

Intel Executive WEBCAST

OCTOBER 22, 2002

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Panel Introductions

Paul Otellini

 President and Chief Operating Officer

Mike Splinter

Executive Vice President
 Director, Sales and Marketing Group

Andy Bryant

Executive Vice President
 Chief Financial and Enterprise Services Officer



Agenda

Strategic Overview Craig Barrett

Driving Convergence and Product Overview

Paul Otellini

Sales Update

Mike Splinter

Finance and Manufacturing Overview Andy Bryant



Webcast Logistics

- The upper right hand corner of the video window will show the slide number the speaker is on to make it easy for you to follow along
- You may submit questions at any time during the live event using the Question Submission Box located on the left side of your screen
- We will answer as many questions as possible during the live event!
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During the Intel Executive Webcast, we will be discussing Intel's business outlook and making certain forward looking statements. Statements that are not historical facts are subject to a number of risks and uncertainties, and actual results may differ materially. We urge you to read the Risk Factors slide in the slide show materials for more information on the risks and uncertainties.





WEBCAST

Navigating Through The Perfect Storm

Craig R. Barrett
Chief Executive Officer

Agenda

- Future Opportunity
- Intel Strengths
- Charting the course



Future Opportunity: Why Are We Optimistic?

- Worldwide Internet build-out
- Wireless WAN and LAN
- Convergence of computing and communications
- Integrated process technology



Future Opportunity: Internet Data Traffic

Backbone Traffic (Petabytes/month)

10,000

1,000

100

10

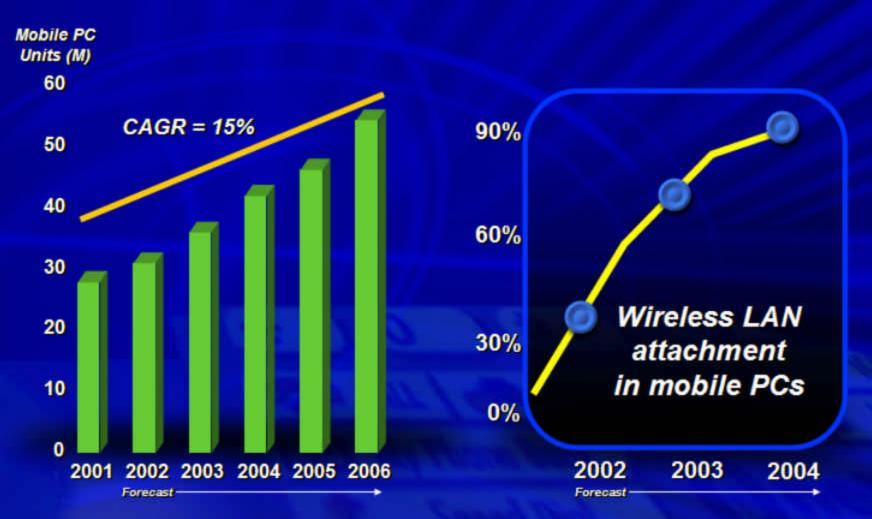




1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007

Forecast:

Future Opportunity: 802.11Wireless Growth



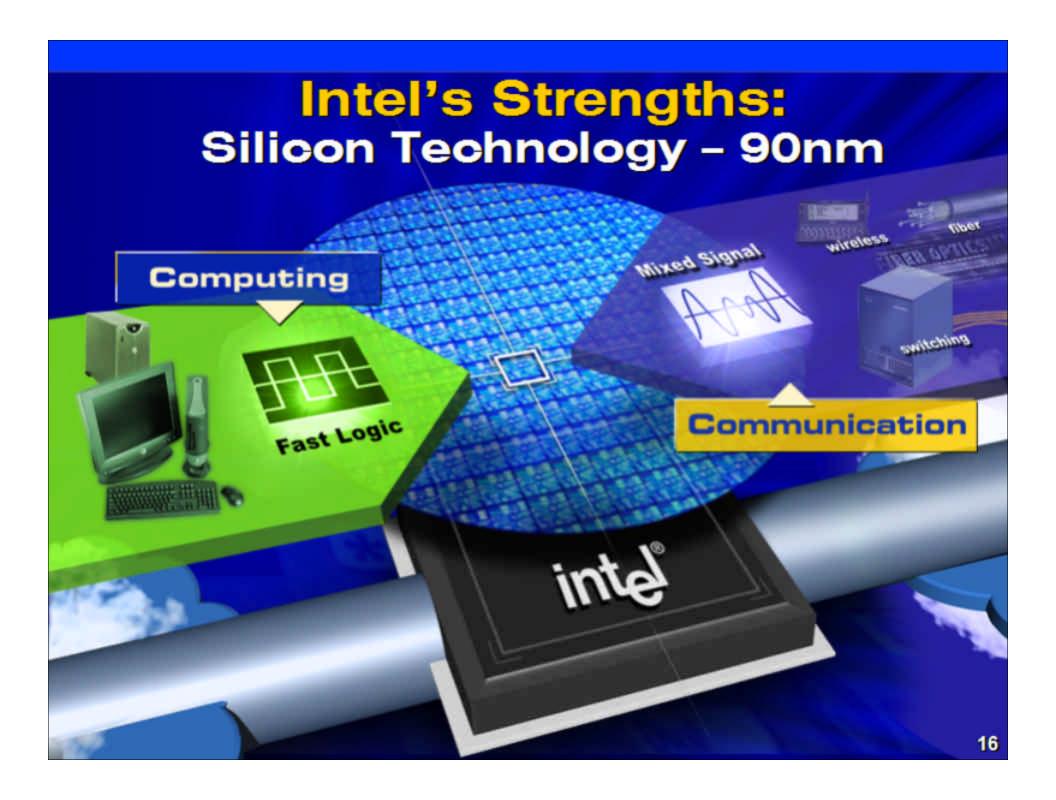


Intel's Strategy

Silicon leadership Architectural innovation Worldwide opportunity

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Intel's Strengths:

Architectures for Computing and Communications

CLIENTS COMMUNICATIONS SERVERS



Charting the Course: Growing Stronger Through the Downturn

- R&D spending
- Manufacturing technology leadership
- MSS gains
- Profitability
- Controlling discretionary spending



What You Will Hear From Us Today

- Exciting products and solutions
- Worldwide sales opportunity
- Increasing our silicon and manufacturing leadership
- Managing the business



CENERATION AHEAD

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Intel's Strategy: Driving Convergence thru Si Integration

Enabling anytime, anywhere computing... What happened since spring?



Acer C100* 802 11 Mobile Intel® Pentium® III



Toshiba e740* 802 11 Intel® XScale™ Intel StrataFlash®



GPRS & 802 11 Intel® XScale™



Sony Clie NX70V* Viewsonic V1100* 802 11

Mobile Intel® Pentium® III



Mitac* **GPRS** Intel® XScale™ Intel StrataFlash®



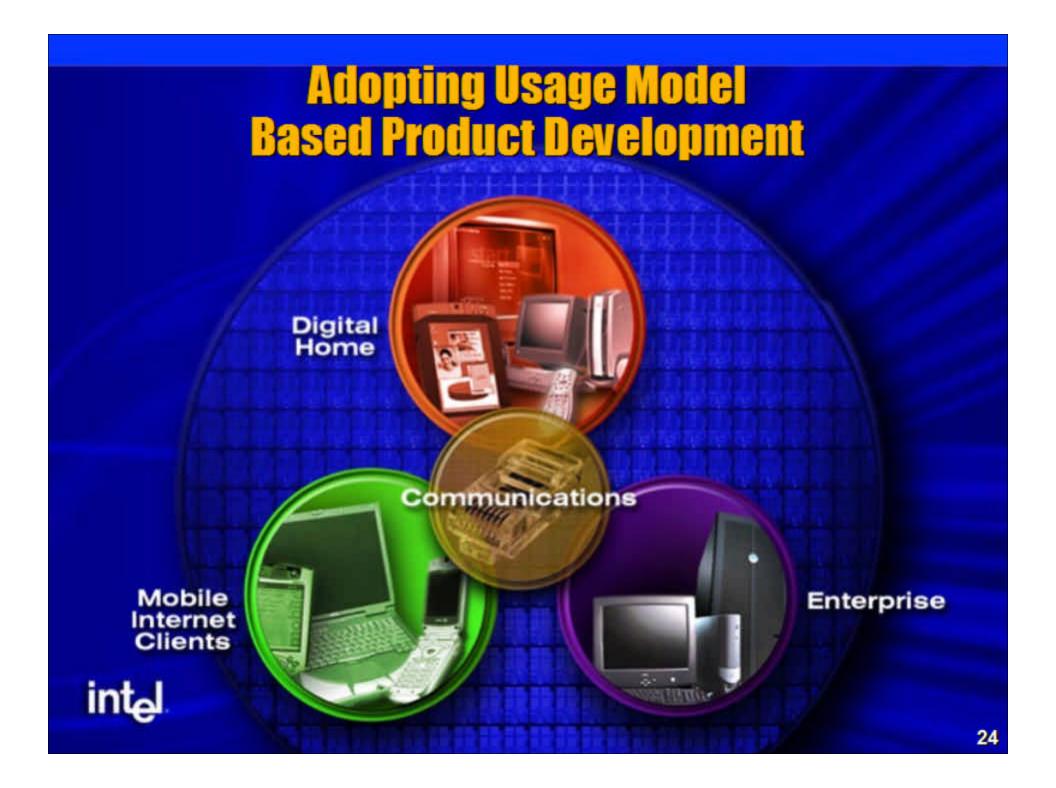
Convergence is accelerating...

Driving Convergence

Drive three technologies...

- Product Leadership
- Software Leadership
- Manufacturing Leadership





Digital Home: 2002

- Vision: Intel everywhere in the home
 - Keep the PC central w/ Intel Si in peripheral devices
- Intel® Pentium® 4 Processor: 3GHz this qtr
 - –launch HyperThreading (HT)
 - -Gained MSS, best in 4 years
- Chipsets: fastest ramp in Intel history
 - Regained #1 graphics supplier with 845G
- Driving the digital home usage model:
 - Aligning the industry on standards
 - –STB, Media Adapters



Digital Home: 2003

Design wins beyond the PC

- STB's, PVR's, PDAs, media centers...
- Linked via an interoperable architecture

PC: Ship and ramp Prescott

- -90nm, HT II, 2H'03
- Ramp via both Pentium® 4 sockets & next gen chipset
- Deliver LT as basis for a safer computing environment
- Will scale to 5GHz, Next generation: 6GHz+ on 90nm

Wireless: Drive via Banias

Considering soft access points



Enterprise: 2002

- Vision: Intel everywhere in the Digital Office
 - Continued progress in data center
 - Drive biz apps to take adv. of rich clients; wirelessly
- Intel® Xeon™ Processor based Servers
 - HT Technology; volume svr chipset biz
 - Next gen MP launch in Q4 @ 2GHz, DP/MP family refresh
- Itanium® 2 processor: World Class Perf...
 - World record: TPC-C (4P, 78k tpmC) HP*
 - World record: SAP (4P, 470 SD Users) HP*
 - TPC-C (32P, 308k tpmC) NEC*
 - IA record for non-clustered systems



Enterprise: 2003

- Madison: 30%-50% more perf; same socket
- Itanium® Processor Family SW:
 - OS: MS.NET Svr* 2003, HP-UX* v2.0, Red Hat Linux* v2.1
 - Databases: SQL Svr 2003, IBM* DB2 v8.1, Oracle* 9i
 - Apps: SAP* R/3, APO, BEA* WebLogic JRockit v7.0 12* Supply Chain / Factory Planner, SAS* v9.0
- Collaboration with IBM on blade servers
- Leadership technologies for future products
 - Multi-core and additional multi-threaded processors

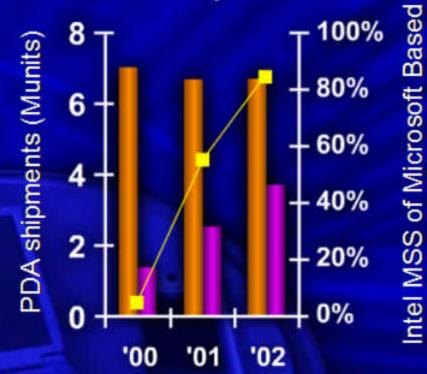


Mobile Internet Clients: 2002

- Vision: Intel Si in all mobile devices
- Mobile success this year:
 - 34 proc's intro'd on .13µ
- Handheld: Intel[®] XScale[™]
 - Win w/ Microsoft, add Palm
- Flash: gained MSS
 - Move to .13µ

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PDA shipments



- Palm based (Munits)
- Microsoft based (Munits)
- IA MSS (Microsoft based)

Mobile Internet Clients: 2003

- Banias Mobile Technology for notebooks:
 - Components: Banias CPU, 2 chipsets, 802.11a/b
 - On track for 1H'03 intro; rapid ramp
 - New Brand: Extending brand to all Intel mobile Si
- Handhelds: Driving Silicon Integration
 - Intel® PXA261/62: stacked Xscale & Strataflash
 - Manitoba: "Wireless Internet on a Chip" ship 2H'03



Telecom Infrastructure

Vision: Intel Si fuels the network equip. evolution

<u>2002</u>

2003

- Network Proc. momentum
 ~2M Intel NPU's shipped
- 10 Gbit Optical Transponders
 - -DW's at Cisco*, Nortel*, Lucent*..
- Advanced Telecom Compute Architecture™ (ATCA)
 - -Design guide intro'd, 1st demo
- IBM/HP*: 1st IA Telco Svrs

- Build MSS in Network Processing
 - IXP2800 & IXP2850 in prod.
- Drive Platform Standards
 - Interconnect & fabric w/ PCI-Express
 - Supporting OSDL release of Carrier Grade Linux
- Ramp Carrier Grade Svrs



Products: Summary

- 2002 was a year of outstanding execution
 - Gaining significant market segment share
 - Meeting or exceeding product schedules and capabilities
- Our product strategy continues in 2003:
 - –Drive Convergence thru Silicon Integration



Driving Convergence

Drive three technologies

- Product Leadership
- Software Leadership
- Manufacturing Leadership



Driving Convergence: Software

Vision: Write once, run best on Intel processors

- Software advantage on Intel
 - -Developer: TTM & cost
 - -Users: delivering new value
- Our progress:
 - –World's best compilers, optimizers…
 - –Intel® Wireless MMX™, HT tools
- Our plan: Mobile aware apps on all architectures



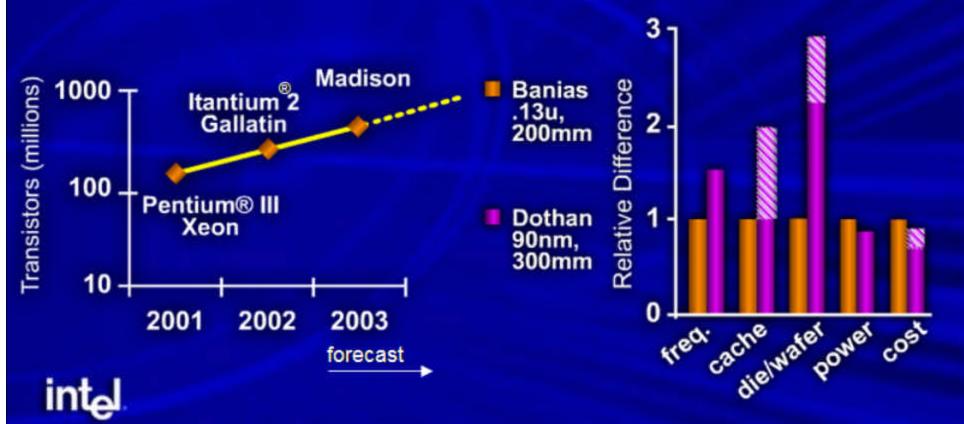
Common Denominator is Intel Si and tools



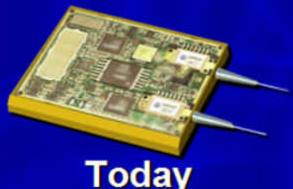
Using Manufacturing and Process Technologies: Driving Scale

Enterprise: highest performance

Mobile: next generation performance



Manufacturing Leadership: Enabling Convergence



104 Chips, 4 Process Technologies **Example: Optical Module Integration**



90nm 3 Chips, 2 Process Technologies

90nm modular process:

combines highest performance CMOS transistors w/ specialized comms features



Enables physical integration of communications and computing

Summary

- Driving convergence by putting comms in computers, and computing in comms
 - Increasing the number of computing devices from hundreds of Millions to Billions...

Our Goals:

- –More capabilities per computer
- –More computers per person
- -More Intel Si per computer





Market Update

- Q3'02 Revenue of \$6.5B
- Q4'02 Revenue expectation: \$6.5 \$6.9B
- Technology spending remains sluggish in Corporate and the Telcos
- Channels matched record quarter
- Flash market MSS growth megabits per phone are increasing
- Emerging Markets growth continues
- CPU MSS gain of 9pts over past 12 months

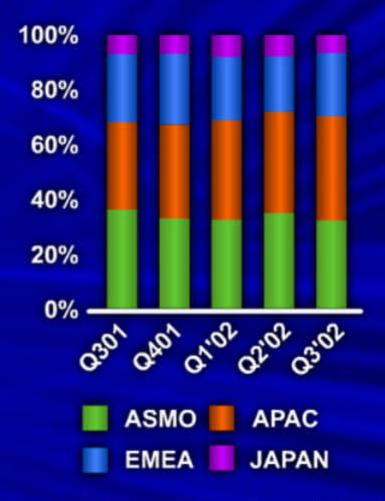


Geographic Update

- EMEA: Strong quarter up 16% vs. Q2 driven by Emerging Markets and strong channel sales.
- APAC: <u>Record Quarter</u>. China is now the 2nd largest PC market in the world.
- Americas: North America consumption flat, while LAR down due to economic turmoil.
- IJKK: Continuation of dramatic TAM reduction. Down another 12% vs. a soft Q2.



Q3'02 Geo Revenue

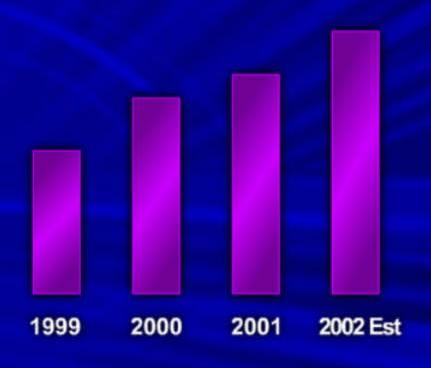


Source: Intel

Emerging Market Update

- Top 5 Emerging Markets continue growth - now ~ 17% of Intel revenues
- China continues with 39% YoY growth & had record revenues in Q3. Intel MSS is highest of any country worldwide.
- Russia revenues and overall PC market continue to accelerate
- LAR shrinking with economic downturn and political turmoil

Top 5 Emerging Market Revenues



Source: Intel



Rise of the Emerging Markets

Intel Top Ten Country Markets



*2005 internal estimates

Emerging Markets

Strategic Directions

+300 Cities in '03, 1K by '06

Establish the Brands

Enhance Enterprise ecosystem

Strong relationships: LOEMs, Channels, Gov't

Education initiatives



Branding & Advertising

- Focus on Intel Technology Leadership
- Focus on Usage Models and End User Benefits
- Mobile wireless computing architecture will be established in '03





Enterprise Update

- Global 1000
 Design Win program exceeded 2002 goals
- Wins represent \$3B+ of ecosystem revenue
- 205 major database wins



Wins by vertical industry

Healthcare Transportation

Services

Retail

Telecom

Gov/Public Sector

Financial Services

Manufacturing



Corporate Client Upgrade

- Down economy has resulted in large, aging installed base
- TCO: Cheaper to upgrade PCs than to manage old PCs
- Headroom: Productivity improves with CPU performance
- Mobility / Wireless: Users demand it
- Security: New clients make IT environments more secure



Why Buy Now? Security

- Today's top issue for IT is security
- Security incidents are on the rise
- Corporate/government data and trade secrets are at risk

Computer Security Incidents on the Rise – CERT.org, Oct, 2002

21,000+ incidents in 2000

52,000+ incidents in 2001

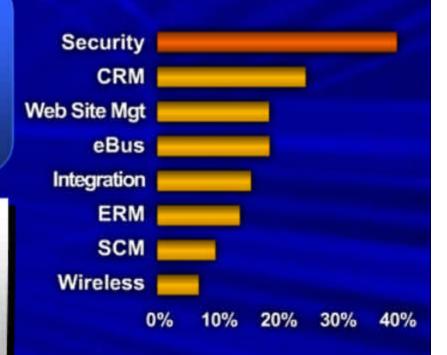
73,000+ already in Q1-Q3, 2002

"...you need to protect every single door, window and crawl space..."

Charles Kolodgy, IDC

Research Manager for Internet Security

% Rating "Highest" Priority



Security Issues for Legacy Client OS Increasing support risk for IT

- >50% of installed base is Windows 95/98/NT
- New information security tools such as file encryption are processor intensive—older PCs cannot handle the load effectively
- As of July 1, 2002, WHQL is no longer accepting submissions based on Windows* 98 SE, NT 4.0 Workstation and NT 4.0 Server



Intel Driving Mobile Wireless Computing

Objective

Action Plan

Establish Banias* as Best Wireless PC Client Align key industry players' products and services with architecture

Drive 802.11 Adoption

Drive more devices as 802.11 access points and generate awareness

Accelerate Hotspot Deployment

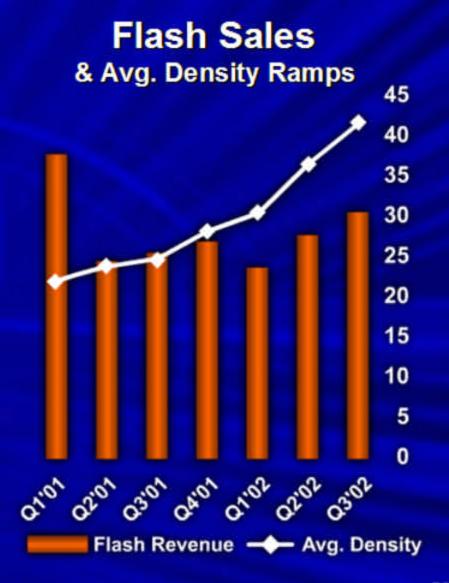
Use market players as ignition points to build momentum

Provide Industry Leadership Guide industry efforts to overcome key barriers, gain technology alignment



Communications Market Update

- Overall communications sectors remain bearish.
- Networking sales remain flat, however winning major designs in Network Processing, 802.11, 10G optical, and Gigabit Ethernet.
- Flash up 10% vs. Q2'02. Cellular market demand is increasing for higher density products.
- Intel XScale processor winning majority of intelligent handheld devices, though market remains relatively soft.





Summary: Poised for the Upturn

- Winning MSS
- Emerging Markets continue growth
- Enterprise momentum accelerating
- Corporate Upgrades over due
- Leading the mobile wireless revolution
- Flash MSS and densities up





Andy Bryant

Executive Vice President Chief Financial and Enterprise Services Officer

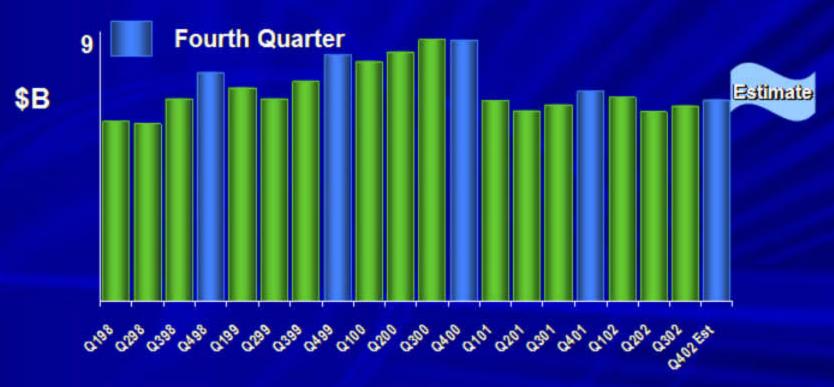
Intel Corporation

Agenda

- Protect profitability
- Invest prudently
- Preserve cash



The Environment



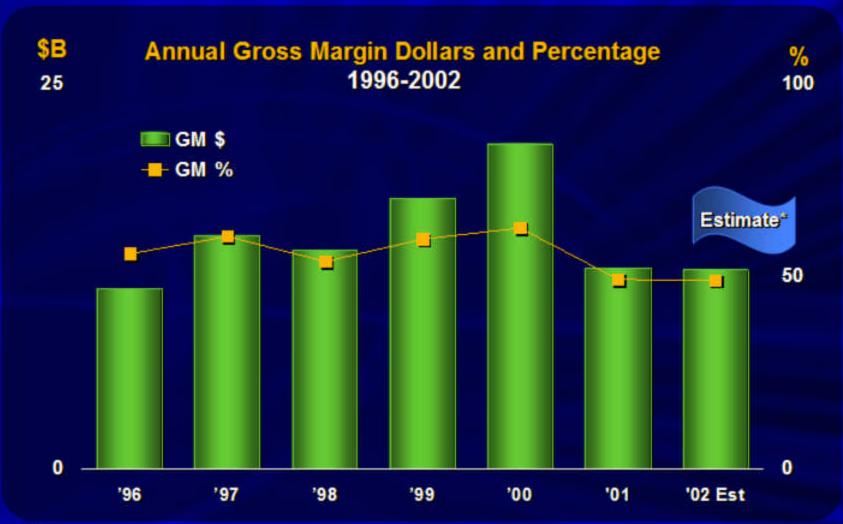
Revenue By Quarter: 1998 – 2002

- Estimated range of \$6.5

 – \$6.9 billion for Q4
- Low end of seasonal patterns
- Outlook paced by economic recovery



Protect Profitability





Evolution Of A Recession

April, 2001

- Slash discretionary spending
- Defer office building projects
- Reduce workforce by 5,000
- Limit external hiring
- Delay salary increases
- Postpone Home PC program

April, 2002

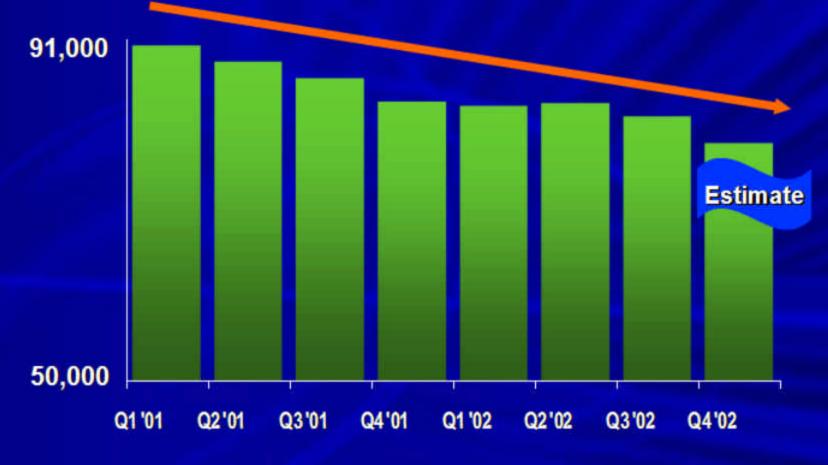
- Puerto Rico manufacturing plant
- Streaming media services
- Internet health services
- Branded server appliances
- Consumer products
- Xircom facility in Malaysia
- Exceeded goal of 5,000 reduction in workforce

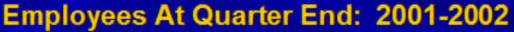
October, 2002

- Winding down Web hosting business
- Software and systems level product businesses
- Reduce workforce by 4,000
- Philippines assembly consolidations
- Domestic site consolidations









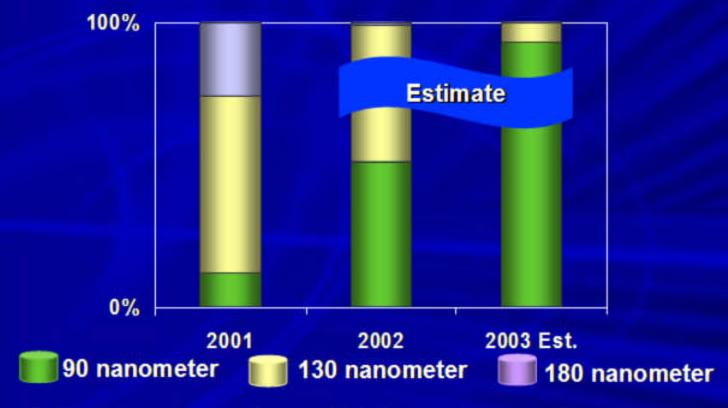


 Work force down 13% from end of quarter peak in Q1 2001



Reduced Dollars, Sustained Focus

Portion of Fab Equipment Capital Spending By Technology

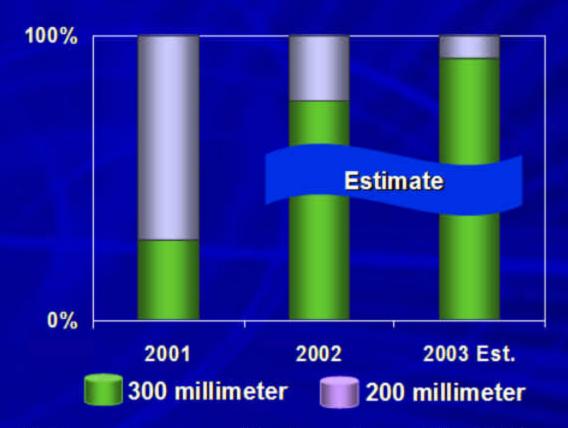




 Enables production of higher volumes of higher performance processors at lower costs

Reduced Dollars, Sustained Focus

Portion of Fab Capital Spending By Geometry

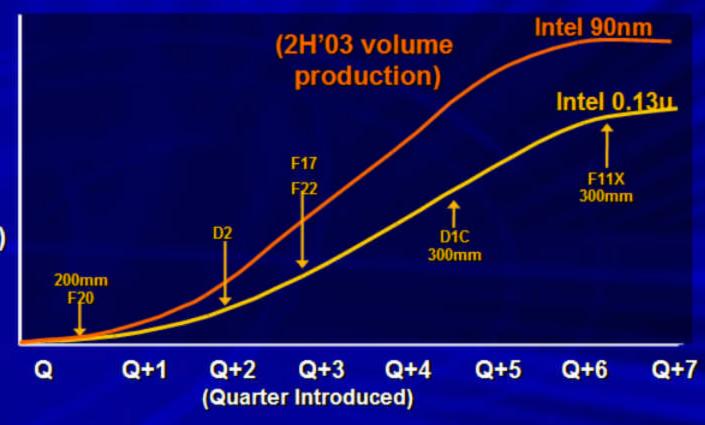




 2.5 times more die / wafer with 300mm than 200mm on .13 micron

Robust Manufacturing Supports Strong Roadmap

WSPW (200mm Equivalents)

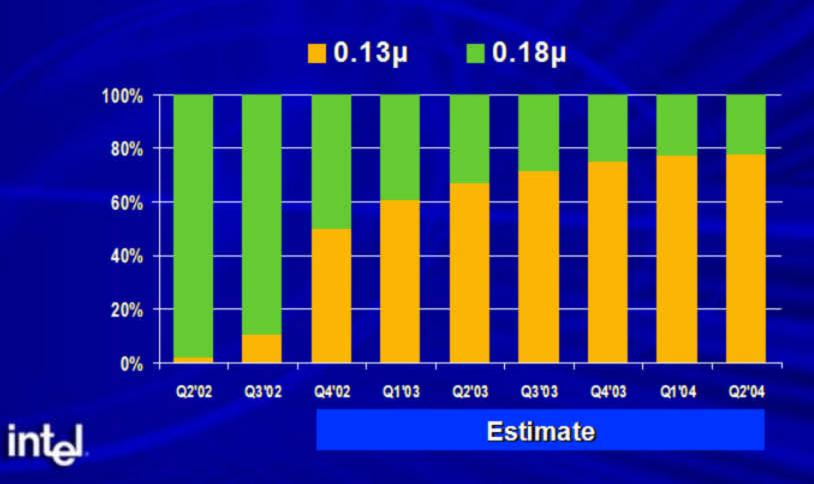




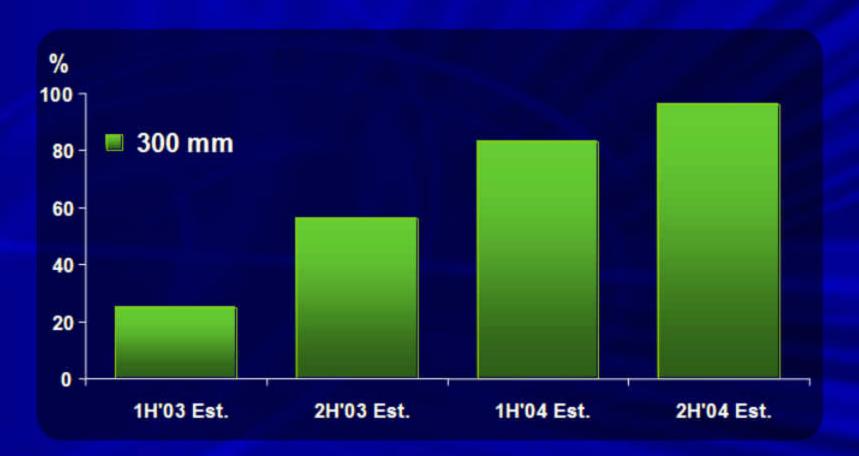
Leader in Advanced Technology Ramps

Intel® Flash Process Shifts to 0.13µ

%Mb on 0.18μ vs. 0.13μ

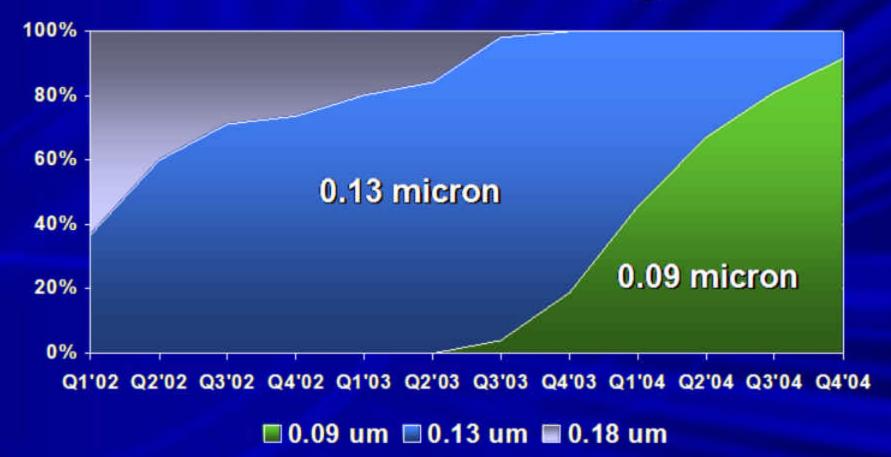


300mm Share Of Microprocessor Unit Production*





Microprocessors* Ramping On Advanced Technology

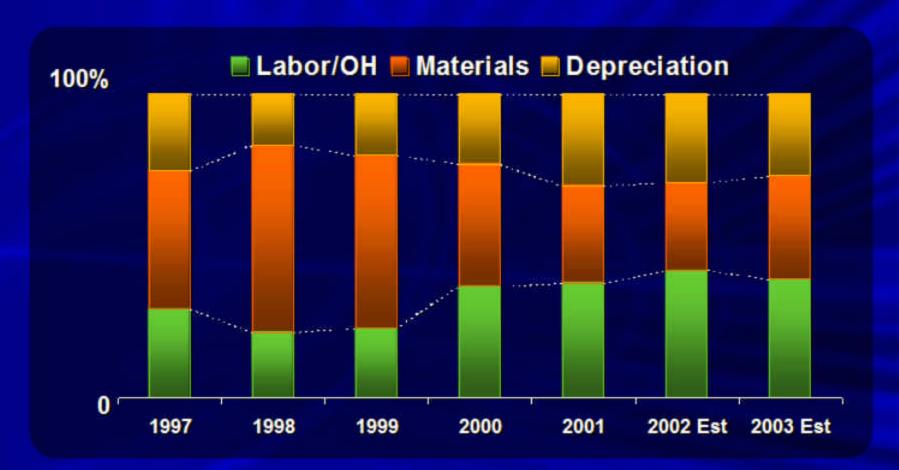




*Intel Architecture CPU's

(Estimates for Q4'2002 - 2004)

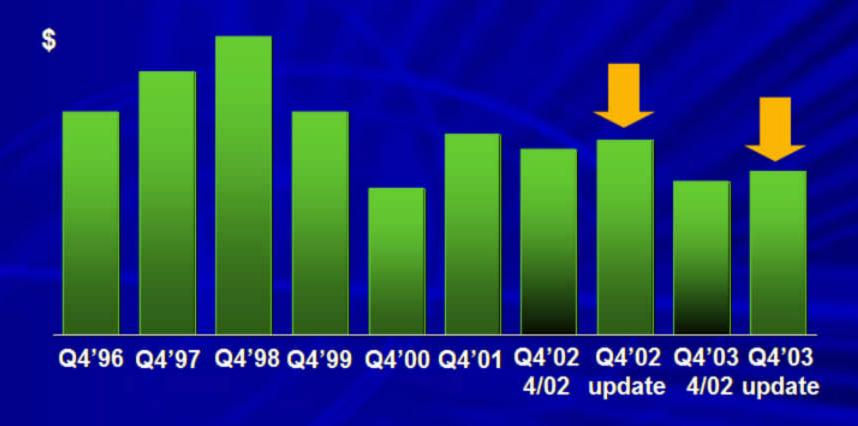
Elements of Microprocessor Unit Cost





Source: Intel 65

CPU Product Cost Trend

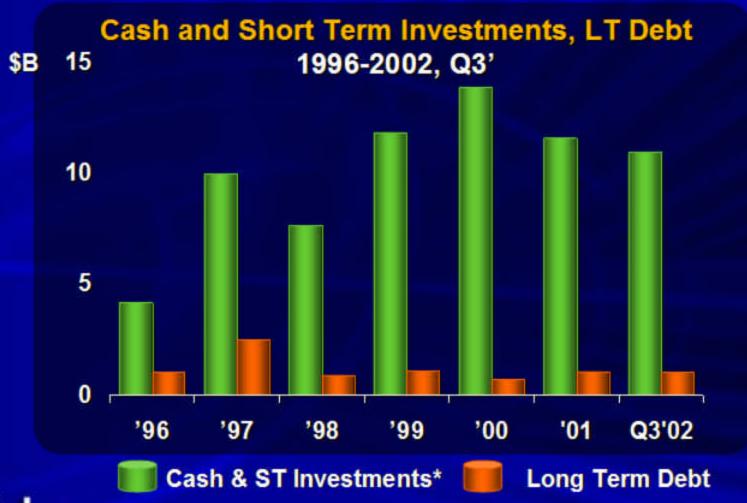


- Revised from May 2002
- Estimates for Q4'02-Q4'03



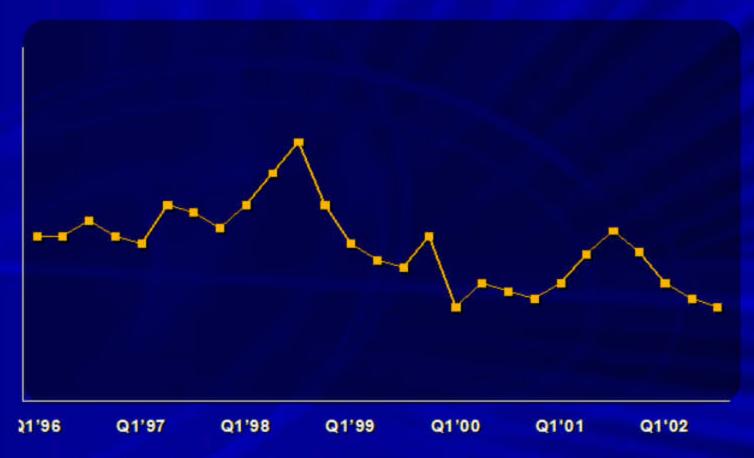
Source: Intel 66

Preserving Cash





Managing Inventories





Reserves as % of Gross Inventory
Quarterly 1996-2002, Q3

Source: Intel 68

Microprocessor* Inventory Status





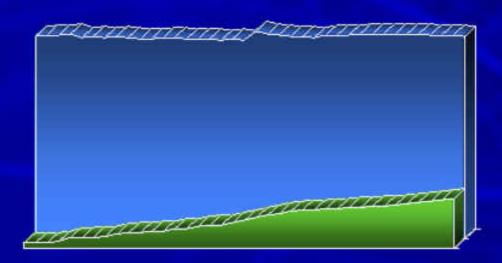
Outstanding Credit





Returning Cash To Stockholders

Stock Repurchase Program 1993 - Q3, 2003





Total shares outstanding



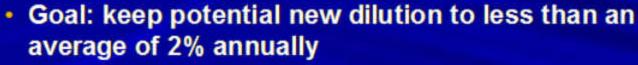
Cumulative shares repurchased



- •1.6 billion shares repurchased
- •20% of total shares outstanding at 9/30/02

Dilution Control

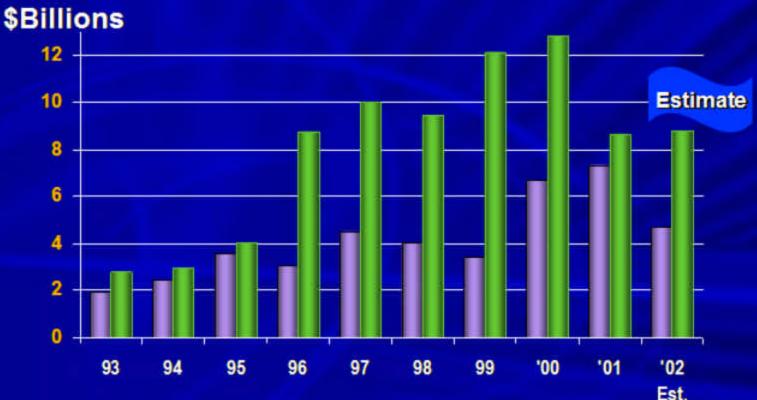
| Stock Options | '98 | '99 | '00 | '01 | '02 YTD* |
|---|------------|------------|------------|------------|----------|
| Net new grants - % of total shares out | 0.9% | 1.2% | 2.0% | 3.0% | 0.6% |
| Actual dilution – all exercises as % of total shares out | 1.9% | 1.4% | 1.6% | 1.0% | 0.2% |
| Actual dilution from top 5 officers- exercises as % of total shares out | 0.07% | 0.01% | 0.05% | 0.01% | 0.01% |





More detailed information in Intel's 10Q

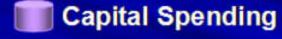
Generating Cash



Cash From Operations and Capital Spending 1993 - 2002 Estimate



Cash from Operations | Capital Spending



Summary

- Strong competitive position
- Doing the right things
 - -Protecting profits
 - Investing prudently
 - Preserving cash
- Technology and stamina to win



Intel Executive WEBCAST

Q&A

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Risk Factors

The information presented at the 2002 Intel Executive Webcast and accompanying slides is accurate only as of October 22, 2002, the date of the Webcast. A recording of the Webcast and accompanying slides will be posted on the www.intc.com web site for approximately 60 days, but the information will not be updated.

The 2002 Intel Executive Webcast presentations and accompanying slides contain forward-looking statements that involve a number of risks and uncertainties. These statements do not reflect the potential impact of any mergers. acquisitions, and divestitures that may be completed after the end of the third quarter of 2002. In addition to factors discussed in those slides, among other factors that could cause actual results to differ materially are the following: Plans and expectations for the fourth quarter and the year. Demand for Intel's products, which impacts revenue and the gross margin percentage, is affected by business and economic conditions, as well as computing and communications industry trends, and changes in customer order patterns. Intel does business outside the United States and is thus subject to a number of other factors, including currency controls and fluctuations, and tariff and import regulations. If terrorist activity, armed conflict, civil or military unrest or political instability occurs in the United States, Israel or other locations, such events may disrupt logistics, security and communications, and could also result in reduced demand for Intel's products. Revenue and the gross margin percentage are affected by competing chip architectures and manufacturing technologies, competing software-compatible microprocessors, pricing pressures and other competitive factors, as well as market acceptance of Intel's new products. Future revenue is also dependent on continuing technological advancement, including developing and implementing new processes and strategic products, as well as sustaining and growing new businesses and integrating and operating any acquired businesses. The gross margin percentage could also be affected by the execution of the manufacturing ramp, excess manufacturing capacity, excess or obsolete inventory, and variations in inventory valuation, as well as adverse effects associated with product errata (deviations from published specifications). Results could also be affected by litigation, such as that described in Intel's SEC reports, as well as other risk factors listed in Intel's SEC reports, including the report on Form 10-Q for the guarter ended June 29, 2002, (Part I, Item 2, Outlook section).

