($20 million in Q2 2009) and Numonyx ($14 million in Q2 2009). Our Q2 2008 equity method losses included $37 million from Clearwire Corporation.

Gains (Losses) on Other Equity Investments, Net

Gains (losses) on other equity investments, net were as follows:

(In Millions)	Q2 2009	Q2 2008
Impairment charges	$ (36)	$ (85)
Gains on sales	9	15
Other, net	2	4
Total gains (losses) on other equity investments, net	**$ (25)**	**$ (66)**

Net losses on other equity investments were $25 million in Q2 2009 compared to $66 million in Q2 2008. We recognized lower impairment charges on marketable equity securities in Q2 2009 compared to Q2 2008, partially offset by higher impairments charges on our non-marketable equity investments. Impairment charges in the second quarter of 2008 included a $72 million impairment charge on our investment in Micron.

Interest and Other, Net

The components of interest and other, net were as follows:

(In Millions)	Q2 2009	Q2 2008
Interest income	$ 38	$ 137
Interest expense	(1)	(8)
Other, net	(6)	38
Total interest and other, net	**$ 31**	**$ 167**

Interest and other, net decreased to $31 million in Q2 2009 compared to $167 million in Q2 2008 primarily due to lower interest rates.

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

Provision for Taxes

Our provision for taxes and effective tax rate were as follows:

(Dollars in Millions)	**Q2 2009**	**Q2 2008**
Income (loss) before taxes	$ (50)	$ 2,313
Provision for taxes	$ 348	$ 712
Effective tax rate	(696.0)%	30.8%

Based on our analysis, the EC fine is not tax deductible. The EC fine of $1.447 billion, with no associated reduction in the provision for taxes, significantly impacted our effective tax rate in Q2 2009. The impact of the EC fine was partially offset by a higher percentage of estimated profits in lower tax jurisdictions in Q2 2009 as compared to Q2 2008.

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

Results of Operations - First Half of 2009 Compared to First Half of 2008

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

	YTD 2009		YTD 2008	
(Dollars in Millions, Except Per Share Amounts)	Dollars	% of Net Revenue	Dollars	% of Net Revenue
Net revenue	**$ 15,169**	**100.0%**	**$ 19,143**	**100.0%**
Cost of sales	7,852	51.8%	8,687	45.4%
Gross margin	**7,317**	**48.2%**	**10,456**	**54.6%**
Research and development	2,620	17.2%	2,935	15.3%
Marketing, general and administrative	3,897	25.7%	2,779	14.5%
Restructuring and asset impairment charges	165	1.1%	425	2.2%
Operating income	**635**	**4.2%**	**4,317**	**22.6%**
Gains (losses) on equity method investments, net	(116)	(0.8)%	(95)	(0.5)%
Gains (losses) on other equity investments, net	(66)	(0.4)%	(73)	(0.4)%
Interest and other, net	126	0.8%	335	1.7%
Income before taxes	**579**	**3.8%**	**4,484**	**23.4%**
Provision for taxes	348	2.3%	1,440	7.5%
Net income	**$ 231**	**1.5%**	**$ 3,044**	**15.9%**
Diluted earnings per common share	**$ 0.04**		**$ 0.52**	

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

	YTD 2009		YTD 2008	
(Dollars In Millions)	Revenue	% of Total	Revenue	% of Total
Asia-Pacific	$ 8,056	53%	$ 9,593	50%
Americas	3,208	21%	4,001	21%
Europe[1]	2,426	16%	3,604	19%
Japan	1,479	10%	1,945	10%
Total	**$ 15,169**	**100%**	**$ 19,143**	**100%**

[1] *Region includes Europe, the Middle East, and Africa.*

Our net revenue for the first half of 2009 was $15.2 billion, a decrease of 21% compared to the first half of 2008. Across the majority of our microprocessor and chipset products we experienced a decline in unit sales compared to the first half of 2008. However, with the ramp of Intel Atom processors and chipsets, the decline of overall microprocessor and chipset units was not as significant. In addition, the ramp of Intel Atom processors and chipsets led to a decrease in average selling prices for microprocessors and chipsets compared to the first half of 2008.

Revenue from the sale of NOR flash memory products and communication products declined approximately $570 million, primarily as a result of the divestiture of these businesses. Additionally, revenue from the sale of wireless connectivity products declined.

Revenue in the Europe, Japan, Americas, and Asia-Pacific regions decreased by 33%, 24%, 20%, and 16%, respectively compared to the first half of 2008.

Our overall gross margin dollars for the first half of 2009 were $7.3 billion, a decrease of $3.1 billion, or 30%, compared to the first half of 2008. Our overall gross margin percentage decreased to 48.2% in the first half of 2009, from 54.6% in the first half of 2008. The decrease in gross margin percentage was primarily attributable to the gross margin percentage decrease in the Mobility Group and Digital Enterprise Group operating segments. This was partially offset by the gross margin percentage increase in the NAND Solutions Group operating segment. We derived substantially all of our overall gross margin dollars and operating profit in the first half of 2009 and most of our overall gross margin dollars and operating profit in the first half of 2008 from the sales of microprocessors in the Digital Enterprise Group and Mobility Group operating segments. See Business Outlook for a discussion of gross margin expectations.

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

Digital Enterprise Group

The revenue and operating income for the Digital Enterprise Group (DEG) operating segment for the first half of 2009 and the first half of 2008 were as follows:

(In Millions)	YTD 2009	YTD 2008
Microprocessor revenue	$ 6,676	$ 8,344
Chipset, motherboard, and other revenue	1,637	2,470
Net revenue	**$ 8,313**	**$ 10,814**
Operating income	**$ 1,620**	**$ 3,472**

Net revenue for the DEG operating segment decreased by $2.5 billion, or 23%, in the first half of 2009 compared to the first half of 2008. Microprocessors within DEG include microprocessors designed for the desktop and enterprise computing market segments as well as embedded microprocessors. The decrease in microprocessor revenue was primarily due to lower unit sales. Higher enterprise average selling prices were partially offset by lower desktop average selling prices. The decrease in chipset, motherboard, and other revenue was due to lower chipset unit sales and average selling prices as well as lower revenue from the sale of communications products and lower motherboard unit sales.

Operating income decreased by $1.9 billion, or 53%, in the first half of 2009 compared to the first half of 2008. The decrease in operating income was primarily due to the lower revenue. In addition, during the first half of 2009 we recorded approximately $360 million of factory underutilization charges, primarily relating to microprocessors and chipsets. This was partially offset by lower operating expenses.

Mobility Group

The revenue and operating income for the Mobility Group (MG) operating segment for the first half of 2009 and the first half of 2008 were as follows:

(In Millions)	YTD 2009	YTD 2008
Microprocessor revenue	$ 4,742	$ 5,468
Chipset and other revenue	1,653	1,998
Net revenue	**$ 6,395**	**$ 7,466**
Operating income	**$ 1,047**	**$ 2,418**

Net revenue for the MG operating segment decreased by $1.1 billion, or 14%, in the first half of 2009 compared to the first half of 2008. The decrease in microprocessor revenue was primarily due to lower microprocessor average selling prices partially offset by higher microprocessor unit sales. The increase in unit sales and the decrease in average selling prices were due to the ramp of Intel Atom processors. The decrease in chipset and other revenue was primarily due to lower revenue from the sale of wireless connectivity products and lower chipset average selling prices.

Operating income decreased by $1.4 billion, or 57%, in the first half of 2009 compared to the first half of 2008. The decrease was primarily due to lower microprocessor and chipset revenue and approximately $650 million of factory underutilization charges recorded during the first half of 2009, primarily related to microprocessors and chipsets. In addition, lower microprocessor unit costs were mostly offset by approximately $170 million of higher start-up costs.

Operating Expenses

Operating expenses for the first half of 2009 and the first half of 2008 were as follows:

(In Millions)	YTD 2009	YTD 2008

Research and development	$ 2,620	$ 2,935
Marketing, general and administrative	$ 3,897	$ 2,779
Restructuring and asset impairment charges	$ 165	$ 425

Research and Development. R&D spending decreased $315 million, or 11%, in the first half of 2009 compared to the first half of 2008. This decrease was primarily due to lower process development costs as we transition from research and development to manufacturing using our 32nm manufacturing process technology and, to a lesser extent, lower profit dependent compensation.

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

Marketing, General and Administrative. Marketing, general and administrative expenses increased $1.1 billion, or 40%, in the first half of 2009 compared to the first half of 2008. This increase was due to the Q2 2009 charge of $1.447 billion incurred as a result of the fine imposed by the EC (see Note 23: Contingencies in the Notes to Consolidated Condensed Financial Statements of this Form 10-Q). Advertising expenses, including cooperative advertising expenses, and profit-dependent compensation were lower in the first half of 2009 compared to the first half of 2008.

R&D, combined with marketing, general and administrative expenses, were 43% of net revenue in the first half of 2009 (30% of net revenue in the first half of 2008).

Restructuring and Asset Impairment Charges. The following table summarizes restructuring and asset impairment charges by plan for the first half of 2009 and the first half of 2008:

(In Millions)	YTD 2009	YTD 2008
2009 restructuring program	$ 149	$
2006 efficiency program	16	425
Total restructuring and asset impairment charges	**$ 165**	**$ 425**

We may incur additional restructuring charges in the future for employee severance and benefit arrangements, and facility-related or other exit activities. Our outlook for the third quarter of 2009 is for additional restructuring and asset impairment charges of $40 million.

2009 Restructuring Program

In the first quarter of 2009, management approved plans to restructure some of our manufacturing and assembly and test operations, and align our manufacturing and assembly and test capacity to current market conditions. These plans include closing two assembly and test facilities in Malaysia, one facility in the Philippines, and one facility in China; stopping production at a 200mm wafer fabrication facility in Oregon; and ending production at our 200mm wafer fabrication facility in California. Restructuring and asset impairment charges were as follows:

(In Millions)	YTD 2009	YTD 2008
Employee severance and benefit arrangements	$ 142	$
Asset impairment charges	7	
Total restructuring and asset impairment charges	**$ 149**	**$**

The following table summarizes the restructuring and asset impairment activity for the 2009 restructuring program during the first half of 2009:

(In Millions)	Employee Severance and Benefits	Asset Impairments	Total
Accrued restructuring balance as of December 27, 2008	**$**	**$**	**$**
Additional accruals	143	7	150
Adjustments	(1)		(1)
Cash payments	(78)		(78)

Non-cash settlements			(7)	(7)
Accrued restructuring balance as of June 27, 2009	**$**	**64**	**$**	**$ 64**

We recorded the additional accruals, net of adjustments, as restructuring and asset impairment charges. The remaining accrual as of June 27, 2009 was related to severance benefits that are recorded within accrued compensation and benefits.

The charges include $142 million that relate to employee severance and benefit arrangements for approximately 6,900 employees, of which 2,000 employees have left the company as of June 27, 2009. Most of these employee actions occurred within manufacturing.

We estimate that these employee severance and benefit charges will result in gross annual savings of approximately $350 million. The substantial majority of these savings will be realized within cost of sales.

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

2006 Efficiency Program

In the third quarter of 2006, management approved several actions as part of a restructuring plan designed to improve operational efficiency and financial results. Restructuring and asset impairment charges were as follows:

(In Millions)	YTD 2009	YTD 2008
Employee severance and benefit arrangements	$ 8	$ 96
Asset impairment charges	8	329
Total restructuring and asset impairment charges	**$ 16**	**$ 425**

During Q1 2008, we incurred $275 million in additional asset impairment charges related to assets that we sold in Q2 2008 in conjunction with the divestiture of our NOR flash memory business. We determined the impairment charges using the revised fair value of the equity and note receivable that we received upon completion of the divestiture, less selling costs. The lower fair value was primarily a result of a decline in the outlook for the flash memory market segment. We had previously incurred $85 million in asset impairment charges in 2007 related to assets that we sold in conjunction with the divestiture of our NOR flash memory business. We determined the impairment charges based on the fair value, less selling costs, that we expected to receive upon completion of the divestiture.

The following table summarizes the restructuring and asset impairment activity for the 2006 efficiency program during the first half of 2009:

(In Millions)	Employee Severance and Benefits	Asset Impairments	Total
Accrued restructuring balance as of December 27, 2008	**$ 57**	**$**	**$ 57**
Additional accruals	16	8	24
Adjustments	(8)		(8)
Cash payments	(37)		(37)
Non-cash settlements		(8)	(8)
Accrued restructuring balance as of June 27, 2009	**$ 28**	**$**	**$ 28**

We recorded the additional accruals, net of adjustments, as restructuring and asset impairment charges. The remaining accrual as of June 27, 2009 was related to severance benefits that are recorded within accrued compensation and benefits.

From Q3 2006 through Q2 2009, we incurred a total of $1.6 billion in restructuring and asset impairment charges related to this plan. These charges included a total of $686 million related to employee severance and benefit arrangements for approximately 11,300 employees, of which 11,000 employees had left the company as of June 27, 2009. A substantial majority of these employee actions affected employees within manufacturing, information technology, and marketing. We paid $658 million of the employee severance and benefit charges incurred as of June 27, 2009. The restructuring and asset impairment charges also included $896 million in asset impairment charges.

Gains (Losses) on Equity Method Investments, Net

Gains (losses) on equity method investments, net were as follows:

(In Millions)	YTD 2009	YTD 2008
Equity method losses, net	$ (103)	$ (92)
Impairment charges	(13)	(4)
Other, net		1
Total gains (losses) on equity method investments, net	**$ (116)**	**$ (95)**

Net losses on equity method investments were $116 million in the first half of 2009 compared to $95 million in the first half of 2008. We recognized higher equity method losses and higher impairment charges in the first half of 2009 compared to the first half of 2008. Our equity method losses include losses related to Numonyx ($37 million in the first half of 2009) and Clearwire LLC ($27 million in the first half of 2009). Equity method losses in the first half of 2008 also included $76 million from Clearwire Corporation.

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

Gains (Losses) on Other Equity Investments, Net

Gains (losses) on other equity investments, net were as follows:

(In Millions)	YTD 2009	YTD 2008
Impairment charges	$ (105)	$ (118)
Gains on sales	10	34
Other, net	29	11
Total gains (losses) on other equity investments, net	**$ (66)**	**$ (73)**

Net losses on other equity investments were $66 million in the first half of 2009 compared to $73 million in the first half of 2008. Lower impairment charges recognized on our marketable equity securities and higher income on other equity transactions in first half of 2009 compared to the first half of 2008 were partially offset by higher impairment charges recognized on our non-marketable equity investments and lower gains on sales. Impairment charges in the second half of 2008 included a $72 million impairment charge on our investment in Micron.

Interest and Other, Net

The components of interest and other, net were as follows:

(In Millions)	YTD 2009	YTD 2008
Interest income	$ 110	$ 335
Interest expense	(1)	(8)
Other, net	17	8
Total interest and other, net	**$ 126**	**$ 335**

Interest and other, net decreased to $126 million in the first half of 2009 compared to $335 million in the first half of 2008. We recognized lower interest income and lower gains on divestitures (none in the first half of 2009 and $39 million in the first half of 2008) in the first half of 2009 compared to the first half of 2008. These decreases were partially offset by approximately $60 million of fair value gains in the first half of 2009 on our trading assets, compared to approximately $30 million of fair value losses in the first half of 2008. Interest income was lower in the first half of 2009 compared to the first half of 2008 as a result of lower interest rates and, to a lesser extent, lower average investment balances.

Provision for Taxes

Our provision for taxes and effective tax rate were as follows:

(Dollars in Millions)	YTD 2009	YTD 2008
Income (loss) before taxes	$ 579	$ 4,484
Provision for taxes	$ 348	$ 1,440
Effective tax rate	60.1%	32.1%

Based on our analysis, the EC fine is not tax deductible. The EC fine of $1.447 billion, with no associated reduction in the provision for taxes significantly increased our effective tax rate in the first half of 2009. The impact of the EC fine was partially offset by a higher percentage of estimated profits in lower tax jurisdictions in the first half of 2009 as compared to the first half of 2008.

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

Business Outlook

Our future results of operations and the topics of other forward-looking statements contained in this Form 10-Q, including this MD&A, involve a number of risks and uncertainties in particular:

- current economic uncertainty, including the tightening of credit markets, as well as future economic conditions;
- our goals and strategies;
- new product introductions;
- plans to cultivate new businesses;
- divestitures or investments;
- revenue and pricing;
- gross margin and costs;
- R&D expenses;
- marketing, general and administrative expenses;
- net gains (losses) from equity investments;
- interest and other, net;
- capital spending;
- depreciation;
- potential impairment of investments;
- our effective tax rate; and
- pending legal proceedings.

The ongoing uncertainty in global economic conditions makes it particularly difficult to predict product demand and other related matters and makes it more likely that our actual results could differ materially from our expectations. In addition to the various important factors discussed above, a number of other important factors could cause actual results to differ materially from our expectations. See the risks described in Risk Factors in Part II, Item 1A of this Form 10-Q.

Our expectations for the remainder of 2009 include the effects of the Wind River acquisition and are as follows:

Q3 2009

- *Revenue:* $8.5 billion, plus or minus $400 million.
- *Gross margin percentage:* 53% plus or minus a couple points.
- *Depreciation:* approximately $1.2 billion.
- *Research and development plus marketing, general and administrative expenses:* approximately $2.8 billion.
- *Restructuring and asset impairment charges:* approximately $40 million.
- *Amortization of acquisition-related intangibles and costs*: approximately $40 million.
- *Net gains (losses) from equity method investments, gains (losses) on other equity investments, and interest and other:* net loss of approximately $80 million.

Full Year 2009

- *Capital spending:* approximately $4.7 billion, plus or minus $200 million.
- *Depreciation:* approximately $4.8 billion, plus or minus $100 million.
- *Research and development plus marketing, general and administrative expenses:* between $12.05 billion and $12.25 billion. This includes the $1.447 billion expense associated with the EC fine recognized during the second quarter.
- *Tax rate:* approximately 23% for the third and fourth quarters. The estimated effective tax rate is based on tax law in effect as of June 27, 2009 and current expected income.

Status of Business Outlook

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

From the close of business on August 28, 2009 until our quarterly earnings release is published, presently scheduled for October 13, 2009, we will observe a quiet period. During the quiet period, the Business Outlook and other forward-looking statements first published in our Form 8-K filed on July 14, 2009, as reiterated or updated as applicable, in this Form 10-Q, should be considered historical, speaking as of prior to the quiet period only and not subject to update. During the quiet period, our representatives will not comment on our business outlook or our financial results or expectations. The exact timing and duration of the routine quiet period, and any others that we utilize from time to time, may vary at our discretion.

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

Liquidity and Capital Resources

Cash and cash equivalents, short-term investments, debt instruments included in trading assets, and debt at the end of each period were as follows:

(Dollars in Millions)	June 27, 2009	Dec. 27, 2008
Cash and cash equivalents, short-term investments, and debt instruments included in trading assets	$ 11,305	$ 11,544
Short-term and long-term debt	$ 1,198	$ 1,287
Debt as % of stockholders equity	3.1%	3.3%

In summary, our cash flows were as follows:

(In Millions)	Six Months Ended June 27, 2009	June 28, 2008
Net cash provided by operating activities	$ 3,762	$ 5,043
Net cash used for investing activities	(1,816)	(2,544)
Net cash used for financing activities	(1,470)	(5,727)
Net increase (decrease) in cash and cash equivalents	**$ 476**	**$ (3,228)**

Operating Activities

Cash provided by operating activities is net income adjusted for certain non-cash items and changes in assets and liabilities.

Cash from operations for the first half of 2009 was $3.8 billion, a decrease of $1.3 billion compared to the first half of 2008, primarily due to lower net income and changes billion in our working capital. In the second quarter of 2009, our net income was negatively impacted by the charge related to the EC fine of 1.06 billion ($1.447 billion as of May 13, 2009). However, the fine has not yet been paid, and the liability ($1.483 billion as of June 27, 2009) was included in other accrued liabilities. We expect to pay the fine in the third quarter during which our cash from operations will be negatively impacted.

Inventories as of June 27, 2009 decreased compared to December 27, 2008, due to lower microprocessor, chipset, and raw materials inventory. Accounts payable as of June 27, 2009 decreased compared to December 27, 2008, due to lower production spending. As of June, 27, 2009, our other accrued liabilities included $89 million in customer credit balances ($447 million as of December 27, 2008). Accounts receivable as of June 27, 2009 increased compared to December 27, 2008 due to a higher proportion of sales occurring at the end of the second quarter of 2009. For the first half of 2009, our two largest customers accounted for 39% of net revenue (38% for the first half of 2008) with one of those customers accounting for 21% of our net revenue, and another customer accounting for 18% of our net revenue. These two largest customers accounted for 41% of net accounts receivable at June 27, 2009 (46% at December 27, 2008).

Investing Activities

Investing cash flows consist primarily of capital expenditures, net investment purchases, maturities, and disposals. The decrease in cash used for investing activities in the first half of 2009 compared to first half of 2008 was driven primarily by an increase in maturities and sales of trading assets and a decrease in purchases of available-for-sale investments and trading assets, partially offset by a decrease in maturities and sales of available-for-sale investments and higher capital spending.

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

Financing Activities

Financing cash flows consist primarily of repurchases and retirement of common stock, payment of dividends to stockholders, and proceeds from sales of shares through employee equity incentive plans.

The decrease in cash used for financing activities in the first half of 2009, compared to the first half of 2008, was primarily due to the absence of repurchases and retirement of common stock as part of our common stock repurchase program in the first half of 2009, partially offset by a decrease in proceeds from sales of shares through employee equity incentive plans. In the first half of 2008, we repurchased $5.1 billion, including the purchase of 230.7 million shares of common stock as part of our common stock repurchase program. As of June 27, 2009, $7.4 billion remained available for repurchase under the existing repurchase authorization of $25 billion. We base our level of stock repurchases on internal cash management decisions, and this level may fluctuate. Our dividend payment was $1.6 billion in the first half of 2009, slightly higher than the $1.5 billion paid in the first half of 2008. Proceeds from the sale of shares pursuant to employee equity incentive plans totaled $248 million for the first half of 2009 compared to $828 million for the first half of 2008, as a result of a lower volume of employee exercises of stock options.

Liquidity

Cash generated by operations is used as our primary source of liquidity. As of June 27, 2009, cash and cash equivalents, debt instruments included in trading assets, and short-term investments totaled $11.3 billion.

Our investment policy requires all investments with original maturities at the time of investment of up to 6 months to be rated at least A-1/P-1 by Standard & Poor s/Moody s, and specifies a higher minimum rating for investments with longer maturities. For instance, investments with maturities of greater than three years require a minimum rating of AA-/Aa3 at the time of investment. Government regulations imposed on investment alternatives of our non-U.S. subsidiaries, or the absence of A rated counterparties in certain countries, result in some minor exceptions. Substantially all of our investments in debt instruments are with A/A2 or better rated issuers, and a substantial majority of the issuers are rated AA-/Aa3 or better. Additionally, we limit the amount of credit exposure to any one counterparty based on our analysis of that counterparty s relative credit standing. As of June 27, 2009, the total credit exposure to any single counterparty did not exceed $500 million.

Credit rating criteria for derivative instruments are similar to those for other investments. The amounts subject to credit risk related to derivative instruments are generally limited to the amounts, if any, by which a counterparty s obligations exceed our obligations with that counterparty, because we enter into master netting arrangements with counterparties when possible to mitigate credit risk in derivative transactions subject to International Swaps and Derivatives Association, Inc. (ISDA) agreements.

The credit quality of our investment portfolio remains high during this difficult credit environment, with credit-related other-than-temporary impairment losses on our available-for-sale debt instruments limited to less than $55 million cumulatively since the beginning of 2008. In addition, we continue to be able to invest in high-quality investments. With the exception of a limited amount of investments for which we have recognized other-than-temporary impairments, we have not seen significant liquidation delays, and for those that have matured we have received the full par value of our original debt investments. We do not intend to sell our debt investments that have unrealized losses in accumulated other comprehensive income (loss). In addition, it is not more likely than not that we will be required to sell our debt investments that have unrealized losses in accumulated other comprehensive income (loss) before we recover the amortized cost basis.

As of June 27, 2009, our balance of cash and cash equivalents, debt instruments included in trading assets, and short-term investments included $9.7 billion with a remaining maturity of less than one year. As of June 27, 2009, our cumulative unrealized losses, net of corresponding hedging activities, related to debt instruments classified as trading assets were approximately $85 million (approximately $145 million as of December 27, 2008). As of June 27, 2009, our cumulative unrealized losses related to debt instruments classified as available-for-sale were approximately $165 million (approximately $215 million as of December 27, 2008). Substantially all of our unrealized losses can be attributed to fair value fluctuations in an unstable credit environment that resulted in a decrease in the market liquidity for debt instruments.

We continually monitor the credit risk in our portfolio and mitigate our credit and interest rate exposures in accordance with the policies approved by our Board of Directors. We intend to continue to closely monitor future developments in the credit markets and make appropriate changes to our investment policy as deemed necessary. Based on our ability to liquidate our investment portfolio and our expected operating cash flows, we do not anticipate any liquidity constraints as a result of either the current credit environment or potential investment fair value fluctuations.

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

Our commercial paper program provides another potential source of liquidity. We have an ongoing authorization from our Board of Directors to borrow up to $3.0 billion, including through the issuance of commercial paper. Maximum borrowings under our commercial paper program during the first half of 2009 were approximately $610 million, although no commercial paper remained outstanding as of June 27, 2009. Our commercial paper was rated A-1+ by Standard & Poor s and P-1 by Moody s as of June 27, 2009. We also have an automatic shelf registration statement on file with the SEC pursuant to which we may offer an unspecified amount of debt, equity, and other securities. Subsequent to the second quarter of 2009, we issued $2.0 billion of 3.25% junior subordinated convertible debentures due in 2039. We utilized the majority of the proceeds to repurchase shares of our common stock. See Note 17: Borrowings in the Notes to Consolidated Condensed Financial Statements of this Form 10-Q.

We believe that we have the financial resources needed to meet business requirements for the next 12 months, including capital expenditures for worldwide manufacturing and assembly and test, working capital requirements, and potential dividends, common stock repurchases, and acquisitions or strategic investments.

Additionally, subsequent to the second quarter of 2009, cash outlays related to the following have occurred or are expected to occur in the near the future:

- EC fine of 1.06 billion, for which we recorded a liability of $1.483 billion in other accrued liabilities as of June 27, 2009. See Note 23: Contingencies in the Notes to Consolidated Condensed Financial Statements of this Form 10-Q.
- Acquisition of Wind River, in exchange for $884 million to be paid to the stockholders of Wind River.

Fair Value of Financial Instruments

The assessment of fair value for our financial instruments is based on the provisions of SFAS No. 157. SFAS No. 157 establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs are obtained from independent sources and can be validated by a third party, whereas unobservable inputs reflect assumptions regarding what a third party would use in pricing an asset or liability. A financial instrument s categorization within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Credit risk is factored into the valuation of financial instruments that we measure and record at fair value on a recurring basis. When fair value is determined using observable market prices, the credit risk is incorporated into the market price of the financial instrument. When fair value is determined using pricing models, such as a discounted cash flow model, the issuer s credit risk and/or Intel s credit risk is factored into the calculation of the fair value, as appropriate. During the first half of 2009, the valuation of our liabilities measured and recorded at fair value as well as our derivative instruments in a current or potential net liability position were not impacted by changes in our credit risk. In addition, changes in counterparty credit risk did not have a significant impact on the valuation of either our marketable debt instruments, loans receivable, or derivative instruments in a current or potential net asset position during the first half of 2009.

When values are determined using inputs that are both unobservable and significant to the values of the instruments being measured, we classify those instruments as Level 3 under the SFAS No. 157 hierarchy. As of June 27, 2009, our financial instruments measured and recorded at fair value on a recurring basis included $15.2 billion of assets, of which $1.4 billion (9%) were classified as Level 3. In addition, our financial instruments measured and recorded at fair value on a recurring basis included $315 million of liabilities, of which $172 million (55%) were classified as Level 3. During the first half of 2009, we transferred approximately $365 million of assets from Level 3 to Level 2. These assets consisted of floating-rate notes that were transferred from Level 3 to Level 2 due to a greater availability of observable market data and/or non-binding market consensus prices to value or corroborate the value of our instruments. During the first half of 2009, we recognized an insignificant amount of gains or losses on the assets that were transferred from Level 3 to Level 2.

During the first half of 2009, the Level 3 assets and liabilities that are measured and recorded at fair value on a recurring basis experienced net unrealized fair value gains totaling $20 million. Of this amount, gains of $54 million were recognized in our consolidated condensed statements of operations and losses of $34 million were included in

other comprehensive income (loss). We believe the losses included in other comprehensive income (loss) represent a temporary decline in the fair value of available-for-sale investments. During the first half of 2009, we did not experience any significant realized gains (losses) related to the Level 3 assets or liabilities in our portfolio.

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

Marketable Debt Instruments

As of June 27, 2009, our assets measured and recorded at fair value on a recurring basis included $14.0 billion of marketable debt instruments. Of these instruments, approximately $1.1 billion was classified as Level 1, approximately $11.5 billion as Level 2, and approximately $1.4 billion as Level 3.

When available, we use observable market prices for identical securities to value our marketable debt instruments. If observable market prices are not available, we use non-binding market consensus prices that we seek to corroborate with observable market data, if available, or non-observable market data. When prices from multiple sources are available for a given instrument, we use observable market quotes to price our instruments, in lieu of prices from other sources.

Our balance of marketable debt instruments that are measured and recorded at fair value on a recurring basis and classified as Level 1 was classified as such due to the usage of observable market prices for identical securities that are traded in active markets. Marketable debt instruments in this category generally include certain of our floating-rate notes, corporate bonds, and money market fund deposits. Management judgment was required to determine our policy that defines the levels at which sufficient volume and frequency of transactions are met for a market to be considered active. Our assessment of an active market for our marketable debt instruments generally takes into consideration activity during each week of the one-month period prior to the valuation date of each individual instrument, including the number of days each individual instrument trades and the average weekly trading volume in relation to the total outstanding amount of the issued instrument.

Approximately 15% of our balance of marketable debt instruments that are measured and recorded at fair value on a recurring basis and classified as Level 2 was classified as such due to the usage of observable market prices for identical securities that are traded in less active markets. When observable market prices for identical securities are not available, we price our marketable debt instruments using: non-binding market consensus prices that are corroborated with observable market data; quoted market prices for similar instruments; or pricing models, such as a discounted cash flow model, with all significant inputs derived from or corroborated with observable market data. Non-binding market consensus prices are based on the proprietary valuation models of pricing providers or brokers. These valuation models incorporate a number of inputs, including non-binding and binding broker quotes; observable market prices for identical and/or similar securities; and the internal assumptions of pricing providers or brokers that use observable market inputs and to a lesser degree non-observable market inputs. We corroborate the non-binding market consensus prices with observable market data using statistical models when observable market data exist. The discounted cash flow model uses observable market inputs, such as LIBOR-based yield curves, currency spot and forward rates, and credit ratings. Approximately 45% of our balance of marketable debt instruments that are measured and recorded at fair value on a recurring basis and classified as Level 2 was classified as such due to the usage of non-binding market consensus prices that are corroborated with observable market data and approximately 40% due to the usage of a discounted cash flow model. Marketable debt instruments classified as Level 2 generally include commercial paper, bank time deposits, municipal bonds, certain of our money market fund deposits and corporate bonds, and a majority of floating-rate notes.

Our marketable debt instruments that are measured and recorded at fair value on a recurring basis and classified as Level 3 were classified as such due to the lack of observable market data to corroborate either the non-binding market consensus prices or the non-binding broker quotes. When observable market data is not available, we corroborate the non-binding market consensus prices and non-binding broker quotes using unobservable data, if available. Marketable debt instruments in this category generally include asset-backed securities and certain of our floating-rate notes and corporate bonds. All of our investments in asset-backed securities were classified as Level 3, and substantially all of them were valued using non-binding market consensus prices that we were not able to corroborate with observable market data due to the lack of transparency in the market for asset-backed securities.

Equity Securities

As of June 27, 2009, our portfolio of assets measured and recorded at fair value on a recurring basis included $513 million of marketable equity securities. Of these securities, $493 million was classified as Level 1 because the

valuations were based on quoted prices for identical securities in active markets. Our assessment of an active market for our marketable equity securities generally takes into consideration activity during each week of the one-month period prior to the valuation date for each individual security, including the number of days each individual equity security trades and the average weekly trading volume in relation to the total outstanding shares of that security. The fair values of our investments in Clearwire Corporation ($179 million) and VMware, Inc. ($133 million) constituted a majority of the fair values of the marketable equity securities that we classified as Level 1. The remaining marketable equity securities ($20 million) were classified as Level 2 because their valuations were either based on quoted prices for identical securities in less active markets or adjusted for security-specific restrictions.

As of June 27, 2009, our portfolio of assets measured and recorded at fair value on a recurring basis included $319 million of equity securities offsetting deferred compensation. All of these securities were classified as Level 1, because their valuations were based on quoted prices for identical securities in active markets.

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

Contractual Obligations

During the second quarter of 2009, we agreed to acquire all outstanding common shares of Wind River for $884 million to be paid to the stockholders of Wind River. We completed the acquisition subsequent to the end of the second quarter of 2009.

Subsequent to the end of the second quarter of 2009, we issued $2.0 billion of junior subordinated convertible debentures (the 2009 debentures) due in 2039. The 2009 debentures pay a fixed rate of 3.25% cash interest semiannually beginning February 1, 2010. Our total anticipated cash payments (including anticipated interest payments that will not be recorded on the consolidated condensed balance sheets and excluding fair value adjustments that affect the amount recorded on the consolidated condensed balance sheets) over the life of this long-term debt obligation are expected to be approximately $4.0 billion. Any future settlement of convertible debt would reduce anticipated interest and/or principal payments.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information in this section should be read in connection with the information on financial market risk related to changes in interest rates in Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risk, in our Annual Report on Form 10-K for the year ended December 27, 2008. All of the potential changes noted below are based on sensitivity analyses performed on our financial positions as of June 27, 2009 and December 27, 2008. Actual results may differ materially.

Currency Exchange Rates

We generally hedge currency risks of non-U.S.-dollar-denominated investments in debt instruments and loans receivable with offsetting currency forward contracts, currency options, or currency interest rate swaps. Gains and losses on these non-U.S.-currency investments would generally be offset by corresponding losses and gains on the related hedging instruments, resulting in a negligible net exposure.

A majority of our revenue, expense, and capital purchasing activities are transacted in U.S. dollars. However, certain operating expenditures and capital purchases are incurred in or exposed to other currencies, primarily the euro, the Israeli shekel, and the Japanese yen. We have established balance sheet and forecasted transaction currency risk management programs to protect against fluctuations in fair value and the volatility of future cash flows caused by changes in exchange rates. We generally utilize currency forward contracts and, to a lesser extent, currency options in these hedging programs. Our hedging programs reduce, but do not always entirely eliminate, the impact of currency exchange rate movements (see Risk Factors in Part II, Item 1A of this Form 10-Q). We considered the historical trends in currency exchange rates and determined that it was reasonably possible that a weighted average adverse change of 20% in currency exchange rates could be experienced in the near term. Such an adverse change, after taking into account hedges and offsetting positions, would have resulted in an adverse impact on income before taxes of approximately $295 million as of June 27, 2009 (less than $55 million as of December 27, 2008). The hypothetical adverse impact on income before taxes increased from December 27, 2008 to June 27, 2009 due to higher un-hedged euro exposure related to our euro-denominated liability for the EC fine.

Equity Prices

Our marketable equity investments include marketable equity securities and equity derivative instruments such as warrants and options. To the extent that our marketable equity securities have strategic value, we typically do not attempt to reduce or eliminate our equity market exposure through hedging activities; however, for our investments in strategic equity derivative instruments, including warrants, we may enter into transactions to reduce or eliminate the equity market risks. For securities that we no longer consider strategic, we evaluate legal, market, and economic factors in our decision on the timing of disposal and whether it is possible and appropriate to hedge the equity market risk.

The marketable equity securities included in trading assets are held to generate returns that seek to offset changes in liabilities related to the equity and other market risks of certain deferred compensation arrangements. The gains and losses from changes in fair value of these equity securities are offset by the gains and losses on the related liabilities. Assuming a decline in market prices of approximately 25%, our net exposure to loss was approximately $50 million as of June 27, 2009 and approximately $40 million as of December 27, 2008.

As of June 27, 2009, the fair value of our available-for-sale marketable equity securities and our equity derivative instruments, including hedging positions, was $527 million ($362 million as of December 27, 2008). Our investments in Clearwire Corporation and VMware constituted a majority of our marketable equity securities as of June 27, 2009, and were carried at a fair market value of $179 million and $133 million, respectively. To assess the market price sensitivity of our marketable equity investments, we analyzed the historical movements over the past several years of high-technology stock indices that we considered appropriate. Assuming a loss of 65% in market prices, and after reflecting the impact of hedges and offsetting positions, the aggregate value of our marketable equity investments could decrease by approximately $345 million, based on the value as of June 27, 2009 (a decrease in value of approximately $220 million, based on the value as of December 27, 2008 using an assumed loss of 60%).

Many of the same factors that could result in an adverse movement of equity market prices affect our non-marketable equity investments, although we cannot always quantify the impact directly. The current financial markets are extremely volatile and there has been a tightening of the credit markets, which could negatively affect the prospects of the companies we invest in, their ability to raise additional capital, and the likelihood of our being able to realize value in our investments through liquidity events such as initial public offerings, mergers, and private sales. These types of investments involve a great deal of risk, and there can be no assurance that any specific company will grow or become successful; consequently, we could lose all or part of our investment. Our non-marketable equity investments, excluding investments accounted for under the equity method, had a carrying amount of $1.0 billion as of June 27, 2009 and December 27, 2008. As of June 27, 2009, the carrying amount of our non-marketable equity method investments was $2.7 billion ($3.0 billion as of December 27, 2008). A substantial majority of this balance as of June 27, 2009 was concentrated in companies in the flash memory market segment. Our flash memory market segment investments include our investment of $1.5 billion in IMFT ($1.7 billion as of December 27, 2008), $308 million in IMFS ($329 million as of December 27, 2008), and $447 million in Numonyx ($484 million as of December 27, 2008).

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Control over Financial Reporting

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

Inherent Limitations on Effectiveness of Controls

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

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings, see Note 23: Contingencies in the Notes to Consolidated Condensed Financial Statements of this Form 10-Q.

ITEM 1A. RISK FACTORS

We describe our business risk factors below. This description includes any material changes to and supersedes the description of the risk factors associated with our business previously disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 27, 2008.

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

Current uncertainty in global economic conditions poses a risk to the overall economy, as consumers and businesses have deferred and may continue to defer purchases in response to tighter credit and less discretionary spending, which negatively affect product demand and other related matters. If demand for our products fluctuates as a result of economic conditions or for other reasons, our revenue and gross margin could be harmed. Important factors that could cause demand for our products to fluctuate include:

- changes in business and economic conditions, including a downturn in the semiconductor industry and/or the overall economy;
- changes in consumer confidence caused by changes in market conditions, including changes in the credit market, expectations for inflation, and energy prices;
- changes in the level of customers components inventory;
- competitive pressures, including pricing pressures, from companies that have competing products, chip architectures, manufacturing technologies, and marketing programs;
- changes in customer product needs;
- strategic actions taken by our competitors; and
- market acceptance of our products.

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

Ongoing financial stress could negatively affect our business, results of operations, and financial condition.

The ongoing financial stress affecting the banking system and financial markets and the going concern threats to financial institutions have resulted in a tightening in the credit markets; a low level of liquidity in many financial markets; and extreme volatility in credit, fixed income, and equity markets. There could be a number of follow-on effects from the credit crisis on Intel s business, including insolvency of key suppliers, resulting in product delays; inability of customers to obtain credit to finance purchases of our products and/or customer insolvencies; counterparty failures negatively impacting our treasury operations; increased expense or inability to obtain short-term financing of Intel s operations from the issuance of commercial paper; and increased impairment charges due to declines in the fair values of marketable debt or equity investments. The current volatility in the financial markets and overall economic uncertainty increase the risk that the actual amounts realized in the future on our debt and equity investments will differ significantly from the fair values currently assigned to them.

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

We may be subject to legal claims or regulatory matters involving stockholder, consumer, competition, and other issues on a global basis. As described in Note 23: Contingencies in the Notes to Consolidated Condensed Financial Statements of this Form 10-Q, we are currently engaged in a number of litigation matters, particularly with respect to

competition. Litigation is subject to inherent uncertainties, and unfavorable rulings could occur. An unfavorable ruling could include monetary damages or, in cases for which injunctive relief is sought, an injunction prohibiting us from manufacturing or selling one or more products. If we were to receive an unfavorable ruling in a matter, our business and results of operations could be materially harmed.

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

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

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

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

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

We make investments in companies around the world to further our strategic objectives and support our key business initiatives. Such investments include equity or debt instruments of public or private companies, and many of these instruments are non-marketable at the time of our initial investment. These companies range from early-stage companies that are often still defining their strategic direction to more mature companies with established revenue streams and business models. The success of these companies is dependent on product development, market acceptance, operational efficiency, and other key business factors. The companies in which we invest may fail because they may not be able to secure additional funding, obtain favorable investment terms for future financings, or take advantage of liquidity events such as public offerings, mergers, and private sales. The current economic environment may increase the risk of failure for many of the companies in which we invest due to limited access to credit and reduced frequency of liquidity events. If any of these private companies fail, we could lose all or part of our investment in that company. If we determine that an other-than-temporary decline in the fair value exists for an equity investment in a public or private company in which we have invested, we write down the investment to its fair value and recognize the related write-down as an investment loss. The majority of our non-marketable equity investment portfolio balance is concentrated in companies in the flash memory market segment, and declines in this market segment or changes in management s plans with respect to our investments in this market segment could result in significant impairment charges, impacting gains (losses) on equity method investments and gains (losses) on other equity investments.

Furthermore, when the strategic objectives of an investment have been achieved, or if the investment or business diverges from our strategic objectives, we may decide to dispose of the investment. Our non-marketable equity investments in private companies are not liquid, and we may not be able to dispose of these investments on favorable terms or at all. The occurrence of any of these events could harm our results of operations. Additionally, for cases in which we are required under equity method accounting to recognize a proportionate share of another company s income or loss, such income and loss may impact our earnings. Gains or losses from equity securities could vary from expectations depending on gains or losses realized on the sale or exchange of securities, gains or losses from equity method investments, and impairment charges related to debt instruments as well as equity and other investments.

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

The methods, estimates, and judgments that we use in applying our accounting policies have a significant impact on our results of operations (see Critical Accounting Estimates in Part I, Item 2 of this Form 10-Q). Such methods, estimates, and judgments are, by their nature, subject to substantial risks, uncertainties, and assumptions, and factors may arise over time that lead us to change our methods, estimates, and judgments. Changes in those methods, estimates, and judgments could significantly affect our results of operations. The current volatility in the financial markets and overall economic uncertainty increase the risk that the actual amounts realized in the future on our debt and equity investments will differ significantly from the fair values currently assigned to them.

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

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

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

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

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

In addition, although most of our products are sold in U.S. dollars, we incur a significant amount of certain types of expenses, such as payroll, utilities, tax, and marketing expenses, as well as certain investing and financing activities, in local currencies. Our hedging programs reduce, but do not entirely eliminate, the impact of currency exchange rate movements, and therefore fluctuations in exchange rates could harm our business operating results and financial condition. In addition, changes in tariff and import regulations and in U.S. and non-U.S. monetary policies may harm our operating results and financial condition by increasing our expenses and reducing our revenue. Varying tax rates in different jurisdictions could harm our operating results and financial condition by increasing our overall tax rate.

We maintain a program of insurance coverage for various types of property, casualty, and other risks. We place our insurance coverage with various carriers in numerous jurisdictions. The types and amounts of insurance that we obtain vary from time to time and from location to location, depending on availability, cost, and our decisions with respect to risk retention. The policies are subject to deductibles and exclusions that result in our retention of a level of risk on a self-insurance basis. Losses not covered by insurance may be substantial and may increase our expenses, which could harm our results of operations and financial condition. In addition, the recent financial crisis could pose solvency risks for our insurers, which could reduce our coverage if one or more of our insurance providers is unable to pay a claim.

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

Production of integrated circuits is a complex process. Disruptions in this process can result from interruptions in our processes, errors, and difficulties in our development and implementation of new processes; defects in materials; disruptions in our supply of materials or resources; and disruptions at our fabrication and assembly and test facilities due to, for example, accidents, maintenance issues, or unsafe working conditions all of which could affect the timing of production ramps and yields. We may not be successful or efficient in developing or implementing new production processes. The occurrence of any of the foregoing may result in our failure to meet or increase production as desired, resulting in higher costs or substantial decreases in yields, which could affect our ability to produce sufficient volume to meet specific product demand. The unavailability or reduced availability of certain products could make it more difficult to implement our platform strategy. We may also experience increases in yields. A substantial increase in

yields could result in higher inventory levels and the possibility of resulting underutilization charges as we slow production to reduce inventory levels. The occurrence of any of these events could harm our business and results of operations.

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

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

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

Costs associated with unexpected product defects and errata (deviations from published specifications) due to, for example, unanticipated problems in our manufacturing processes, include:

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

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

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

From time to time, third parties may assert against us or our customers alleged patent, copyright, trademark, or other intellectual property rights to technologies that are important to our business. As described in Note 23: Contingencies in the Notes to Consolidated Condensed Financial Statements of this Form 10-Q, we are currently engaged in a number of litigation matters involving intellectual property rights. We may be subject to intellectual property infringement claims from certain individuals and companies who have acquired patent portfolios for the sole purpose of asserting such claims against other companies. Any claims that our products or processes infringe the intellectual property rights of others, regardless of the merit or resolution of such claims, could cause us to incur significant costs in responding to, defending, and resolving such claims, and may divert the efforts and attention of our management and technical personnel from our business. As a result of such intellectual property infringement claims, we could be required or otherwise decide that it is appropriate to:

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

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

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

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

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

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

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

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

- timing and execution of plans and programs that may be subject to local labor law requirements, including consultation with appropriate work councils;
- changes in assumptions related to severance and postretirement costs;
- future dispositions;
- new business initiatives and changes in product roadmap, development, and manufacturing;
- changes in employment levels and turnover rates;
- changes in product demand and the business environment, including changes related to the current uncertainty in global economic conditions; and
- changes in the fair value of certain long-lived assets.

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

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

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

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

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

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

Any of these restrictions could harm our business and results of operations by increasing our expenses or requiring us to alter our manufacturing and assembly and test processes.

Climate change poses both regulatory and physical risks that could harm our results of operations or affect the way we conduct our business.

In addition to the possible direct economic impact that climate change could have on us, climate change mitigation programs and regulation can increase our costs. For example, the cost of perfluorocompounds (PFCs), a gas that we use in our manufacturing, could increase over time under some climate-change-focused emissions trading programs that may be imposed by government regulation. If the use of PFCs is prohibited, we would need to obtain substitute materials that may cost more or be less available for our manufacturing operations. We also see the potential for higher energy costs driven by climate change regulations. Our costs could increase if utility companies pass on their costs, such as those associated with carbon taxes, emission cap and trade programs, or renewable portfolio standards. While we maintain business recovery plans that are intended to allow us to recover from natural disasters or other events that can be disruptive to our business, we cannot be sure that our plans will fully protect us from all such disasters or events. Many of our operations are located in semi-arid regions, such as Israel and the southwestern United States. Some scenarios predict that these regions may become even more vulnerable to prolonged droughts due to climate change.

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

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

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

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

Interest and other, net could be harmed by macroeconomic and other factors.

Factors that could cause interest and other, net in our consolidated condensed statements of operations to fluctuate include:

- fixed-income, equity, and credit market volatility, such as that which is being experienced in the current global economic environment;
- fluctuations in foreign currency exchange rates;
- fluctuations in interest rates;
- changes in our cash and investment balances; and
- changes in our hedge accounting treatment.

Our acquisitions, divestitures, and other transactions could disrupt our ongoing business and harm our results of operations.

In pursuing our business strategy, we routinely conduct discussions, evaluate opportunities, and enter into agreements regarding possible investments, acquisitions, divestitures, and other transactions, such as joint ventures. Acquisitions and other transactions involve significant challenges and risks, including risks that:

- we may not be able to identify suitable opportunities at terms acceptable to us;
- the transaction may not advance our business strategy;
- we may not realize a satisfactory return on the investment we make;
- we may not be able to retain key personnel of the acquired business; or
- we may experience difficulty in integrating new employees, business systems, and technology.

When we decide to sell assets or a business, we may encounter difficulty in finding or completing divestiture opportunities or alternative exit strategies on acceptable terms in a timely manner, and the agreed terms and financing arrangements could be renegotiated due to changes in business or market conditions. These circumstances could delay

the accomplishment of our strategic objectives or cause us to incur additional expenses with respect to businesses that we want to dispose of, or we may dispose of a business at a price or on terms that are less favorable than we had anticipated, resulting in a loss on the transaction.

If we do enter into agreements with respect to acquisitions, divestitures, or other transactions, we may fail to complete them due to:

- failure to obtain required regulatory or other approvals;
- intellectual property or other litigation;
- difficulties that we or other parties may encounter in obtaining financing for the transaction; or
- other factors.

Further, acquisitions, divestitures, and other transactions require substantial management resources and have the potential to divert our attention from our existing business. These factors could harm our business and results of operations.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

We have an ongoing authorization, amended in November 2005, from our Board of Directors to repurchase up to $25 billion in shares of our common stock in open market or negotiated transactions. As of June 27, 2009, $7.4 billion remained available for repurchase under the existing repurchase authorization.

We did not make any common stock repurchases under our authorized plan during the second quarter of 2009.

For the majority of restricted stock units granted, the number of shares issued on the date the restricted stock units vest is net of the minimum statutory withholding requirements that we pay in cash to the appropriate taxing authorities on behalf of our employees. These withheld shares are not considered common stock repurchases under our authorized plan.

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

At Intel Corporation s Annual Stockholders Meeting held on May 20, 2009, stockholders elected each of the director nominees, ratified the selection of our independent registered public accounting firm, amended and extended the 2006 Equity Incentive Plan, approved an employee stock option exchange program, approved an advisory vote on executive compensation, voted against the stockholder proposal to have the Board take the steps necessary to adopt cumulative voting and voted against the stockholder proposal requesting that the Board of Directors create a comprehensive policy for the human right to water.

		Number of Shares		
		Voted For	**Voted Against**	**Abstain**
1.	To elect a board of directors to hold office until the next annual stockholders meeting or until their respective successors have been elected or appointed.			
	C. Barshefsky	4,359,917,528	330,327,575	19,599,352
	S. Decker	4,600,380,003	90,981,082	18,483,370
	J. Donahoe	4,611,319,686	79,715,115	18,809,654
	R. Hundt	4,563,893,038	126,849,212	19,102,205
	P. Otellini	4,586,178,683	107,076,744	16,589,028
	J. Plummer	4,606,274,240	84,540,824	19,029,391
	D. Pottruck	4,534,225,667	157,917,372	17,701,416
	J. Shaw	4,571,951,283	119,000,329	18,892,843
	J. Thornton	4,511,882,907	178,170,960	19,790,588
	F. Yeary	4,612,571,496	77,794,956	19,478,003
	D. Yoffie	4,538,219,345	152,497,363	19,127,747

		Number of Shares			
		Voted For	**Voted Against**	**Abstain**	**Broker Non-Votes**
2.	To ratify the selection of independent registered public accounting firm.	4,640,112,994	59,567,700	10,163,761	
3.	To approve the amendment and extension of the 2006 Equity Incentive Plan	3,069,150,086	521,494,489	19,722,174	1,099,477,706[1]
4.	To approve an employee stock option exchange program	2,946,103,151	649,063,498	15,159,470	1,099,518,336[1]
5.	To approve an advisory vote on executive compensation	4,416,065,827	159,771,684	134,006,944	
6.	To approve the stockholder proposal to have the Board take the steps necessary to adopt cumulative voting	1,309,835,602	2,286,332,876	14,208,700	1,099,467,277[1]
7.	To approve the stockholder proposal to request that the Board of Directors create a comprehensive policy for the human right to water	174,894,784	2,811,975,487	623,508,704	1,099,465,480[1]

[1] *The affirmative vote of the majority of the votes cast was required to pass each of the proposals. Significantly fewer shares were voted on Proposals 3, 4, 6, and 7 than voted on Proposals 1, 2, and 5. Broker non-votes accounted for this difference in voted shares, and are not considered votes cast for purposes of Section 216 of the Delaware General Corporation Law. For certain types of non-routine proposals, such as Proposals 3, 4, 6, and 7, brokers do not have the discretionary authority to vote their clients shares, and therefore must refrain from voting on such proposals in the absence of instructions from their clients.*

ITEM 6. EXHIBITS

3.1	Intel Corporation Third Restated Certificate of Incorporation of Intel Corporation dated May 17, 2006 (incorporated by reference to Exhibit 3.1 to the Registrant s Current Report on Form 8-K as filed on May 22, 2006)
3.2	Intel Corporation Bylaws, as amended on May 19, 2009 (incorporated by reference to Exhibit 3.1 to the Registrant s Current Report on Form 8-K as filed on May 22, 2009)
10.1	Intel Corporation Non-Employee Director Restricted Stock Unit Agreement Under The 2006 Equity Incentive Plan (for RSUs granted after January 17, 2008)
10.2	Intel Corporation Non-Employee Director Restricted Stock Unit Agreement Under The 2006 Equity Incentive Plan (for RSUs granted after March 27, 2009 under the OSU program)
10.3	Form of Notice of Grant Restricted Stock Units
10.4	Intel Corporation 2006 Equity Incentive Plan As Amended and Restated Effective May 20, 2009 (incorporated by reference to Exhibit 99.1 of the Registrant s Current Report on Form S-8 as filed on June 26, 2009, File No. 333-160272).
12.1	Statement Setting Forth the Computation of Ratios of Earnings to Fixed Charges
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) of the Exchange Act
31.2	Certification of Chief Financial Officer and Principal Accounting Officer Pursuant to Rule 13a-14(a) of the Exchange Act
32.1	Certification of Chief Executive Officer and Chief Financial Officer and Principal Accounting Officer Pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

Xeon, Itanium, and Pentium are trademarks of Intel Corporation in the U.S. and other countries.

**Other names and brands may be claimed as the property of others.*

SIGNATURES

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

INTEL CORPORATION
(Registrant)

Date: August 3, 2009

By: /s/ Stacy J. Smith
Stacy J. Smith
Vice President, Chief Financial Officer,
and
Principal Accounting Officer