

PART I

ITEM 1. BUSINESS

Industry

We are the world's largest semiconductor chip maker, based on revenue. We develop advanced integrated digital technology products, primarily integrated circuits, for industries such as computing and communications. Integrated circuits are semiconductor chips etched with interconnected electronic switches. We also develop platforms, which we define as integrated suites of digital computing technologies that are designed and configured to work together to provide an optimized user computing solution compared to ingredients that are used separately. Our goal is to be the preeminent provider of semiconductor chips and platforms for the worldwide digital economy. We offer products at various levels of integration, allowing our customers flexibility to create advanced computing and communications systems and products.

We were incorporated in California in 1968 and reincorporated in Delaware in 1989. Our Internet address is www.intel.com. On this web site, we publish voluntary reports, which we update annually, outlining our performance with respect to corporate responsibility, including environmental, health, and safety compliance. On our Investor Relations web site, located at www.intc.com, we post the following filings as soon as reasonably practicable after they are electronically filed with, or furnished to, the U.S. Securities and Exchange Commission (SEC): our annual, quarterly, and current reports on Forms 10-K, 10-Q, and 8-K; our proxy statements; and any amendments to those reports or statements. All such filings are available on our Investor Relations web site free of charge. The SEC also maintains a web site (www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The content on any web site referred to in this Form 10-K is not incorporated by reference into this Form 10-K unless expressly noted.

Products

We currently offer products in a broad range of categories. These products include:

- microprocessors with one, two, or four processor cores, designed for desktops, workstations, servers, notebooks, embedded products, communications products, and consumer electronics;
- chipsets designed for desktops, workstations, servers, notebooks, embedded products, communications products, and consumer electronics;
- motherboard products designed for our desktop, workstation, and server platforms;
- NAND flash memory products primarily used in digital audio players, memory cards, and system-level applications, such as solid-state drives;
- NOR flash memory products (during the first quarter of 2008, we expect to complete the divestiture of our NOR flash memory assets to Numonyx; see "Note 13: Divestitures" in Part II, Item 8 of this Form 10-K);
- wired and wireless Internet connectivity products, including network adapters and embedded wireless cards, based on industry-standard technologies used to translate and transmit data in packets across networks;
- other communications infrastructure products—including network processors, communications boards, and optical transponders—that are basic building blocks for modular communications platforms;
- networked storage products that allow storage resources to be added to either of the two most prevalent types of networking technology: Ethernet or Fibre Channel; and
- software products and services that help enable and advance the computing ecosystem.

We offer features to improve microprocessor capabilities that can enhance system performance and user experience. For example, we offer Intel® Active Management Technology (Intel® AMT), which helps information technology managers diagnose, fix, and protect enabled systems that are plugged into a power source and connected to a network, even if a computer is turned off or has a failed hard drive or operating system. We also offer Intel® Virtualization Technology (Intel® VT), which can enable a single computer system to function as multiple virtual systems by running multiple operating systems and applications, thereby consolidating workloads and providing increased security and management capabilities. In addition, our Intel® Core™ microarchitecture includes other features that can increase performance and energy efficiency. To take advantage of these features, a computer system must have a microprocessor that supports a chipset and BIOS (basic input/output system) that use, and software that is optimized for, the technology. Performance will vary depending on the system hardware and software used.

We offer platforms that incorporate various components and technologies. A platform typically includes a microprocessor, chipset, and enabling software and may include additional hardware, services, and support. In developing our platforms, we may include components made by other companies. A component is one of any number of software or hardware features that may be incorporated into a computer, handheld device, or other computing system, including a microprocessor, chipset, motherboard, memory, wired or wireless connectivity device, or software. We refer to the platform brands within our product offerings as processor technologies.

We strive to design computing and communications systems and devices with improved overall performance and/or improved energy-efficient performance. Improved overall performance can include faster processing performance and other improved capabilities such as multithreading and multitasking. Performance can also be improved through enhanced connectivity, security, manageability, utilization, reliability, ease of use, and interoperability among devices. Improved energy-efficient performance involves balancing the addition of improved performance factors with lower power consumption. Lower power consumption may reduce system heat output, thereby providing power savings and reducing the total cost of ownership for the user.

Following is detailed information on our major product categories:

A *microprocessor* is the central processing unit (CPU) of a computer system. It processes system data and controls other devices in the system, acting as the “brains” of the computer. The following characteristics of a microprocessor may affect overall performance:

- *Multi-core processors.* Multi-core processors contain two or more processor cores, which enable improved multitasking and energy-efficient performance because computing tasks can be distributed across multiple cores.
- *CPU design.* Microprocessor design can refer to the microarchitecture and/or the architecture. We use the term “microarchitecture” when referring to the layout, density, and logical design of each product generation. The term “architecture” generally refers to the largest size of numerical data that a microprocessor can handle, measured in bits (the smallest unit of information). Intel® Itanium® branded products are based on our 64-bit architecture (IA-64); our other microprocessor products are based on our 32-bit architecture (IA-32). Microprocessors with 64-bit processing capability can address significantly more memory than 32-bit microprocessors. One way to provide 64-bit processing capability is for processors based on 32-bit architecture to have 64-bit address extensions. The majority of our microprocessors are equipped with Intel® 64 architecture, which provides 64-bit address extensions, supporting both 32-bit and 64-bit software applications.
- *Clock speed.* Clock speed is the rate at which a microprocessor’s internal logic operates and is one measure of a microprocessor’s performance.
- *Memory size and access speed.* Cache is a memory that can be located directly on the microprocessor, permitting quicker access to frequently used data and instructions. Some of our microprocessors have additional levels of cache to enable higher levels of performance. Memory storage is measured in bytes (8 bits per byte), with 1,024 bytes equaling a kilobyte (KB), 1.049 million bytes equaling a megabyte (MB), and 1.074 billion bytes equaling a gigabyte (GB).
- *Speed of communication between the CPU and the chipset.* A bus carries data between parts of the system. A faster bus allows for faster data transfer into and out of the processor, enabling increased performance.

The *chipset* operates as the PC’s “nervous system,” sending data between the microprocessor and input, display, and storage devices, such as the keyboard, mouse, monitor, hard drive, and CD or DVD drive. Chipsets perform essential logic functions, such as balancing the performance of the system and removing bottlenecks. Chipsets also extend the graphics, audio, video, and other capabilities of many systems based on our microprocessors. Finally, chipsets control the access between the CPU and main memory.

A *motherboard* is the principal board within a system. A motherboard has connectors for attaching devices to the bus, and typically contains the CPU, memory, and the chipset.

Flash memory is a specialized type of memory component used to store user data and program code; it retains this information even when the power is off, and provides faster access to data than traditional hard drives. Flash memory has no moving parts, unlike devices such as rapidly spinning disk drives, allowing flash memory to be more tolerant of bumps and shocks. Flash memory is based on either NOR or NAND architecture. NOR flash memory, with its fast access or “read” capabilities, has traditionally been used to store executable code. NAND flash memory, which is slower in reading data but faster in writing data, has become the preferred flash memory for storing large quantities of data.

Wired and wireless Internet connectivity products, such as network adapters and embedded wireless cards, are based on industry-standard technologies used to translate and transmit data in packets across networks. Our wireless connectivity products are based on either the 802.11 or 802.16 industry standard. The 802.11 communication standard refers to a family of specifications commonly known as WiFi technology. We also have developed and are developing wireless connectivity products for both mobile and fixed networks based on the 802.16 industry standard, commonly known as WiMAX, which is short for Worldwide Interoperability for Microwave Access. WiMAX is a standards-based wireless technology providing high-speed broadband connectivity that makes it possible to connect users to networks wirelessly, as well as networks to other networks, up to several miles apart.

Communications infrastructure products include advanced, programmable processors used in networking equipment that rapidly manage and direct data moving across the Internet and networks. Our modular communications platforms are based on telecommunications industry standards, such as carrier grade, allowing communications and media services to be managed independently from the network itself. Unlike proprietary systems platforms, carrier-grade, rack-mount servers based on our modular communications platforms are standards-based solutions that offer network infrastructure builders flexible, low-cost, low-power-consumption options for designing their networks.

Below, we discuss our key products and processor technologies, including some key introductions, for our major operating segments. For a discussion of our strategy, see “Management’s Discussion and Analysis of Financial Condition and Results of Operation” in Part II, Item 7 of this Form 10-K.

Digital Enterprise Group

The Digital Enterprise Group (DEG)’s products are incorporated into desktop computers, enterprise computing servers, workstations, a broad range of embedded applications, and other products that help make up the infrastructure for the Internet. DEG’s products include microprocessors and related chipsets and motherboards designed for the desktop and enterprise computing market segments; microprocessors, chipsets, and other components for communications infrastructure equipment, such as network processors, communications boards, and embedded processors; wired connectivity devices; and products for network and server storage.

Net revenue for the DEG operating segment constituted 53% of our consolidated net revenue in 2007 (56% in 2006 and 65% in 2005). Revenue from sales of microprocessors within the DEG operating segment represented 40% of consolidated net revenue in 2007 (41% in 2006 and 50% in 2005).

Desktop Market Segment

Our current desktop microprocessor offerings include the:

- Intel® Core™2 Quad processor
- Intel® Core™2 Duo processor
- Intel® Pentium® Dual-Core processor
- Intel® Celeron® Dual-Core processor
- Intel® Celeron® processor

Most of these microprocessors are based on the Intel Core microarchitecture. Intel Core microarchitecture-based processors are designed for energy-efficient performance and are manufactured using either 65- or 45-nanometer (nm) process technology. We offer microprocessors at a variety of price/performance points: from the high-end Intel Core 2 Quad processor with four processor cores, designed for processor-intensive tasks in demanding multitasking environments, to the Intel Celeron processor designed to provide value, quality, and reliability for basic computing needs. The related chipsets for our desktop microprocessor offerings primarily include the Intel® 945G Chipset, the Intel® Q965 Chipset, and Intel® 3 Series Chipsets.

We also offer processor technologies based on our microprocessors, chipsets, and motherboard products that are optimized for the desktop market segment. For business desktop PCs, we offer the Intel® Core™2 processor with vPro™ technology, which is designed to provide increased security and manageability, energy-efficient performance, and lower cost of ownership.

Our new product offerings in 2007 and early 2008 include:

- Intel Core 2 Quad processors designed for processor-intensive tasks in demanding multitasking environments.
- Intel 3 Series Chipsets designed to be used with Intel Core microarchitecture-based processors, including 45nm products. These chipsets help improve system performance, energy efficiency, and video and sound quality.
- A new generation of Intel Core 2 processors with vPro technology, which includes Intel® Trusted Execution Technology (Intel® TXT), designed to help protect business PCs and data within virtualized computing environments against hacking, viruses, and other threats. Intel Core 2 processors with vPro technology include the Intel® Q35 Chipset and feature Intel VT and Intel AMT.
- Intel Core 2 Quad processors and Intel Core 2 Duo processors designed for mainstream desktop PCs and manufactured using our new 45nm Hi-k metal gate silicon technology (45nm process technology).

Enterprise Market Segment

Our current server and workstation microprocessor offerings include the:

- Quad-Core Intel® Xeon® processor
- Dual-Core Intel® Xeon® processor
- Dual-Core Intel® Itanium® processor

Our Intel® Xeon® processor family of products supports a range of entry-level to high-end technical and commercial computing applications, and is based on the Intel Core microarchitecture. Compared to our Intel Xeon processor family, our Intel Itanium processor family generally supports an even higher level of reliability and computing performance for data processing, the handling of high transaction volumes and other compute-intensive applications for enterprise-class servers, as well as supercomputing solutions.

We also offer platforms that are optimized for use in the enterprise market segment, which includes entry-level to high-end servers and workstations. Servers, which often have multiple microprocessors or cores working together, manage large amounts of data, direct data traffic, perform complex transactions, and control central functions in local and wide area networks and on the Internet. Workstations typically offer higher performance than standard desktop PCs, and are used for applications such as engineering design, digital content creation, and high-performance computing.

Our new product offerings in 2007 and early 2008 include:

- Quad-Core Intel Xeon processors designed for single-socket servers, dual-processor (DP) servers, and multi-processor (MP) servers. We also introduced low-voltage versions of the Quad-Core Intel Xeon processor designed for DP and MP servers.
- An industry-standard, four-processor server platform based on our processors for MP servers. The platform includes a new chipset designed to enhance data traffic between the processors, memory, and I/O connections.
- A new generation of Intel Itanium processors, including both dual- and single-core versions, designed for high-end applications. The new series includes extensive virtualization and other advanced features designed to improve reliability and reduce power consumption.
- Quad-core and dual-core Intel Xeon processors manufactured using our new 45nm process technology. The new processors are designed to increase computer performance while lowering power consumption. We also introduced three platforms to support the new 45nm processors, including a platform designed for high-bandwidth, high-performance computing; a cost-optimized platform designed to support either one or two processors and reduce power consumption by using DDR2 memory; and a platform designed for single-processor, entry-level servers.
- Modular server building blocks based on Intel® Multi-Flex Technology, designed to enable system builders to easily integrate computing, networking, and storage capabilities into one system to meet the needs of a small- or mid-size business. The building blocks support up to six server compute nodes and 14 serial attached hard disk drives.

Communications Infrastructure Products

In 2007, we introduced the Quad-Core Intel Xeon processor 5300 series for the embedded computing segment. In addition, we announced the Intel® IP Network Server NSC2U, powered by two 5300 series processors. The server includes the Intel® 5000P chipset and features a rugged chassis and compact form factor.

Networked Storage Products

In 2007, we introduced the Intel® Storage Server SSR212MC2. Designed for small- and mid-size businesses, this storage server is powered by either the Quad-Core Intel Xeon processor 5300 series or the Dual-Core Intel Xeon processor 5100 series.

Mobility Group

The Mobility Group's products include microprocessors and related chipsets designed for the notebook market segment, wireless connectivity products, and energy-efficient products designed for the ultra-mobile market segment. We also offer Intel® Centrino® processor technologies based on our microprocessors, chipsets, and wireless network connections.

Net revenue for the Mobility Group operating segment constituted 38% of our consolidated net revenue in 2007 (35% in 2006 and 29% in 2005). Revenue from sales of microprocessors within the Mobility Group operating segment represented 28% of consolidated net revenue in 2007 (26% in 2006 and 22% in 2005).

Our current mobile microprocessor offerings include the:

- Intel® Core™2 Extreme mobile processor
- Intel® Core™2 Duo mobile processor
- Intel® Pentium® Dual-Core mobile processor
- Intel® Core™2 Solo mobile processor
- Intel® Celeron® M processor
- Intel® Celeron® processor

We offer mobile microprocessors at a variety of price/performance points: from the Intel Core 2 Extreme mobile processor designed for gaming to the Intel Celeron processor designed to provide value, quality, and reliability for basic computing needs. The related chipsets for our mobile microprocessor offerings primarily include the Mobile Intel® 965 Express Chipset and the Mobile Intel® 945 Express Chipset.

We offer our processors in various packaging options, giving our customers flexibility for a wide range of system designs for notebook PCs, tablet PCs, and other mobile computing devices. We also offer low-power microprocessors and chipsets designed for ultra-mobile devices, including products for ultra-mobile PCs and mobile Internet devices (MIDs).

In 2007, the majority of the revenue in the Mobility Group operating segment was from sales of our Intel Centrino processor technology and Intel® Centrino® with vPro™ technology products. Intel Centrino processor technologies are designed to provide high performance with improved multitasking, power-saving features to improve battery life, small form factor, wireless network connectivity, and improved boot times. Intel Centrino with vPro technology includes the features of Intel Centrino processor technology and is designed to provide mobile business PCs with increased security, manageability, and energy-efficient performance. These processor technologies enable users to take advantage of wireless capabilities at work, at home, and at thousands of wireless "hotspots" installed around the world.

Our new product offerings in 2007 and early 2008 include:

- A new generation of Intel Centrino processor technology and Intel Centrino with vPro technology, based on the Intel Core 2 Duo processor. Intel Centrino with vPro technology is designed specifically for business users and includes Intel AMT. Both of these processor technologies include the Mobile Intel 965 Express Chipset and the option of Intel® Turbo Memory, a technology that can reduce the amount of time required for a system to turn on, boot up, or access software applications. Also included in these processor technologies is the Intel® Next-Gen Wireless-N Network Connection, which is based on the draft 802.11n WiFi specification. This network connection is designed to provide faster data transmission over a longer range than previous Intel WiFi products.
- Intel Core 2 Extreme dual-core mobile processors, including a version manufactured using our new 45nm process technology. These processors are designed to bring advanced video, gaming, and computing performance to laptop systems.
- The Intel® Ultra Mobile Platform 2007, which includes a low-power processor, a chipset, and a controller hub. This platform is designed for MIDs and ultra-mobile PCs.
- Intel Core 2 Duo mobile processors manufactured using our new 45nm process technology. These processors include new video and graphics capabilities, as well as a battery-saving Deep Power Down Technology, which reduces the power of the processor when it is not running data or instructions.

NAND Products Group

We offer NAND flash memory products primarily used in digital audio players, memory cards, and system-level applications, such as solid-state drives. These products are currently available in densities of up to 16 gigabits (Gb), and in stacked packaging in densities of up to 64 Gb. Additionally, we offer multi-level cell NAND flash memory products, which enable storage of multiple bits of data within a single cell. Our NAND flash memory products are manufactured by IM Flash Technologies, LLC (IMFT) using 50nm or 72nm process technology. See “Note 19: Ventures” in Part II, Item 8 of this Form 10-K.

Our new product offerings in 2007 and early 2008 include:

- The Intel® Z-U130 Value Solid-State Drive, designed as an alternative to rotating magnetic disk drive technology for storage in computing systems and embedded applications. The product is based on NAND flash memory, has industry-standard USB interfaces, and is available in densities ranging from 1 GB to 8 GB.
- The Intel® Z-P140 Solid-State Drive, designed for storage in MIDs and digital entertainment and embedded products. This ultra-small, low-power storage product is based on NAND flash memory, has an industry-standard parallel-ATA interface, and is available in densities of 2 GB and 4 GB (extendable up to 16 GB).

Flash Memory Group

Currently, we offer NOR flash memory products. During the first quarter of 2008, we expect to complete the divestiture of our NOR flash memory assets to Numonyx. We expect to enter into supply and transition service agreements to provide products, services, and support to Numonyx following the close of the transaction.

Digital Home Group

The Digital Home Group offers products for use in PCs and in-home 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. In addition, we offer components for high-end enthusiast PCs, mainstream PCs with rich audio and video capabilities, and consumer electronics devices such as digital TVs, high-definition media players, and set-top boxes.

We offer the Intel® Core™2 processor with Viiv™ technology, which is designed to make it easier for users to download, manage, and share the growing amount of digital programming available worldwide, and view that programming on a choice of TVs, PCs, or handheld products. Intel Core 2 processors with Viiv technology include a microprocessor, a chipset, a network connectivity device, and enabling software—all optimized to work together in the digital home environment. Certain desktop microprocessors offered by DEG may include Intel® Viiv™ technology.

Our current digital home microprocessor offerings also include the Intel® Core™2 Extreme dual-core processor and the Intel® Core™2 Extreme quad-core processor.

Our new product offerings in 2007 and early 2008 include:

- Intel Core 2 Extreme quad-core processors designed for gamers, digital design professionals, and PC enthusiasts. Included is the first Intel Core 2 Extreme quad-core processor manufactured using our new 45nm process technology. This 45nm processor incorporates a larger cache than previous Intel Core 2 Extreme quad-core processors, and is designed to increase computing performance while using less power.
- The Intel® CE 2110 Media Processor, which combines an Intel XScale® processor core, hardware video decoders, DDR memory interface, and 2D/3D graphics accelerators on a single chip. This “system-on-a-chip” architecture is designed for consumer electronics devices such as digital set-top boxes and networked media players.

Manufacturing and Assembly and Test

As of December 29, 2007, 73% of our wafer fabrication, including microprocessor, chipset, NOR flash memory, communications, and other silicon fabrication, was conducted within the U.S. at our facilities in Arizona, New Mexico, Oregon, Massachusetts, and California. The remaining 27% of our wafer fabrication was conducted outside the U.S. at our facilities in Ireland and Israel.

As of December 29, 2007, we primarily manufactured our products in wafer fabrication facilities at the following locations:

<u>Products</u>	<u>Wafer Size</u>	<u>Process Technology</u>	<u>Locations</u>
Microprocessors	300mm	45nm	Oregon, Arizona
Microprocessors and chipsets	300mm	65nm	Arizona, Ireland, Oregon
Chipsets and other products	300mm	90nm	New Mexico, Ireland
NOR flash memory	200mm	65nm–130nm	Israel, Ireland, California
Chipsets and other products	200mm	130nm and above	Oregon, Massachusetts, Arizona, Ireland

We expect to increase the capacity of certain facilities listed above through additional investments in capital equipment. In addition to our current facilities, we are building a facility in Israel that is expected to begin wafer fabrication for microprocessors on 300mm wafers using 45nm process technology in the second half of 2008. Also, we are building a 300mm wafer fabrication facility in China that is expected to begin production in 2010.

As of December 29, 2007, the majority of our microprocessors were manufactured on 300mm wafers using our 65nm process technology. In 2007, we started manufacturing microprocessors using our new 45nm process technology, which enables higher and more energy-efficient processor performance. The benefits of moving to each succeeding generation of manufacturing process technology can include using less space per transistor, reducing heat output from each transistor, and/or increasing the number of integrated features on each chip. These advancements can result in microprocessors that are higher performing, consume less power, and/or cost less to manufacture.

To augment capacity, we use third-party manufacturing companies (foundries) to manufacture wafers for certain components, including chipset, networking, and communications products. In addition, we primarily use subcontractors to manufacture board-level products and systems, and purchase certain communications networking products from external vendors, principally in the Asia-Pacific region.

Our NAND flash memory products are manufactured by IMFT, a NAND flash memory manufacturing company that we formed with Micron Technology, Inc. in 2006. We currently purchase 49% of the manufactured output of IMFT. See “Note 19: Ventures” in Part II, Item 8 of this Form 10-K.

Following the manufacturing process, the majority of our components are subject to assembly and test. We perform our components assembly and test at facilities in Malaysia, China, the Philippines, and Costa Rica. We plan to continue investing in new assembly and test technologies as well as increasing the capacity of our existing facilities and building new facilities to keep pace with our microprocessor, chipset, and communications technology improvements. In line with these plans, we are building a new assembly and test facility in Vietnam, which is expected to begin production in 2009. This facility will have greater square footage than each of our current facilities, which will enable us to take advantage of greater economies of scale. To augment capacity, we use subcontractors to perform assembly of certain products, primarily flash memory, chipsets, and networking and communications products. Assembly and test of NAND flash memory products, manufactured by IMFT, is performed by Micron and other external subcontractors.

Our employment practices are consistent with, and we expect our suppliers and subcontractors to abide by, local country law. In addition, we impose a minimum employee age requirement as well as progressive environmental, health, and safety requirements regardless of local law.

We have thousands of suppliers, including subcontractors, providing our various materials and service needs. We set expectations for supplier performance and reinforce those expectations with periodic assessments. We communicate those expectations to our suppliers regularly and work with them to implement improvements when necessary. We seek, where possible, to have several sources of supply for all of these materials and resources, but we may rely on a single or limited number of suppliers, or upon suppliers in a single country. In those cases, we develop and implement plans and actions to reduce the exposure that would result from a disruption in supply. We have entered into long-term contracts with certain suppliers to ensure a portion of our silicon supply.

Our products typically are produced at multiple Intel facilities at various sites around the world, or by subcontractors who have multiple facilities. However, some products are produced in only one Intel or subcontractor facility, and we seek to implement actions and plans to reduce the exposure that would result from a disruption at any such facility. See “Risk Factors” in Part I, Item 1A of this Form 10-K.

Research and Development

We are committed to investing in world-class technology development, particularly in the area of the design and manufacture of integrated circuits. Research and development (R&D) expenditures in 2007 were \$5.8 billion (\$5.9 billion in fiscal year 2006 and \$5.1 billion in fiscal year 2005).

Our R&D activities are directed toward developing the technology innovations that we believe will deliver our next generation of products and platforms, which will in turn enable new form factors and new usage models for businesses and consumers. Our R&D activities range from design and development of products to developing and refining manufacturing processes, as well as researching future technologies and products.

We are focusing our R&D efforts on advanced computing, communications, and wireless technologies as well as energy efficiency by developing new microarchitectures, advancing our silicon manufacturing process technology, delivering the next generation of microprocessors and chipsets, improving our platform initiatives, and developing software solutions and tools to support our technologies. Our R&D efforts enable new levels of performance and address areas such as scalability for multi-core architectures, system manageability and security, energy efficiency, digital content protection, ease of use, and new communications capabilities. In the area of wireless communications, our initiatives focus on delivering the technologies that will enable improved wireless capabilities, including expanding and proliferating WiMAX technologies and products.

As part of our R&D efforts, we plan to introduce a new microarchitecture for our mobile, desktop, and Intel Xeon processors approximately every two years and ramp the next generation of silicon process technology in the intervening years. We refer to this as our “tick-tock” technology development cadence. Our leadership in silicon technology has enabled us to make “Moore’s Law” a reality. Moore’s Law predicted that transistor density on integrated circuits would double about every two years. Our leadership in silicon technology has also helped to expand on the advances anticipated by Moore’s Law by bringing new capabilities into silicon and producing new products and platforms optimized for a wider variety of applications. In 2007, we started manufacturing microprocessors on our new 45nm Hi-k metal gate silicon technology, and we expect to introduce a new microarchitecture on 45nm process technology in 2008. We are currently developing 32nm process technology, our next-generation process technology, and expect to begin manufacturing products using that technology in 2009.

Our R&D model is based on a global organization that emphasizes a collaborative approach in identifying and developing new technologies, leading standards initiatives, and influencing regulatory policy to accelerate the adoption of new technologies. Our R&D initiatives are performed by various business groups within the company, and we centrally manage key cross-business group product initiatives to align and prioritize our R&D activities across these groups. In addition, we may augment our R&D initiatives by investing in companies or entering into agreements with companies that have similar R&D focus areas. For example, we have an agreement with Micron for joint development of NAND flash memory technologies.

We also work with a worldwide network of academic, government, and industry researchers, scientists, and engineers in the computing and communications fields. Our network of technology professionals allows us, as well as others in our industry, to benefit from development initiatives in a variety of areas, eventually leading to innovative technologies for users. We believe that we are well positioned in the technology industry to help drive innovation, foster collaboration, and promote industry standards that will yield innovative and improved technologies for users.

Employees

In September 2006, we announced a restructuring plan that has resulted in headcount reductions, primarily through workforce reductions, attrition, and targeted business divestitures. See “Results of Operations” within “Management’s Discussion and Analysis of Financial Condition and Results of Operation” in Part II, Item 7 of this Form 10-K for further details regarding our restructuring actions. As of December 29, 2007, we had approximately 86,300 employees worldwide, with more than 50% of these employees located in the U.S. Worldwide, we had approximately 94,100 employees as of December 30, 2006 and 99,900 as of December 31, 2005.

Sales and Marketing

Customers

We sell our products primarily to original equipment manufacturers (OEMs) and original design manufacturers (ODMs). ODMs provide design and/or manufacturing services to branded and unbranded private-label resellers. In addition, we sell our products to other manufacturers, including makers of a wide range of industrial and communications equipment. Our customers also include PC and network communications products users who buy PC components and our other products through distributor, reseller, retail, and OEM channels throughout the world. In certain instances, we have entered into supply agreements to continue to manufacture and sell products of divested business lines to acquiring companies during certain transition periods.

Our worldwide reseller sales channel consists of thousands of indirect customers who are systems builders that purchase Intel microprocessors and other products from our distributors. We have a “boxed processor program” that allows distributors to sell Intel microprocessors in small quantities to these systems-builder customers; boxed processors are also available in direct retail outlets.

In 2007, Dell Inc. accounted for 18% of our net revenue (19% in 2006), and Hewlett-Packard Company accounted for 17% of our net revenue (16% in 2006). No other customer accounted for more than 10% of our net revenue. For information about revenue and operating profit by operating segment, and revenue from unaffiliated customers by geographic region/country, see “Management’s Discussion and Analysis of Financial Condition and Results of Operation” in Part II, Item 7 and “Note 22: Operating Segment and Geographic Information” in Part II, Item 8 of this Form 10-K.

Sales Arrangements

Our products are sold or licensed through sales offices throughout the world. Sales of our products are typically made via purchase orders that contain standard terms and conditions covering matters such as pricing, payment terms, and warranties, as well as indemnities for issues specific to our products, such as patent and copyright indemnities. From time to time, we may enter into additional agreements with customers covering, for example, changes from our standard terms and conditions, new product development and marketing, private-label branding, and other matters. Most of our sales are made using electronic and web-based processes that allow the customer to review inventory availability and track the progress of specific goods ordered. Pricing on particular products may vary based on volumes ordered and other factors. We also offer discounts, rebates, and other incentives to customers to increase acceptance of our products and technology.

Our products are typically shipped under terms that transfer title to the customer, even in arrangements for which the recognition of revenue on the sale is deferred. Our standard terms and conditions of sale typically provide that payment is due at a later date, generally 30 days after shipment, delivery, or the customer’s use of the product. Our credit department sets accounts receivable and shipping limits for individual customers to control credit risk to Intel arising from outstanding account balances. We assess credit risk through quantitative and qualitative analysis, and from this analysis, we establish credit limits and determine whether we will seek to use one or more credit support devices, such as obtaining some form of third-party guaranty or standby letter of credit, or obtaining credit insurance for all or a portion of the account balance if necessary. Credit losses may still be incurred due to bankruptcy, fraud, or other failure of the customer to pay. See “Schedule II—Valuation and Qualifying Accounts” in Part IV of this Form 10-K for information about our allowance for doubtful receivables.

Distribution

Typically, distributors handle a wide variety of products, including those that compete with our products, and fill orders for many customers. Most of our sales to distributors are made under agreements allowing for price protection on unsold merchandise and a right of return on stipulated quantities of unsold merchandise. We also utilize third-party sales representatives who generally do not offer directly competitive products but may carry complementary items manufactured by others. Sales representatives do not maintain a product inventory; instead, their customers place orders directly with us or through distributors.

Backlog

We do not believe that backlog as of any particular date is meaningful, as our sales are made primarily pursuant to standard purchase orders for delivery of products. Only a small portion of our orders is non-cancelable, and the dollar amount associated with the non-cancelable portion is not significant.

Seasonal Trends

Our microprocessor sales generally have followed a seasonal trend; however, there can be no assurance that this trend will continue. Historically, our sales of microprocessors have been higher in the second half of the year than in the first half of the year. Consumer purchases of PCs have been higher in the second half of the year, primarily due to back-to-school and holiday demand. In addition, purchases from businesses have tended to be higher in the second half of the year.

Marketing

Our corporate marketing focus is on advanced multi-core microprocessors. Multi-core microprocessors are at the center of our most advanced processor technologies, which include Intel Centrino processor technologies, Intel Core 2 processors with vPro technology, and Intel Core 2 processors with Viiv technology. The Intel Core 2 Quad, Intel Core 2 Extreme, Intel Core 2 Duo, Itanium, Intel Xeon, Pentium, and Celeron trademarks make up our processor brands. We promote brand awareness and generate demand through our own direct marketing as well as co-marketing programs. Our direct marketing activities include television, print and web-based advertising, as well as press relations, consumer and trade events, and industry and consumer communications. We market to consumer and business audiences and focus on building awareness and generating demand for increased performance, power efficiency, and new capabilities.

Purchases by customers often allow them to participate in cooperative advertising and marketing programs such as the Intel Inside® program. This program broadens the reach of our brands beyond the scope of our own direct advertising. Through the Intel Inside program, certain customers are licensed to place Intel logos on computers containing our microprocessors and processor technologies, and to use our brands in marketing activities. The program includes a market development component that accrues funds based on purchases and partially reimburses the OEMs for marketing activities for products featuring Intel brands, subject to the OEMs meeting defined criteria. These marketing activities primarily include television, web-based marketing, and print, and in the beginning of 2008, we increased our focus on web-based marketing. We have also entered into joint marketing arrangements with certain customers.

Competition

Our products compete primarily based on performance, features, price, quality, brand recognition, and availability. Our ability to compete depends on our ability to provide innovative products and worldwide support for our customers at competitive prices, including providing improved energy-efficient performance, enhanced security, manageability, and integrated solutions. In addition to our various computing, networking, and communications products, we offer platforms that incorporate various components designed and configured to work together to provide an optimized user computing solution compared to ingredients that are used separately.

The semiconductor industry is characterized by rapid advances in technology and new product introductions. As unit volumes of a particular product grow, production experience is accumulated and costs typically decrease, further competition develops, and as a result, prices decline. The life cycle of our products is very short, sometimes less than a year. Our ability to compete depends on our ability to improve our products and processes faster than our competitors, anticipate changing customer requirements, and develop and launch new products and platforms, while reducing our average per-unit costs. See "Risk Factors" in Part I, Item 1A of this Form 10-K.

Many companies compete with us in the various computing, networking, and communications market segments, and are engaged in the same basic business activities, including R&D. Worldwide, these competitors range in size from large established multinational companies with multiple product lines to smaller companies and new entrants to the marketplace that compete in specialized market segments. Some of our competitors may have development agreements with other companies, and in some cases our competitors may also be our customers and/or suppliers. Product offerings may cross over into multiple product categories, offering us new opportunities but also resulting in more competition. It may be difficult for us to compete in market segments where our competitors have established products and brand recognition.

We believe that our network of manufacturing facilities and assembly and test facilities gives us a competitive advantage. This network enables us to have more direct control over our processes, quality control, product cost, volume, timing of production, and other factors. These facilities require significant up-front capital spending, and many of our competitors do not own such facilities because they may not be able to afford to do so or because their business models involve the use of third-party facilities for manufacturing and assembly and test. These “fabless semiconductor companies” include Broadcom Corporation, NVIDIA Corporation, QUALCOMM Incorporated, and VIA Technologies, Inc. (VIA). Some of our competitors own portions of such facilities through investment or joint-venture arrangements with other companies. A group of foundries and assembly and test subcontractors offer their services to companies that do not own facilities or to companies needing additional capacity. These foundries and subcontractors may also offer intellectual property, design services, and other goods and services to our competitors. Competitors who outsource their manufacturing and assembly and test operations can significantly reduce their capital expenditures.

We plan to continue to cultivate new businesses and work with the computing and communications industries through standards bodies, trade associations, OEMs, ODMs, and independent software and operating system vendors to help align 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. Our competitors may also participate in the same initiatives and specification development. Our participation does not ensure that any standards or specifications adopted by these organizations will be consistent with our product planning.

Microprocessors

We continue to be largely dependent on the success of our microprocessor business. Our ability to compete depends on our ability to deliver new microprocessor products with improved overall performance and/or improved energy-efficient performance at competitive prices. Some of our microprocessor competitors, such as Advanced Micro Devices, Inc. (AMD), market software-compatible products that compete with our processors. We also face competition from companies offering rival architecture designs, such as Cell Broadband Engine Architecture developed jointly by International Business Machines Corporation (IBM), Sony Corporation, and Toshiba Corporation; Power Architecture* offered by IBM; ARM architecture (Advanced RISC Machine) developed by ARM Limited; and Scalable Processor Architecture (SPARC*) offered by Sun Microsystems, Inc.

The following is a list of our main microprocessor competitors by market segment:

- *Desktop:* AMD and VIA
- *Mobile:* AMD and VIA
- *Enterprise:* AMD, IBM, and Sun Microsystems
- *Embedded:* AMD, Freescale Semiconductor, Inc., and VIA

Chipsets

Our chipsets compete in the various market segments against different types of chipsets that support either our microprocessor products or rival microprocessor products. Competing chipsets are produced by companies such as AMD (including chipsets marketed under the ATI Technologies, Inc. brand), NVIDIA, Silicon Integrated Systems Corporation (SIS), and VIA.

We also compete with companies offering graphics components and other special-purpose products used in the desktop, mobile, and enterprise market segments. One aspect of our business model is to incorporate improved performance and advanced properties into our microprocessors and chipsets, the demand for which may increasingly be affected by competition from companies, such as NVIDIA, whose business models are based on incorporating improved performance into dedicated chipsets and other components, such as graphics controllers.

Flash Memory

Our NAND flash memory products currently compete with NOR and NAND products primarily manufactured by Hynix Semiconductor Inc., Samsung Electronics Co., Ltd., SanDisk Corporation, Spansion Inc., STMicroelectronics, and Toshiba.

Connectivity

We offer products designed for wired and wireless connectivity; for the communications infrastructure, including network processors; and for networked storage. Our WiFi and WiMAX products currently compete with WiFi products manufactured by Atheros Communications, Inc. and Broadcom, and products manufactured by QUALCOMM.

Acquisitions and Strategic Investments

During 2007, we completed one acquisition qualifying as a business combination. See “Note 12: Acquisitions” in Part II, Item 8 of this Form 10-K. Also, we made two significant strategic investments that we discuss in Part II, Item 8 of this Form 10-K. See “Note 19: Ventures” for information on our investment in IM Flash Singapore, LLP (IMFS), a venture formed with Micron to manufacture NAND flash memory products, and “Note 7: Investments” for information on our investment in VMware, Inc.

During the first quarter of 2008, we expect to complete the divestiture of our NOR flash memory assets to Numonyx, and we expect to receive an ownership interest in the new company. See “Note 13: Divestitures” in Part II, Item 8 of this Form 10-K.

Intellectual Property and Licensing

Intellectual property rights that apply to our various products and services include patents, copyrights, trade secrets, trademarks, and maskwork rights. We maintain a program to protect our investment in technology by attempting to ensure respect for our intellectual property rights. The extent of the legal protection given to different types of intellectual property rights varies under different countries’ legal systems. We intend to license our intellectual property rights where we can obtain adequate consideration. See “Competition” in Part I, Item 1 of this Form 10-K; “Legal Proceedings” in Part I, Item 3 of this Form 10-K; and “Risk Factors” in Part I, Item 1A of this Form 10-K.

We have filed and obtained a number of patents in the U.S. and other countries. While our patents are an important element of our success, our business as a whole is not significantly dependent on any one patent. We and other companies in the computing, telecommunications, and related high-technology fields typically apply for and receive, in the aggregate, tens of thousands of overlapping patents annually in the U.S. and other countries.

We believe that the duration of the applicable patents that we are granted is adequate relative to the expected lives of our products. Because of the fast pace of innovation and product development, our products are often obsolete before the patents related to them expire, and sometimes are obsolete before the patents related to them are even granted. As we expand our product offerings into new industries, we also seek to extend our patent development efforts to patent such product offerings. Established competitors in existing and new industries, as well as companies that purchase and enforce patents and other intellectual property, may already have patents covering similar products. There is no assurance that we will be able to obtain patents covering our own products, or that we will be able to obtain licenses from such companies on favorable terms or at all.

The majority of the software that we distribute, including software embedded in our component- and system-level products, is entitled to copyright protection.

To distinguish Intel products from our competitors’ products, we have obtained certain trademarks and trade names for our products, and we maintain cooperative advertising programs with certain customers to promote our brands and to identify products containing genuine Intel components.

We also protect certain details about our processes, products, and strategies as trade secrets, keeping confidential the information that we believe provides us with a competitive advantage. We have ongoing programs designed to maintain the confidentiality of such information.

Compliance with Environmental, Health, and Safety Regulations

We are committed to achieving high standards of environmental quality and product safety, and we strive to provide a safe and healthy workplace for our employees, contractors, and the communities in which we do business. We have environmental, health, and safety (EHS) policies and expectations that apply to our global operations. Each of our worldwide production facilities is in compliance with the International Organization for Standardization (ISO) 14001 environmental management system standard. Our internal EHS auditing program addresses not only compliance but also business risk and management systems. We focus on minimizing and properly managing the hazardous materials used in our facilities and products. We monitor regulatory and resource trends and set company-wide short- and long-term performance targets for key resources and emissions. These targets address several parameters, including energy and water use, climate change, waste recycling, and emissions. For example, we continue to take action to achieve our global greenhouse gas reduction goal by investing in energy conservation projects in our factories and working with suppliers of manufacturing tools to improve energy efficiency. We also focus on developing innovative solutions to improve the energy efficiency of our products and those of our customers. We take a holistic approach to power management, addressing the challenge at all levels, including the silicon, package, circuit, micro/macro architecture, platform, and software levels.

The production of our products requires the use of hazardous materials that are subject to a broad array of EHS laws and regulations. We actively monitor the materials used in the production of our products. We have specific restrictions on the content of certain hazardous materials in our products, as well as those of our suppliers and outsourced manufacturers and subcontractors. We continue to make efforts to reduce hazardous materials in our products to position us to meet various environmental restrictions on product content throughout the world. For example, processors manufactured using our new 45nm Hi-k metal gate silicon technology are manufactured using a lead-free process. As we continue to advance process technology, the materials, technologies, and products themselves become increasingly complex. Our evaluations of materials for use in R&D and production take into account EHS considerations. Compliance with these complex laws and regulations, as well as internal voluntary programs, is integrated into our “Design for EHS” programs.

We are committed to protecting the environment and human rights throughout our supply chain. We expect suppliers and subcontractors to understand and fully comply with all EHS and related laws and regulations and labor laws, including, at a minimum, those covering non-discrimination in the terms and conditions of employment, child labor, minimum wages, employee benefits, and work hours. In addition, we expect suppliers to abide by our policies, such as our Code of Conduct and the Electronic Industry Code of Conduct.

Executive Officers of the Registrant

The following sets forth certain information with regard to our executive officers as of February 19, 2008 (ages are as of December 29, 2007):

Craig R. Barrett, age 68

- 2005 – present, Chairman of the Board
- 1998 – 2005, Chief Executive Officer
- Member of Intel Board of Directors since 1992
- Joined Intel 1974

Paul S. Otellini, age 57

- 2005 – present, President, Chief Executive Officer
- 2002 – 2005, President, Chief Operating Officer
- Member of Intel Board of Directors since 2002
- Member of Google, Inc. Board of Directors
- Joined Intel 1974

Andy D. Bryant, age 57

- 2007 – present, Executive VP, Finance and Enterprise Services, Chief Administrative Officer
- 2001 – 2007, Executive VP, Chief Financial and Enterprise Services Officer
- Member of Columbia Sportswear Company and McKesson Board of Directors
- Joined Intel 1981

Stacy J. Smith, age 45

- 2007 – present, VP, Chief Financial Officer
- 2006 – 2007, VP, Assistant Chief Financial Officer
- 2004 – 2006, VP of Finance and Enterprise Services, Chief Information Officer
- 2002 – 2004, VP of Sales and Marketing Group, General Manager (GM) of EMEA
- Joined Intel 1988

Sean M. Maloney, age 51

- 2006 – present, Executive VP, GM of Sales and Marketing Group, Chief Sales and Marketing Officer
- 2005 – 2006, Executive VP, GM of Mobility Group
- 2001 – 2005, Executive VP, GM of Intel Communications Group
- Member of AutoDesk, Inc. Board of Directors
- Joined Intel 1982

David Perlmutter, age 54

- 2007 – present, Executive VP, GM of Mobility Group
- 2005 – 2007, Senior VP, GM of Mobility Group
- 2005, VP, GM of Mobility Group
- 2000 – 2005, VP, GM of Mobile Platforms Group
- Joined Intel 1980

Arvind Sodhani, age 53

- 2007 – present, Executive VP of Intel, President of Intel Capital
- 2005 – 2007, Senior VP of Intel, President of Intel Capital
- 1998 – 2005, VP, Treasurer
- Joined Intel 1981

Robert J. Baker, age 52

- 2001 – present, Senior VP, GM of Technology and Manufacturing Group
- Joined Intel 1979

Patrick P. Gelsinger, age 46

- 2005 – present, Senior VP, GM of Digital Enterprise Group
- 2001 – 2005, Chief Technology Officer
- Joined Intel 1979

William M. Holt, age 55

- 2006 – present, Senior VP, GM of Technology and Manufacturing Group
- 2005 – 2006, VP, Co-GM of Technology and Manufacturing Group
- 1999 – 2005, VP, Director of Logic Technology Development
- Joined Intel 1974

D. Bruce Sewell, age 49

- 2005 – present, Senior VP, General Counsel
- 2005, VP, General Counsel
- 2001 – 2004, VP of Legal and Government Affairs, Deputy General Counsel
- Joined Intel 1995

Thomas M. Kilroy, age 50

- 2005 – present, VP, GM of Digital Enterprise Group
- 2003 – 2005, VP of Sales and Marketing Group, Co-President of Intel Americas
- 2003, VP of Sales and Marketing Group, GM of Communication Sales Organization
- Joined Intel 1990

ITEM 6. SELECTED FINANCIAL DATA

<u>(Dollars in Millions, Except Per Share Amounts)</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Net revenue	\$ 38,334	\$ 35,382	\$ 38,826	\$ 34,209	\$ 30,141
Gross margin	\$ 19,904	\$ 18,218	\$ 23,049	\$ 19,746	\$ 17,094
Research and development	\$ 5,755	\$ 5,873	\$ 5,145	\$ 4,778	\$ 4,360
Operating income	\$ 8,216	\$ 5,652	\$ 12,090	\$ 10,130	\$ 7,533
Net income	\$ 6,976	\$ 5,044	\$ 8,664	\$ 7,516	\$ 5,641
Earnings per common share					
Basic	\$ 1.20	\$ 0.87	\$ 1.42	\$ 1.17	\$ 0.86
Diluted	\$ 1.18	\$ 0.86	\$ 1.40	\$ 1.16	\$ 0.85
Weighted average diluted shares outstanding	5,936	5,880	6,178	6,494	6,621
Dividends per share					
Declared	\$ 0.45	\$ 0.40	\$ 0.32	\$ 0.16	\$ 0.08
Paid	\$ 0.45	\$ 0.40	\$ 0.32	\$ 0.16	\$ 0.08
Share-based compensation ¹	\$ 952	\$ 1,375	\$ —	\$ —	\$ —

<u>(Dollars in Millions)</u>	<u>Dec. 29, 2007</u>	<u>Dec. 30, 2006</u>	<u>Dec. 31, 2005</u>	<u>Dec. 25, 2004</u>	<u>Dec. 27, 2003</u>
Property, plant and equipment, net	\$ 16,918	\$ 17,602	\$ 17,111	\$ 15,768	\$ 16,661
Total assets	\$ 55,651	\$ 48,368	\$ 48,314	\$ 48,143	\$ 47,143
Long-term debt	\$ 1,980	\$ 1,848	\$ 2,106	\$ 703	\$ 936
Stockholders' equity	\$ 42,762	\$ 36,752	\$ 36,182	\$ 38,579	\$ 37,846
Additions to property, plant and equipment	\$ 5,000	\$ 5,860	\$ 5,871	\$ 3,843	\$ 3,656
Employees (in thousands)	86.3	94.1	99.9	85.0	79.7

¹ We began recognizing the provisions of SFAS No. 123(R) beginning in fiscal year 2006. See "Note 2: Accounting Policies" and "Note 3: Employee Equity Incentive Plans" in Part II, Item 8 of this Form 10-K.

The ratio of earnings to fixed charges for each of the five years in the period ended December 29, 2007 was as follows:

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
72x	50x	169x	107x	72x

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