

Consolidated statements of income



Three years ended December 27, 1997

(In millions--except per share amounts)

	1997	1996	1995
Net revenues	\$ 25,070	\$ 20,847	\$ 16,202
Cost of sales	9,945	9,164	7,811
Research and development	2,347	1,808	1,296
Marketing, general and administrative	2,891	2,322	1,843
Operating costs and expenses	15,183	13,294	10,950
Operating income	9,887	7,553	5,252
Interest expense	(27)	(25)	(29)
Interest income and other, net	799	406	415
Income before taxes	10,659	7,934	5,638
Provision for taxes	3,714	2,777	2,072
Net income	\$ 6,945	\$ 5,157	\$ 3,566
Basic earnings per common share	\$ 4.25	\$ 3.13	\$ 2.16
Diluted earnings per common share	\$ 3.87	\$ 2.90	\$ 2.02
Weighted average common shares outstanding	1,635	1,645	1,650
Dilutive effect of:			
Employee stock options	102	94	96
1998 Step-Up Warrants	58	37	22
Weighted average common shares outstanding, assuming dilution	1,795	1,776	1,768

See accompanying notes.

Consolidated balance sheets

December 27, 1997 and December 28, 1996



(In millions--except per share amounts)

	1997	1996
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,102	\$ 4,165
Short-term investments	5,630	3,742
Trading assets	195	87
Accounts receivable, net of allowance for doubtful accounts of \$65 (\$68 in 1996)	3,438	3,723
Inventories	1,697	1,293
Deferred tax assets	676	570
Other current assets	129	104
Total current assets	15,867	13,684
Property, plant and equipment:		
Land and buildings	5,113	4,372
Machinery and equipment	10,577	8,729
Construction in progress	2,437	1,161
	18,127	14,262
Less accumulated depreciation	7,461	5,775
Property, plant and equipment, net	10,666	8,487
Long-term investments	1,839	1,353
Other assets	508	211
Total assets	\$ 28,880	\$ 23,735
Liabilities and stockholders' equity		
Current liabilities:		
Short-term debt	\$ 212	\$ 389
Long-term debt redeemable within one year	110	-
Accounts payable	1,407	969
Accrued compensation and benefits	1,268	1,128
Deferred income on shipments to distributors	516	474
Accrued advertising	500	410
Other accrued liabilities	842	507
Income taxes payable	1,165	986
Total current liabilities	6,020	4,863
Long-term debt	448	728
Deferred tax liabilities	1,076	997
Put warrants	2,041	275
Commitments and contingencies		
Stockholders' equity:		
Preferred Stock, \$.001 par value, 50 shares authorized; none issued	-	-
Common Stock, \$.001 par value, 4,500 shares authorized; 1,628 issued and outstanding (1,642 in 1996) and capital in excess of par value	3,311	2,897
Retained earnings	15,984	13,975
Total stockholders' equity	19,295	16,872
Total liabilities and stockholders' equity	\$ 28,880	\$ 23,735

See accompanying notes.

Consolidated statements of cash flows

Three years ended December 27, 1997



<i>(In millions)</i>	1997	1996	1995
Cash and cash equivalents, beginning of year	\$ 4,165	\$ 1,463	\$ 1,180
Cash flows provided by (used for) operating activities:			
Net income	6,945	5,157	3,566
Adjustments to reconcile net income to net cash provided by (used for) operating activities:			
Depreciation	2,192	1,888	1,371
Net loss on retirements of property, plant and equipment	130	120	75
Amortization of debt discount	-	-	8
Deferred taxes	6	179	346
Changes in assets and liabilities:			
Accounts receivable	285	(607)	(1,138)
Inventories	(404)	711	(835)
Accounts payable	438	105	289
Accrued compensation and benefits	140	370	170
Income taxes payable	179	185	372
Tax benefit from employee stock plans	224	196	116
Other assets and liabilities	(127)	439	(324)
Total adjustments	<u>3,063</u>	<u>3,586</u>	<u>450</u>
Net cash provided by operating activities	<u>10,008</u>	<u>8,743</u>	<u>4,016</u>
Cash flows provided by (used for) investing activities:			
Additions to property, plant and equipment	(4,501)	(3,024)	(3,550)
Purchases of available-for-sale investments	(9,224)	(4,683)	(685)
Sales of available-for-sale investments	153	225	114
Maturities and other changes in available-for-sale investments	6,713	2,214	1,444
Net cash (used for) investing activities	<u>(6,859)</u>	<u>(5,268)</u>	<u>(2,677)</u>
Cash flows provided by (used for) financing activities:			
(Decrease) increase in short-term debt, net	(177)	43	(179)
Additions to long-term debt	172	317	-
Retirement of long-term debt	(300)	-	(4)
Proceeds from sales of shares through employee stock plans and other	357	261	192
Proceeds from sales of put warrants	288	56	85
Repurchase and retirement of Common Stock	(3,372)	(1,302)	(1,034)
Payment of dividends to stockholders	(180)	(148)	(116)
Net cash (used for) financing activities	<u>(3,212)</u>	<u>(773)</u>	<u>(1,056)</u>
Net (decrease) increase in cash and cash equivalents	<u>(63)</u>	<u>2,702</u>	<u>283</u>
Cash and cash equivalents, end of year	<u>\$ 4,102</u>	<u>\$ 4,165</u>	<u>\$ 1,463</u>
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	\$ 37	\$ 51	\$ 182
Income taxes	\$ 3,305	\$ 2,217	\$ 1,209

Cash paid for interest in 1995 includes approximately \$108 million of accumulated interest on Zero Coupon Notes that matured in 1995.

Certain 1996 and 1995 amounts have been reclassified to conform to the 1997 presentation.

See accompanying notes.

Consolidated statements of stockholders' equity

Three years ended December 27, 1997



<i>(In millions)</i>	<i>Common Stock and capital in excess of par value</i>		<i>Retained earnings</i>	<i>Total</i>
	<i>Number of shares</i>	<i>Amount</i>		
Balance at December 31, 1994	1,654	\$ 2,306	\$ 6,961	\$ 9,267
Proceeds from sales of shares through employee stock plans, tax benefit of \$116 and other	27	310	-	310
Proceeds from sales of put warrants	-	85	-	85
Reclassification of put warrant obligation, net	-	61	(42)	19
Repurchase and retirement of Common Stock	(38)	(179)	(855)	(1,034)
Cash dividends declared (\$.075 per share)	-	-	(124)	(124)
Unrealized gain on available-for-sale investments, net	-	-	51	51
Net income	-	-	3,566	3,566
Balance at December 30, 1995	1,643	2,583	\$ 9,557	\$ 12,140
Proceeds from sales of shares through employee stock plans, tax benefit of \$196 and other	33	457	-	457
Proceeds from sales of put warrants	-	56	-	56
Reclassification of put warrant obligation, net	-	70	272	342
Repurchase and retirement of Common Stock	(34)	(269)	(925)	(1,194)
Cash dividends declared (\$.095 per share)	-	-	(156)	(156)
Unrealized gain on available-for-sale investments, net	-	-	70	70
Net income	-	-	5,157	5,157
Balance at December 28, 1996	1,642	2,897	\$ 13,975	\$ 16,872
Proceeds from sales of shares through employee stock plans, tax benefit of \$224 and other	30	581	(1)	580
Proceeds from sales of put warrants	-	288	-	288
Reclassification of put warrant obligation, net	-	(144)	(1,622)	(1,766)
Repurchase and retirement of Common Stock	(44)	(311)	(3,061)	(3,372)
Cash dividends declared (\$.115 per share)	-	-	(188)	(188)
Unrealized loss on available-for-sale investments, net	-	-	(64)	(64)
Net income	-	-	6,945	6,945
Balance at December 27, 1997	1,628	\$ 3,311	\$ 15,984	\$ 19,295

See accompanying notes.

Financial summary

Ten years ended December 27, 1997



(In millions)	Net investment in property, plant & equipment		Total assets	Long-term debt & put warrants	Stock- holders' equity	Additions to property, plant & equipment
1997	\$ 10,666	\$ 28,880	\$ 2,489	\$ 19,295	\$ 4,501	
1996	\$ 8,487	\$ 23,735	\$ 1,003	\$ 16,872	\$ 3,024	
1995	\$ 7,471	\$ 17,504	\$ 1,125	\$ 12,140	\$ 3,550	
1994	\$ 5,367	\$ 13,816	\$ 1,136	\$ 9,267	\$ 2,441	
1993	\$ 3,996	\$ 11,344	\$ 1,114	\$ 7,500	\$ 1,933	
1992	\$ 2,816	\$ 8,089	\$ 622	\$ 5,445	\$ 1,228	
1991	\$ 2,163	\$ 6,292	\$ 503	\$ 4,418	\$ 948	
1990	\$ 1,658	\$ 5,376	\$ 345	\$ 3,592	\$ 680	
1989	\$ 1,284	\$ 3,994	\$ 412	\$ 2,549	\$ 422	
1988	\$ 1,122	\$ 3,550	\$ 479	\$ 2,080	\$ 477	

(In millions--except per share amounts)	Net revenues	Cost of sales	Research & development	Operating income	Net income	Basic earnings per share	Diluted earnings per share	Dividends declared per share
1997	\$ 25,070	\$ 9,945	\$ 2,347	\$ 9,887	\$ 6,945	\$ 4.25	\$ 3.87	\$.115
1996	\$ 20,847	\$ 9,164	\$ 1,808	\$ 7,553	\$ 5,157	\$ 3.13	\$ 2.90	\$.095
1995	\$ 16,202	\$ 7,811	\$ 1,296	\$ 5,252	\$ 3,566	\$ 2.16	\$ 2.02	\$.075
1994	\$ 11,521	\$ 5,576	\$ 1,111	\$ 3,387	\$ 2,288	\$ 1.38	\$ 1.31	\$.058
1993	\$ 8,782	\$ 3,252	\$ 970	\$ 3,392	\$ 2,295	\$ 1.37	\$ 1.30	\$.050
1992	\$ 5,844	\$ 2,557	\$ 780	\$ 1,490	\$ 1,067	\$.64	\$.62	\$.025
1991	\$ 4,779	\$ 2,316	\$ 618	\$ 1,080	\$ 819	\$.51	\$.49	\$ -
1990	\$ 3,921	\$ 1,930	\$ 517	\$ 858	\$ 650	\$.42	\$.40	\$ -
1989	\$ 3,127	\$ 1,721	\$ 365	\$ 557	\$ 391	\$.27	\$.26	\$ -
1988	\$ 2,875	\$ 1,506	\$ 318	\$ 594	\$ 453	\$.33	\$.31	\$ -

Financial information by quarter

(unaudited)



(In millions--except per share data)

1997 for quarter ended		December 27	September 27	June 28	March 29
Net revenues		\$ 6,507	\$ 6,155	\$ 5,960	\$ 6,448
Cost of sales		\$ 2,691	\$ 2,604	\$ 2,343	\$ 2,307
Net income		\$ 1,743	\$ 1,574	\$ 1,645	\$ 1,983
Basic earnings per share		\$ 1.07	\$.96	\$ 1.01	\$ 1.21
Diluted earnings per share		\$.98	\$.88	\$.92	\$ 1.10
Dividends per share (A)	Declared	\$.03	\$.03	\$.03	\$.025
	Paid	\$.03	\$.03	\$.025	\$.025
Market price range Common Stock (B)	High	\$ 95.38	\$ 100.50	\$ 84.66	\$ 82.38
	Low	\$ 69.13	\$ 69.53	\$ 65.25	\$ 65.19
Market price range Step-Up Warrants (B)	High	\$ 74.69	\$ 79.88	\$ 64.16	\$ 62.63
	Low	\$ 48.38	\$ 49.56	\$ 45.31	\$ 45.06

(In millions--except per share data)

1996 for quarter ended		December 28	September 28	June 29	March 30
Net revenues		\$ 6,440	\$ 5,142	\$ 4,621	\$ 4,644
Cost of sales		\$ 2,392	\$ 2,201	\$ 2,150	\$ 2,421
Net income		\$ 1,910	\$ 1,312	\$ 1,041	\$ 894
Basic earnings per share		\$ 1.16	\$.80	\$.63	\$.54
Diluted earnings per share		\$ 1.06	\$.74	\$.59	\$.51
Dividends per share (A)	Declared	\$.025	\$.025	\$.025	\$.020
	Paid	\$.025	\$.025	\$.020	\$.020
Market price range Common Stock (B)	High	\$ 68.75	\$ 48.69	\$ 38.44	\$ 30.50
	Low	\$ 47.72	\$ 34.50	\$ 28.44	\$ 25.00
Market price range Step-Up Warrants (B)	High	\$ 49.19	\$ 29.44	\$ 19.66	\$ 14.25
	Low	\$ 28.38	\$ 15.88	\$ 12.00	\$ 10.81

(A) Intel plans to continue its dividend program. However, dividends are dependent of future earnings, capital requirements and financial condition.

(B) Intel's Common Stock (symbol INTC) trades on The Nasdaq Stock Market* and is quoted in the Wall Street Journal and other newspapers. Intel's 1998 Step-Up Warrants (symbol INTCW) trade on The Nasdaq Stock Market until their March 1998 expiration. Intel's Common Stock also trades on the The Swiss Exchange. At December 27, 1997, there were approximately 173,000 registered holders of Common Stock. All stock and warrant prices are closing prices per The Nasdaq Stock Market.

* Other brands and names are the property of their respective owners.