Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 25, 2010.
or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________.

Commission File Number 000-06217

INTEL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware State or other jurisdiction of incorporation or organization	**94-1672743** (I.R.S. Employer Identification No.)
2200 Mission College Boulevard, Santa Clara, California (Address of principal executive offices)	**95054-1549** (Zip Code)

Registrant's telephone number, including area code **(408) 765-8080**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common stock, $0.001 par value	The NASDAQ Global Select Market*

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Table of Contents

REPORT OF ERNST & YOUNG LLP, INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Intel Corporation

We have audited the accompanying consolidated balance sheets of Intel Corporation as of December 25, 2010 and December 26, 2009, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 25, 2010. Our audits also included the financial statement schedule listed in the Index at Part IV, Item 15. These financial statements and schedule are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Intel Corporation at December 25, 2010 and December 26, 2009, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 25, 2010, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Intel Corporation's internal control over financial reporting as of December 25, 2010, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 18, 2011 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

San Jose, California
February 18, 2011

Table of Contents

INTEL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Minimum rental commitments under all non-cancelable leases with an initial term in excess of one year were as follows as of December 25, 2010 (in millions):

Year Payable	
2011	$102
2012	86
2013	56
2014	32
2015	20
2016 and thereafter	31
Total	**$327**

Commitments for construction or purchase of property, plant and equipment totaled $4.6 billion as of December 25, 2010 ($1.8 billion as of December 26, 2009), most of which will be due within the next year. Other purchase obligations and commitments totaled approximately $600 million as of December 25, 2010 (approximately $900 million as of December 26, 2009). Other purchase obligations and commitments include payments due under various types of licenses, agreements to purchase raw materials or other goods, and payments due under non-contingent funding obligations. Funding obligations include, for example, agreements to fund various projects with other companies. In addition, we have various contractual commitments with Micron and IMFT/IMFS. For further information on these contractual commitments, see "Note 11: Equity Method and Cost Method Investments."

Note 24: Employee Equity Incentive Plans

Our equity incentive plans are broad-based, long-term programs intended to attract and retain talented employees and align stockholder and employee interests.

In May 2009, stockholders approved an extension of the 2006 Equity Incentive Plan (the 2006 Plan). Stockholders approved 134 million additional shares for issuance, increasing the total shares of common stock available for issuance as equity awards to employees and non-employee directors to 428 million shares. The approval also extended the expiration date of the 2006 Plan to June 2012. The maximum number of shares to be awarded as non-vested shares (restricted stock) or non-vested share units (restricted stock units) increased to 253 million shares. As of December 25, 2010, 190 million shares remained available for future grant under the 2006 Plan. We may assume the equity incentive plans and the outstanding equity awards of certain acquired companies. Once they are assumed, we do not grant additional shares under those plans.

Also in May 2009, stockholders approved an employee stock option exchange program (Option Exchange) to give employees (not listed officers) the opportunity to exchange eligible stock options for a lesser number of new stock options that have approximately the same fair value as the options surrendered, as of the date of the exchange. The Option Exchange commenced on September 28, 2009 and expired on October 30, 2009. Eligible options included stock options granted under any Intel stock option or equity incentive plan between October 1, 2000 and September 28, 2008 that had an exercise price above $20.83, which was the 52-week closing-price high as of October 30, 2009. A total of 217 million eligible stock options were tendered and cancelled in exchange for 83 million new stock options granted. The new stock options have an exercise price of $19.04, which is equal to the market price of Intel common stock (defined as the average of the high and low trading prices) on October 30, 2009. The new stock options were issued under the 2006 Plan and are subject to its terms and conditions. The new stock options vest in equal annual increments over a four-year period from the date of grant and will expire seven years from the grant date. Using the Black-Scholes option pricing model, we determined that the fair value of the surrendered stock options on a grant-by-grant basis was approximately equal, as of the date of the exchange, to the fair value of the eligible stock options exchanged, resulting in insignificant incremental share-based compensation.

In 2009, we began issuing restricted stock units with both a market condition and a service condition (market-based restricted stock units), referred to in our 2010 Proxy Statement as outperformance stock units, to a small group of senior officers and non-employee directors. The number of shares of Intel common stock to be received at vesting will range from 33% to 200% of the target amount, based on total stockholder return (TSR) on Intel common stock measured against the benchmark TSR of a peer group over a three-year period. TSR is a measure of stock price appreciation plus any dividends paid in this performance period. As of December 25, 2010, there were 3 million market-based restricted stock units outstanding. These market-based restricted stock units accrue dividend equivalents and vest three years and one month from the grant date.

In connection with our 2009 acquisition of Wind River Systems, we assumed the company's equity incentive plans and issued replacement awards in 2009. The stock options and restricted stock units issued generally retain the terms and conditions of the respective plans under which they were originally granted. We will not grant additional shares under these plans.

Table of Contents

INTEL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Equity awards granted to employees in 2010 under our equity incentive plans generally vest over 4 years from the date of grant, and options expire 7 years from the date of grant, with the exception of market-based restricted stock units and replacement awards related to acquisitions. Equity awards granted to key officers, senior-level employees, and key employees in 2010 may have delayed vesting beginning 3 to 5 years from the date of grant, and these options expire 7 to 10 years from the date of grant.

The 2006 Stock Purchase Plan allows eligible employees to purchase shares of our common stock at 85% of the value of our common stock on specific dates. Under the 2006 Stock Purchase Plan, we made 240 million shares of common stock available for issuance through August 2011. As of December 25, 2010, 140 million shares were available for issuance under the 2006 Stock Purchase Plan.

Share-Based Compensation

Share-based compensation recognized in 2010 was $917 million ($889 million in 2009 and $851 million in 2008).

On a quarterly basis, we assess changes to our estimate of expected equity award forfeitures based on our review of recent forfeiture activity and expected future employee turnover. We recognize the effect of adjustments made to the forfeiture rates, if any, for all expense amortization after January 1, 2006 in the period that we change the forfeiture estimate. The effect of forfeiture adjustments in 2008, 2009, and 2010 was not significant.

The total share-based compensation cost capitalized as part of inventory as of December 25, 2010 was $48 million ($33 million as of December 26, 2009 and $46 million as of December 27, 2008). During 2010, the tax benefit that we realized for the tax deduction from share-based awards totaled $266 million ($119 million in 2009 and $147 million in 2008).

We estimate the fair value of restricted stock unit awards with time-based vesting using the value of our common stock on the date of grant, reduced by the present value of dividends expected to be paid on our common stock prior to vesting. We estimate the fair value of market-based restricted stock units using a Monte Carlo simulation model on the date of grant. We based the weighted average estimated values of restricted stock unit grants, as well as the weighted average assumptions that we used in calculating the fair value, on estimates at the date of grant, as follows:

	2010	2009	2008
Estimated values	$22.56	$14.63	$19.94
Risk-free interest rate	1.1%	0.9%	2.1%
Dividend yield	2.6%	3.5%	2.6%
Volatility	31%	46%	n/a

We use the Black-Scholes option pricing model to estimate the fair value of options granted under our equity incentive plans and rights to acquire stock granted under our stock purchase plan. We based the weighted average estimated values of employee stock option grants (excluding stock option grants in connection with the Option Exchange in 2009) and rights granted under the stock purchase plan, as well as the weighted average assumptions used in calculating these values, on estimates at the date of grant, as follows:

	Stock Options			Stock Purchase Plan		
	2010	2009	2008	2010	2009	2008
Estimated values	$4.82	$4.72	$5.74	$4.71	$4.14	$5.32
Expected life (in years)	4.9	4.9	5.0	0.5	0.5	0.5
Risk-free interest rate	2.5%	1.8%	3.0%	0.2%	0.4%	2.1%
Volatility	28%	46%	37%	32%	44%	35%
Dividend yield	2.7%	3.6%	2.7%	3.1%	3.6%	2.5%

We base the expected volatility on implied volatility, because we have determined that implied volatility is more reflective of market conditions and a better indicator of expected volatility than historical volatility. We use the simplified method of calculating expected life, due to significant differences in the vesting terms and contractual life of current option grants compared to our historical grants.

Table of Contents

INTEL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Restricted Stock Unit Awards

Information with respect to outstanding restricted stock unit (RSU) activity is as follows:

(In Millions, Except Per RSU Amounts)	Number of RSUs	Weighted Average Grant-Date Fair Value
December 29, 2007	**51.1**	**$ 20.24**
Granted	32.9	$ 19.94
Vested	(12.1)	$ 19.75
Forfeited	(4.6)	$ 20.12
December 27, 2008	**67.3**	**$ 20.18**
Granted	60.0	$ 14.63
Assumed in acquisition	1.6	$ 17.52
Vested	(20.1)	$ 20.24
Forfeited	(3.4)	$ 18.19
December 26, 2009	**105.4**	**$ 17.03**
Granted	32.4	$ 22.56
Vested	(34.6)	$ 17.70
Forfeited	(3.4)	$ 17.98
December 25, 2010	**99.8**	**$ 18.56**
Expected to vest as of December 25, 2010	**94.4**	**$ 18.54**

The aggregate fair value of awards that vested in 2010 was $808 million ($320 million in 2009 and $270 million in 2008), which represents the market value of Intel common stock on the date that the restricted stock units vested. The grant date fair value of awards that vested in 2010 was $612 million ($407 million in 2009 and $239 million in 2008). The number of restricted stock units vested includes shares that we withheld on behalf of employees to satisfy the minimum statutory tax withholding requirements. Restricted stock units that are expected to vest are net of estimated future forfeitures.

As of December 25, 2010, there was $1.2 billion in unrecognized compensation costs related to restricted stock units granted under our equity incentive plans. We expect to recognize those costs over a weighted average period of 1.3 years.

Stock Option Awards

As of December 25, 2010, options outstanding that have vested and are expected to vest are as follows:

	Number of Options (In Millions)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (In Years)	Aggregate Intrinsic Value (In Millions)
Vested	263.0	$ 21.03	2.3	$ 295
Expected to vest	114.2	$ 19.18	5.6	$ 248
Total	**377.2**	**$ 20.47**	**3.3**	**$ 543**

Aggregate intrinsic value represents the difference between the exercise price and $20.84, the closing price of Intel common stock on December 23, 2010, as reported on The NASDAQ Global Select Market, for all in-the-money options outstanding. Options outstanding that are expected to vest are net of estimated future option forfeitures.

Options with a fair value of $240 million completed vesting during 2010 ($288 million during 2009 and $459 million during 2008). As of December 25, 2010, there was $220 million in unrecognized compensation costs related to stock options granted under our equity incentive plans. We expect to recognize those costs over a weighted average period of 1.2 years.

Table of Contents

INTEL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Additional information with respect to stock option activity is as follows:

(In Millions, Except Per Option Amounts)	Number of Options	Weighted Average Exercise Price
December 29, 2007	**665.9**	**$ 27.76**
Grants	24.9	$ 20.81
Exercises	(33.6)	$ 19.42
Cancellations and forfeitures	(42.8)	$ 31.14
Expirations	(2.4)	$ 22.84
December 27, 2008	**612.0**	**$ 27.70**
Grants	118.5	$ 18.01
Assumed in acquisition	9.0	$ 15.42
Exercises	(3.6)	$ 15.90
Cancellations and forfeitures	(29.6)	$ 28.16
Exchanged	(217.4)	$ 26.75
Expirations	(37.6)	$ 31.92
December 26, 2009	**451.3**	**$ 25.08**
Grants	20.2	$ 23.25
Exercises	(16.6)	$ 18.36
Cancellations and forfeitures	(16.1)	$ 24.76
Expirations	(52.4)	$ 60.68
December 25, 2010	**386.4**	**$ 20.45**
Options exercisable as of:		
December 27, 2008	517.0	$ 28.78
December 26, 2009	297.7	$ 28.44
December 25, 2010	263.0	$ 21.03

The aggregate intrinsic value of stock option exercises in 2010 was $65 million ($13 million in 2009 and $101 million in 2008), which represents the difference between the exercise price and the value of Intel common stock at the time of exercise. Grants in 2009 include new stock options granted in connection with the Option Exchange.

The following table summarizes information about options outstanding as of December 25, 2010:

	Outstanding Options			Exercisable Options	
Range of Exercise Prices	Number of Shares (In Millions)	Weighted Average Remaining Contractual Life (In Years)	Weighted Average Exercise Price	Number of Shares (In Millions)	Weighted Average Exercise Price
$1.12–$15.00	4.5	4.6	$ 12.77	2.9	$ 12.72
$15.01–$20.00	187.0	4.4	$ 18.22	97.0	$ 18.40
$20.01–$25.00	171.2	2.3	$ 22.08	140.0	$ 21.95
$25.01–$30.00	21.6	2.2	$ 27.17	21.2	$ 27.18
$30.01–$55.14	2.1	1.5	$ 31.70	1.9	$ 31.73
Total	**386.4**	**3.4**	**$ 20.45**	**263.0**	**$ 21.03**

These options will expire if they are not exercised by specific dates through January 2020. Option exercise prices for options exercised during the three-year period ended December 25, 2010 ranged from $0.05 to $27.27.

Stock Purchase Plan

Approximately 75% of our employees were participating in our stock purchase plan as of December 25, 2010. Employees purchased 17.2 million shares in 2010 for $281 million under the 2006 Stock Purchase Plan (30.9

million shares for $344 million in 2009 and 25.9 million shares for $453 million in 2008). As of December 25, 2010, there was $13 million in unrecognized compensation costs related to rights to acquire common stock under our stock purchase plan. We expect to recognize those costs over a weighted average period of one month.