Intel 2Q Home Run *(Excluding the EC Fine)*

Normal PC Seasonality Returning—Raising Est, Reit Hold

Diluted Shares *(mil)*:	5,678
Market Cap *($mil)*:	$95,561
Avg Volume *(,000)*:	66,260
Net Cash/Share:	$2.46
Quarter Dividend	$0.14

Closing Price 7/14/09
$16.83
Recommendation/Target
Hold. Trade from $12 to $21.

fye Dec	2008	2009	2010
Revenue *($mil)*	$37,586	$33,367	$37,911
EPS	$0.92	$0.86	$1.04
Price/Sales	2.5	2.9	2.5
Price/EPS	18.3	19.6	16.2

Intel is the world's largest semiconductor manufacturer and supplies microprocessors and chipsets to PC and server markets. It also supplies NAND and NOR flash memories though joint-ventures, and is expanding into netbook, handheld and embedded markets.

Summary: INTC significantly exceeded 2Q expectations (adjusting for the $1.45B European fine) and I am raising my estimates. Demand strengthened throughout the quarter and customer order patterns indicate growing confidence of a return to normal second-half seasonal strength. Consumer notebooks lead growth and servers were better than expected, although corporate remains weak. I am more bullish on the shares at the current price level, but continue to recommend the shares as a Hold with a trading range between its $12 technical support level and my new 12-month target price of $21 based on revised 2010 estimates.

1Q09 Review: Sequential revenue growth of 12.3% was the best 2Q in over 20 years as channel and customer inventory replenishment appeared to position for a more seasonally stronger second-half amid the current macroeconomic recession. The 520 basis point improvement in gross margin to 50.8% was due to higher sales and continued restructuring (including a headcount reduction by 2,000 to 80.5K) and manufacturing efficiencies. The GAAP loss of ($398M) or ($0.07) EPS included a $1.447B charge (or $0.26 per share) for a fine by the European Commission related to competitor AMD's monopoly accusations. My earnings model and quarterly review do NOT include this charge. Gains and losses in equity investments benefited from mark-to-market gains in debt instruments (that are not expected to be repeated this quarter). Inventory declined by $240M due to continuing manufacturing efficiencies and is now down by $900M over the last two quarters. Cash flow from operations exceeded $3B, capital expenditures at $981M, depreciation at $1.2B, dividends paid at $784M, and no shares were repurchased.

	2Q09					
in millions	Estimate	Actual	EPS Impact	Guidance	Consensus	Range
Revenue	$7,145	$8,024	*$0.05*	$7,145	$7,280	$7,000-7,500
Revenue Growth	0.0%	12.3%				
Gross Margin	46.0%	50.8%	*$0.04*	mid-40%		
R&D + MG&A	$2,517	$2,553	*($0.01)*	$2,517		
Restruct/Impairment	$115	91 *(excl 1,447)*	*$0.01*	$115		
Equity/Interest/Other	($150)	($38)	*$0.01*	($150)		
Tax Rate	24.0%	25.9%		24.0%		
Diluted Shares	5,638	5,678				
Diluted EPS	$0.07	$0.18	***$0.11***		$0.08	$0.06-$0.12

Demand strengthened throughout the quarter and customer order patterns indicate growing confidence of a return to normal second-half seasonal strength. Consumer notebooks lead growth and servers were better than expected, although corporate remains weak. Asia-Pacific lead with growth of 20.9% and the Americas slightly exceeded total revenue growth with 12.5% while Japan underperformed with growth of 6.9% and Europe declined by -9.4% as it continues to lag the recovery in the Americas by 3-4 months. The Nehalem-class '-EP' microprocessors for servers account for 1/3 of dual-processor systems after its first quarter of launch and the multi-processors '-EX' remains on-track for introduction 2H09. Atom processors and kits snapped-back by 65% last quarter to $362M primarily into netbook applications, although also expanding into embedded and handhelds. The recent consumer ultra-low voltage (CULV) introduction for ultra-thin notebooks requiring low-power and small form factor is expected to more clearly differentiate netbooks from notebooks, and these offerings will be targeted by segment within Celeron, Pentium and Core families. Microprocessor ASPs declined, albeit only slightly excluding the effects of Atom.

Forget Embedded and Handhelds: The pending acquisition of embedded software vendor Wind River is expected to accelerate Intel's move into embedded and handheld markets that already account for over $1B in annual sales and is growing nicely. The recently announced partnership with Nokia is expected to further the same moves with initial open-source software and 3G license agreements. I remain skeptical that embedded and handheld expansion initiatives will prove successful for three primary reasons. First, the company has a poor track record of expanding beyond its core tripod of competitive expertise and leverage in semiconductor technology, microprocessor products, and PC/computer markets (think communication market diversification failure). It succeeded in integrated graphics and WiFi as these features were closely nested within the tripod. Second, I consider it a victim of its own success (along with Microsoft): there is no way a Nokia or a Cisco will ever agree to hand over the bulk of their hardware gross margins to Intel in the name of platform standardization. And third, Intel is too big: even a billion dollar business (a success by most yard sticks) wouldn't significantly contribute to a $30B company.

Management Guidance: Management guidance for 3Q includes revenue at $8.5B plus or minus $400M: a wide range due to macroeconomic uncertainty, with a midpoint of +6% at the low-end of historical seasonality due to persistent corporate/enterprise market weakness. The Wind River acquisition will contribute $40M in sales and cost a penny in EPS. Gross margin is expected at 53% plus or minus 2% due to revenue and efficiency gains with the lack of capacity underutilization and start-up costs offset by lower ASPs and inventory write-downs for pre-qualified 32nm products. Operating expenses are expected at $2.8B, restructuring at $40M, amortization associated with the Wind River acquisition at $40M, net interest/other/equity losses of ($80M) due to the lack of expected gains, and depreciation at $1.2B. Revised FY09 guidance includes: operating expenses up by $200M to $10.6-10.8B in R&D; cap ex at $4.7B plus or minus $200M; unchanged depreciation at $4.8B plus or minus $100M; and a tax rate for 3Q and 4Q of 23%, down from $24%.

Revised Estimates: My revised estimates are consistent with guidance, although I have chosen to reflect revenue on the rich side. My revised estimates pretty much assume a return to normal seasonal quarterly revenue patterns over the next six quarters consistent with the message delivered by the company—despite my severe discomfort associated with the current macroeconomic climate. Because of that, I consider my revised estimates to be bullish and highly unlikely to be exceeded.

	3Q09		2009		2010	
in millions	Previous	Update	Previous	Update	Previous	Update
Revenue	$7,502	$8,666	$29,895	$33,367	$32,463	$37,911
Revenue Growth	5.0%	8.0%	-20.5%	-11.2%	8.6%	13.6%
Gross Margin	51.0%	53.0%	49.6%	52.0%	51.2%	53.7%
R&D + MG&A	$2,678	$2,810	$10,509	$10,816	$11,202	$12,300
Restruct/Impairment	$50	$80	$289	$295	$200	$200
Equity/Interest/Other	$100	($80)	$32	($86)	$400	$200
Tax Rate	24.0%	23.0%	20.3%	21.1%	27.0%	27.0%
Diluted EPS	$0.16	$0.22	$0.57	$0.86	$0.73	$1.04

Valuation Still Not Attractive: Valuation tables are provided on page 6 of this report. INTC continues to trade at or above the highest levels of two separate peer groups in terms of current and expected price-earnings and price-sales ratios. The first peer group I use are large-cap, blue-chip technology firms that includes CSCO, DELL, GE, HPQ, IBM, MSFT; and the second set consists of large, vertically-integrated chip companies that includes AMD, MU, NSM, TXN and STM.

INTC appears somewhat attractive on a historical average price-sales ratio basis where it is currently trading at 2.8-times trailing sales and 2.9-times expected sales against an average of 4.8-times since 1990. However, this would be predicated on overall equity market valuations reverting to the mean, and I would not expect INTC to outperform relative to its peers under such a scenario. Share price action could track a favorable view of overall equity markets.

On a strictly fundamental basis, I would be interested in the shares under the $15 level at the current time, and a technical support level just over $12 has been established in recent months. My 12-month target price of $21 is based on 20-times next years earnings and 3-times next years sales, but does not render enough upside to justify a recommendation upgrade from my current Hold for two reasons: first is the limited potential upside after the spike in the after-market last night; and second is the optimistic nature of my current earnings model. I continue to recommend INTC as Hold, but am introducing a trading range between $12 and $21.

—Dan K. Scovel
Semiconductor Analyst

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Income Statement **www.intc.com**

Dollars in millions, except per share data. *3Q07 restated, *2Q09 excludes $1,447 fine.
fiscal year ends December

		2007					2008 act					2009 est					2010				
	2006	Q1	Q2	Q3*	Q4	2007	Q1	Q2	Q3	Q4	2008	Q1A	Q2A*	Q3	Q4	2009	Q1	Q2	Q3	Q4	2010
Sales	35,382	8,852	8,680	10,090	10,712	38,334	9,673	9,470	10,217	8,226	37,586	7,145	8,024	8,666	9,533	33,367	9,056	8,829	9,536	10,489	37,911
COGS	17,164	4,420	4,605	4,919	4,486	18,430	4,466	4,221	4,198	3,857	16,742	3,884	3,945	4,073	4,099	16,001	4,437	4,415	4,291	4,406	17,549
Gross Profit	18,218	4,432	4,075	5,171	6,226	19,904	5,207	5,249	6,019	4,369	20,844	3,261	4,079	4,593	5,434	17,366	4,619	4,415	5,245	6,084	20,362
R&D	5,873	1,400	1,353	1,521	1,481	5,755	1,467	1,468	1,471	1,316	5,722	1,317	1,303	1,472	1,531	5,624	1,531	1,531	1,623	1,721	6,406
MG&A	6,096	1,277	1,284	1,378	1,462	5,401	1,349	1,430	1,416	1,263	5,458	1,200	1,250	1,338	1,404	5,192	1,334	1,401	1,541	1,618	5,894
Amort/Restruct/other	597	80	88	128	236	532	329	96	34	251	710	74	91	80	50	295	50	50	50	50	200
Operating Expenses	12,566	2,757	2,725	3,027	3,179	11,688	3,145	2,994	2,921	2,830	11,890	2,591	2,644	2,890	2,986	11,111	2,915	2,982	3,214	3,389	12,500
Operating Income	5,652	1,675	1,350	2,144	3,047	8,216	2,062	2,255	3,098	1,539	8,954	670	1,435	1,703	2,448	6,256	1,703	1,433	2,031	2,695	7,862
Interest & Other	1,416	198	179	359	214	950	109	58	-265	-1,170	(1,268)	-18	-38	-80	50	(86)	50	50	50	50	200
Pretax Income	7,068	1,873	1,529	2,503	3,261	9,166	2,171	2,313	2,833	369	7,686	652	1,397	1,623	2,498	6,170	1,753	1,483	2,081	2,745	8,062
Taxes	2,024	237	251	712	990	2,190	728	712	819	135	2,394	5	348	373	575	1,301	473	400	562	741	2,177
Net Income	5,044	1,636	1,278	1,791	2,271	6,976	1,443	1,601	2,014	234	5,292	647	1,049	1,250	1,923	4,869	1,280	1,082	1,519	2,004	5,885
EPS-Basic	$0.87	$0.28	$0.22	$0.31	$0.39	$1.20	$0.25	$0.28	$0.36	$0.04	$0.93	$0.12	$0.19	$0.22	$0.34	$0.87	$0.23	$0.19	$0.27	$0.36	$1.05
Shares-Basic	5,797	5,777	5,809	5,837	5,841	5,816	5,787	5,699	5,603	5,562	5,663	5,573	5,595	5,595	5,595	5,590	5,595	5,595	5,595	5,595	5,595
EPS-Diluted	$0.86	$0.28	$0.22	$0.30	$0.38	$1.18	$0.25	$0.28	$0.35	$0.04	$0.92	$0.11	$0.18	$0.22	$0.34	$0.86	$0.23	$0.19	$0.27	$0.35	$1.04
Shares-Diluted	5,880	5,874	5,917	5,967	5,988	5,936	5,879	5,800	5,692	5,623	5,749	5,634	5,678	5,675	5,675	5,666	5,675	5,675	5,675	5,675	5,675
Margin Analysis																					
GM	51.5%	50.1%	46.9%	51.2%	58.1%	51.9%	53.8%	55.4%	58.9%	53.1%	55.5%	45.6%	50.8%	53.0%	57.0%	52.0%	51.0%	50.0%	55.0%	58.0%	53.7%
R&D	16.6%	15.8%	15.6%	15.1%	13.8%	15.0%	15.2%	15.5%	14.4%	16.0%	15.2%	18.4%	16.2%	17.0%	16.1%	16.9%	16.9%	17.3%	17.0%	16.4%	16.9%
SG&A	17.2%	14.4%	14.8%	13.7%	13.6%	14.1%	13.9%	15.1%	13.9%	15.4%	14.5%	16.8%	15.6%	15.4%	14.7%	15.6%	14.7%	15.9%	16.2%	15.4%	15.5%
Operating Income	16.0%	18.9%	15.6%	21.2%	28.4%	21.4%	21.3%	23.8%	30.3%	18.7%	23.8%	9.4%	17.9%	19.7%	25.7%	18.7%	18.8%	16.2%	21.3%	25.7%	20.7%
Pretax Income	20.0%	21.2%	17.6%	24.8%	30.4%	23.9%	22.4%	24.4%	27.7%	4.5%	20.4%	9.1%	17.4%	18.7%	26.2%	18.5%	19.4%	16.8%	21.8%	26.2%	21.3%
Tax Rate	28.6%	12.7%	16.4%	28.4%	30.4%	23.9%	33.5%	30.8%	28.9%	36.6%	31.1%	0.8%	24.9%	23.0%	23.0%	21.1%	27.0%	27.0%	27.0%	27.0%	27.0%
Net Income	14.3%	18.5%	14.7%	17.8%	21.2%	18.2%	14.9%	16.9%	19.7%	2.8%	14.1%	9.1%	13.1%	14.4%	20.2%	14.6%	14.1%	12.3%	15.9%	19.1%	15.5%
Qtr-to-Qtr Growth																					
Revenue		-8.7%	-1.9%	16.2%	6.2%		-9.7%	-2.1%	7.9%	-19.5%		-13.1%	12.3%	8.0%	10.0%		-5.0%	-2.5%	8.0%	10.0%	
Gross Profit		-7.9%	-8.1%	26.9%	20.4%		-16.4%	0.8%	14.7%	-27.4%		-25.4%	25.1%	12.6%	18.3%		-15.0%	-4.4%	18.8%	16.0%	
Operating Income		12.6%	-19.4%	58.8%	42.1%		-32.3%	9.4%	37.4%	-50.3%		-56.5%	114.2%	18.7%	43.7%		-30.4%	-15.9%	41.7%	32.7%	
Net Income		9.0%	-21.9%	40.1%	26.8%		-36.5%	10.9%	25.8%	-88.4%		176.5%	62.1%	19.1%	53.9%		-33.5%	-15.4%	40.3%	31.9%	
EPS		8.9%	-22.5%	39.0%	26.4%		-35.3%	12.5%	28.2%	-88.2%		176.0%	60.9%	19.2%	53.9%		-33.5%	-15.4%	40.3%	31.9%	
Year-to-Year Growth																					
Revenue	-8.9%	-1.0%	8.4%	15.5%	10.5%	8.3%	9.3%	9.1%	1.3%	-23.2%	-2.0%	-26.1%	-15.3%	-15.2%	15.9%	-11.2%	26.7%	10.0%	10.0%	10.0%	13.6%
Gross Profit	-21.0%	-10.3%	-2.3%	20.4%	29.4%	9.3%	17.5%	28.8%	16.4%	-29.8%	4.7%	-37.4%	-22.3%	-23.7%	24.4%	-16.7%	41.6%	8.2%	14.2%	12.0%	17.2%
Operating Income	-53.3%	-2.5%	25.9%	56.0%	104.8%	45.4%	23.1%	67.0%	44.5%	-49.5%	9.0%	-67.5%	-36.4%	-45.0%	59.1%	-30.1%	154.2%	-0.2%	19.2%	10.1%	25.7%
Net Income	-41.8%	20.6%	44.4%	37.7%	51.3%	38.3%	-11.8%	25.3%	12.5%	-89.7%	-24.1%	-55.2%	-34.5%	-37.9%	721.9%	-8.0%	97.8%	3.2%	21.5%	4.2%	20.9%
EPS	-38.8%	22.2%	43.2%	34.5%	48.2%	37.0%	-11.9%	27.8%	17.9%	-89.0%	-21.7%	-53.2%	-33.1%	-37.8%	714.4%	-6.6%	96.4%	3.2%	21.5%	4.2%	20.7%

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Intel Corporation

Financial Summary

Dollars in millions

Fiscal year ends December

	2005	2006	2007	2008	2Q08	3Q08	4Q08	1Q09	2Q09
Assets									
Cash and short-term investments	11,314	8,868	12,797	3,350	8,391	8,287	3,350	3,536	9,021
Trading assets	1,458	1,134	2,566	8,493	3,570	3,917	8,493	7,063	2,603
Net accounts receivable	3,914	2,709	2,576	1,712	2,399	2,782	1,712	2,086	1,938
Quick Assets	16,686	12,711	17,939	13,555	14,360	14,986	13,555	12,685	13,562
Inventories	3,126	4,314	3,370	3,744	3,265	3,398	3,744	3,045	2,805
Other	1,382	1,255	2,576	2,572	2,153	3,039	2,572	2,407	2,100
Current Assets	21,194	18,280	23,885	19,871	19,778	21,423	19,871	18,137	18,467
Property, plant and eqt, net	17,111	17,602	16,918	17,544	16,723	17,026	17,544	17,815	17,515
Long-term investments	4,672	4,421	5,385	3,276	5,295	4,221	3,276	2,925	3,515
Goodwill, net	3,873	3,861	3,916	3,932	3,915	3,924	3,932	3,932	3,932
Other assets	1,464	4,204	5,547	6,092	6,681	6,125	6,092	5,615	5,632
Total Assets	48,314	48,368	55,651	50,715	52,392	52,719	50,715	48,424	49,061
Liabilities and Shareholders Equity									
Short-term debt	313	180	142	102	175	467	102	31	24
Accounts payable	6,329	5,938	2,361	2,390	2,379	2,507	2,390	1,669	1,726
Deferred distribution income	639	599	625	463	665	656	463	468	480
Income taxes payable/other	1,960	1,797	5,443	4,863	4,814	6,438	4,863	4,125	4,849
Current Liabilities	9,241	8,514	8,571	7,818	8,033	10,068	7,818	6,293	7,079
Long-term debt	2,109	1,848	1,980	1,886	1,892	1,889	1,886	1,170	1,174
Deferred tax liabilities	792	1,254	1,196	782	931	818	782	662	556
Other	0	0	1,142	1,141	1,176	1,033	1,141	1,217	1,205
Total Liabilities	12,142	11,616	12,889	11,627	12,032	13,808	11,627	9,342	10,014
Common stock	7,641	7,641	11,653	12,944	12,452	12,744	12,944	13,845	13,995
Retained earnings	49,668	54,712	30,848	26,537	27,780	26,303	26,537	25,627	25,205
Other	(21,127)	(25,601)	261	(393)	129	(136)	(393)	(390)	(153)
Total Shareholders Equity	36,182	36,752	42,762	39,088	40,361	38,911	39,088	39,082	39,047
Total Liabilities and Equity	48,324	48,368	55,651	50,715	52,393	52,719	50,715	48,424	49,061
Sales and Income									
Revenue	38,826	35,382	38,334	37,586	9,470	10,217	8,226	7,145	8,024
COGS	15,777	17,164	18,430	16,742	4,221	4,198	3,857	3,884	3,945
Net income	8,664	5,044	6,976	5,292	1,601	2,014	234	652	(398)
Other									
Capital Expenditures	5,818	5,766	5,000	5,197	1,151	1,374	1,765	1,509	981
Depreciation	14,345	4,654	4,546	4,360	1,042	1,059	1,157	1,208	1,211
Shares (weighted average diluted)	6,178	5,880	5,936	5,748	5,800	5,692	5,623	5,634	5,678
Employees (units)	99,900	94,100	86,300	83,900	81,800	83,500	83,900	82,500	80,500
Dividends paid	1,972	2,320	2,617	3,100	800	783	778	779	784
Shares repurchased	418	227	111	324	109	93	0	0	0
Value of Shares Repurchased	10,637	4,593	2,750	7,117	2,500	2,117	0	0	0
Ratios									
Liquidity									
Quick Ratio	1.81	1.49	2.09	1.73	1.79	1.49	1.73	2.02	1.92
Current Ratio	2.29	2.15	2.79	2.54	2.46	2.13	2.54	2.88	2.61
Leverage									
Debt Ratio	0.25	0.24	0.23	0.23	0.23	0.26	0.23	0.19	0.20
Long-term Debt/Capital	0.06	0.06	0.08	0.08	0.08	0.07	0.08	0.06	0.06
Asset Management									
Fixed Asset Turnover	2.4	2.0	2.2	2.2	2.3	2.4	1.9	1.6	1.8
Total Asset Turnover	0.8	0.7	0.7	0.7	0.7	0.8	0.6	0.6	0.7
Recievables DSO	36	28	24	16	23	25	19	26	22
Inventory Days	71	90	66	81	70	73	87	71	64
Inventory Turnover	5.5	4.6	4.8	4.7	5.2	5.0	4.3	4.6	5.4
Revenue/Employee ($000)	561	543	623	593	114	124	98	86	98
Profitability									
Gross Margin	59.4%	51.5%	51.9%	55.5%	55.4%	58.9%	53.1%	45.6%	50.8%
Net Margin	22.3%	14.3%	18.2%	14.1%	16.9%	19.7%	2.8%	9.1%	-5.0%
Return on Assets	17.9%	10.4%	13.4%	10.0%	12.1%	15.3%	1.8%	5.3%	-3.3%
Return on Equity	23.2%	13.8%	17.5%	12.9%	15.8%	20.3%	2.4%	6.7%	-4.1%
Per Share Data									
Book Value/Share	$5.86	$6.25	$7.20	$6.80	$6.96	$6.84	$6.95	$6.94	$6.88
Tangible Book Value/Share	$5.23	$5.59	$6.54	$6.12	$6.28	$6.15	$6.25	$6.24	$6.18
Cash/Share *(incl long-term)*	$2.82	$2.45	$3.50	$2.63	$2.98	$2.89	$2.69	$2.40	$2.67
Cash/Share *(net, incl long-term)*	$2.43	$2.11	$3.14	$2.28	$2.62	$2.47	$2.34	$2.19	$2.46
Earnings/Share	$1.40	$0.86	$1.18	$0.92	$0.28	$0.35	$0.04	$0.12	($0.07)

Intel Corporation

Sales Analysis
dollars in millions
** restated*

						2006				2007				2008				2009	
	2005	2006		2007	2008	1Q06	2Q06	3Q06	4Q06	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09
By Territory																			
Revenue																			
Asia-Pacific	19,330	17,477		19,432	19,044	4,293	4,015	4,314	4,855	4,432	4,457	5,205	5,338	4,788	4,805	5,389	4,062	3,647	4,409
Americas	7,574	7,512		7,715	7,443	1,905	1,713	1,891	2,003	1,727	1,823	2,067	2,098	2,016	1,985	1,887	1,555	1,510	1,698
EMEA	8,210	6,587		7,262	7,116	1,701	1,375	1,611	1,900	1,722	1,485	1,824	2,231	1,863	1,741	1,883	1,629	1,273	1,153
Japan	3,712	3,806		3,925	3,983	1,041	906	923	936	971	915	994	1,045	1,006	939	1,058	980	715	764
Total	38,826	35,382		38,334	37,586	8,940	8,009	8,739	9,694	8,852	8,680	10,090	10,712	9,673	9,470	10,217	8,226	7,145	8,024
Revenue Percent																			
Asia-Pacific %	49.8%	49.4%		50.7%	50.7%	48.0%	50.1%	49.4%	50.1%	50.1%	51.3%	51.6%	49.8%	49.5%	50.7%	52.7%	49.4%	51.0%	54.9%
Americas %	19.5%	21.2%		20.1%	19.8%	21.3%	21.4%	21.6%	20.7%	19.5%	21.0%	20.5%	19.6%	20.8%	21.0%	18.5%	18.9%	21.1%	21.2%
EMEA %	21.1%	18.6%		18.9%	18.9%	19.0%	17.2%	18.4%	19.6%	19.5%	17.1%	18.1%	20.8%	19.3%	18.4%	18.4%	19.8%	17.8%	14.4%
Japan %	9.6%	10.8%		10.2%	10.6%	11.6%	11.3%	10.6%	9.7%	11.0%	10.5%	9.9%	9.8%	10.4%	9.9%	10.4%	11.9%	10.0%	9.5%
Total	100.0%	100.0%		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Growth Rate																			
Asia-Pacific growth		-9.6%		11.2%	-2.0%	-16.3%	-6.5%	7.4%	12.5%	-8.7%	0.6%	16.8%	2.6%	-10.3%	0.4%	12.2%	-24.6%	-10.2%	20.9%
Americas growth		-0.8%		2.7%	-3.5%	3.8%	-10.1%	10.4%	5.9%	-13.8%	5.6%	13.4%	1.5%	-3.9%	-1.5%	-4.9%	-17.6%	-2.9%	12.5%
EMEA growth		-19.8%		10.2%	-2.0%	-25.7%	-19.2%	17.2%	17.9%	-9.4%	-13.8%	22.8%	22.3%	-16.5%	-6.5%	8.2%	-13.5%	-21.9%	-9.4%
Japan growth		2.5%		3.1%	1.5%	10.2%	-13.0%	1.9%	1.4%	3.7%	-5.8%	8.6%	5.1%	-3.7%	-6.7%	12.7%	-7.4%	-27.0%	6.9%
Total		-8.9%		8.3%	-2.0%	-12.4%	-10.4%	9.1%	10.9%	-8.7%	-1.9%	16.2%	6.2%	-9.7%	-2.1%	7.9%	-19.5%	-13.1%	12.3%
By Product Line			*	*						*	*	*	*						
Digital Enterprise			2006																
Microprocessors	19,412	14,606	15,248	15,945	16,078	3,892	3,338	3,521	3,855	3,740	3,610	4,106	4,489	4,236	4,108	4,069	3,665	3,258	3,418
Chipset, mbd, other	5,725	5,270	5,437	5,359	4,554	1,255	1,283	1,425	1,307	1,254	1,227	1,406	1,472	1,205	1,265	1,249	835	751	886
Total Revenue	25,137	19,876	20,685	21,304	20,632	5,147	4,621	4,946	5,162	4,994	4,837	5,512	5,961	5,441	5,373	5,318	4,500	4,009	4,304
Operating Income	9,011	4,254	3,298	5,294	6,463	1,360	931	858	1,105	942	793	1,378	2,181	1,763	1,710	1,768	1,222	703	917
operating margin	35.8%	21.4%	15.9%	24.8%	31.3%	26.4%	20.1%	17.3%	21.4%	18.9%	16.4%	25.0%	36.6%	32.4%	31.8%	33.2%	27.2%	17.5%	21.3%
Microprocessor growth	-0.1%	-24.8%	-21.5%	9.2%	0.8%	-21.0%	-14.2%	5.5%	9.5%	-3.0%	-3.5%	13.7%	9.3%	-5.6%	-3.0%	-0.9%	-9.9%	-11.1%	4.9%
chipset growth	7.0%	-7.9%	-5.0%	1.7%	-15.0%	-15.0%	2.2%	11.1%	-8.3%	-4.1%	-2.2%	14.6%	4.7%	-18.1%	5.0%	-1.3%	-33.1%	-10.1%	18.0%
Subtototal Rev growth	1.4%	-20.9%	-17.7%	7.2%	-3.2%	-19.6%	-10.2%	7.0%	4.4%	-3.3%	-3.1%	14.0%	8.1%	-8.7%	-1.2%	-1.0%	-15.4%	-10.9%	7.4%
Mobility																			
Microprocessors	8,704	9,212	9,212	10,660	11,439	2,347	1,958	2,239	2,668	2,441	2,398	2,832	2,989	2,726	2,742	3,387	2,584	2,188	2,554
Chipsets, other	2,427	3,097	3,097	4,021	4,209	632	731	809	925	866	898	1,139	1,118	943	1,055	1,294	917	726	927
Total Revenue	11,131	12,309	12,309	14,681	15,648	2,979	2,689	3,048	3,593	3,307	3,296	3,971	4,107	3,669	3,797	4,681	3,501	2,914	3,481
Operating Income	5,330	4,991	4,602	5,612	5,199	1,155	946	1,260	1,630	1,382	1,252	1,294	1,684	1,166	1,251	1,849	933	267	803
operating margin	47.9%	40.5%	37.4%	38.2%	33.2%	38.8%	35.2%	41.3%	45.4%	41.8%	38.0%	32.6%	41.0%	31.8%	32.9%	39.5%	26.6%	9.2%	23.1%
Microprocessor growth	53.6%	5.8%	5.8%	15.7%	7.3%	-2.2%	-16.6%	14.4%	19.2%	-8.5%	-1.8%	18.1%	5.5%	-8.8%	0.6%	23.5%	-23.7%	-15.3%	16.7%
Chipset growth	84.7%	27.6%	27.6%	29.8%	4.7%	-10.4%	15.7%	10.7%	14.3%	-6.4%	3.7%	26.8%	-1.8%	-15.7%	11.9%	22.7%	-29.1%	-20.8%	27.7%
Subtotal Rev growth	59.4%	10.6%	10.6%	19.3%	6.6%	-4.1%	-9.7%	13.4%	17.9%	-8.0%	-0.3%	20.5%	3.4%	-10.7%	3.5%	23.3%	-25.2%	-16.8%	19.5%
Flash																			
Revenue	2,278	2,163		*2,102*		544	536	507	576	*469*	*494*	*553*	*586*	*497*					
Revenue growth	-0.3%	-5.0%		*-2.8%*		-9.3%	-1.5%	-5.4%	13.6%	*-18.6%*	*5.3%*	*11.9%*	*6.0%*	*-15.2%*					
Operating Income	(154)	(555)		*(716)*		(104)	(149)	(116)	(186)	*(283)*	*(291)*	*(142)*							
Other/Corporate																			
Revenue	280	1,034	2,388	2,349	1,306	270	163	238	363	551	547	607	644	563	300	218	225	222	239
Revenue growth	69.7%	269.3%	752.9%	127.2%	-44.4%	196.7%	-39.6%	46.0%	52.5%	51.8%	-0.7%	11.0%	6.1%	-12.6%	-46.7%	-27.3%	3.2%	-1.3%	7.7%
Operating Income	(2,097)	(3,053)	(2,248)	(2,690)	(2,708)	(708)	(656)	(628)	(1,061)	(649)	(695)	(528)	(818)	(867)	(706)	(519)	(616)	(300)	(1,732)

Intel Corporation
Valuation

Relative Valuation

Company	Ticker	Price 7/14/09	52-Week Low - High	CY EPS 2007	CY EPS 2008	CY EPS 2009	CY EPS 2010	CY P/E 2007	CY P/E 2008	CY P/E 2009	CY P/E 2010	Shares (mil)	CAP ($ mil)	Price-Sales TTM	Price-Sales Cur FY	Price-Sales Nxt FY	FY Ends	Qtr Div/sh	Div Yield
Intel *	**INTC**	**16.83**	**12.05 - 24.75**	**1.16**	**0.92**	**0.86**	**1.04**	**14.5**	**18.3**	**19.6**	**16.2**	**5,678**	**95,561**	**2.8**	**3.2**	**2.9**	**Dec**	**$0.14**	**3.3%**
Cisco Systems	CSCO	18.73	13.61 - 25.25	1.48	1.51	1.18	1.36	12.7	12.4	15.9	13.8	5,840	109,383	2.9	3.1	3.2	Jul		
Dell Computer	DELL	11.97	7.84 - 26.04	1.31	1.35	1.05	1.21	9.1	8.9	11.4	9.9	1,952	23,365	0.4	0.5	0.4	Jan		
General Electric	GE	11.64	5.87 - 30.39	2.20	1.78	0.99	0.94	5.3	6.5	11.8	12.4	10,564	122,965	0.7	0.7	0.7	Dec	$0.10	3.4%
Hewlett Packard	HPQ	37.14	25.39 - 49.20	3.13	3.80	3.83	4.12	11.9	9.8	9.7	9.0	2,438	90,547	0.8	0.8	0.8	Oct	$0.08	0.9%
IBM	IBM	103.25	69.50 - 130.93	7.13	8.93	9.13	10.02	14.5	11.6	11.3	10.3	1,350	139,336	1.4	1.4	1.4	Dec	$0.55	2.1%
Microsoft	MSFT	23.11	14.87 - 28.50	1.83	1.88	1.58	2.10	12.6	12.3	14.6	11.0	8,904	205,771	3.4	3.4	3.3	Jun	$0.13	2.3%
Average								11.0	10.2	12.4	11.1			1.6	1.6	1.6			

Relative Valuation

Company	Ticker	Price 7/14/09	52-Week Low - High	CY EPS 2007	CY EPS 2008	CY EPS 2009	CY EPS 2010	CY P/E 2007	CY P/E 2008	CY P/E 2009	CY P/E 2010	Shares (mil)	CAP ($ mil)	Price-Sales TTM	Price-Sales Cur FY	Price-Sales Nxt FY	FY Ends	Qtr Div/sh	Div Yield
Intel *	**INTC**	**16.83**	**12.05 - 24.75**	**1.16**	**0.92**	**0.86**	**1.04**	**14.5**	**18.3**	**19.6**	**16.2**	**5,678**	**95,561**	**2.8**	**3.2**	**2.9**	**Dec**	**$0.14**	**3.3%**
Advanced Micro Devices	AMD	3.55	1.62 - 6.47	-2.59	-1.96	-1.96	-1.08	NM	NM	NM	NM	626	2,222	0.4	0.5	0.5	Dec		
Micron Technology *	MU	5.32	1.59 - 5.93	-0.8	-1.72	-1.79	0.88	NM	NM	NM	6.0	813	4,327	0.9	0.9	0.6	Aug		
National Semiconductor *	NSM	12.29	9.02 - 23.78	1.13	1.12	-0.05	0.34	10.9	11.0	NM	36.1	230	2,828	1.9	2.4	2.4	May	$0.08	2.6%
Texas Instruments *	TXN	21.1	13.38 - 29.30	1.8	1.51	0.85	1.24	11.7	14.0	24.8	17.0	1,277	26,945	2.4	2.9	2.8	Dec	$0.11	2.1%
STMicroelectronics	STM	7.16	3.73 - 13.74	0.44	0.44	-0.87	0.09	16.3	16.3	NM	79.6	874	6,260	0.7	0.8	0.8	Dec-ADR	$0.03	1.7%
Average								13.0	13.7	24.8	34.7			1.3	1.5	1.4			

** Tokeneke estimate*
Source: consensus as of 7/14/09

Historical Valuation

Company	Ticker	Price 7/14/09	Trailing 12-month Price/Earnings Current	Price/Earnings Historical*	Price/Sales Current	Price/Sales Historical*	Price/Book Current	Price/Book Historical*
Intel	INTC	$16.83	24.8		2.8		2.5	
			Average	24.0	Average	4.8	Average	4.8
			High	65.4	High	15.7	High	14.4
			Low	9.9	Low	1.6	Low	1.7

** weekly since 1990*

The Company

Tokeneke Research is an independent research firm specializing in semiconductor industry business issues, providing fundamental research focused on US equities across all market capitalizations within the sector to investors. The company was founded in 2005 and is based in Connecticut.

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- *Monthly Newsletter:* A summarized review of noteworthy industry business developments, sales statistics, and sector equity market performance, as well as a near-term and annual outlook for sector business fundamentals and share prices. This report typically includes two pages of text and a handful of recurring charts and tables. It is intended for relatively broad-based distribution.
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My Background

I have an electrical engineering background, nearly 12 years of semiconductor industry experience, and was on Wall Street for nearly eight years where I was selected as the Best On The Street semiconductor analyst for 2002 by The Wall Street Journal, and third-rated Best of the Best across all sectors.

I obtained my undergraduate BS degree in electrical engineering from the University of Washington, and my MBA from Santa Clara University. My industry experience consists of nearly 12 years in various technical sales and marketing roles at four different semiconductor firms located in Silicon Valley beginning with Advanced Micro Devices in 1984, followed by two small start-up companies, and ending at Cirrus Logic where I supported the firm's Japanese market development. I joined Fahnestock & Co. as a senior semiconductor analyst in 1996 and was recruited by Needham & Co. in April 2000.

My formal coverage list as a sell-side analyst included the following equities: AMD, ALSC, ALTR, ARTI, ATML, CUBE, CY, ESST, GNSS, INTC, ISSI, LSI, MOSY, MU, OIIM, OVTI, RMTR, SIII, SMSC, STEC, SVTG, TDFX, TSRA, TXN, and ZRAN.

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