PART I

ITEM 1. BUSINESS

Company Overview

We are the world's largest semiconductor chip maker, based on revenue. We develop advanced integrated digital technology, primarily integrated circuits, for industries such as computing and communications. Integrated circuits are semiconductor chips etched with interconnected electronic switches. We also develop computing platforms, which we define as integrated hardware and software computing technologies that are designed to provide an optimized solution. Our goal is to be the preeminent computing solutions company that powers the worldwide digital economy. We are transforming from a company with a primary focus on the design and manufacture of semiconductor chips for PCs and servers to a computing company that delivers complete solutions in the form of hardware and software platforms and supporting services.

We were incorporated in California in 1968 and reincorporated in Delaware in 1989.

In the first quarter of 2011, we completed the acquisition of the Wireless Solutions (WLS) business of Infineon Technologies AG. See "Acquisitions and Strategic Investments" later in this section for a description of that business.

Distribution of Company Information

Our Internet address is *www.intel.com*. We publish voluntary reports on our web site that outline our performance with respect to corporate responsibility, including environmental, health, and safety (EHS) compliance.

We use our Investor Relations web site, *www.intc.com*, as a routine channel for distribution of important information, including news releases, analyst presentations, and financial information. We post filings as soon as reasonably practicable after they are electronically filed with, or furnished to, the U.S. Securities and Exchange Commission (SEC), including our annual and quarterly reports on Forms 10-K and 10-Q (including related filings in XBRL format) and current reports on Form 8-K; our proxy statements; and any amendments to those reports or statements. All such postings and filings are available on our Investor Relations web site free of charge. In addition, our web site allows interested persons to sign up to automatically receive e-mail alerts when we post news releases and financial information. The SEC's web site, *www.sec.gov*, 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 in this Form 10-K unless expressly noted.

Products

We design and manufacture computing and communications components, such as microprocessors, chipsets, motherboards, and wireless and wired connectivity products. Our platforms incorporate software to enable and advance these components. We strive to optimize the overall performance of our products by improving energy efficiency, seamless connectivity to the Internet, and security features. Improved energy efficiency is achieved by lowering power consumption in relation to performance capabilities, and may result in longer battery life, reduced system heat output, power savings, and lower total cost of ownership. Increased performance can include faster processing performance and other improved capabilities, such as multithreading, multitasking, and processor graphics. Performance can also be improved by enhancing interoperability among devices, storage, manageability, utilization, reliability, and ease of use.

Our vision is to create a continuum of personal computing experiences based on Intel® architecture. This continuum would give consumers a set of secure, consistent, and personalized computing experiences with a variety of devices that connect to the Internet and each other. Our goal is to provide consistency and interoperability between devices that are connected seamlessly and require computing capability both locally and in cloud computing. Cloud computing is a group of linked servers that provides a variety of applications and data to users over the Internet.

Components

Microprocessors

A microprocessor—the central processing unit (CPU) of a computer system—processes system data and controls other devices in the system. We offer microprocessors with one or multiple processor cores designed for notebooks, netbooks, desktops, servers, workstations, storage products, embedded applications, communications products, consumer electronics devices, and handheld devices. Multi-core microprocessors can enable improved multitasking and energy-efficient performance by distributing computing tasks across two or more cores.

The majority of our microprocessors are manufactured using our 32-nanometer (nm) second-generation Hi-k metal gate silicon process technology (32nm process technology). The use of Hi-k metal gate transistors increases performance while simultaneously reducing the leakage of electrical current. In December 2010, we introduced the 2nd generation Intel® Core™ processor family (formerly code-named Sandy Bridge), a new microarchitecture based on our 32nm process technology. Microarchitecture refers to the layout, density, and logical design of a microprocessor. Our 2nd generation Intel Core processor family incorporates features designed to increase performance and energy efficiency, such as:

- *Integrated processor graphics*, which allow for shared resources across processing cores and graphics architectures to enable optimal performance while saving power;
- *Intel® Advanced Vector Extensions*, which allow for faster and simpler performance of computationally intensive tasks, such as digital photo editing, creation of music, and other content creation;
- *Intel® Turbo Boost Technology 2.0*, which automatically increases processor frequency when applications demand higher performance; and
- *Intel® Quick Sync Video*, which accelerates encoding, decoding, and transcoding features, such as conversion of media for portable players and online video-sharing services.

Our 2nd generation Intel Core processor family integrates graphics functionality onto the processor die. In contrast, some of our previous-generation 32nm processors have incorporated a separate 45nm graphics chip inside the processor package. We also offer graphics functionality as part of a separate chipset outside the processor package. Processor packages may also integrate the memory controller.

In addition, we offer and are continuing to develop System on Chip (SoC) products that integrate our core processing functionalities with other system components, such as graphics, audio, and video, onto a single chip to form a purpose-built solution. SoC products are designed to reduce total cost of ownership, and provide improved performance due to higher integration, lower power consumption, and smaller form factors.

Chipsets

A chipset sends data between the microprocessor and input, display, and storage devices, such as the keyboard, mouse, monitor, hard drive or solid-state drive, and CD, DVD, or Blu-ray* drive. We offer chipsets designed for notebooks, netbooks, desktops, servers, workstations, storage products, embedded applications, communications products, consumer electronics devices, and handheld devices. Chipsets extend the audio, video, and other capabilities of many systems and perform essential logic functions, such as balancing the performance of the system and removing bottlenecks. Some chipsets may also include graphics functionality or both graphics functionality and a memory controller, for use with our microprocessors that do not integrate those system components.

Motherboards

We offer motherboard products designed for our desktop, server, and workstation platforms. A motherboard is the principal board within a system, and typically contains the microprocessor, chipset, memory, and other components. The motherboard also has connectors for attaching devices to the bus, which is the subsystem that transfers data among various components of a computer.

Wireless and Wired Connectivity

We offer wireless and wired connectivity products, including network adapters and embedded wireless cards, based on industry-standard protocols used to translate and transmit data across networks. Wireless connectivity products based on WiFi technology allow users to wirelessly connect to high-speed local area networks, typically within a close range. We have also developed wireless connectivity products for both mobile and fixed networks based on WiMAX, a standards-based wireless technology providing high-speed broadband connectivity that can link users and networks up to several miles apart.

Microprocessor and Platform Technologies

We offer features to improve microprocessor and platform capabilities that can enhance system performance and the user experience. For example, we offer technologies that can help information technology managers maintain, manage, 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 technologies that can enable virtualization, in which a single computer system can function as multiple virtual systems by running multiple operating systems and applications. Virtualization can consolidate workloads and provide increased security and management capabilities. To take advantage of these and other features that we offer, a computer system must have a microprocessor that supports a chipset, BIOS (basic input/output system) that uses the technology, and software that is optimized for the technology. Performance will vary depending on the system hardware and software used. We also offer technology that enables each processor core to process two software tasks or threads simultaneously.

Additional Product Offerings

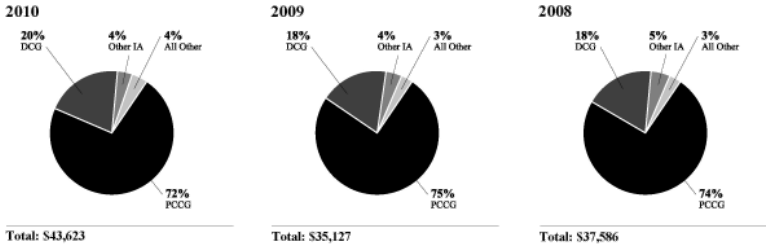
We offer *NAND flash memory*, which is a specialized type of memory component primarily used in portable memory storage devices, digital camera memory cards, solid-state drives, and other devices. NAND flash memory retains information even when the power is off, and provides faster access to data than traditional hard drives. Because flash memory does not have any moving parts, it tolerates bumps and shocks better than devices such as rapidly spinning disk drives.

We offer certain *software products*, including operating systems, middleware, and tools used to develop, run, and manage a wide variety of enterprise, consumer, embedded, and handheld devices. In addition, we offer software development tools, designed to complement our latest hardware technologies, that help enable the creation of applications.

Revenue by Major Operating Segment

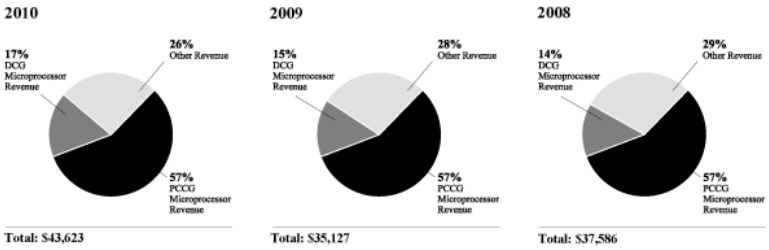
Net revenue for the PC Client Group (PCCG) operating segment, the Data Center Group (DCG) operating segment, and the other Intel architecture (Other IA) operating segments is presented as a percentage of our consolidated net revenue. Other IA includes the Embedded and Communications Group, the Digital Home Group, and the Ultra-Mobility Group operating segments. All other includes the NAND Solutions Group, the Wind River Software Group, the Software and Services Group, and the Digital Health Group.

Percentage of Revenue by Major Operating Segment
(Dollars in Millions)



Revenue from sales of microprocessors and revenue from sales of chipsets, motherboards, and other, presented as a percentage of our consolidated net revenue, were as follows:

Percentage of Revenue from Microprocessor Sales
(Dollars in Millions)



For the PCCG and the DCG operating segments, the majority of revenue from sales of chipsets, motherboards, and other was from the sale of chipsets in all periods presented above.

For a description of all of our operating segments, see “Note 30: Operating Segment and Geographic Information” in Part II, Item 8 of this Form 10-K. Below, we discuss the key products and processor technologies, including some key introductions, of our operating segments. For a discussion of our strategy, see “Strategy” in Part II, Item 7 of this Form 10-K.

PC Client Group

The PC Client Group (PCCG) offers microprocessors and related chipsets designed for the notebook, netbook, and desktop market segments. In addition, PCCG offers motherboards designed for the desktop market segment and wireless connectivity products based on WiFi and WiMAX technologies.

We currently offer a range of microprocessors designed for the notebook, netbook, and desktop market segments that includes the:

- Intel® Core™ i3 processor, designed to deliver the performance needed for multitasking;
- Intel® Core™ i5 processor, designed to deliver performance for everyday applications, with the ability to boost the speed of PCs as needed for demanding tasks, such as playing games and photo editing;
- Intel® Core™ i7 processor, designed to deliver performance for demanding tasks such as multimedia creation and editing, and intense gaming;
- Intel® Core™ i7 processor Extreme Edition, designed to deliver performance for the most demanding applications such as high-performance gaming, high-definition content creation, and video encoding and editing;
- Intel® Atom™ processor, designed for low-power, affordable Internet-focused devices; and
- Previous-generation Intel® processors that are designed to deliver performance, reliability, and energy efficiency.

The various microprocessor packaging options and processor technologies that we offer provide our customers with the flexibility to develop a wide range of system designs and form factors. In the notebook market segment, we offer ultra-low-voltage processors designed for ultra-thin laptop computers. For the notebook and netbook market segments, we offer processor technologies designed to provide high performance with improved multitasking, offer power-saving features to improve battery life, enable smaller form factors, allow for wireless network connectivity, and improve boot times. For the notebook and desktop market segments, we offer Intel® vPro™ technology, which is designed to provide businesses with increased manageability, upgradeability, energy-efficient performance, and security while lowering the total cost of ownership.

With our microprocessors, we also offer related chipsets designed for the:

- Notebook and netbook market segments, including Mobile Intel® 6 Series Express Chipsets, Mobile Intel® 5 Series Express Chipsets, Mobile Intel® 4 Series Express Chipsets, Mobile Intel® 900 Series Express Chipsets, and the Intel® NM10 Express Chipset; and
- Desktop market segment, including Intel® 6 Series Express Chipsets, Intel® 5 Series Express Chipsets, Intel® 4 Series Express Chipsets, Intel® 3 Series Express Chipsets, and the Intel® NM10 Express Chipset.

Our new product offerings in 2010 and early 2011 include:

- 2nd generation Intel® Core™ processor family, including Intel Core i7 processors, Intel Core i5 processors, and Intel Core i3 processors, which incorporate features designed to increase performance and energy efficiency. These processors are supported by the new Intel 6 Series Express Chipset family.
- Intel Core i7 processors, Intel Core i5 processors, and Intel Core i3 processors, manufactured using our 32nm process technology and including integrated high-definition graphics functionality. These processors are supported by the Intel 5 Series Express Chipset family.
- Six-core Intel Core i7 processor Extreme Edition featuring 12 computing threads, designed for digital content creation, 3-D rendering, and high-performance gaming.
- Intel Atom processors with integrated graphics functionality, designed to enable improved performance and smaller, more energy-efficient form factors.
- Ultra-low-voltage processors manufactured using our 32nm process technology, and chipsets designed for ultra-thin laptop computers.
- Intel® Centrino® wireless adapters, designed to offer high-speed and reliable connectivity, and consistent coverage, while consuming minimal power.

Data Center Group

The Data Center Group (DCG) offers products that are incorporated into servers, storage, workstations, and other products that help make up the infrastructure for data center and cloud computing environments. DCG's products include microprocessors and related chipsets, and motherboards and wired connectivity devices.

Our current server, workstation, and storage microprocessor offerings include the Intel® Xeon® processor and the Intel® Itanium® processor. Our Intel Xeon processor family of products supports a range of entry-level to high-end technical and commercial computing applications such as Internet Protocol data centers. Our Intel Itanium processor family generally supports an even higher level of reliability and computing performance for data processing, and handling high transaction volumes and other compute-intensive applications for enterprise-class servers, as well as supercomputing solutions. Servers usually 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. Storage processors range from SoCs for low-cost storage systems to high-performance multi-core processors in mid- to high-end storage systems such as storage area networks.

Our new product offerings in 2010 and early 2011 include:

- Quad-core Intel Itanium processors with enhanced scalability and reliability features, designed for mission-critical computing.
- Dual-core and quad-core Intel Xeon processors designed for entry-level servers for small businesses and educational settings; six-core Intel Xeon processors designed for high-performing computing applications in science and financial services; and eight-core Intel Xeon processors designed for highly parallel, data-demanding, and mission-critical workloads. Many of these processors integrate security capabilities designed to enhance data integrity and server virtualization.

Other Intel Architecture Operating Segments

Embedded and Communications Group

The Embedded and Communications Group (ECG) offers highly scalable microprocessors, including Intel Atom processors, and chipsets for a growing number of embedded applications across numerous market segments, such as industrial, medical, and in-vehicle infotainment.

Our new product offerings in 2010 and early 2011 include:

- Embedded Intel Core i7 processors, Intel Core i5 processors, and Intel Core i3 processors, all using our 32nm process technology and with integrated high-definition graphics functionality. These processors are supported by the Mobile Intel 5 Series Express Chipset family.
- The first six-core Intel Xeon processor for the embedded computing segment, as well as quad-core processors that are built for thermally constrained environments.
- Intel Atom processors designed for print imaging, digital security surveillance, in-vehicle infotainment systems, and other industrial applications.
- Configurable Intel Atom processors that incorporate field-programmable gate arrays, designed to enable original equipment manufacturers (OEMs) to customize and differentiate their products.

Digital Home Group

The Digital Home Group offers products for use in consumer electronics devices designed to access and share Internet, broadcast, optical media (CD, DVD, or Blu-ray), and personal content through a variety of linked digital devices within the home. We offer components for consumer electronics devices such as digital TVs, high-definition media players, cable modems, and set-top boxes, which receive, decode, and convert incoming data signals. In 2010, we introduced Intel Atom processors designed to enable seamless integration of Internet, television, and personal content with search capability.

Ultra-Mobility Group

The Ultra-Mobility Group offers energy-efficient Intel Atom processors and related chipsets designed for the handheld market segment. In 2010, we introduced an Intel Atom processor-based platform that provides significantly lower power consumption compared to previous-generation Intel Atom processor-based platforms. The new platform is designed for a range of computing devices, including high-end smartphones and other mobile handheld products.

Other Operating Segments

NAND Solutions Group

The NAND Solutions Group offers NAND flash memory products primarily used in portable memory storage devices, digital camera memory cards, solid-state drives (SSDs), and other devices. Our SSDs, available in densities ranging from 32 gigabytes (GB) to 250 GB, weigh less than traditional hard drives and are designed to enable faster boot times, lower power consumption, increased reliability, and improved performance. Our NAND flash memory products are manufactured by IM Flash Technologies, LLC (IMFT). See "Note 11: Equity Method and Cost Method Investments" in Part II, Item 8 of this Form 10-K.

In 2010 and early 2011, we introduced 40-GB, 120-GB, and 250-GB SSDs based on 34nm NAND flash technology, designed for laptop and desktop computers. In addition, we introduced 40-GB and 80-GB small-form-factor SSDs based on 34nm NAND flash technology, designed for dual-drive notebooks and all-in-one desktops and tablet computers.

Wind River Software Group

The Wind River Software Group develops and licenses device software optimization products, including operating systems, for the needs of customers in the embedded and handheld market segments.

Manufacturing and Assembly and Test

As of December 25, 2010, 61% of our wafer fabrication, including microprocessors and chipsets, was conducted within the U.S. at our facilities in Arizona, New Mexico, Oregon, and Massachusetts. The remaining 39% of our wafer fabrication was conducted outside the U.S. at our facilities in Israel, Ireland, and China. Our China facility began wafer manufacturing in the fourth quarter of 2010.

As of December 25, 2010, we primarily manufactured our products in wafer fabrication facilities at the following locations:

Products	Wafer Size	Process Technology	Locations
Microprocessors	300mm	32nm	Oregon, Arizona, New Mexico
Microprocessors	300mm	45nm	Israel, New Mexico
Chipsets and microprocessors	300mm	65nm	Ireland, Arizona, China
Chipsets and other products	300mm	90nm	Ireland
Chipsets and other products	200mm	130nm and above	Massachusetts, Ireland

As of December 25, 2010, the majority of our microprocessors were manufactured on 300mm wafers using our 32nm process technology. In the second half of 2011, we expect to begin manufacturing microprocessors using our 22nm process technology. As we move to each succeeding generation of manufacturing process technology, we incur significant start-up costs to prepare each factory for manufacturing. However, continuing to advance our process technology provides benefits that we believe justify these costs. 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.

We use third-party manufacturing companies (foundries) to manufacture wafers for certain components, including 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 in the Asia-Pacific region.

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, Costa Rica, and Vietnam. Our Vietnam facility began production in the first half of 2010. To augment capacity, we use subcontractors to perform assembly of certain products, primarily chipsets and networking and communications products.

Our NAND flash memory products are manufactured by IMFT, a NAND flash memory manufacturing company that we formed with Micron Technology, Inc. Our NAND flash memory products are manufactured by IMFT using 25nm, 34nm, or 50nm process technology. As of December 25, 2010, we were committed to purchase 49% of the manufactured output of IMFT. Assembly and test of NAND flash memory products is performed by Micron and other external subcontractors. See "Note 11: Equity Method and Cost Method Investments" in Part II, Item 8 of this Form 10-K.

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 EHS 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 are typically 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 action 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 design and manufacture of integrated circuits. Research and development (R&D) expenditures in 2010 were $6.6 billion ($5.7 billion in 2009 and 2008).

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 usage models for businesses and consumers. Our R&D activities range from designing and developing new products and manufacturing processes to researching future technologies and products.

We are focusing our R&D efforts on advanced computing technologies, 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 energy efficiency, security, scalability for multi-core architectures, system manageability, and ease of use. We continue to make significant R&D investments in the development of SoCs to enable growth in areas such as handheld devices, embedded applications, and consumer electronics. In addition, we continue to make significant investments in wireless technologies, graphics, and high-performance computing.

As part of our R&D efforts, we plan to introduce a new microarchitecture for our notebook, 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. In 2010, we introduced our 2nd generation Intel Core microarchitecture, a new microarchitecture using our existing 32nm process technology. We are currently developing 22nm process technology, our next-generation process technology, and expect to begin manufacturing products using that technology in the second half of 2011. 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 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.

Our R&D model is based on a global organization that emphasizes a collaborative approach to identifying and developing new technologies, leading standards initiatives, and influencing regulatory policies to accelerate the adoption of new technologies. Our R&D initiatives are performed by various internal business groups, 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.

Employees

As of December 25, 2010, we had 82,500 employees worldwide, with approximately 55% of those employees located in the U.S.

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 those who buy PC components and our other products through distributor, reseller, retail, and OEM channels throughout the world.

Our worldwide reseller sales channel consists of thousands of indirect customers—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 2010, Hewlett-Packard Company accounted for 21% of our net revenue (21% in 2009 and 20% in 2008) and Dell Inc. accounted for 17% of our net revenue (17% in 2009 and 18% in 2008). No other customer accounted for more than 10% of our net revenue. For information about revenue and operating income by operating segment, and revenue from unaffiliated customers by geographic region/country, see “Results of Operations” in Part II, Item 7 and “Note 30: Operating Segment and Geographic Information” in Part II, Item 8 of this Form 10-K.

Sales Arrangements

Our products are sold through sales offices throughout the world. Sales of our products are typically made via purchase order acknowledgments 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 and related costs of sales is deferred. Our standard terms and conditions of sale typically provide that payment is due at a later date, generally 30 days after shipment or delivery. 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 guarantee 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. For information about our allowance for doubtful receivables, see “Schedule II—Valuation and Qualifying Accounts” in Part IV of this Form 10-K.

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. Under the price protection program, we give distributors credits for the difference between the original price paid and the current price that we offer. On most products, there is no contractual limit on the amount of price protection, nor is there a limit on the time horizon under which price protection is granted. The right of return granted generally consists of a stock rotation program in which distributors are able to exchange certain products based on the number of qualified purchases made by the distributor. We have the option to grant credit for, repair, or replace defective products, and there is no contractual limit on the amount of credit that may be granted to a distributor for defective products.

Distribution

Distributors typically handle a wide variety of products, including those that compete with our products, and fill orders for many customers. 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. We have several distribution warehouses that are located in close proximity to key customers.

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. Historically, our sales have been higher in the second half of the year than in the first half of the year, accelerating in the third quarter and peaking in the fourth quarter. Consumer purchases of PCs have historically been higher in the second half of the year, primarily due to back-to-school and holiday demand. In addition, purchases from businesses have also historically tended to be higher in the second half of the year.

Marketing

Our corporate marketing objectives are to build a strong, well-known Intel corporate brand that connects with businesses and consumers, and to offer a limited number of meaningful and valuable brands in our portfolio to aid businesses and consumers in making informed choices about technology purchases. The Intel Core processor family and the Intel Atom, Intel® Pentium®, Intel® Celeron®, Intel Xeon, and Intel Itanium 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 Internet 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, improved energy efficiency, and other capabilities such as Internet connectivity and security.

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 marketing. 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 their 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, print, and Internet marketing. We have also entered into joint marketing arrangements with certain customers.

Competition

The semiconductor industry is dynamic, characterized by rapid advances in technology and frequent product introductions. As unit volumes of a product grow, production experience is accumulated and costs typically decrease, further competition develops, and prices decline. The life cycle of our products is very short, sometimes less than a year. These short product life cycles and other factors lead to frequent negotiations with our OEM customers, which typically are large, sophisticated buyers who are also operating in very competitive environments. Our ability to compete depends on our ability to navigate this environment, by improving our products and processes faster than our competitors, anticipating changing customer requirements, developing and launching new products and platforms, pricing our products competitively, and reducing average unit cost. See “Risk Factors” in Part I, Item 1A of this Form 10-K.

Our products compete primarily based on performance, energy efficiency, features, price, quality, reliability, brand recognition, and availability. We are focused on offering innovative products and worldwide support for our customers at competitive prices, including providing improved energy-efficient performance, enhanced security, and Internet connectivity. We believe that our computing platforms, which we define as integrated hardware and software computing technologies that are designed to provide an optimized solution, provide us with a competitive advantage compared to components that are used separately.

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 therefore make it difficult for us to reduce our costs in the short term. 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 foundries and assembly and test subcontractors for manufacturing and assembly and test. The third-party foundries and subcontractors may also offer intellectual property, design services, and other goods and services to our competitors. These “fabless” semiconductor companies include Broadcom Corporation, NVIDIA Corporation, QUALCOMM Incorporated, and VIA Technologies, Inc. Some of our competitors, such as Advanced Micro Devices, Inc. (AMD), own portions of such facilities through investment or joint-venture arrangements with other companies.

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 increased performance capabilities and improved energy-efficient performance at competitive prices. Some of our microprocessor competitors, such as 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 developed by ARM Limited; and Sun Scalable Processor Architecture (SPARC*) offered by Oracle Corporation. In addition, NVIDIA has begun developing CPUs based on the ARM architecture to combine with its graphics processors and has shifted some of the workload traditionally performed by the microprocessor to its graphics processor.

AMD has been our primary competitor in the market segments for microprocessors used in notebooks, desktops, and servers, while companies using ARM-based designs are our primary competitors in the growing market segments for microprocessors used in handheld devices and tablets. Companies using ARM-based designs are also targeting the notebook, netbook, and server market segments. ARM does not manufacture microprocessors; they design and license semiconductor intellectual property and offer supporting software and services. Our ability to compete with ARM-based competitors depends on our ability to design and produce high-performance, energy-efficient microprocessors at competitive prices. It also requires us to develop a software ecosystem that appeals to end users and software developers. We have taken a number of steps to build this software ecosystem, including the development of MeeGo*, a Linux-based software platform that will run on multiple hardware platforms; acquiring McAfee, Inc., which we expect to complete in the first quarter of 2011, and Wind River Systems, Inc.; and creating the Intel® Atom™ Developer Program.

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

- PC Client: AMD, QUALCOMM, and VIA
- Server: AMD, IBM, and Oracle
- Application Processors[1]: AMD, Broadcom, Freescale Semiconductor, Inc., MediaTek Inc., NVIDIA, QUALCOMM, Samsung Electronics Co., Ltd., STMicroelectronics N.V., and Texas Instruments Incorporated (TI)
- Mobile Communications Processors[2]: MediaTek, QUALCOMM, ST-Ericsson N.V., and TI

1 *The application processors market segment includes microprocessors designed for embedded applications, consumer electronics devices, and tablets.*
2 *The mobile communications processors market segment includes microprocessors designed for handheld devices.*

Chipsets

Our chipsets compete with chipsets produced by companies such as AMD (including chipsets marketed under the ATI Technologies, Inc. brand), Broadcom, NVIDIA, Silicon Integrated Systems Corporation, and VIA. We also compete with companies offering graphics components and other special-purpose products used in the notebook, netbook, desktop, and workstation market segments. One aspect of our business model is to incorporate improved performance and advanced properties into our microprocessors and chipsets, for which demand may increasingly be affected by competition from companies whose business models are based on dedicated chipsets and other components, such as graphics controllers.

Flash Memory

Our NAND flash memory products currently compete with NAND products primarily manufactured by Hynix Semiconductor Inc., Micron, Samsung, SanDisk Corporation, and Toshiba.

Connectivity

We offer products designed for wireless and wired connectivity, and network processors. Our WiFi and WiMAX products currently compete with products manufactured by Atheros Communications, Inc., Broadcom, QUALCOMM, and other smaller companies.

Competition Lawsuits and Government Matters

We are currently a party to lawsuits and government matters involving our competitive practices. See “Note 29: Contingencies” in Part II, Item 8 of this Form 10-K.

Acquisitions and Strategic Investments

We expect to complete the acquisition of McAfee in the first quarter of 2011. McAfee is a provider of security products and services that help secure systems and networks. As a result of the acquisition, we expect to hire approximately 6,400 McAfee employees. McAfee's offerings will include endpoint security products, system security products, consumer security products, network security products, and risk and compliance products. Many of McAfee's products are offered under a software-as-a-service delivery model, an online console used to manage and update hardware and software, which reduces on-premise capital expenses. The anticipated acquisition of McAfee reflects our belief that security is a fundamental component of online computing. As we develop future products and services, security considerations will be as important as our continued focus on energy-efficient performance and Internet connectivity.

In the first quarter of 2011, we completed the acquisition of the WLS business of Infineon. As a result of the acquisition, we expect to hire approximately 3,700 employees from Infineon. The WLS business will operate as Intel Mobile Communications and offer mobile phone components such as baseband processors, radio frequency transceivers, and power management chips. In addition to managing the existing WLS business, the objective of the acquisition is to contribute to our strategy to provide solutions with Internet connectivity to a broad range of computing devices.

During 2009, we completed the acquisition of Wind River Systems, a vendor of software for embedded devices. The objective of the acquisition of Wind River Systems was to enable the introduction of products for the embedded and handheld market segments, resulting in benefits for our existing operations.

For further information, see "Note 15: Acquisitions" in Part II, Item 8 of this Form 10-K.

Intellectual Property and Licensing

Intellectual property rights that apply to our 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" earlier in this section, "Risk Factors" in Part I, Item 1A, and "Note 29: Contingencies" in Part II, Item 8 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. 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-level 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.

Compliance with Environmental, Health, and Safety Regulations

Our compliance efforts focus on monitoring regulatory and resource trends and setting company-wide performance targets for key resources and emissions. These targets address several parameters, including product design; chemical, energy, and water use; climate change; waste recycling; and emissions.

Intel focuses on reducing natural resource use, the solid and chemical waste by-products of our manufacturing processes, and the environmental impact of our products. We currently use a variety of materials in our manufacturing process that have the potential to adversely impact the environment and are subject to a variety of EHS laws and regulations. Over the past several years, we have significantly reduced the use of lead and halogenated flame retardants in our products and manufacturing processes.

We work with the U.S. Environmental Protection Agency (EPA), non-governmental organizations, OEMs, and retailers to help manage e-waste (which includes electronic products nearing the end of their useful lives) and promote recycling. The European Union requires producers of certain electrical and electronic equipment to develop programs that allow consumers to return products for recycling. Many states in the U.S. have similar e-waste take-back laws. Although these laws are typically targeted at the end electronic product and not the component products that Intel manufactures, the inconsistency of many e-waste take-back laws and the lack of local e-waste management options in many areas pose a challenge for our compliance efforts.

Intel seeks to reduce our global greenhouse gas emissions by investing in energy conservation projects in our factories and working with suppliers to improve energy efficiency. We take a holistic approach to power management, addressing the challenge at the silicon, package, circuit, micro/macro architecture, platform, and software levels. We recognize that climate change may cause general economic risk. For further information on the risks of climate change, see “Risk Factors” in Part I, Item 1A of this Form 10-K. We see the potential for higher energy costs driven by climate change regulations. This could include items applied to utilities that are passed along to customers, such as carbon taxes or costs associated with obtaining permits for our U.S. manufacturing operations, emission cap and trade programs, or renewable portfolio standards.

We are committed to sustainability and take a leadership position in promoting voluntary environmental initiatives and working proactively with governments, environmental groups, and industry to promote global environmental sustainability. We believe that technology will be fundamental to finding solutions to the world’s environmental challenges, and we are joining forces with industry, business, and governments to find and promote ways that technology can be used as a tool to combat climate change.

We have been purchasing wind power and other forms of renewable energy at some of our major sites for several years. At the beginning of 2008, we announced plans to purchase renewable energy certificates under a multi-year contract. The purchase has placed Intel at the top of the EPA’s Green Power Partnership for the past three years and was intended to help stimulate the market for green power, leading to additional generating capacity and, ultimately, lower costs.

Executive Officers of the Registrant

The following sets forth certain information with regard to our executive officers as of February 18, 2011 (ages are as of December 25, 2010):

Andy D. Bryant, age 60
- 2009 – present, Executive VP, Technology, Manufacturing, and Enterprise Services, Chief Administrative Officer
- 2007 – 2009, Executive VP, Finance and Enterprise Services, Chief Administrative Officer
- 2001 – 2007, Executive VP, Chief Financial and Enterprise Services Officer
- Member of Columbia Sportswear Company Board of Directors
- Member of McKesson Corporation Board of Directors
- Joined Intel 1981

William M. Holt, age 58
- 2006 – present, Senior VP, GM, Technology and Manufacturing Group
- 2005 – 2006, VP, Co-GM, Technology and Manufacturing Group
- Joined Intel 1974

Thomas M. Kilroy, age 53
- 2010 – present, Senior VP, GM, Sales and Marketing Group
- 2009 – 2010, VP, GM, Sales and Marketing Group
- 2005 – 2009, VP, GM, Digital Enterprise Group
- Joined Intel 1990

A. Douglas Melamed, age 65
- 2009 – present, Senior VP, General Counsel
- 2001 – 2009, Partner, Wilmer Cutler Pickering Hale and Dorr LLP
- Joined Intel 2009

Paul S. Otellini, age 60
- 2005 – present, President, Chief Executive Officer
- Member of Intel Corporation Board of Directors
- Member of Google, Inc. Board of Directors
- Joined Intel 1974

David Perlmutter, age 57
- 2009 – present, Executive VP, GM, Intel Architecture Group
- 2007 – 2009, Executive VP, GM, Mobility Group
- 2005 – 2007, Senior VP, GM, Mobility Group
- Joined Intel 1980

Stacy J. Smith, age 48
- 2010 – present, Senior VP, Chief Financial Officer
- 2007 – 2010, VP, Chief Financial Officer
- 2006 – 2007, VP, Assistant Chief Financial Officer
- 2004 – 2006, VP, Finance and Enterprise Services, Chief Information Officer
- Member of Gevo, Inc. Board of Directors
- Joined Intel 1988

Arvind Sodhani, age 56
- 2007 – present, Executive VP of Intel, President of Intel Capital
- 2005 – 2007, Senior VP of Intel, President of Intel Capital
- Member of Clearwire Corporation Board of Directors
- Member of SMART Technologies, Inc. Board of Directors
- Joined Intel 1981

ITEM 1A. RISK FACTORS

Fluctuations in demand for our products may harm our financial results and are difficult to forecast.
If demand for our products fluctuates, our revenue and profitability could be harmed. Important factors that could cause demand for our products to fluctuate include:

- changes in business and economic conditions, including downturns 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, unemployment levels, and energy or other commodity prices;
- changes in the level of customers' components inventories;
- 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 excess capacity 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.

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 and general economic market conditions. These downturns have been characterized by reduced product demand, manufacturing overcapacity and resulting excess capacity 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. As new computing market segments emerge, such as netbooks, handhelds, tablets, and consumer electronics devices, we face new sources of competition, and customers that have different requirements than customers in our traditional PC business. To be successful, we need to cultivate new industry relationships in these market segments. As the number and variety of Internet-connected devices increase, we need to improve the cost, energy efficiency, and security functionality of our microprocessors to succeed in these new market segments. In addition, we need to focus on the acquisition and development of our software capabilities in order to provide customers with complete computing solutions.

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. Our R&D efforts are aimed at solving increasingly complex problems, and we do not expect that all of our projects will be successful. If our R&D efforts are unsuccessful, our future results of operations could be materially harmed. 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.

Litigation or regulatory proceedings 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 29: Contingencies" in Part II, Item 8 of this Form 10-K, we are currently engaged in a number of litigation and regulatory matters. Litigation and regulatory proceedings are 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, precluding particular business practices, or requiring other remedies, such as compulsory licensing of intellectual property. If we were to receive an unfavorable ruling in a matter, our business and results of operations could be materially harmed.

Fluctuations in the mix of products sold may harm our financial results.
Because of the wide price differences among and within notebook, netbook, tablet, 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 some business activities may be concentrated in one or more geographic areas. As a result, we are subject to risks that may limit our ability to manufacture, assemble and test, design, develop, or sell products in particular countries or on a geographic basis, which could 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, transportation, or telecommunications providers and supply chain interruptions;
- restrictions on our operations by governments seeking to support local industries, nationalization of our operations, and restrictions on our ability to repatriate earnings;
- differing employment practices and labor issues;
- local business and cultural factors that differ from our normal standards and practices, including business practices that we are prohibited from engaging in by the Foreign Corrupt Practices Act and other anti-corruption laws and regulations; and
- regulatory requirements and prohibitions that differ among jurisdictions.

Violations of these laws and regulations could result in fines; criminal sanctions against us, our officers, or our employees; prohibitions on the conduct of our business; and damage to our reputation. Although we have implemented policies, controls, and procedures designed to ensure compliance with these laws, our employees, contractors, or agents may violate our policies.

In addition, although substantially all 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 conduct certain investing and financing activities, in local currencies. Our hedging programs reduce, but do not entirely eliminate, the impact of currency exchange rate movements; therefore, fluctuations in exchange rates could harm our 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 results and financial condition by increasing our expenses and reducing our revenue. Varying tax rates in different jurisdictions could harm our results of operations 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. However, there is a risk that one or more of our insurance providers may be unable to pay a claim. 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, which could harm our results of operations and financial condition.

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 deliver computing platforms. 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, production could be disrupted by the unavailability of the resources used in production, such as water, silicon, electricity, gases, and other materials. Future environmental regulations could restrict the supply or increase the cost of certain of the materials that we currently use in our business. Environmental regulations also may make it more difficult to obtain permits to build or modify additional manufacturing capacity to meet demand. 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 design and manufacturing processes, could include:

- writing off the value of inventory of such products;
- disposing of products that cannot be fixed;
- recalling such products that have been shipped to customers;
- providing product replacements for, or modifications to, such products; and
- defending against litigation related to such 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. The announcement of product defects and/or errata could cause customers to purchase products from our competitors as a result of anticipated shortages of Intel components or for other reasons. 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.
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. 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, including those 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; 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, which could harm our business. 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 license the technology or pay damages that could, in turn, harm our results of operations. In addition, governments may adopt regulations, and governments 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.

We may be subject to intellectual property theft or misuse, which could result in third-party claims and harm our business and results of operations.
We regularly face attempts by others to gain unauthorized access through the Internet to our information technology systems, such as when they masquerade as authorized users or surreptitiously introduce software. These attempts, which might be the result of industrial or other espionage, or actions by hackers seeking to harm the company, its products, or end users, are sometimes successful. We seek to detect and investigate these security incidents and to prevent their recurrence, but in some cases we might be unaware of an incident or its magnitude and effects. The theft or unauthorized use or publication of our trade secrets and other confidential business information as a result of such an incident could adversely affect our competitive position and reduce marketplace acceptance of our products; the value of our investment in R&D, product development, and marketing could be reduced; and third parties might assert against us or our customers claims related to resulting losses of confidential or proprietary information or end-user data, or system reliability. Our business could be subject to significant disruption, and we could suffer monetary and other losses, including the cost of product recalls and returns and reputational harm, in the event of such incidents and claims.

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 the 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.

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 participate in liquidity events such as public offerings, mergers, and private sales. 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 or debt 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. We also have significant investments 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, net and gains (losses) on other equity investments, net.

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. We may incur losses on the disposal of our non-marketable investments. 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 or 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 for 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 II, Item 7 of this Form 10-K). 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.

Decisions about the scope of operations of our business could affect our results of operations and financial condition.
Changes in the business environment could lead to changes in our decisions about the scope of operations of our business, and these changes could result in restructuring and asset impairment charges. Factors that could affect our results of operations and financial condition with regard to changing the scope of our operations 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 divestitures;
- 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; and
- changes in the fair value of certain long-lived assets.

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;
- we may experience difficulty in integrating new employees, business systems, and technology;
- acquired businesses may not have adequate controls, processes, and procedures to ensure compliance with laws and regulations globally, and our due diligence process may not identify compliance issues or other liabilities that are in existence at the time of our acquisition;
- we may have difficulty entering into new market segments in which we are not experienced; or
- we may be unable to retain the customers and partners of acquired businesses following the acquisition.

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 factors such as:

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

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 non-vested share units (restricted stock units) and employee stock options. 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 EHS laws and regulations. Our failure to comply with any of those 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 regulations can increase our costs. For example, the cost of perfluorocompounds (PFCs), a gas that we use in 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. In addition, air quality permit requirements for our manufacturing operations could become more burdensome and cause delays in our ability to modify or build additional manufacturing capacity. Under the recently adopted greenhouse gas regulations in the U.S., many of our manufacturing facilities will become “major” sources under the Clean Air Act in 2011. At a minimum, this change in status will result in some uncertainty as the EPA adopts guidance on implementation of its greenhouse gas regulations. Due to the dynamic nature of our semiconductor manufacturing operations, it is likely these new regulations will result in increased costs for our U.S. operations. These cost increases could be associated with new air pollution control requirements, and increased or new monitoring, recordkeeping, and reporting of greenhouse gas emissions. 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 U.S. 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, and changes in deferred tax valuation allowances;
- 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, including changes in the U.S. to the taxation of foreign income and expenses;
- changes in U.S. 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 impacted by macroeconomic and other factors, harming our results of operations.
Factors that could cause interest and other, net in our consolidated statements of income to fluctuate include:

- fixed-income, equity, and credit market volatility;
- fluctuations in foreign currency exchange rates;
- fluctuations in interest rates;
- changes in the credit standing of financial instrument counterparties; and
- changes in our cash and investment balances.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

As of December 25, 2010, our major facilities consisted of:

(Square Feet in Millions)	United States	Other Countries	Total
Owned facilities[1]	25.8	18.7	44.5
Leased facilities[2]	1.8	2.8	4.6
Total facilities	**27.6**	**21.5**	**49.1**

1 *Leases on portions of the land used for these facilities expire on varying dates through 2062.*

2 *Leases expire on varying dates through 2028 and generally include renewals at our option.*

Our principal executive offices are located in the U.S. The majority of our wafer fabrication activities are also located in the U.S. In addition to our current facilities, we plan to build a fabrication facility in Oregon that is scheduled for R&D start-up in 2013, as well as a leading-edge technology fabrication facility in Arizona. Outside the U.S., we have wafer fabrication at our facilities in Israel, Ireland, and China. Our assembly and test facilities are located in Malaysia, China, Costa Rica, and Vietnam. In addition, we have sales and marketing offices worldwide that are generally located near major concentrations of customers.

With the exception of certain facilities placed for sale and/or facilities included in our restructuring actions, we believe that our facilities detailed above are suitable and adequate for our present purposes (see “Note 19: Restructuring and Asset Impairment Charges” in Part II, Item 8 of this Form 10-K). Additionally, the productive capacity in our facilities is substantially being utilized or we have plans to utilize it.

We do not identify or allocate assets by operating segment. For information on net property, plant and equipment by country, see “Note 30: Operating Segment and Geographic Information” in Part II, Item 8 of this Form 10-K.

ITEM 3. LEGAL PROCEEDINGS

For a discussion of legal proceedings, see “Note 29: Contingencies” in Part II, Item 8 of this Form 10-K.