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Everything Matters

Global Citizenship Report 2003



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Report Scope and Profile: This report, addressing Intel's worldwide operations, was published in May 2004. The report contains data from 2001 through 2003. Some of the management systems used to monitor and collect the data are discussed throughout the report. Environmental, health and safety (EHS) data includes widely accepted parameters and units. The report is based on the Global Reporting Initiative* (GRI) 2002 Sustainability Reporting Guidelines. A GRI content table is provided above as a cross-reference to the report content. Financial data is presented in U.S. dollars. The previous report was published in May 2003.

To view the report on the Internet, visit www.intel.com/intel/finance/gcr03. A full discussion of the company's operations and financial statements is included in our Form 10-K filing with the Securities and Exchange Commission, available on our Investor Relations web site at www.intc.com. If you have questions or comments, contact us via mail or e-mail at Responsibility@Intel.com, Intel Corporation, 5000 W. Chandler Blvd., CH7-301, Chandler, Arizona 85226, USA.

Everything Adds Up



Craig R. Barrett

Many variables are involved in the successful operation of a global enterprise. With today's emphasis on worldwide competitiveness, pressures that include economic performance, environmental performance, employee and community safety, and social programs can pull a company in different directions.

At Intel, we pride ourselves on the fact that while our near-term economic priorities may shift, we maintain a long-term commitment to excellence in all areas in which we are involved. As corporate responsibility can encompass just about every relationship a company has, we can judge our success only by adding up all the details.

➔ www.intel.com/jobs/workplace/values.htm

This is Intel's third Global Citizenship Report. In it, we attempt to offer a balanced and reasonable presentation of our organization's economic, environmental and social performance in 2003 as well as outline our priorities for the future. We continue to publish this report in accordance with the Global Reporting Initiative* (GRI) 2002 Sustainability Reporting Guidelines and will do so in the future.

For Intel, 2003 was a year of execution. We improved our global employee ethics training program and strengthened our network of risk controls across our finance and manufacturing organizations. Our employee injury rates improved 7% from 2002 and remain at world-class levels. Intel's global waste recycling teams exceeded their goals for 2003 by recycling more than 66% of chemical waste and 74% of solid waste worldwide. This represents a total of 40,000 tons of material recycled, resulting in hundreds of thousands of dollars saved in landfill costs.

The Intel® Teach to the Future program is now active in 33 countries after adding programs in Australia, Chile, Turkey, the Ukraine and Vietnam. By mid-2003, we had reached

our "million teachers trained" milestone, and by year end that number had reached 1.5 million. The Intel® Computer Clubhouse Network expanded around the world, with new sites launched in Ireland, Ramallah/West Bank, South Africa and the United States—bringing the total to 68 Intel sponsored sites. In the areas of workplace and diversity, we chartered our 19th employee group and 99th chapter, and joined 65 other companies in support of the University of Michigan Amicus Brief upholding race as a factor in student admissions.

In the midst of our accomplishments, our company and our industry must continue to address the challenges we face with forthrightness and diligence. Among other things, we will work closely with our community stakeholders in New Mexico to investigate and alleviate concerns about Intel's environmental performance. And we will continue our work with the Semiconductor Industry Association to drive progress in the industry's worker health initiative.

➔ www.nmenv.state.nm.us/aqb/projects/Corrales

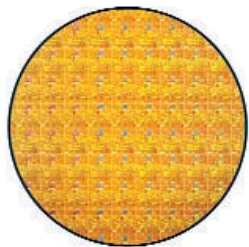
➔ www.sia-online.org/iss_whs.cfm

We continue to set high expectations for ourselves in 2004, not only in manufacturing excellence but also in improved performance across our corporate responsibility efforts, from environmental performance and energy conservation to stakeholder relationships and employee programs. These expectations are reflected in our goals for 2004 and, with sustained effort, in our tally of achievements in the future.

A handwritten signature in black ink that reads "CR Barrett".

Craig R. Barrett
Chief Executive Officer

Organizational Profile



Our products help to enhance the way people live, work and play.

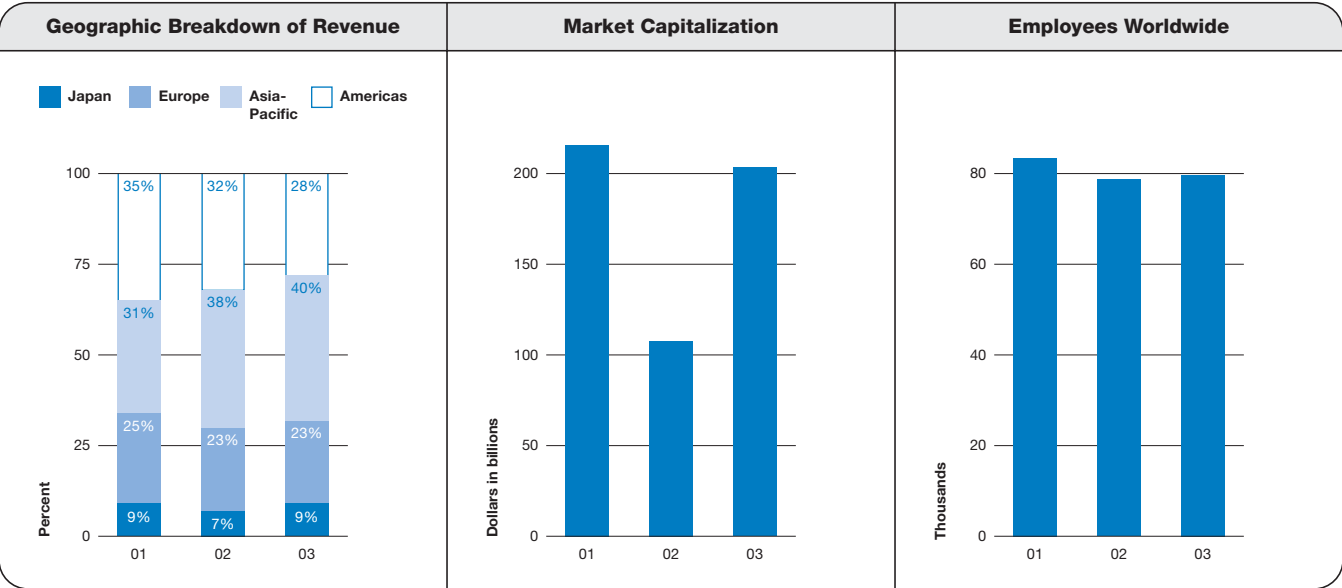
Intel supplies advanced technology solutions for the computing and communications industries worldwide. We use our core competencies in the design and manufacture of integrated circuits, as well as key silicon and platform capabilities. Our goal is to be the preeminent building block supplier to the worldwide Internet economy.

Major Products

- Microprocessors
- Chipsets
- Boards
- Wired Ethernet and wireless connectivity products
- Communications infrastructure components such as network and embedded processors and optical components
- Microcontrollers
- Flash memory
- Application and cellular processors used in cellular handsets and handheld computing devices
- Cellular baseband chipsets

Major Customers

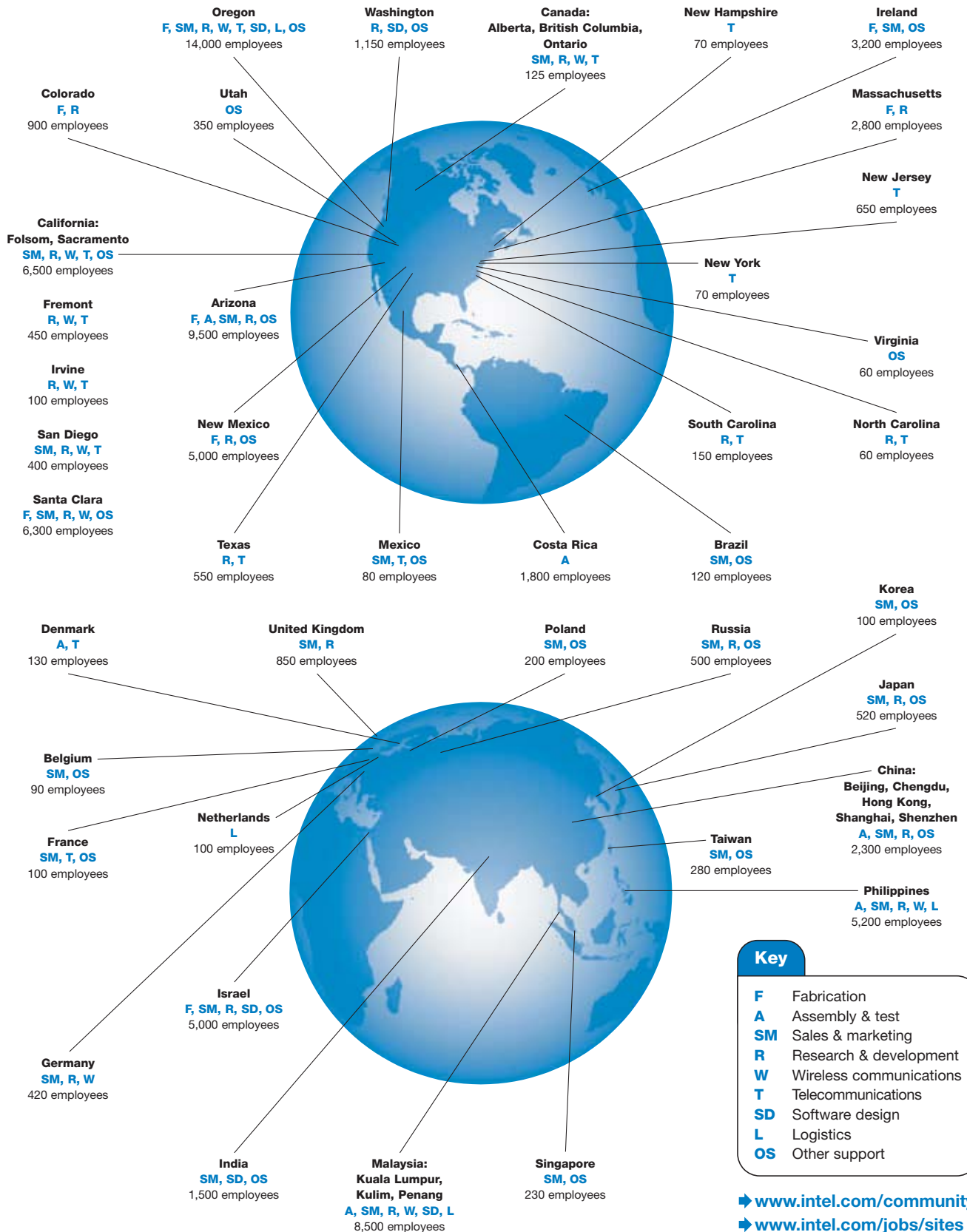
- **Original equipment manufacturers (OEMs) and original design manufacturers (ODMs)** who make computer systems, cellular handsets and handheld computing devices, and telecommunications and networking communications equipment.
- **PC and network communications products users** (including individuals, large and small businesses, and service providers) who buy PC components and board-level products, as well as Intel's networking and communications products, through distributor, reseller, retail and OEM channels throughout the world.
- **Other manufacturers**, including makers of a wide range of industrial and communications equipment.



Download a spreadsheet of the data in this report at ➤ www.intel.com/intel/finance/gcr03

Worldwide Locations

Intel Sites With More Than 50 Employees



Everywhere Matters



We celebrate
diversity worldwide.

Operating a global business is a complex issue. Intel has a history of investing in locations where we have growing markets and available local talent. We have operated on a worldwide basis for nearly 35 years and currently have facilities and offices in more than 45 countries.

To best serve our growing markets and maintain our leadership in the technology industry, we must embrace the opportunities offered by global markets. In 2003, 70% of our sales resulted from geographies outside of the Americas. While about 60% of our workforce is in the United States, we recognize that to better serve our customer base, we will need to grow globally, especially in emerging markets such as China, India and Russia.

Our goal is to maintain a relatively stable level of employment in the U.S. while we expand globally. In the past two years, we have invested more than \$8 billion in our U.S. manufacturing capacity, maintaining four of our five most advanced manufacturing facilities in the U.S.

We do not pursue a strategy of exporting jobs. The bulk of the reduction in U.S. employment over the last few years has come from attrition and shrinking our U.S. operations to reflect the lower revenue coming from that geography. Those jobs are gone; they have not been sent overseas.

There have been exceptions, however. By the end of 2003, we had moved fewer than 500 jobs—about 1% of our U.S. workforce—to other countries. We understand that although these numbers are low, they nonetheless represent difficult situations for those affected. Our redeployment program has helped many individuals find jobs internally; others have received generous packages upon leaving the company.

We recognize that the concern in the U.S. is the long-term ability to stay competitive in an increasingly intense global marketplace. Since money and jobs move to the areas of highest productivity, as a country, the U.S. needs to do everything possible to ensure that its workforce is the most productive that it can be.

We work hard in every geography to improve education, especially math and science education, and we continue to invest heavily in research and development, even during an economic downturn. We consistently share our views with government representatives, emphasizing the need to make it as easy as possible to do business through investment incentives and other similar initiatives.

A Global Operation

Employees. Intel's workforce is made up of close to 80,000 people in over 45 countries. Approximately 60% are located in the U.S.

Manufacturing. At year-end 2003, more than 75% of our wafer manufacturing, including microprocessor, chipset, flash memory and networking silicon fabrication, was conducted in the U.S. at our facilities in Arizona, California, Colorado, Massachusetts, New Mexico and Oregon. Outside the U.S., almost 25% of our wafer manufacturing, including microprocessor, chipset, flash memory and networking silicon fabrication, was conducted at our facilities in Israel and Ireland. Our facilities in Israel currently manufacture primarily chipsets.

Assembly & Test. We perform a substantial majority of our components assembly and testing at facilities in Costa Rica, China, Malaysia and the Philippines. In the third quarter of 2003, we announced plans to begin construction of an additional assembly and test facility in Chengdu, China.

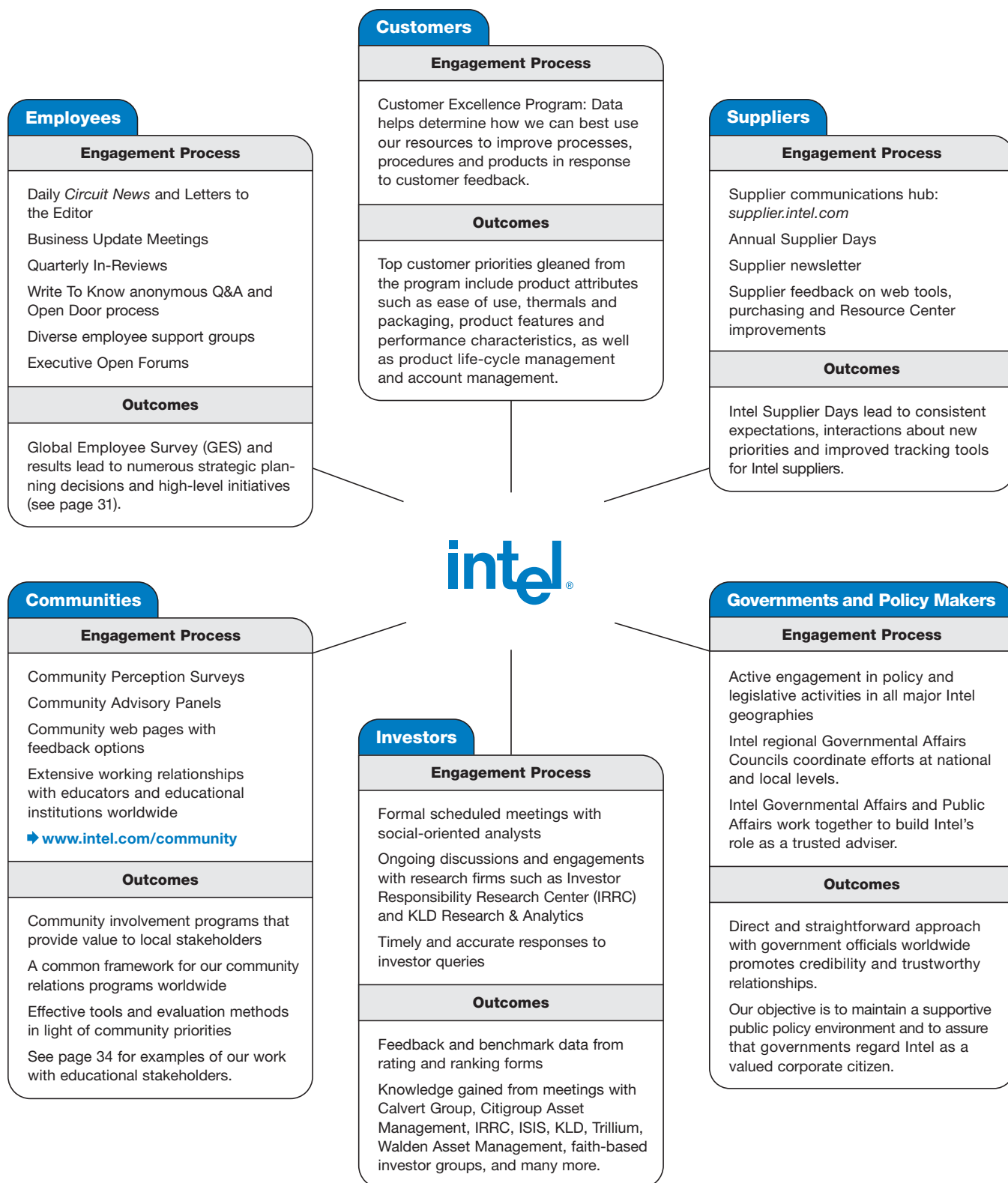
Subcontractors. To augment manufacturing capacity in the U.S. and worldwide, we use subcontractors to assemble certain products, primarily flash memory, chipsets, and networking and communications products. We use third-party foundries to manufacture wafers for certain components, such as networking and communications products.

Expectations. Intel's expectations for business integrity, ethics, EHS compliance and employment practices are the same for all suppliers and contractors worldwide.



Intel employees around the world feel a responsibility to improve their local communities.

Stakeholder Relationships





Intel Ireland was commended for community environmental initiatives.

Intel stakeholders are diverse—in geography, perspective and interests. However, they all have Intel in common. They may be our employees, suppliers or customers. They may live in the communities in which we operate or be influenced by the policies we set or the legislation that touches the way we do business globally. They are our stockholders, peer companies and the educational institutions with which we work. A few examples of our many stakeholder engagements follow.

Policy Makers

Social Responsibility in Europe. As an active member of CSR Europe, Intel participates on the Steering Team that oversees the organization's engagement in the European Multi-Stakeholder Forum on Corporate Social Responsibility (CSR). Bringing together European employers, federations, business networks, trade unions and non-governmental organizations, the forum is designed to promote innovation, convergence and transparency in existing CSR practices and tools. These include codes of conduct, labels, reports and management instruments. Through a series of thematic roundtables during 2003, members exchanged information on effective practices and assessed the appropriateness of establishing common guiding principles for CSR practices and instruments. Given our specific business focus and experience, we have participated in talks directly with CSR Europe as a formal stakeholder on the organization's Convergence and Transparency Roundtable.

Investors

Looking Beyond Performance. Intel stockholders care about more than financial performance. Increasingly, they also want to know about our social responsibility efforts. To keep them informed, we hold a series of corporate responsibility analyst meetings each year. In 2003, we met with groups in California, Massachusetts, New York, Washington, D.C. and Amsterdam. Among those we met with were Calvert Group, Catholic Healthcare Investment Trust, Citigroup Asset Management, Domini, Dreyfus, Harris Bretall, IRRG, KLD, Rockefeller, Trillium Asset Management, Walden Asset Management, and the Presbyterian Church USA. We also held discussions by teleconference and responded to surveys from the Carbon Disclosure Project, Dow Jones Sustainability Index, Ethibel, Ethical Investment Research Service, Innovest, Institutional Shareholder Services, Oekom Research and others. We value the scrutiny, ideas and insight of our stockholders.

Communities

Local Engagement in New Mexico. Intel New Mexico has been participating in the New Mexico Environment Department (NMED) air quality study. The sampling phase of the study is complete, and final results from the health risk assessment as well as proceedings of all public meetings and the report are posted on the Internet at www.nmenv.state.nm.us/aqb/projects/Corrales

Despite reassuring results from the air quality study, we remain committed to continuous improvement and engagement with the local community. Our New Mexico site continues to take additional steps to enhance communication and environmental factors.

Intel New Mexico has established a public forum and visited door-to-door with adjacent neighbors to hear their comments about our emissions and operations. The process has resulted in facility improvements, including the installation of additional abatement equipment to reduce noise and emission levels. The forums have enabled Intel to garner valuable community input concerning our update to the site's risk assessment effort.

Finding a Solution for the City of Folsom. A year ago, it seemed like an intractable problem: The City of Folsom needed to build affordable housing under court order and looked to Intel for help. We owned vacant land in the City near our 185-acre campus but intended to use it for future expansion. Nearby homeowners were concerned that any further development on Intel land might eliminate a valuable stand of trees and degrade the surrounding environment. We saw opportunity rather than a problem. After a year of dialogue and planning, we crafted an innovative solution that preserved the trees, provided for affordable housing in the City on a more suitable part of our property and preserved the company's ability to grow.

Performance Summary

2003 Goals

2003 Performance

Environment

Recycle 45% of chemical waste generated from our worldwide facilities.	Recycled 66.5% of chemical waste generated worldwide.
Recycle 60% of solid waste generated from our worldwide facilities.	Recycled 74% of solid waste generated worldwide.
Reduce volatile organic compound (VOC) emissions per unit of production for the seventh consecutive year.	Reduced global VOC emissions 8% overall and 20% per unit of production from 2002 levels.
Recognize customers and employees for green design performance.	Four Intel teams won Environmental Excellence Awards for driving sustainable Intel factory operations and working with stakeholders on environmentally conscious products and programs. Intel Innovative PC awards included green criteria at the fall 2003 Intel Developer Forum.
Purchase 30% recycled-content paper for all copiers and printers in the U.S.	Purchased 30% recycled-content paper for all copiers and printers in the U.S.
Offset at least 25% of Intel's total incoming fresh water supply needs with reclaimed water and more efficient systems.	Achieved 35% fresh water savings in 2003.
Join the U.S. Environmental Protection Agency's Energy Star* program Million Monitor Drive.	Implemented power management on 65,000 laptop displays and 45,000 desktop monitors worldwide for an estimated one-year savings of approximately 9.65 million kWh (enough electricity to light 11,000 U.S. homes for one month).
Develop overall goals for reducing energy use and carbon dioxide emissions.	Established a new goal to reduce normalized energy consumption 4% per year through 2010.
Achieve an absolute 10% reduction in perfluorocarbon (PFC) emissions from 1995 levels by 2010.	Remained on track to achieve our long-term goal through ongoing process improvements. Current emission levels are approximately 60% higher than 1995 levels but 30% lower than 2000 levels.

Health & Safety

Be the world-class benchmark for employee health and safety performance.	Achieved world-class results for the sixth consecutive year. Intel's worldwide recordable incident rate was 0.28 in 2003. Construction of Intel India's new Bangalore campus occurred injury-free in 2003, with more than 1.7 million worker-hours. Construction of Fab 24 in Ireland was completed with the best levels of safety performance in Intel history.
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Education

Deliver Intel Teach to the Future professional development to 1 million teachers worldwide.	Trained 1.5 million teachers worldwide.
Deliver a suite of interactive web tools for use by teachers in classrooms, promoting higher order thinking and effective use of technology and the Internet.	Delivered a rich suite of online tools for teachers that received 1.5 million hits during 2003. Hits on the education web site totaled more than 9.7 million.
Install 10 new Intel Computer Clubhouses in 2003, increasing presence outside the U.S. from 28% to 33%.	Opened 10 new Intel Computer Clubhouses, increasing presence outside the U.S. from 28% to 33%.

Human Resources & Diversity

Sustain relationships with key national organizations that support retention and development of women and under-represented minorities.	Sustained relationships with national organizations, including the National Urban League, Society of Women Engineers, Society of Hispanic Professional Engineers, National Society of Black Engineers and U.S. Business Leadership Network.
Invest in pipeline programs focused on increasing the pool of diverse students to meet Intel's global workforce needs.	Intel served on: University of Michigan Advisory Board; National Consortium for Graduate Degrees for Minorities in Engineering and Science Executive Board; National Action Council for Minorities in Engineering Board.
Retain or increase representation of women and under-represented minorities in key technical positions, regardless of business conditions.	Met our representation goal for under-represented minorities and slightly exceeded our goal for women.
Build and hire a diverse pool of interns and recent college graduates equal to or higher than availability.	Exceeded our above-availability hiring goals in both categories.
Continue to develop and strengthen partnerships between Intel and Historically Black Colleges and Universities. Provide support via donations, retention, enrollment grants and hiring goals.	Donated computer equipment, funded enrollment and retention grants, and supported faculty awards at these schools. Funded scholarships, including a laptop for each student.
Increase spending with diversity suppliers by 30%, strive for 100% inclusion of historically underutilized businesses in all bidding opportunities, and deploy more effective sourcing tools to our purchasing decision makers.	Increased spending with historically underutilized businesses by more than 100% and exceeded inclusion goal. Launched improved electronic sourcing tools to Intel purchasers.

Goals & Targets

2004 Goals & Targets

Environment
Recycle 50% of chemical waste generated worldwide.
Recycle 70% of solid waste generated worldwide.
Develop a worldwide goal for reducing chemical waste generation.
Achieve a 10% absolute reduction in perfluorocarbon (PFC) emissions from 1995 levels by 2010.
Purchase 30% recycled-content paper for all copiers and printers in the U.S.
Reduce worldwide energy use 4% per year through 2010 on a production-normalized basis.
Meet commitments to the U.S. Environmental Protection Agency's Plug-In to eCycling program, which recycles old computers, TVs and cell phones.
Develop and release public design guidelines for driving the use of energy-efficient power supplies in desktop PCs.
Health & Safety
Be the world-class benchmark for employee health and safety performance.
Education
Expand Intel Teach to the Future professional development to an additional 700,000 teachers, with a special focus on emerging markets such as China, India, Mexico, the Middle East and Russia.
Support science learning worldwide by increasing opportunities for students to participate in more than 80 affiliated fairs that feed the Intel International Science and Engineering Fair.
Community
Employ active stakeholder engagement tools, data collection and feedback at 100% of our manufacturing and assembly/test sites.
Promote and manage the Intel Involved volunteer program to achieve 30% employee participation worldwide.
Human Resources & Diversity
Sustain existing relationships and develop two new relationships with key national organizations that support the retention and development of women and under-represented minorities.
Increase representation of women and under-represented minorities in technical positions.
Build and hire a diverse pool of interns and recent college graduates equal to or higher than availability.
Continue to develop and strengthen partnerships between Intel and Historically Black Colleges and Universities. Provide support via donations, retention, enrollment grants and hiring goals.
Increase spending with diversity suppliers by 30% from 2003 levels. Strive for 100% inclusion of historically underutilized businesses in all bidding opportunities.
Install 14 new Intel Computer Clubhouses in 2004, increasing presence outside the U.S. from 33% to 37%.

Ethics & Compliance

For many years, Intel has maintained a set of Corporate Business Principles, which is our code of ethics and conduct that applies to all employees, including officers.

These principles also apply to our independent directors, who are not employees of the company, with regard to their Intel related activities. The Sarbanes-Oxley Act required all public companies to adopt a code of ethics for the CEO and senior finance officers, and we opted to make those provisions

“Companies such as Intel...have developed strong new approaches to risk management, incorporating advanced ethical monitoring and reporting processes and systems.... Their techniques are valuable and worth emulating.”

**Dale Neef, Managing Corporate Reputation and Risk,
Butterworth-Heinemann, 2003**

applicable to all employees and directors by adding them to our Corporate Business Principles.

Intel's Corporate Business Principles include guidelines designed to deter wrongdoing and to promote honest and ethical conduct, as

well as compliance with applicable laws and regulations. Our principles also express our policies regarding environment, health and safety; diversity; nondiscrimination; supplier expectations; privacy; and business continuity.

The full text of our Corporate Business Principles is published on our Corporate Governance and Social Responsibility web site. The web site also includes Intel's Principles for Responsible Business; Corporate Governance Guidelines; Environmental, Health and Safety Report; Community and Workplace information; Board of Directors membership and Board committee charters; and executive compensation data.

➔ www.intel.com/go/responsibility

Overseeing Compliance

Intel's long-standing Compliance Oversight Committee (COC) was chartered by the Audit Committee of the Board of Directors and charged with ensuring that adequate systems exist for reporting legal and ethical compliance information to the Board. The Committee's scope and function have been expanded to further improve the culture of ethics and controls across the company. This enhanced structure will be the Ethics and Compliance Oversight Committee (ECOC). Committee membership is drawn from Intel's Corporate Controller, Supplier Management, EHS, Purchasing, Human Resources, Legal, Security, Internal Audit and other company business units. The committee is guided by the principle that ongoing compliance is best achieved by relying on company business and administrative units to develop and implement programs on a decentralized basis.

Every quarter, as part of the committee's effort to fulfill its responsibilities, the ECOC selects various organizations within Intel for review. Each such organization undertakes a compliance self-assessment that covers topics ranging from responsibility and enforcement to monitoring, reporting, prevention and detection, and provides the ECOC with a detailed view of that group's compliance efforts.

Building Business Practice Excellence

In 2003, Intel created a Business Practice Excellence Program that builds on our long-standing Corporate Business Principles and responds to the public's heightened expectations of global companies. Although Intel has historically demonstrated leadership in this area, and we have a keen sense of values deeply rooted in our culture, we saw an opportunity to reinforce our commitment to uncompromising integrity.

Two new training vehicles live at the heart of the program. The first is a mandatory review course that combines an overview of business practice excellence with an introduction to key areas of Intel's Corporate Business Principles. Offered on the web and as an instructor-led session, in local languages where possible, the course presents employees with business scenarios that represent a variety of ethical challenges. In 2003, 99% of Intel employees completed this course, which is now a requirement for new employees.

The second vehicle is a four-hour intensive workshop targeted for Intel managers. Close to 6,000 managers worked together on hypothetical business cases that included potential ethical dilemmas. By year-end 2003, 99% of the targeted Intel managers had completed the course.

Ethics & Compliance Oversight Committee Responsibilities

- Review existing compliance information and reporting systems.
- Review compliance program auditing procedures for effectiveness in identifying and correcting deficiencies.
- Identify and recommend opportunities for compliance program improvement.
- Support and enhance a culture of ethics throughout Intel.
- Report on program status and make recommendations to the Audit Committee of the Board of Directors on a periodic basis.
- Report, through oversight review, to the Board on companywide compliance efforts.
- Recommend program changes to the Board and to the business units as appropriate.
- Investigate and assist in compliance issues resolution.

Economic Performance

Intel ended 2003 with substantial improvements in revenue and profit over 2002. Revenue of \$30.1 billion was up 13% over 2002, with net income of \$5.6 billion, up 81% over 2002.

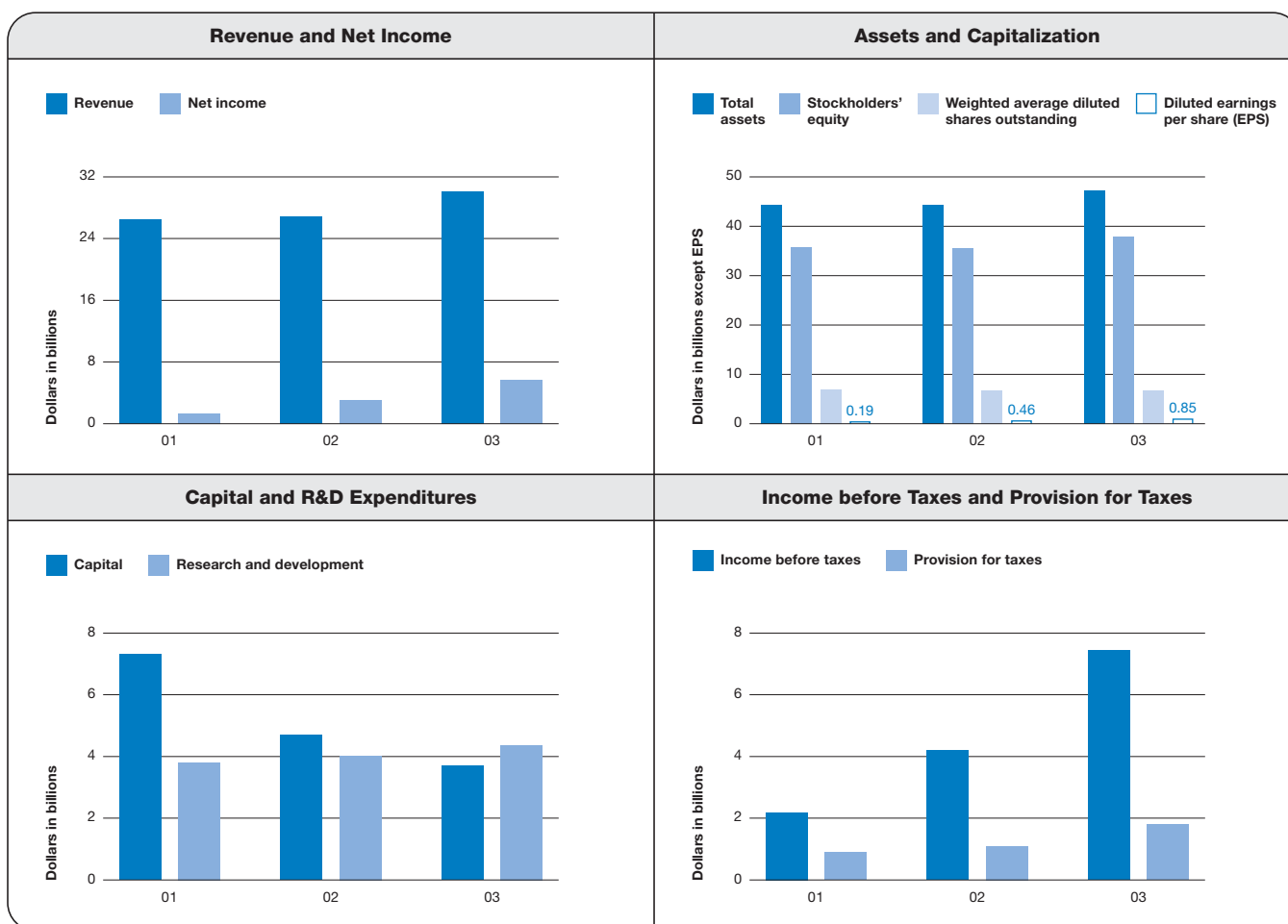
We spent \$3.7 billion on capital assets, mostly factories and equipment, and had \$4.4 billion in research and development expenses. Despite challenges in our Wireless Communications and Computing Group resulting in a \$611 million goodwill write-off, 2003 operating income of \$7.5 billion was up 72% from 2002.

In 2003, we sold to an increasingly worldwide market. Sales were particularly strong in geographies such as China, Russia and Eastern Europe, as these areas continued to build their IT infrastructure. In many cases, emerging markets are taking advantage of the competitive benefits of leading-edge technology, particularly wireless capabilities, creating opportunities for our products. Our expanding local presence in emerging markets gives us a solid foundation in these geographies, the fastest growing regions for our technology. We also saw a

rally in IT investment in more mature markets. In Japan and Western Europe in particular, we saw increased investment to upgrade aging technology and remain competitive for growth. We are poised to take advantage of appropriate growth opportunities worldwide.

We have redeployed resources to areas of higher productivity and strategic importance. The company has substantial cash reserves and the ability to invest heavily to support our major technologies. And Intel has a highly skilled workforce dedicated to our goals of providing better products for our customers, delivering growth and creating value for our stockholders.

We are optimistic about the outlook for new technologies and our potential for continued leadership and growth in an increasingly digital world.



Download a spreadsheet of the data in this report at ➔ www.intel.com/intel/finance/gcr03

Every Effort Contributes



EHS leadership depends on great people and advanced technology.

The definition of good corporate citizenship with respect to environment, health and safety begins with principles. At Intel, our principles are clear: prevent all injuries in the workplace; be an EHS leader in our communities and our industry; and reduce the environmental footprint of our products, processes and operations.

Our principles are also universal. They apply not only to our employees and operations, but also to our industry and the communities in which we live. These principles did not appear overnight. They have been developed and tested through intensive dialogue at the highest levels of the company for the past 15 years. That's how long Intel's EHS organization has been discussing performance in these areas with the company's leaders. For the past 10 years, we have also published our performance publicly. Every year, we address a new set of challenges and opportunities.

Intel Environmental Excellence Awards

Intel employees around the world understand these variables and strive for new ways to apply our principles. Each year, many projects are evaluated to determine which should receive special acknowledgment for Environmental Excellence. In 2003, four winners were selected from 41 applications for outstanding achievement in environmental, energy conservation and pollution prevention performance.

Israel: Achievements in Water Conservation. A multi-disciplinary team implemented projects to reduce water

consumption in two key facilities by 50% and 35% respectively, saving \$3 million and reducing the chemicals used for water treatment by 50%.

Kulim, Malaysia: Green Factory Advances. Using tea sessions to promote its program and collect ideas, Kulim's Green Factory team introduced improvements that reduced air emissions and waste generation, and save \$1.5 million annually.

Philippines and China: Groundbreaking Conference on Local Waste Disposal. A team from Intel's Philippines and China sites organized a conference involving 300 participants from government, industry and academia to address hazardous waste disposal in these two countries. The resulting agreements and specific measures support our strategic business objective to develop local waste disposal capability.

Companywide: Lead-Free Product Breakthroughs. Responding to emerging worldwide requirements to eliminate lead in electronics, a team of Intel engineers completed a project that yielded new lead-free products and resolved complex lead-related industry issues, thus enabling Intel to achieve critical flash product design wins with Matsushita and Motorola.

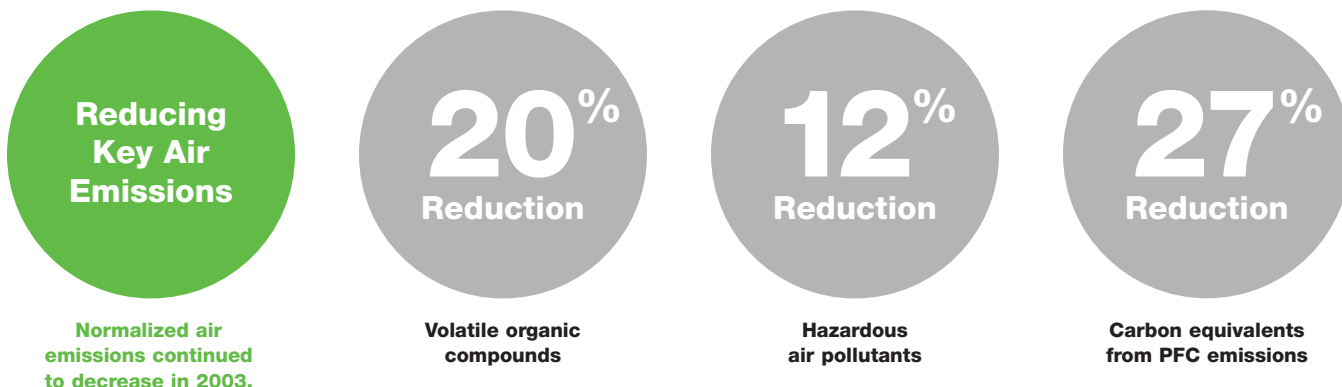
"EHS leadership and business leadership go hand in hand. Upgrading our manufacturing operations every 18 months to two years allows us to improve our products and our environmental performance. Our drive to prevent all injuries in the workplace and improve the health and wellness of our employees is as much about good management as good safety."

Lew Scarpace, Director, Worldwide Environmental Health and Safety, Intel



Our Environmental Management System is fully integrated into our global operations.

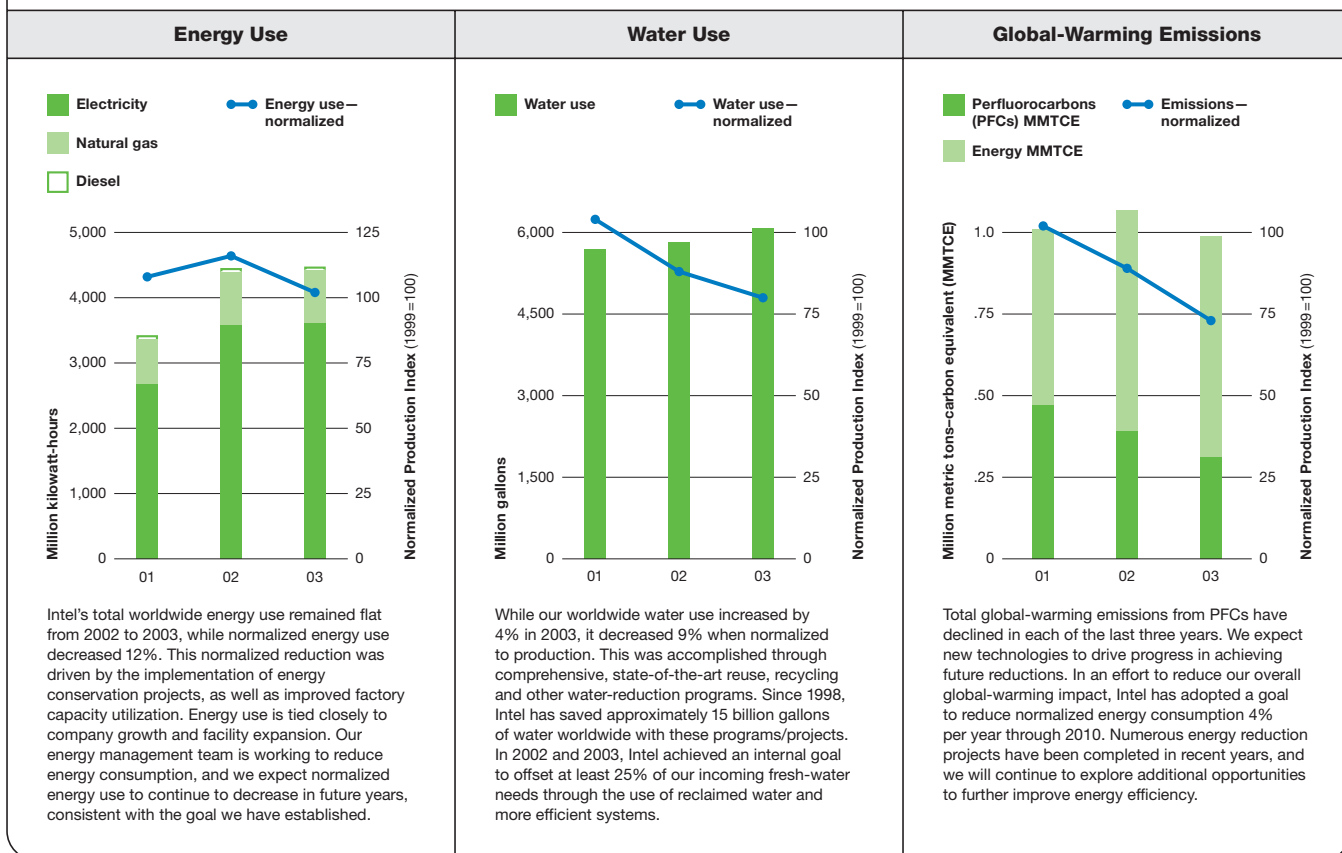
Performance Indicators

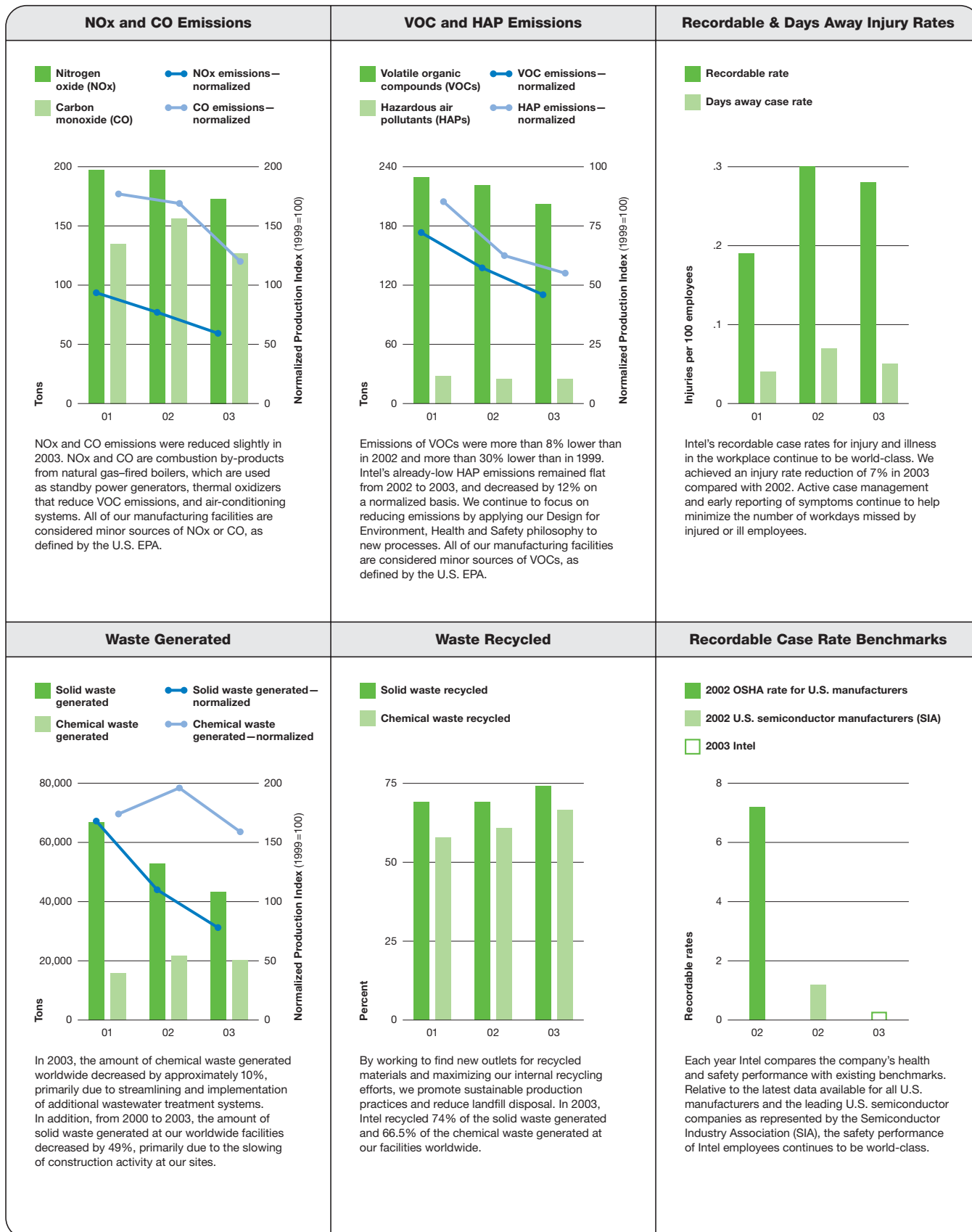


Normalized Production Index

In 2003, we instituted a new factor to demonstrate Intel's performance per unit of production for most of our environmental indicators: the Normalized Production Index (NPI). The NPI is derived directly from our worldwide silicon wafer production and is indexed to a reference or baseline year of 1999. (NPI = 100 for baseline year 1999.)

With this direct correlation to Intel's global manufacturing levels, the NPI will enable more accurate year-to-year comparisons and easier analysis of overall environmental performance. The index also facilitates trending comparisons across semiconductor manufacturers using similar normalization methods.





View Intel's Environmental, Health & Safety Report, including additional performance indicators, at www.intel.com/go/ehs
Download a spreadsheet of the data in this report at www.intel.com/intel/finance/gcr03

Inspections & Compliance

Regulatory Inspections

	1999	2000	2001	2002	2003
Safety Inspections	48	36	48	28	15
Environmental Inspections	44	69	78	63	46
Total Inspections	92	105	126	91	61
Citations (details below)	2	5	2	3	4

Compliance Record 2003

Location	Type	Violation	Fine	Intel's Corrective Action
Arizona	Environmental	Change notification not submitted in permitted time frame	No fines or penalties	Procedure updated and personnel trained
New Mexico	Environmental	Classification of air pollution control equipment downtime in reports to agency	No fines or penalties	Updated reporting procedures
Oregon	Environmental	Wastewater pH excursion	\$100	Improved procedures and updated electronic controller
Oregon	Environmental	State agency RCRA inspection: on-site hazardous waste management	No fines or penalties	Updated inspection procedures and implemented requested solvent collection system modifications

Incident Response

In August, an operator error caused the release of several thousand gallons of sodium hydroxide, a wastewater treatment chemical, to the environment at our Ireland site. All appropriate government agencies were notified. After a thorough investigation, the agencies concurred with Intel's findings that no environmental impact resulted from this spill.

In June, Intel experienced a minor spill of calcium hydroxide (slaked lime) in the service yard of our Santa Clara, California site. Although there was no release to the environment and no injuries to employees, site personnel reported the event to local regulatory agencies.

Environmental Proceedings

Intel has been named to the California and U.S. Superfund lists for three of our sites and has completed, along with two other companies, a Remedial Investigation/Feasibility study with the U.S. Environmental Protection Agency (EPA) to evaluate the groundwater in areas adjacent to one of our former sites. The EPA has issued a Record of Decision with respect to a groundwater cleanup plan at that site, including expected costs to complete. Under the California and U.S. Superfund statutes, liability for cleanup of this site and the adjacent area is joint and several. We have, however, reached agreement with those same two companies that significantly limits our liabilities under the proposed cleanup plan. Also, we have completed extensive studies at our other sites and are engaged in cleanup at several of these sites. In the opinion of management, the potential losses to the company in excess of amounts already accrued arising out of these matters would not have a material adverse effect on the company's financial position or overall trends in results of operations, even if joint and several liability were to be assessed.

Workplace Health & Safety



Recreational facilities are in place at Intel campuses worldwide.



Ergonomic labs are available to test and evaluate individual solutions.



Intel site fitness centers provide resources to help maintain a healthy lifestyle.



Training is a core element of our health and safety program.

Intel's safety performance and practices are so highly regarded that the Columbia Accident Investigation Board (CAIB) turned to our EHS organization for information in the aftermath of the Space Shuttle tragedy. While our performance record remained at industry-leading levels in 2002, we also unfortunately saw a reversal of a five-year downward trend in the number of safety incidents. In 2003, through renewed diligence, we succeeded in reducing our recordable injury rate once more—to 0.28, a 7% improvement over 2002. Intel's contractor injury and illness performance was the best ever—at 0.36. In addition, Intel's safety self-assessment has been expanded to more business groups.

From Incident to Insight

At Intel, we intentionally set the threshold for what constitutes a "safety incident" quite low. For many years, we have used our data management system to track and learn from all safety incidents—major, minor and potential. The 123 incidents we tracked, investigated and classified in 2003 resulted in more than 300 different corrective actions to prevent future occurrences across Intel. The two most common root causes were related to equipment and behavior, and electrical-related incidents occurred more than any other type of incident in 2003.

Good Health Is Good Business

Our workforce is one of the most productive in the world. Any contribution to increased productivity, even the most incremental, represents a significant accomplishment. Through skillful management of disability cases, Intel's Occupational Health team increased the number of productive workdays companywide in 2003, and achieved a cost avoidance of \$14.4 million, a 43% improvement over 2002. In addition, operating regions around the world enhanced their preventive health programs.

Forward-Looking Biosafety

As technology advances in every area of human endeavor—from computing to agriculture—our industry has a responsibility to proactively address potential health risks. Intel's Industrial Hygiene group initiated a program to address increasing research activities with nanotechnology in the biological and biochemical arena. Our EHS group is also playing a leadership role in our industry to understand and respond to the public perception of health effects related to wireless networks.

Stepping Up to SARS

The global Severe Acute Respiratory Syndrome (SARS) crisis in early 2003 affected workforces throughout much of East Asia and created business disruptions worldwide. To meet local and global challenges, Intel's EHS and Occupational Health (OH) team successfully blended corporate procedures with a variety of new processes. The team established a SARS e-mail account as well as an OH hotline to provide employee support globally. Intel's employee intranet publication, *Circuit News*, provided daily updates, and special health-related communications were delivered to all employees. The efforts resulted in minimal impact to Intel business and employee health, and positive lessons we can incorporate into our communicable disease response program.

Window into Worker Health

The Semiconductor Industry Association (SIA) Worker Health Initiative, an industrywide effort to study potential cancer risks in the silicon technology manufacturing industry, made significant headway in 2003. Johns Hopkins University was chosen to conduct the scoping phase of the research and requested specific historical data from member companies. Intel provided comprehensive records, extracting virtually all of the information requested from 140,000 U.S. employee records. Intel Medical Director Michael Fischman continued to play a leading role in the SIA research project.

➔ www.sia-online.org/iss_whs.cfm

Environmental Footprint



New boiler control technology saves energy and reduces emissions.



Intel/Conservation International Investigate Biodiversity web site: investigate.conservation.org



Rigorous processing yields ultra-pure water that is essential to our manufacturing process.



Disciplined waste segregation helps drive increased recycling.

Intel's waste reduction efforts extend from reduction and recycling to complete facility management. Through process design, safeguards and established procedures, we have achieved low levels of emissions of volatile organics and hazardous air pollutants in relation to other industries. The same is true for our discharges into water.

Chemical and Solid Waste Performance Gains

In 2003, Intel continued to make significant advances in chemical and solid waste performance, reducing generation across the board and exceeding our chemical and solid waste recycling goals of 45% and 60%, respectively. We also offset more than 25% of our water needs for the third year in a row through reuse, reclamation and savings programs.

We have also established a new goal to reduce worldwide normalized energy consumption 4% per year through 2010. This marks Intel's first companywide energy goal and helps solidify our position as an industry leader in addressing global-warming challenges.

Additionally, beginning with this report, we are normalizing our environmental indicators to production levels. We chose 1999 as an index year, with baseline performance levels set at 100. Readers may now view subsequent years' performance in terms of total, normalized and relative performance. The index year will shift over time to provide more relevant comparisons in the future.

Industrial Water Management in Israel

Managing water in an economically and environmentally responsible manner is a huge task for any manufacturing facility. In environments where the water supply is limited, the challenges are even more complex. For Intel's Israel facility, establishing an industrial water management group has played a decisive role in creatively—and successfully—meeting this challenge.

The group, which includes process and water engineers, technicians and EHS personnel, has helped the site pursue a number of water recycling projects. Based on the team's recommendations, Intel's Fab 18 in Qiryat-Gat completed connection of its irrigation system to the facility's effluent water, reducing annual water consumption by 120,000 cubic meters. The facility operates its cooling towers in eight concentrated cycles, and reuses ultra-recycled water (URW) for its cooling towers and scrubbers. Overall, in its first two years the team reduced water demand at Fab 18 by approximately 40% and offset the site's incoming fresh-water supply needs by 38%—significantly exceeding our corporate goal of 25%.

The group's strategy combines water management for existing projects with coordinated efforts involving the site's long-term planners. Putting this strategy into action enabled cancellation of a salinity reduction project, and thereby eliminated the need for a \$2 million capital investment as well as an annual operational cost of \$300,000.

Environmental Certification

In 2002, Intel successfully achieved companywide ISO 14001 registration. Our efforts now focus on adhering to this environmental management standard. To keep our certification current, we must pass a series of comprehensive audits at a sampling of sites each year. In 2003, audits took place in Colorado, Massachusetts and Oregon. Our corporate system was also audited. In all, these audits resulted in only two findings. In addition, we continued to reduce program costs by combining ISO 14001 audits with those for ISO 9001.

Also in 2003, a perfect score of 100 placed Intel's programs at the top among semiconductor suppliers in Sony Corporation's Green Partner program. The score followed a March 2003 audit of environmental management and quality systems by Sony at our fabrication facility in Santa Clara, California.



Intel gives high priority to maintaining air quality standards.



Online Field Guide to The Nature Conservancy: nature.org/wherewework/fieldguide



A sharp focus on details helps us achieve our environmental goals.



Alternative transportation at large sites can help reduce electric- and gas-powered vehicle trips.

Building Global Waste Infrastructure

In 2003, Intel continued to make strides in strengthening our waste management infrastructure outside the U.S. by supporting local recycling and disposal initiatives that meet Intel's high expectations in Asia. Concurrently, our Ireland site met the company's worldwide chemical recycling goal for the first time, while chemical waste recycling at U.S. sites hit an all-time high, achieving more than \$450,000 in waste cost-savings.

Designing for Environment, Health and Safety

Over the years, Intel has found that incorporating EHS criteria into our design processes can lead to significant performance improvements. In 2003, for example, Intel's EHS technology development group crafted the environmental goals for our next 300-millimeter manufacturing process, which included wastewater goals for more than 15 elements. At the same time, a task force is working to establish a chemical waste minimization strategy and set our first companywide goal in 2004. We also enhanced our chemical screening model by adding third-party international screening for potential future chemical restrictions. The industry acknowledged our leadership in this area by adopting our chemical screening methodology and including it in the International Technology Roadmap for Semiconductors.

➔ <http://public.itrs.net>

More recently, we extended our Design for Environment, Health and Safety program to include attributes of the products themselves. Focus areas have included the development of lead-free technologies, material content declarations and improved energy efficiency. Industrywide, the material content of electronic products, in particular heavy metals (lead, cadmium, chromium and mercury), has received more attention than ever due to the introduction of Europe's stringent Restriction on Hazardous Substances Directive. Working proactively, Intel has spent more than three years developing lead-free technologies for our product lines.

➔ www.intel.com/research/silicon/leadfree.htm

Conserving Energy/Using Renewable Resources

Renewable energy is a growing resource for a number of Intel sites, and Intel looks forward to ongoing leadership in this area. In Oregon, we buy about 14 million kilowatt-hours (kWh) of Pacific Gas & Electric (PG&E) Clean Wind power annually, enough to meet the daily needs of almost 1,300 average homes in the utility's service territory. Winning the first Green Power Leadership award from PG&E, Intel distinguished itself as Oregon's largest retail renewable power user and one of the largest in the Western United States.

Our New Mexico site is now one of the largest purchasers of renewable energy in that state as well. In 2004, the New Mexico site will be buying 100,000 kWh per month of renewable wind power. Although these examples may seem like small steps in the overall picture of energy use, they play a significant role in supporting the effort of local power companies to build renewable power infrastructures.

Working closely with the U.S. Environmental Protection Agency's Energy Star* Program Million Monitor Drive initiative, Intel implemented power management on 65,000 laptop displays and 45,000 desktop monitors worldwide in 2003. This initiative will save about 9.65 million kWh in 2004, enough electricity to light 11,000 U.S. homes for a month. At \$0.05 per kWh, Intel will see an annual savings of \$482,000.

Intel's PC power management effort is just one of many factors in our companywide efforts to reduce normalized energy consumption by 4% per year through 2010. In fact, energy conservation solutions have proliferated at Intel. To cite another example, a team of engineers in New Mexico determined that boilers retrofitted with Autoflame*, a UK-based boiler control technology, met stringent emission, energy conservation and product reliability goals. Where the new technology has been installed, boilers have reduced nitrous oxide (NOx) and carbon monoxide (CO) emissions by 32% and 92%, respectively, and have realized significant natural gas, electricity and boiler maintenance savings annually. Based on the success of our pilot, Intel is proceeding to adopt the technology worldwide.

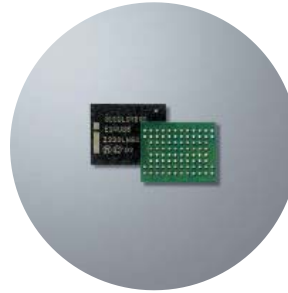
Product Ecology



100% recycled plastic reels saved nearly \$350,000 in packaging costs and diverted 876,250 lbs. from landfills.



At eight PC/electronics recycling events, over 120 tons were collected for proper recycling and disposal.



Intel shipped over a million lead-free products in 2003 such as these lead-free flash memory chips.



Our low-power Springdale motherboard uses less than 1 watt of power in standby mode.

Toward Lead- and Halogen-Free Products

Intel's proactive efforts to reduce the use of hazardous substances have positioned us well to meet environmental directives moving forward in the European Union.

The Restriction on Hazardous Substances (RoHS) directive eliminates most uses of lead, cadmium, hexavalent-chromium, mercury and certain fire retardants in electronics sold after July 1, 2006. If this directive were in effect today, it would impact about 85% of Intel products due to the current use of tin-lead solders. However, Intel has developed several lead-free products and continues to work on additional solutions. Our engineers are also helping to drive industry standards and sharing our perspective with the European Union Technical Advisory Committee.

Material Content of Products

Based on the Electronic Industries Alliance (EIA) Material Declaration Guide, Intel has developed material declaration datasheets to communicate relevant information regarding the material content of our product line. We have also helped to develop an international guideline for material declaration. This guideline represents a new common approach to communicating to the electronics supply chain regarding materials that are restricted for use as well as materials that should be reported to consumers.

Far-Reaching Insights into Energy Efficiency

Traditionally, mobile processors were desktop processors retrofitted to serve mobile needs. The advent of the Pentium® M processor and Intel® Centrino™ mobile technology in March 2003 heralded processors designed specifically for notebook performance that include a variety of energy-saving features:

- Enhanced Intel SpeedStep® technology: As the workload drops, the processor steps down to a lower voltage and frequency, conserving battery power.
- The processor has the ability to turn off parts of its high-speed memory when not needed, resulting in an overall reduction in platform power consumption.

- Lower power consumption in the LCD panel and voltage regulator, which together consume 40% to 50% of platform power.

Through Intel's ongoing efforts to manage power consumption, the microprocessor now makes up a very small part of overall system-level power use.

Intel has also moved to improve the energy efficiency of desktop system power supplies. In studying this issue, engineers started with two key insights:

- Desktop power supplies are 50% efficient. For every 100 watts of power pulled from the wall, only 50 watts are used to power the desktop system. The other half is dissipated in heat.
- Power supplies are often designed to deliver optimal performance at, or close to, full load. Under normal operating conditions, most desktop systems operate at less than 50% of full load.

As a result of these findings, Intel issued new energy-efficiency targets as part of our Power Supply Design Guidelines. The National Resources Defense Council (NRDC) estimates that the environmental impact of implementing these guidelines in the U.S. alone could save more than 16 billion kilowatt-hours per year and reduce carbon dioxide emissions by more than 10 million tons. This would result in cost savings to end users of some \$1.25 billion annually. According to NRDC President John H. Adams, "Without Intel's leadership, these savings would likely not have occurred."

Winning, One Watt at a Time

When the U.S. issued an executive order requiring that all appliances use only 1 watt of power in standby mode, Intel motherboards were using about 3 watts. Intel worked with Dell to design the Springdale motherboard to use less energy. Its 1-watt standby feature allows government customers to choose Intel motherboards over those of competitors. PCs with this feature use less power and generate less heat. They could potentially save tens of millions of kilowatt-hours of energy and eliminate millions of pounds of global-warming gases.

➔ www.intel.com/intel/other/ehs/product_ecology/Energy.htm

EHS Around the World

Intel Sites

Costa Rica: School-Centered Sponsorships. Our multifaceted environmental programs included the sponsorship of recycling points in all local schools, a safety workshop for nearby technical high schools with 100% attendance and visits to a local bio-reserve for graduates of the site's award-winning Let's Save the Planet program.	Folsom, California, USA: Pollution Prevention Award. Reducing already-low air emissions, decreasing energy use, enhancing a recycling program for electronic waste and reducing employee car trips garnered Intel Folsom the 2003 Business Environmental Resource Center Award for pollution prevention.
Ireland: Award-Winning Initiatives. For environmental initiatives with local communities and schools, Intel received a commendation from Ireland's ESB/CVI Community Environment Awards, one of Ireland's most significant environmental awards. Intel Ireland also continues to support the European Union's Green Schools program.	Santa Clara, California, USA: Restoring the Ulistac Nature Area. In April 2003, a group of Intel volunteers joined volunteers from Santa Clara University and the city's Wilcox High School to help restore a neglected 40-acre parcel of land designated as a nature area by the City of Santa Clara in 1998.
Israel: Community Action Enables Science. Using the proceeds from some 5,000 recycled cans with additional contributions from Intel and our employees, 30 schoolchildren with special needs were able to enjoy a Chanukah-related science event developed by the Haifa Science Museum.	Massachusetts, USA: Sharing Water Conservation Success. Intel's June 2003 Water Conservation Seminar in Hudson, Massachusetts attracted more than 50 industry, municipal and state government leaders who learned about Intel solutions using ultra-pure-water recycle and reclaim systems and more.
Penang, Malaysia: A Safe Journey in Every Sense of the Word. In August 2003, approximately 600 people embarked on a 290-kilometer Safety and Environmental Hunt from Penang to Lumut in Perak State, disseminating information about home and environmental safety along the way.	Parsippany, New Jersey, USA: Computer Recycling Adds Up. Our 650-person site netted more than 1,000 personal computers and more than 31 tons of electronics items.
Manila, Philippines: The Greening of Cavite. At a time when deforestation poses a serious threat to the environment in many areas of the Philippines, volunteers from Intel's Philippines sites planted more than 12,000 trees in Cavite Province. This "Green Cavite" initiative has earned a commendation from the Cavite Provincial Environment and Natural Resources Office.	New Mexico, USA: Developing Drought Awareness. In 2003, our New Mexico site launched a Drought Awareness Program for employees that included water-saving tips, water issues management and drought-tolerant landscaping.
Arizona, USA: Water Conservation Efforts. Intel Arizona relies on many programs to achieve its sitewide water conservation goals. Innovative internal water recycling systems reduce demand, and utilization of an advanced reverse osmosis water treatment facility recovers, treats and returns more than 85% of the process water to the aquifer.	New Mexico, USA: What Is Water Worth? Writing for the <i>Albuquerque Tribune</i>, a geologist and former member of the New Mexico Interstate Stream Commission noted that of the 23,868 acre feet of water produced from Intel's wells, the company conserves 84% of the water it diverts, returning it to the Rio Grande through Albuquerque's wastewater treatment plant. In light of the 5,000 jobs Intel provides New Mexicans and the \$175 million in goods that the company purchases, the author concludes, "Where else can we get more economic bang for such a small amount of water?"

Corporate and Companywide

Plugged In to eCycling. Intel joined the U.S. Environmental Protection Agency (EPA) in its Plug-In to eCycling initiative, one of many efforts by the EPA geared to increasing the nation's recycling rate to 35% and reducing the generation of 30 harmful chemicals by 2005. www.epa.gov/epaoswer/osw/conserve/plugin	Harvesting Older Factory Tool Parts. With the goal of saving approximately \$30 million over the next two years, we updated our long-standing practice of harvesting parts from older factory tools with a program coordinated across all factory sites. By harvesting parts from retired tools, we can prolong the working life of our remaining 200-millimeter silicon manufacturing facilities while also saving money.
Collaborating with The Nature Conservancy. Recognizing the critical role that education plays in fulfilling our mission to protect the diversity of life on earth, Intel joined with The Nature Conservancy to create 90 online profiles of high-priority conservation projects that span 28 countries and all 50 United States. www.nature.org/wherewework/fieldguide	Reaping the Results of Reuse. In 2003, Intel recycled more than 40,000 tons of material and prevented 1,000 tons of air pollution. In addition, recycling efforts saved 230 million gallons of water and 500,000 trees. In the United States, recycling saved \$3 million in garbage bills alone, as well as an additional \$2 million in costs associated with products such as pallets and packing materials.
Acknowledging Earth Day. In addition to ongoing environmental efforts, Intel sites worldwide hosted special events to mark Earth Day. Events ranged from tree planting and irrigation system installation to environmental learning projects, biodiversity awareness programs, community cleanups and PC recycling drives.	Intel Redefines World-Class Construction Safety. Intel's global construction workforce worked more than 14 million hours in 2003 and concluded with an OSHA recordable injury rate of 0.45 and a days away case rate of 0.11—the best in the history of the company.

Everyone Counts



Paul S. Otellini

The world has changed since the time some 30 years ago when noted economist Milton Friedman said that the only responsibility of business was to increase profits. Today, business is one of the most powerful forces in the world. With that influence comes responsibility.

In addition to the traditional responsibilities of making quality products that meet the needs of our customers, there are new expectations such as modeling uncompromising integrity, being an asset in our communities, sharing knowledge with developing economies and continually improving environmental performance. In this environment of increased corporate scrutiny, we continue to rely on our corporate bedrock—our six key Intel values—to give us a clear means of establishing our priorities and goals. The words we use today have evolved. We now talk more about transparency, disclosure and accountability, but we still focus on doing what we believe is right, and learning in the process. And that is what we have done for the last 35 years.

We are leaders in many areas: we have strong records in the environmental arena, in employee benefits and in corporate governance, among others. It is our objective in these areas, as we do elsewhere in the company, to deliver continuous improvement and world-class results. We have established reporting and monitoring systems to ensure that we review our actions and results with our values firmly in mind.

In the social performance arena, we are active in our local communities. Whether it is through classroom visits to introduce students to the excitement of technology or serving on the board of directors of a local community-based organization, Intel

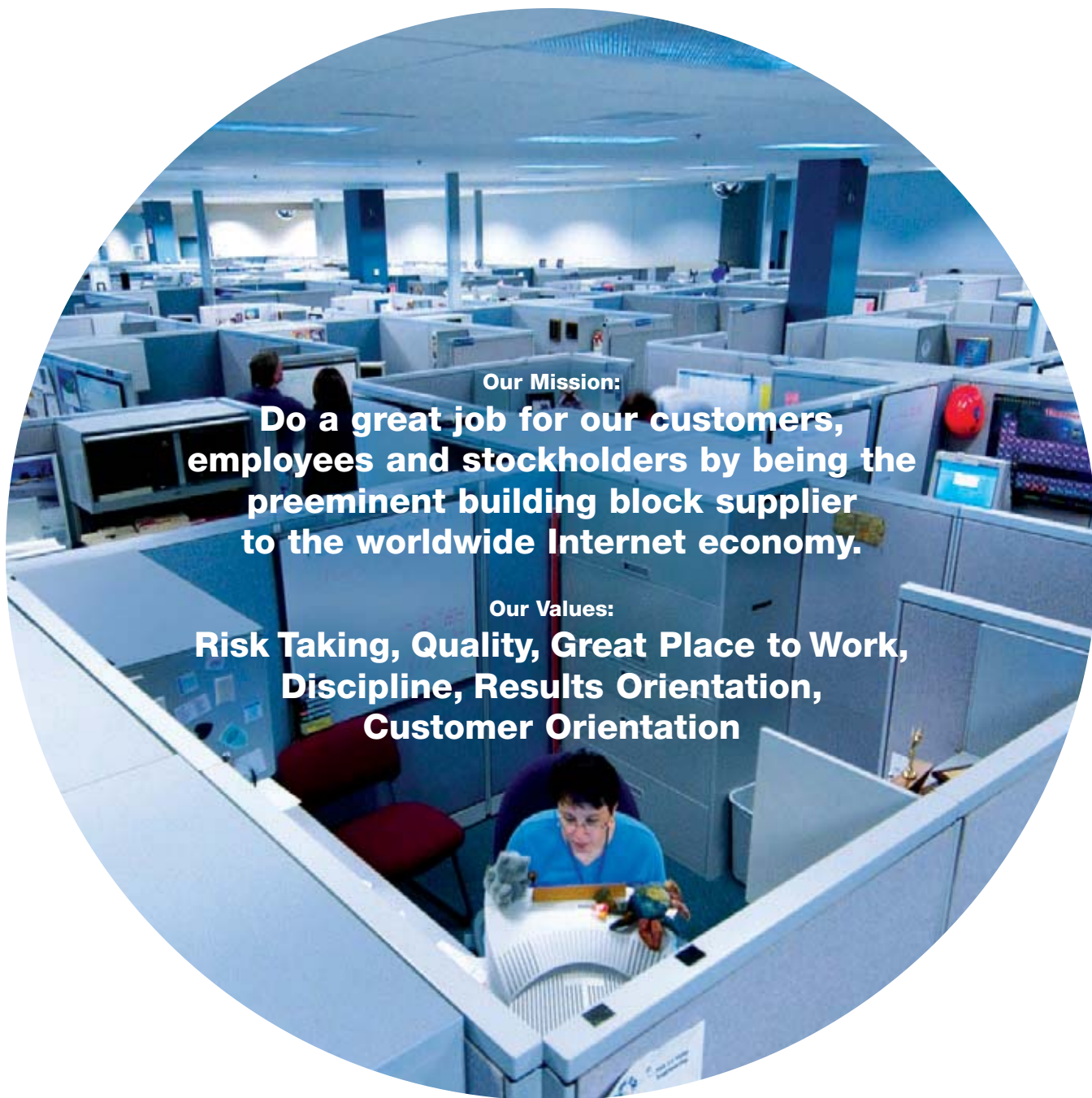
employees are engaged in making our communities better places to live, work and play. Our employees are the key to our success. We provide them with development opportunities, challenging work and great benefits. We focus on how our employees are treated in the workplace, how open and honest we are in communicating with them, how comfortable people feel about challenging “the way things are done” to get to a better way, as well as why people leave the company and what we can learn from that.

To keep growing, we have to learn from what has worked and what hasn’t worked. We regularly survey our employees about their experiences in our workplace. We describe one of those corporate surveys in this report. Our employees don’t hesitate to tell us what they think is positive and not so positive. We’ve been doing these surveys since 1986, and we learn something new every time. For example, our employees have told us in the last several years that it is a challenge to maintain a good work/life balance at Intel. As a result, we have focused on programs to improve that balance.

In this section, you will learn more about our work environment, as well as our community outreach initiatives and the programs we sponsor around the world to improve education. Hopefully, this snapshot will give you a better idea of who we are and how we conduct our business.

A handwritten signature in dark ink that reads "Paul S. Otellini".

Paul S. Otellini
President and
Chief Operating Officer



Our Mission:

**Do a great job for our customers,
employees and stockholders by being the
preeminent building block supplier
to the worldwide Internet economy.**

Our Values:

**Risk Taking, Quality, Great Place to Work,
Discipline, Results Orientation,
Customer Orientation**

Workplace Environment



Intel cafés serve a wide variety of delicious and healthy foods.



Employees often meet in the café and use wireless technology.



InFit Centers provide 24/7 exercise opportunities.



On-site ATMs at Intel provide convenient banking services.

When Intel succeeds, our employees share in that success. At the same time, we recognize that employee development lays the foundation for our success in the first place. For this reason, we provide a broad range of benefits to meet a spectrum of needs. We maintain a constant focus on keeping our employees informed, and we pursue an approach toward redeployment that is both time-tested and innovative.

Sharing in Intel's Success

Despite the persistence of a general economic downturn in the first half of 2003, Intel employees enjoyed a better-than-market total compensation and benefits package based on the company's performance.

Intel's pay-for-performance philosophy yielded strong rewards for our employees in 2003, with incentive pay and bonus programs paying out \$280 million more than in 2002, a 46% increase. In recognition of our employees' commitment to delivering business results, we resumed and completed our

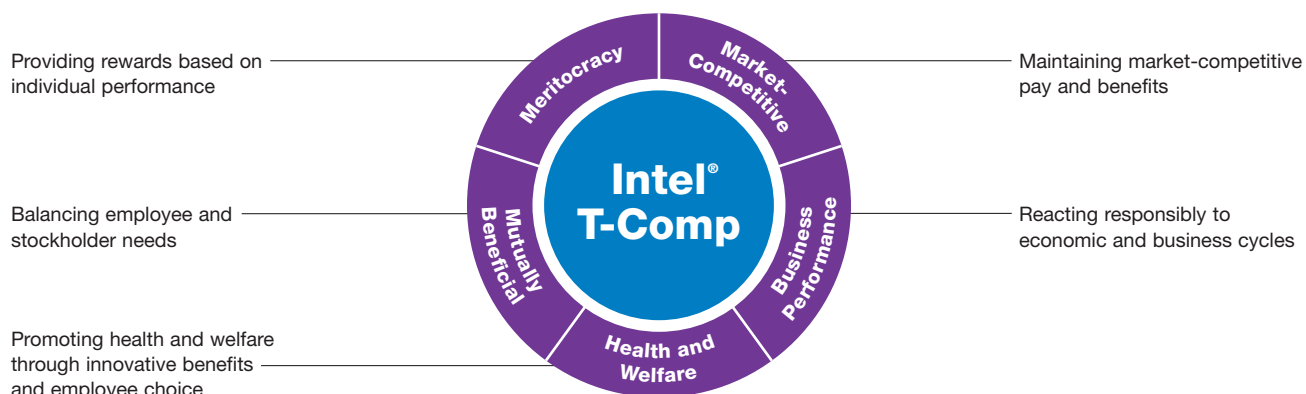
Home PC program, a one-time benefit of a free computer for home use for each employee worldwide.

Intel has had an across-the-board stock program since 1997. In 2003, improved stock performance also contributed to higher employee rewards, as Intel maintained unwavering commitment to our broad-based employee stock option program. Regular annual and one-time supplemental stock option grants delivered to employees between July 2002 and December 2003 appreciated 184%, with estimated unrealized gains of \$2.5 billion. In 2003, Intel also introduced accelerated vesting schedules, allowing employees greater flexibility in managing their ownership stake in the company.

We are committed to making sure that our employees can exercise choice to get the most for their benefits dollars. We introduced a consumer-driven healthcare plan in the U.S. in 2003, as well as pre-tax healthcare reimbursement accounts that allow employees to take personal control of healthcare management and cost-saving opportunities.

Everyone Benefits

Our profitability depends on our people, and the Intel Total Compensation and Benefits (T-Comp) program is designed to attract, retain and reward the individuals we will need tomorrow as well as today. Fundamentally egalitarian, T-Comp draws minimal distinctions between executives and other employees.



A complete philosophy for rewarding individual and corporate success

Choice, flexibility and unique offerings enhanced our comprehensive core benefits program—which includes employee sabbaticals, a company commitment to health and wellness, direct online access to employee services and flexible work/life benefit programs—to deliver outstanding value to employees in 2003.

Intel Compensation and Benefits At a Glance

In 2003, the value of Intel's Employee Cash Bonus Plan (ECBP) equaled 18.4 days of pay, or 7.1% of increased compensation for all employees, the largest payout since 2000 and a 64% increase over 2002.

In 2003, our incentive payouts totaled \$700 million, for both Employee Bonus (EB) and the ECBP. The following table shows ECBP payouts for the last five years.

Year	Days	Percentage
1999	26.4	10.2%
2000	29.5	11.3%
2001	10.8	4.2%
2002	11.8	4.5%
2003	18.4	7.1%

In 2003, our top five executives received only 2.4% of all stock options granted.

As of February 20, 2004, Intel's executive officers, directors and directors emeriti as a group owned 3.4% of Intel's outstanding common stock.

On average, 74% of our employees take part in Intel's Stock Participation Purchase Plan.

Total spending on retiree benefits in 2003 was \$4 million.

Total spending on healthcare benefits in 2003 was \$352 million.

Medical coverage adds approximately \$400 a month, or \$4,800 annually, to an average employee's pay. (Results may vary depending on type of coverage selected and frequency of doctor visits.)

2003 Pay-for-Performance by Grade

Grade [†]	Employee Bonus (EB) Target (Base + EB Target)	EB Actual (Base + EB Actual) ^{††}
Non-Exempt–Grade 6	1%	3%
7	3%	7%
8	5%	12%
9	8%	18%
10	12%	26%
11	16%	33%
12	23%	43%
13	30%	52%

[†] Covers employees from entry-level non-exempts to vice presidents/executives.

^{††} Assumes 2003 Corporate Average EB Multiplier.

Bringing Work and Life into Balance

Helping employees find the ideal balance between work and life responsibilities is an important commitment at Intel. Our goal is to provide expanded work/life effectiveness (WLE) choices for managers and employees to address challenges, support productive global business practices and increase the use of technology in business. Our WLE solutions fall into five categories: telecommuting, scheduling flexibility, childcare, conveniences/services and technology/training/tools.

Results from our recent Global Employee Survey indicate significantly increased satisfaction with Intel's WLE programs. We are seeing strong support for childcare programs around the world. International site summer camps are fully enrolled. In the United States, Intel-sponsored infant and toddler spaces are at capacity. In addition, use of our U.S. back-up care program doubled from 2002 to 2003, resulting in 2,029 fewer days of employee absence. Finally, we quadrupled the number of U.S. back-up care days for military family support, providing each family with 20 days of back-up care for each child.

Employees remain highly interested in seminars covering topics ranging from selecting childcare to buying a home, reducing stress, managing shift work, balancing work/life effectiveness and technology, and much more. In 2003, more than 3,000 employees attended such seminars in the United States.

To address the needs of new parents, some of Intel's manufacturing groups established a guideline to help employees develop a modified work schedule for gradually reintegrating into the workforce following pregnancy or bonding leave. This schedule includes reduced workweeks, telecommuting, flexible work hours, alternate start and stop times, and part-time work.

Keeping Skills Sharp

Intel has always put a premium on continuous learning. It's our way of ensuring that we have the skills that we will need in the future. Intel employees can choose from a wide array of internal classes, external development activities and degree programs. When surveyed, employees respond most favorably, among other things, to the opportunity to keep growing and learning.

Much of our energy in 2003 focused on mandatory training in business practices as well as on management and leadership development. We successfully launched a leadership development program that has been embraced by all business groups and geographies, and we are beginning to craft new development programs for middle managers. We delivered our most advanced First Line Management course, a four-day program entitled "Managing Through People," to 1,921 employees in seven countries. For this course, participant satisfaction and facilitator performance scored an encouraging 6.3 out of 7.0.

Social Programs & Performance

The wide-ranging perspectives, abilities and experiences of our workforce are key to the success of our company and our people, and fundamental to our role as a technology leader.

Workforce Facts

31%

of new hires
in 2003 were referred
by employees.

36

Worldwide
average age of
Intel employee.

32

Non-U.S.
average age of
Intel employee.

39

U.S. average
age of
Intel employee.

42%

of worldwide
Intel population:
<5 years at Intel.

53%

of worldwide
Intel population:
5–20 years at Intel.

5%

of worldwide
Intel population:
>20 years at Intel.

4,689

Intel employees
took a sabbatical
in 2003.

A Well-Informed Workforce

Circuit is Intel's primary employee communications intranet site. It includes *Circuit News*, corporate and site news of interest to employees, as well as a rich suite of employee service information and resources—all available online to our employees. During 2003, *Circuit News* posted 600 stories, an average of three new stories per workday. Employees see *Circuit* as a useful resource: 96% access the site at least once a week in the U.S. and 76% do so at our sites outside the U.S.

Keeping employees current on the state of our business, Intel senior leaders, such as Craig Barrett, Paul Otellini and many others, communicated widely with employees during 2003:

Real-Time Earnings Reports. Craig Barrett addressed employees at their desktops via satellite and webcast following our earnings announcements. This way, our CEO could provide real-time interpretation as the general public began to receive information from the news media.

"Exec Connect." Through these face-to-face open forums with Intel's senior leaders, executive Q&A sessions with employees delivered via webcast, and updates hosted by Craig and Paul, Intel leaders maintained a clear and open dialogue with our entire organization. Our executives also posted content on *Circuit News*. During 2003, Intel held 28 Executive Forums and Exec Connect events, including 20 open forums, four earnings day updates and four Q&A webcasts. At those events, employees were free to ask any questions they wanted, and the answers they received were honest and unscripted.

Building Business Acumen. In 2003, *Circuit News* launched the "2-Minute Biz Quiz," which encourages employees to increase their understanding of Intel business and technology. We also continued our long-term practice of providing regular detailed updates on our business and products to all of our employees. During 2003, senior managers delivered approximately 1,200 Business Update Meetings, or about 300 per quarter. Some 70% of Intel employees attended.

Employees Give Feedback. Encouraged to respond to news posted on the *Circuit News* site, employees shared more than 100,000 views in 2003—critical and favorable alike. An online reader satisfaction survey enabled employees to rate the clarity and quality of content on the site. In both cases, *Circuit News* received positive reviews from more than 90% of those providing feedback.

Write To Know. This program allows our employees to ask questions anonymously and get prompt and confidential responses from the appropriate senior manager. During 2003, "Write To Know" received 1,910 questions and provided 1,823 answers. The remainder were answered in early 2004.

Acknowledging Achievement

Individuals and teams at Intel receive acknowledgment through a number of awards. These awards range from spontaneous recognition at the departmental level to outstanding achievement at the divisional level to the highest level of excellence recognized within the company: the Intel Achievement Award (IAA) and the Intel Quality Award (IQA).

Each year, only one-half of 1% of Intel employees receives the **Intel Achievement Award**. The IAA is awarded to individuals and teams of up to 10 people worldwide for specific outstanding achievements that have had a major impact on our operations that year. In 2003, Intel gave 32 Intel Achievement Awards to individuals and groups. The winners included the following:

Corporate Technology Group for establishing Universal Plug & Play as the Digital Home networking foundation.

Intel Capital for creativity that enabled Intel Capital to hedge and recognize a gain of \$100 million in its equity portfolio.

Technology and Manufacturing Group for developing innovative processor power-delivery solutions, saving more than \$300 million.

Wireless Communications and Computing Group for winning the first logic design in a tier 1 cellular phone.

Introduced in 1991, the **Intel Quality Award** acknowledges groups at Intel that demonstrate superior execution and performance. In 2003, winners included the following:

Human Resources for a relentless focus on quality, as illustrated by initiatives to improve benefits administration, solve employee childcare issues, provide employees with convenient training options and improve education for children worldwide.

Technology Manufacturing Engineering for pursuing its own structural and open architecture configurable solutions, which have worked so well that they are considered an Intel trade secret.

Intel Mask Operations for implementing the latest mask advances in world-class cycle times, enabling priority products to get to market faster than ever.

CPU Assembly/Test Manufacturing for turning diverse cultural differences into a competitive advantage with its 4,900-person multi-factory group, which tests all of Intel's CPU products.

Resolution of a Long-Running Dispute

In 2003, an ongoing dispute between Intel and a former employee involving the sending of mass e-mails was heard in the California Supreme Court. The case centered around unsolicited mass e-mails sent by Mr. Ken Hamidi to between 8,000 and 35,000 Intel employees on six separate occasions beginning in 1997. The messages were critical of Intel's employment practices and alleged that employees' jobs were at risk. The state Supreme Court ruled in a 4-3 decision in favor of Mr. Ken Hamidi, who is the principal member and the spokesperson for an organization called FACE Intel, which first surfaced at the 1996 annual stockholders' meeting. While we are disappointed in the court's ruling, we remain convinced that resisting intrusions of this kind is the right thing to do for both our stockholders and our employees.

Social Programs & Performance

Intel University 2003

In 2003, Intel invested \$340 million in employee training and development. Based on a 2003 high-end headcount of 85,346, Intel invested almost \$4,000 per employee in development programs.

Courses offered	8,876 at 127 sites	Students attending classroom sessions	488,097
Sessions delivered	34,827	Students attending e-Learning classes [†]	268,036
Total number of students attended	756,133	% of training delivered via e-Learning (based on number of students attending each type)	35% overall; 54% for Intel University classes excluding Business Process Excellence (BPX); 72% for classes including BPX
Total training hours delivered	3,331,245	Average number of training hours per employee	39 hours ^{††}
Training hours for exempt employees	2,036,681 hours = 61% of total hours	Number of employee volunteer instructors	10,040 instructors teaching 30,414 sessions
Training hours for non-exempt employees	1,098,128 hours = 33% of total hours	Total cost for training in 2003	\$340,325,000
		Cost per student for training session delivery	\$18.46 (beating 2003 goal of \$18.77)
Training hours for management	196,346 hours = 6% of total hours	Tuition reimbursement (U.S.)	\$19.3 million to 3,407 employees (U.S.)

[†] e-Learning is defined as any non-classroom training, such as online, virtual and computer-delivered training.

^{††} Based on total student attendance (session and e-Learning), a population of 85,346 (including contractors and interns) and total hours of 3,331,245 (excluding training hours delivered to non-employees).

Employee Data 2003

Type	Category	Americas	APAC	EMEA	U.S.	Total
Contract/ Intern	Exempt Full Time	2	173	113	127	415
	Exempt Part Time	0	5	830	21	856
	Total	2	178	943	148	1,271
	Non Exempt Full Time	24	517	181	265	987
	Non Exempt Part Time	0	0	18	19	37
	Total	24	517	199	284	1,024
Contract/ Intern Total	Total	26	695	1,142	432	2,295
Regular	Exempt Full Time	990	9,001	6,916	32,842	49,749
	Exempt Part Time	2	3	101	170	276
	Total	992	9,004	7,017	33,012	50,025
	Non Exempt Full Time	1,212	9,672	3,367	15,107	29,358
	Non Exempt Part Time	1	1	55	62	119
	Total	1,213	9,673	3,422	15,169	29,477
	Grand Total	2,231	19,372	11,581	48,613	81,797[†]

APAC = Asia-Pacific EMEA = Europe, Middle East and Africa

[†] Number of employees at the end of 2003, including interns and contractors.

Turnover by Region[†]

Region	2003 Year-End Headcount	2003 Turnover	2002 Turnover
Greater Americas	2,130	5.6%	8.5%
Greater Asia	18,519	5.6%	4.8%
Greater Europe	10,299	4.7%	5.3%
United States	48,431	3.5%	3.6%
Total	79,379	4.2%	4.2%

[†] Regular employees only; includes those whose jobs were eliminated (who received no comparable offer or who rejected an internal job offer), as well as employees whose jobs were eliminated and who left voluntarily or involuntarily.

Other Turnover[†]

Reason for Termination	2003 Turnover	2002 Turnover
Voluntary Separation Program	260	1,460
Redeployment ^{††}	1,485	2,167
Divestiture	108	186
Retired	150	254

[†] Regular employees only; includes those whose jobs were eliminated (who received no comparable offer or who rejected an internal job offer), as well as employees whose jobs were eliminated and who left voluntarily or involuntarily.

^{††} 34% of the total number of employees redeployed found other jobs at Intel.

Everyone Has a Say

Every few years, Intel conducts a Global Employee Survey (GES) to gather input from employees around the world on a variety of issues, including Intel's culture, values, management, leadership, performance and work environment.

The survey aligns directly with Intel's Great Place to Work value and provides vital insight that is used in executive-level strategic planning sessions. We conducted our most recent GES in April 2003. A random sample of 23,236 employees around the world received the survey. We received a 54% response rate (exceeding our goal of 50%) from all major business groups and geographies. Those who replied were thorough in their input, providing, for example, more than 20,000 comments about what Intel is doing well and what we can do better.

The Findings

Once the results were in, our Human Resources Research group worked with internal and external consultants, as well as the Corporate Leadership Council, to wade through the mass of data and identify key findings. Then they compared the GES results to external benchmarks, as well as internal data regarding how scores have changed historically and how different business groups and geographies scored.

Intel scored well in several areas, notably:

- Satisfaction with the Intel brand.
- Communicating with employees.
- Helping employees understand corporate priorities.
- Ethics of senior managers and executives.

We saw a marked improvement in employee satisfaction with work/life balance programs and work/life flexibility. This feedback is highly significant, since the 2000 GES identified this as an area needing improvement, and one that our Work/Life Effectiveness team has worked hard to address.

GES data told us that we also need to work on:

- Ensuring that risk taking is truly valued and rewarded.
- Setting and clarifying performance expectations.
- Ensuring that employees have, and exercise, opportunities for upward communication and dialogue.

The Future

Intel uses the GES data to monitor where we are with our culture and values, and to inform Strategic Long-Range Planning discussions with Intel executives. In 2003, Patty Murray, our Senior Vice President of Human Resources, used GES employee feedback on our culture and values to brief our executive staff before developing strategic plans.

Several decisions have resulted, especially relating to the issues of management development and strengthening Intel's high-performance culture. Based on these discussions, management development and manager quality will be important focus areas in 2004.

Employees Speak Out

"I feel that Intel is committed to the overall well-being of its employees. This survey is evidence of this."	"Intel has created an open work environment where it is possible for a person—regardless of race, creed, etc.—to progress through the organization and achieve their career goals."
"I highly value and appreciate the flexibility allowed for me to work 32 hours and pick up kids every day from school. I have the freedom to work at my own pace and schedule as long as deliverables are met."	"I think it is ridiculous to restrict telecommuting to a max of two days a week. Most of us are more productive at home and need that benefit for work/life balance."
"Despite tough market conditions, Intel's actions to avoid massive layoffs are commendable. I feel that management is communicating openly and honestly the situation that Intel faces."	"I sometimes feel pressure to sacrifice health and family for 'the project.' Subtle but present."
"Business communication needs to be improved, especially concerning employment, changes to business structure/org charts and pay."	"Give better working options for mothers with small children."
"The senior management has very good vision for the company. They invest constantly in the future...a great track record of doing honest business. I really appreciate [Craig] Barrett's leadership. He is always so positive in everything he says and his approach to challenges. He has been a great leader in good times and not so good [times]."	"My bottom-line take on Intel is that our company's heart is in the right place—people. We always try to do the right thing, whether it is diversity, flex time, helping the community or business ethics."
	"U.S. folks need to realize that people in other geos do too many midnight phone calls—it's time to share the pain."

Diversity



Students in Malaysia benefit from their time at an Intel science camp.



Fab employees wear "bunny suits" for cleanliness in chip making.



Our diversity is our strength.



An Intel employee group celebrates through native dance.

Intel's vision is to become the high-technology industry leader in diversity. We want to be recognized, internally and externally, as a workplace of choice for all people. Our commitment to diversity assumes that everyone is treated with dignity and respect, regardless of visible and invisible differences.

Focused on Excellence, Delivering Expertise

In 2003, through a keen focus on operational excellence, our Corporate Diversity team became the sought-after internal expert on topics ranging from data analysis and employee relations to training and program development. The 2003 Intel Diversity Summit and the completion of 33 affirmative action plans demonstrated the value of the new diversity marketing, communications, compliance and business consulting functions that the team added during 2003. Demand increased for diversity training course offerings, and a revitalized diversity intranet site launched in the fourth quarter had more than 183,000 hits by year end.

By partnering with Human Resources, our diversity team was able to strengthen content in a number of areas, including Intel University course offerings, management expectations, Global Employee and Partner of Choice Surveys, as well as training and leadership conferences sponsored by our business units.

From Clubhouse to College and Beyond

The Intel Computer Clubhouse Network continued to expand around the world in 2003, with 10 new sites launched—in Ireland, Ramallah/West Bank, South Africa and the U.S. The installed base of Clubhouses numbered 68 by year end. Leveraging the Network, Intel sponsored attendance for 20 college-bound Clubhouse youths at the 10th Annual Fall Black College Tour. The prospective college students came from Clubhouses throughout California. At the conference, Intel also launched the Intel Computer Clubhouse Scholars program, awarding scholarships to five Clubhouse graduates.

In 2003, Intel joined 65 other companies in signing the University of Michigan Amicus Brief to support the use of race as one factor in admissions. We also chartered our 19th

employee networking and support group, and our 99th chapter worldwide. We revised the employee group chartering guidelines to more closely align the charters of the groups with Intel business objectives.

Setting a New Strategy

On the heels of re-engineering in 2003, the Corporate Diversity team garnered the support of President and COO Paul Otellini and other senior leaders in driving Intel toward a leadership position in our industry. As a first step, we implemented a strategy to raise awareness of the value of diversity, especially among Intel managers. We also partnered with our Business Group HR counterparts to put more robust affirmative action plans in place for all of our businesses worldwide. We especially looked at areas of race and gender where we need to focus more attention, and we are putting continuous improvement plans in place in those areas.

A More Diverse Supplier Network

Given the benefits that diversity brings, it follows that we seek to strengthen our global advantage by building a diverse supplier network. To broaden our sourcing opportunities, in 2003 Intel released a web-based Supplier Intake Tool that gives all suppliers the opportunity to showcase their company's capabilities. We also increased spending with under-represented businesses by more than 100%, maintaining an average increase of 20% each year since 1998.

In addition, we tracked the diversity spending of our suppliers to assure their own commitment to engaging a diverse supply chain. We launched an online Business Resource Center and delivered business development training courses through the creation of the Intel Business Academy and Technology Boot Camp. And we continued to make progress toward our goal of 100% inclusion of under-represented businesses in all bidding opportunities. In 2004, Intel will focus on achieving our diversity spending goals as well as our initiatives to create 100% inclusive bidding opportunities. We will also continue our efforts to educate suppliers and buyers on ways to diversify and optimize a global supply chain.

Senior Management and Corporate Governance Bodies 2003

		Male					Female				
	Total	Caucasian	African American	Hispanic	Asian/Pacific Islander	Native American/Alaskan	Caucasian	African American	Hispanic	Asian/Pacific Islander	Native American/Alaskan
Board of Directors [†]	11	9	0	0	0	0	2	0	0	0	0
		82%					18%				
Corporate Officers	33	22	0	0	7	0	4	0	0	0	0
		67%			21%		12%				
Top 50 in Total Comp ^{††}		25	0	0	7	0	4	0	0	0	0
		50%			14%		8%				

[†] From late 2003 until our annual stockholders' meeting in May 2004, the Board numbered 13. Two Board members retired in May 2004, bringing the number back to the mandated 11.

^{††} 13 males and 1 female refused to identify ethnicity.

U.S. Workforce 2003

	African American	Asian/Pacific Islander	Caucasian	Hispanic	Native American	Refused to Identify	Total
Female	338	2,367	7,297	1,127	107	366	11,602
Female %	3%	20%	63%	10%	.9%	3%	
Male	1,077	7,561	23,003	2,947	261	1,730	36,579
Male %	3%	21%	63%	8%	.7%	5%	
Grand Total	1,415	9,928	30,300	4,074	368	2,096	48,181

U.S. Officials and Managers 2003

	African American	Asian/Pacific Islander	Caucasian	Hispanic	Native American	Refused to Identify	Total
Female	26	140	972	67	5	33	1,243
Female %	2%	11%	78%	5%	.4%	3%	
Male	92	685	3,725	215	13	185	4,915
Male %	2%	14%	76%	4%	.3%	4%	
Grand Total	118	825	4,697	282	18	218	6,158

U.S. Data 2003

Year	Total Number of Employees Hired	Minorities as Percentage of U.S. Hires [†]	Females as Percentage of U.S. Hires
2001	4,774	43%	20%
2002	1,700	43%	19%
2003	854	39% (334 of 854 hires)	22% (184 of 854 hires)

[†] Minorities are defined as all under-represented groups, including Asian/Pacific Islander.

Worldwide Workforce by Gender 2003

	Female	Male	Total
U.S. Workforce	11,602	36,579	48,181
	24%	76%	
Non-U.S. Workforce	12,262	18,987	31,249
	39%	61%	
Worldwide Total	23,864	55,566	79,430
Average Worldwide	30%	70%	

Outside the U.S., 70 employees did not identify their gender. They are not included in this table.

Education



More than 1,200 students participated in the 2003 Intel International Science and Engineering Fair.



Mason Hedberg won the \$100,000 first-prize scholarship at the 2004 Intel Science Talent Search.



Intel Involved volunteers mentor local students in Bangalore, India.



Intel sponsored 21 young people to visit Historically Black Colleges and Universities.

In 2003, the Intel Innovation in Education initiative, our ongoing, worldwide, multimillion-dollar effort that now reaches 50 countries on all seven continents, posted solid results and achievements. Teachers everywhere can access an ever-growing Intel education web site. In many countries, they can also access local education web sites featuring local languages and content, as well as translated corporate content and resources.

➔ www.intel.com/education

At the K–12 level, Intel Teach to the Future continued as a strong anchor to our education programs around the world. We launched new efforts in Australia, Chile, Turkey, the Ukraine and Vietnam. We celebrated our “one million teachers trained” milestone with events around the world. And by year end, we had exceeded our goal for 2003 by some 50,000 teachers—and had reached more than 1.5 million teachers worldwide. We also focused on quality by improving and deepening our evaluation efforts. So far, evaluations in India, Japan and Taiwan have confirmed positive results in the classroom. Other countries will be evaluated in 2004.

Setting the Stage for Young Scientists

There is no better testimony to Intel’s commitment to science and mathematics education than the two competitions we sponsor to reward the achievements of promising young scientists and encourage them to choose technical careers. In 2003, we renewed our grant agreements to continue the sponsorships for the next five years and built improved quality assessments into both. New Intel International Science and Engineering Fair (ISEF) affiliated fairs will offer more students in more countries a learning experience that involves doing research, presenting work to professionals, and meeting and competing with other students who share similar interests.

Held in Cleveland, Ohio, the 2003 Intel ISEF brought together more than 1,200 young scientists from around the world to share ideas and showcase groundbreaking projects. Students competed for \$3 million in scholarships and prizes. At the same time, Intel received nearly 1,700 applications for the Intel Science Talent Search.

The 62-year-old program has been sponsored by Intel since 1998. Intel now contributes \$1.25 million in awards and scholarships to students and their schools annually.

From Curricula to Competence

In the area of higher education, we initiated a new curriculum development program, continued to expand our research support and technical lecture program, and introduced undergraduate research contests in China, India and the U.S. We released a networking curriculum taking advantage of the Intel Internet Exchange Architecture (Intel IXA) in conjunction with face-to-face workshops in China and Russia. We also conducted 10 curriculum development workshops on e-Business, Intel IXA, microprocessors and distributed computing in more than 100 colleges and universities in India and China.

In Brazil, we launched the Intel Wireless Competence Network, with wireless labs installed in four leading universities dedicated to accelerating the advancement of the wireless field through expanded research and study projects. We conducted academic forums in Europe and Asia, bringing together top Intel technologists with faculty from 64 universities. Our technologists delivered more than 170 technical lectures at universities around the world.

Teaming with Governments

Government relationships play a crucial role in Intel’s education efforts. Such relationships have helped us reduce our costs for teacher training, while continuing to grow our program offerings. Intel has been recognized by many governments for our leadership in education. In 2003, we received the AMCHAM Corporate Award in Costa Rica; in the U.S., we received the Education Commission of the States Corporate Award, and Intel India and Intel Philippines were finalists for the U.S. Secretary of State’s Award for Corporate Excellence. In several countries, national ministries of education have co-funded programs or appointed Intel educators or managers to government commissions.



Intel Ireland sponsored the kayaking event at the 2003 Special Olympics World Games.



Adult mentors provide guidance and support for youth at the Intel Computer Clubhouse in Costa Rica.



An Intel Technology Training Lab at a school for intellectually challenged children in Bangalore, India.



For five years, Intel Costa Rica has promoted and supported a recycling program at elementary schools.

A Strong Foundation for Education

In 2003, we expanded our Volunteer Matching Grant Program (VMGP) and Matching Gift program to include retirees, and we are now pushing toward a global matching grant program. Overall, the number of matching grants made by Intel increased in 2003. The number of schools receiving matching grants was 1,669, up 6% from 1,570 in 2002. The number of volunteers increased 5%, from 3,827 in 2002 to 4,018 in 2003. At the same time, the total amount matched by Intel decreased from a total of \$3.38 million in 2002 to \$2.45 million in 2003 due to the end of a 2:1 memorial Matching Gift program. On average, however, the amount and number of individual employee gifts increased.

Over the past year, Intel employees remained highly involved in their communities. In 2003, total VMGP hours increased by more than 10%, with over 8,800 Intel volunteers working to improve education in their local schools. The Intel Foundation contributed much-needed disaster relief funds to combat SARS in China and help in the aftermath of earthquakes in Algeria,

Iran and Turkey, and fires in Southern California. The Foundation also made special grants to sponsor "Cyberchase," an animated Public Broadcasting System program aimed at getting middle school students excited about mathematics. The U.S. Academic Decathlon and the Intel/Charles E. Young Chair at the University of Florida, honoring Dr. Young's years of service to Intel, also received special grants from the Intel Foundation.

Challenges for 2004

As Intel approaches saturation with the original Intel Teach to the Future program in mature economies, we must find ways to respond to teacher requests for next-generation training. Southeast Asia, Brazil, India, Mexico, the Middle East and Russia all encourage us to grow our programs aggressively in 2004. Additionally, we must continue to build out a strong, localized web presence, with online tools to support the growth of our programs around the world. We must also identify the most promising opportunities for our education efforts to help us meet our diversity goals.

Intel Teach to the Future Kudos Worldwide

"Intel Teach to the Future...is helping teachers...get more enthusiastic and confident in teaching and learning with students. Intel is a role model, and I hope to see more companies like Intel collaborating for educational improvement." Seung-Gu Woo, Ministry of Education, South Korea	"You can fill all the classrooms with computers, but if you don't train the teachers to use them effectively, the computer investment you made will lose its purpose. Thanks to Intel for helping us in this aspect of modern education." Dr. Huseyin Celik, Minister of Education, Turkey
"The implementation of the Intel Teach to the Future program in China has helped teachers better integrate information technology into education, spurring education reforms, enhancing education quality and accelerating the professional development of teachers in China." Guan Pei Yan, Head of Teacher Training, Ministry of Education, China	"I want to express my cordial words of gratitude to the leaders of Intel for their selfless devotion, their noticeable contribution to the cause of educating Russian people and introducing new information technologies in real practice." Vladimir Michailovich Filippov, Minister of Education, Russia
"The South African Council for Educators [SACE] is proud to be associated with the Intel Teach to the Future programme. SACE regards educator development as a priority in its quest to enhance professionalism in education. We therefore welcome with open arms a project of this nature." Reg Brigraj, Chief Executive Officer, SACE, South Africa	"Intel does not speak. The work of Intel speaks!" Dr. G. K. Patel, Former Secretary, Secondary Education Board, Gujarat, India "I am very thankful for the donation that Intel has made and for the social responsibility work that Intel carries out with our educators for the benefit of the country." Dr. Astrid Fischel, Minister of Education, Costa Rica

Technology in the Community

We are profoundly aware of the ability of our technology to affect societal change today and tomorrow. Our products, expertise and initiatives can help provide access to technology around the world, as well as accelerate the adoption of wireless communications and computing.

In the hands of imaginative and inspired individuals, organizations and communities, Intel technology transforms society at every level, in a myriad of ways. Healthcare advances. Education flourishes. Communities prosper. Development proceeds wisely. Natural resources are preserved and conserved. And individuals everywhere find new opportunities to fulfill their individual potential and contribute to the greater whole.

Following are some examples of technology used for the good of all in our increasingly connected world and in the communities in which we live and work.

Creating New Models for Alzheimer's Care. The Alzheimer's Association and Intel formed a consortium, the first of its kind, to spur development of technologies for the home to help the estimated 4 million people in the U.S. who are living with Alzheimer's disease. The Everyday Technologies for Alzheimer Care (ETAC) consortium plans to fund more than \$1 million in research to develop new models of Alzheimer's care based on current and evolving technologies in computing, communications and home healthcare. The two organizations are also inviting other companies, universities, labs, government agencies and health organizations to join in the effort to fund ongoing research.

➔ www.intel.com/research

Innovators Vie for Intel Environment Award. Intel sponsors the Environment category of the annual Tech Museum Awards—Technology Benefiting Humanity presented by The Tech Museum of Innovation in San Jose, California. The other four categories include economic development, education, equality and health. The Tech Awards were developed to recognize the need to bridge existing technology in emerging countries with emerging technologies in developed countries. All 25 laureates were recognized at a black tie gala on October 15.

The winner of the 2003 Intel Environment Award was INBio (National Diversity Institute) from Costa Rica. INBio's central mission is bioliteracy—helping people learn to value biodiversity and embrace ethical respect for all living beings and ecosystems.

India: Finding the Key to Cleaner Water. Using technology at the Intel Computer Clubhouse in New Delhi, five young students found the answer to a vital science project question: "Why is diarrhea so common here?" After using computers to identify and learn about microbes they discovered in samples taken from home water buckets, the students visited more

than 400 homes, collecting water samples, plotting their results and researching how to make the water safe for drinking. Returning to the homes they surveyed, the students educated their neighbors about the steps they could take to make sure their water is potable.

Malaysia: Teaching Classic Subjects in New Ways.

Seeking fresh ways to introduce technology to Arabic and Islamic classrooms, Fazdi Harun and four other teachers at Sultan Alam Shah Islamic College in Klang, Selangor were selected to participate as facilitators in the Intel Teach to the Future Program in 2003. Mastering a step-by-step approach to using technology in teaching, Harun is now training 80 colleagues under Teach to the Future.

Philippines: Creatively Communicating at the Clubhouse.

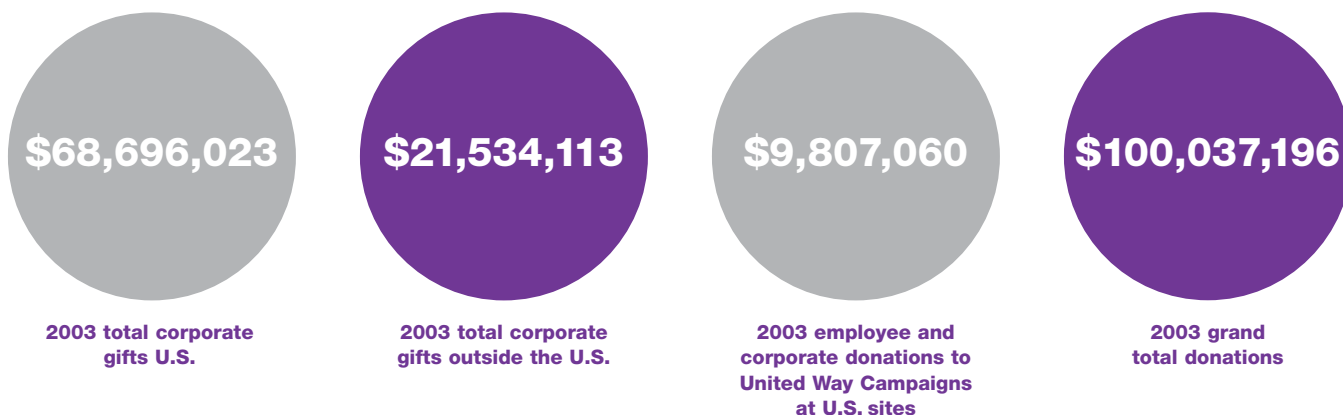
To gain on-the-job experience, volunteer mentors Aila Tibayan and Nina Mariano, who are deaf, learned new ways to communicate with the 250 registered members of the Ayala-Intel Computer Clubhouse in Makati City. Using written notes and hand gestures at the beginning of their two-month internships, Tibayan and Mariano taught Clubhouse members the manual alphabet and basic sign language to enhance communications—and then went on to teach a three-day workshop in Macromedia Director* software.

Thailand: Becoming IT Savvy in a Remote Village.

Through the Rotary Club of Singapore's Project International Action, Intel Information Technology (IT) Singapore donated 25 notebook and 5 desktop PCs to the tribal people of Mae Tang, a remote village nestled deep in the hills of northern Thailand, and to the Thai Youth Community Foundation (TYCF) in the city of Chiang Mai. Building on the project's initial success, in June 2003 Intel IT Singapore and the Rotary Club of Singapore donated another 24 notebooks and 13 desktop PCs to the village. Intel IT has also contributed funds so that the TYCF learning program can run continuously.

Phoenix, Arizona, USA: Helping to Bring the Hispanic Chamber of Commerce Together. Expertise from several Intel groups is helping to create a new technology future for this important Hispanic business organization. Beyond meeting the hardware needs of the Chamber at its 2003 national convention in Phoenix, Intel is sponsoring an organization-wide technology assessment and is networking its 103 chapter affiliates as well as its Mexico City office.

Contributing to the Community



Being an asset to our communities worldwide is embedded in Intel's values and is practiced around the world by our employees every day of the year. We are committed to engaging with local stakeholders to understand their priorities and work with them to address issues and tackle challenges. Through strategic contributions, volunteer time and expertise, we have taken our employees' innovative spirit out of the office and into the community to make our communities better places to live, work and play.

Engaging Communities

Understanding diverse opinions and critical community issues is important to us. We strive to maintain open and honest two-way communication with our stakeholders. Intel community advisory panels provide a forum to discuss our plans and activities with local leaders and neighbors. We supplement these stakeholder meetings with public web sites and community newsletters published and distributed quarterly.

Employees Make a Difference

Our employees are valuable assets to our company—and to the communities where we do business. They volunteer thousands of hours each year through the Intel Involved program. From individual activities such as mentoring students to large group projects focused on revitalization and rehabilitation, we dedicate our time and energy to making a positive impact.

Strategic Giving

In 2003, our corporate giving, employee donations and matching Intel Foundation grants combined to bring the total Intel donations in 2003 to \$100,037,196.

We align our giving to our expertise in key focus areas. Our first priority is to educational programs that prepare students for success in the 21st century. These are closely followed by initiatives that demonstrate a commitment to the environment, emphasize diversity and multiculturalism, and have positive impacts on the lives of young people.

Corporate Giving Summary

	Total cash gifts (including direct & Intel Foundation) U.S.	Cost value of total in-kind giving (products & services) U.S.	Value of cash gifts to programs or organizations that primarily benefit minorities U.S.	Cost to company of in-kind giving (products & services) to programs or organizations that primarily benefit minorities U.S.	Value of cash gifts to programs or organizations that primarily benefit women U.S.	Cost to company of in-kind giving (products & services) to programs or organizations that primarily benefit women U.S.
2001	\$55,704,002	\$29,794,496	\$5,503,698	\$670,272	\$1,526,457	\$67,062
2002	\$44,720,739	\$21,721,326	\$5,031,319	\$980,239	\$1,332,172	\$36,572
2003	\$48,292,372	\$13,254,726	\$5,339,819	\$536,301	\$1,251,805	\$21,000
	Total cash donations outside U.S.	Total equipment grants outside U.S.				
2002	\$22,317,539	\$2,755,837				
2003	\$19,807,468	\$1,726,645				
Total 2002	\$67,038,278	\$24,477,163	\$5,031,319	\$980,239	\$1,332,172	\$36,572
Total 2003	\$68,099,840	\$14,981,371	\$5,339,819	\$536,301	\$1,251,805	\$21,000

External Recognition

In 2003, Intel received accolades from government agencies, the media, community organizations, investment groups and other high-profile organizations.

Awards and Other Recognition 2003

Corporate	
Business Ethics Magazine, number 3 in the 2003 list of “100 Best Corporate Citizens.” Global Finance (January 2004), “The World’s Most Socially Responsible Companies in 2003.” Fortune, “Blue Ribbon Company” for placing on five of the magazine’s lists: 100 Best Companies to Work For, America’s Most Admired Companies, World’s Most Admired Companies, Fortune 500, and Global 500. Research Magazine (May 2003), “Most Widely Held Stock throughout the Socially Responsible Fund Industry.” Chief Executive (October 2003), “Top 20 Companies for Leaders.” Interbrand Corp., J.P. Morgan Chase & Co., Citigroup and Morgan Stanley ranked Intel the world’s fifth most valuable brand.	Dow Jones Sustainability Index, Technology Market Sector Leader 2003. Member since inception in 1999. Zurich Cantonal Bank Sustainability Analysis, 2003 leader in its sector. Innovest, AAA Rating in Eco-efficiency and Sustainability. Governance Metrics International, one of 22 companies worldwide out of 2,121 to earn a perfect 10. FTSE4Good global and U.S. corporate responsibility indexes. Training (March 2003), 17th on the “Training Top 100”; one of three “best-in-class” technology companies; Sales and Marketing Rotation Program named a best practice in job rotation; Intel Teach to the Future named an Outstanding Initiative.
Education & Diversity	
Council for Aid to Education 2003, Leader for Change Award for the Intel Innovation in Education web site. Human Rights Campaign Corporate Equality Index, perfect score of 100%. Diversity Inc., number one on “Top 10 Companies for Asian Americans”; number 36 on “Top 100 Companies for Diversity.” The Black Collegian and Universum Communications, number 25 on “Top 50 Diversity Employers 2003” (number 28 in 2002).	BusinessDiversity.com, number 45 in “America’s 50 Top Organizations for Multicultural Business Opportunities.” National Society of Black Engineers, number 10 on annual member survey of top 50 employer preferences. Equal Opportunity Magazine (Winter 2003/4), number 6 out of 50 companies. Woman Engineer (Spring 2003), number 39 out of 50 companies. Minority Engineer (Winter 2002/3), number 4 out of 50 companies.
Environment, Health & Safety	
Intel Israel: Yoseftal Safety Award, Israel’s highest safety award, sponsored by government and industry. Intel Colorado: Colorado Springs Utility 2003 Water Saver Champion award.	Intel Folsom: Energy Supply Board/Conservation Volunteers 2003 Business Environmental Resource Center Award for pollution prevention. Intel New Mexico: Pre-treatment Excellence Award, Albuquerque Waste Water Commission.
Community	
Intel China: Hewitt Associates and <i>Harvard Business Review</i> recognized Intel China as one of China’s best employers. Intel India and Intel Philippines: Both were finalists for the U.S. Secretary of State’s Award for Corporate Excellence. The award recognizes the important role that U.S. businesses play as good corporate citizens abroad. Intel Ireland: Energy Supply Board/Conservation Volunteers Community Environment Award. Intel Malaysia: The Penang State Governor recognized Intel employees for leadership in support and fostering at local homes for underserved and disabled children. Intel Philippines: Hall of Fame Community Relations Program, Philippine Economic Zone Authority.	Intel Arizona: Pioneering Innovation Award from Arizona Governor Janet Napolitano for the company’s “corporate contribution to Arizona’s technology industry through sustained business presence, corporate citizenship, community involvement and business success.” Intel Folsom: Best Worksite (Sacramento Region) for Commuters, U.S. Environmental Protection Agency. Intel Oregon: Stone Soup Award, Oregon Food Bank; Outstanding Philanthropic Corporation, Oregon Association of Fundraising Professionals. Intel Santa Clara: <i>San Francisco Business Times</i>, “Top Corporate Philanthropists in the Greater Bay Area.” Third place out of 50 top corporate givers. San Jose Silicon Valley Chamber of Commerce, “Excellence in Education” award for corporate involvement.

Intel: 35 Years of Innovation

Corporate	Workplace	Environment, Health & Safety
1968 Robert Noyce and Gordon Moore found Intel in Santa Clara, California 1969 Intel dropped “e” logo developed 1969 Intel introduces the 3101 Schottky bipolar RAM, and the world’s first MOS static RAM, the 1101 1970 Intel announces 1103-DRAM, usurping core memory as the industry standard 1971 Intel goes public 1971 Intel introduces the first micro-processor, the 4004, and world’s first EPROMs 1972 Intel introduces the first 8-bit microprocessor, the 8008 1973 Intel opens its first assembly facility outside the U.S., in Penang, Malaysia 1974 Intel introduces the 8080, considered the world’s first true general-purpose microprocessor 1974 Intel opens second facility outside the U.S., in the Philippines 1974 Intel opens first design center outside the U.S., in Haifa, Israel 1976 Intel Japan K.K. opens 1979 Intel introduces the 8086 16-bit microprocessor 1979 Intel debuts on Fortune 500 list at number 486 1980 Intel opens office in Hong Kong 1985 Intel exits DRAM business and concentrates on microprocessors 1985 Intel opens office in Beijing, China 1985 Intel launches Intel386™ processor, incorporating 275K transistors 1989 Intel486™ processor debuts, with 1.2 million transistors 1989 National Academy of Engineering names microprocessor one of 10 outstanding engineering achievements 1991 Intel launches the Intel Inside® marketing campaign 1993 Dataquest ranks Intel the world’s largest producer of semiconductors 1993 Intel® Pentium® processor introduced (with 3.1 million transistors) 1993 Fab in Ireland starts production 1997 Andy Grove named <i>Time</i> “Man of the Year” 1999 Intel added to Dow Jones Industrial Average 2001 Intel publishes its first Global Citizenship Report 2003 Intel launches Intel® Centrino™ mobile technology 2003 Intel celebrates 35th anniversary	1972 Stock Participation Plan introduced 1978 First annual corporate giving campaign 1980 Tuition reimbursement program begins 1981 Sabbatical program announced 1985 First quarterly Business Update Meeting to keep employees informed 1986 First Intel employee corporate culture survey 1988 Intel domestic facilities go “smokeless” 1988 Employee Cash Bonus Program announced 1988 First showers/fitness centers at Intel 1988 Intel Foundation established 1990 Intel Quality Award program begins 1991 Redeployment program: opportunities for employees to move internally during times of hiring cutbacks 1992 Intel Museum opens to the public in Santa Clara, California 1992 Intel opens Tadika Seri Intel, first kindergarten in Malaysia’s Free Trade Zone 1994 First Intel childcare program, at Fab 8 in Israel 1995 Establishment of formal employee networking and support groups 1996 Employee Bonus program expanded to all employees 1996 First online employee newsletter, <i>Circuit News</i>, begins publication 1997 Rule of 75 (age + years of service) allowing early retirement begins 1997 Stock option program expanded to all employees 1997 Domestic partner benefits available 1997 Intel becomes the sponsor of high school science competition: Intel International Science and Engineering Fair 1998 Intel makes first <i>Fortune</i> “100 Best Companies to Work For” list (and has been on it ever since) 1998 Intel becomes the sponsor of Science Talent Search, 57-year-old U.S. high school science competition 1999 Intel Innovation in Education initiative and Intel Teach to the Future program established 2000 First Intel Computer Clubhouse 2000 Home PC program begins: one-time free home PC to each employee 2001 First U.S. childcare program begins in Santa Clara, California 2003 Consumer-driven healthcare plan option begins	1982 First safety and health operations review 1984 First environmental operations review 1985 First Intel safety policy established 1985 First Intel environmental policy established 1990 Policy to eliminate use of chloro-fluorocarbons established 1991 First integrated EHS policy established 1992 Intel Safety Self-Assessment instituted 1994 First Intel EHS Report published 1995 Intel becomes pilot site for U.S. EPA’s Project XL 1996 Intel Ireland obtains ISO 14001 certification 1997 Advanced Safety Self-Assessment instituted 1997 First New Mexico site risk assessment published 1998 Intel Costa Rica publishes its first EHS report 1998 Intel achieves world-class injury/illness rates 1999 Intel selected for inaugural Dow Jones Sustainability Index 1999 First EHS Signature Project begins 1999 Intel introduces Instantly Available Personal Computer (IAPC) energy-saving technology 2000 Intel/Nature Conservancy “Last Great Places” web site created 2000 Intel’s Lead-Free Initiative established 2001 Intel/Conservation International Biodiversity web site created 2001 National Safety Council awards Intel Green Cross for Safety 2002 Intel first named Sector Leader, Dow Jones Sustainability Index 2002 Intel gets companywide ISO 14001 certification 2002 Intel receives Clean Air Excellence Award from the U.S. EPA 2002 Intel named “Best in Class” by Storebrand Investments 2003 First renewable power electricity contracts signed 2003 Intel signs up with the U.S. EPA’s Plug-In to eCycling program 2003 Intel service and construction suppliers achieve world-class safety performance 2003 First formal energy reduction goal set

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