

Intel Corp. (INTC)

| | |
|-------------------------|------------------------|
| Rating | OUTPERFORM* [V] |
| Price (18 Aug 10, US\$) | 19.58 |
| Target price (US\$) | 32.00 ¹ |
| 52-week price range | 24.21 - 18.50 |
| Market cap. (US\$ m) | 110,313.72 |

*Stock ratings are relative to the relevant country benchmark.
¹Target price is for 12 months.
[V] = Stock considered volatile (see Disclosure Appendix).

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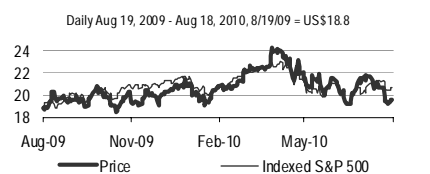
ACQUISITION

FOCUS LIST STOCK

Announces McAfee Acquisition

- Bottom Line.** Although less obvious, the acquisition is consistent with INTC's LT strategy of increasing its share of system BOM (think Centrino, Core i3/i5). Success of the acquisition will be a function of relative importance of security to ubiquitous computing. Mechanics of the deal are economically sensible and the deal itself is consistent with our view of INTC transforming itself from cyclical back to growth and from a single chip to a complete platform solution provider.
- INTC to Acquire MFE.** This morning INTC announced its intention to acquire MFE in an all cash transaction for \$7.68bn (\$6.88bn net of cash) or \$48/share a 60% premium to last night's close. The price paid represents 12.7x EV/FCF, a 30% premium to its enterprise software peer group at 9.8x. 60% of MFE's 2010 revenue forecast of \$2.0bn comes from corporate security/anti-virus/firewall software, and the other 40% from consumer anti-virus. Subscriptions and services accounting for 90% of revenues. INTC expects the acquisition to close in 4Q10; be slightly dilutive to GAAP EPS in 2011 (on goodwill, deferred revenue write-offs). On a non-GAAP basis it expects it to be slightly EPS accretive.
- We See 3 Drivers for the Acquisition.** Unlike INTC's other notable software acquisition, Wind River (Jun'09, \$884m) where it needed a lightweight & power optimized OS to be successful in its smartphone foray, the synergies and rationale with MFE are less obvious. Our analysis suggests 3 primary reasons behind the acquisition (1) End-to-end security – the proliferation of mobile consumer devices with limited security processing capabilities will require more security functions performed by cloud based servers allowing end-to-end security, (2) Implementing security functions with dedicated HW instead of SW will result in better Quality of Service (QoS) and faster user response times, and (3) An attempt to increasing its share of device BOM by selling differentiated platforms with tightly coupled hardware (SoCs, chipsets) and software (OS, security).
- Transaction Is EPS Accretive.** When the transaction is complete, on an ongoing (pro-forma) basis we expect MFE will add 5% to INTC's top-line; ~50bps to GMs and 7-8 cents to 2011 EPS. We maintain our \$32 PT, which represents a 15.5x P/E multiple on 2010 EPS est. vs. 5 year NTM avg. of 17.6x.

Share price performance



On 08/18/10 the S&P 500 index closed at 1094.16

| Quarterly EPS | Q1 | Q2 | Q3 | Q4 |
|---------------|------|------|------|------|
| 2009A | 0.12 | 0.18 | 0.33 | 0.40 |
| 2010E | 0.43 | 0.51 | 0.54 | 0.59 |
| 2011E | 0.50 | 0.47 | 0.56 | 0.64 |

Financial and valuation metrics

| Year | 12/09A | 12/10E | 12/11E | 12/12E |
|----------------------------|----------|--------------------------|----------|----------|
| EPS - (Excl. ESO) (US\$) | 1.19 | 2.23 | 2.34 | 2.26 |
| EPS (CS adj.) (US\$) | 1.03 | 2.07 | 2.18 | 2.10 |
| Prev. EPS (CS adj.) (US\$) | — | — | — | — |
| P/E (CS adj., x) | 19.0 | 9.5 | 9.0 | 9.3 |
| P/E rel. (CS adj., %) | 122.1 | 74.8 | 81.4 | 95.5 |
| Revenue (US\$ m) | 35,127.0 | 44,864.0 | 47,450.0 | 48,667.1 |
| EBITDA (US\$ m) | 12,210.0 | 21,524.8 | 22,806.2 | 22,433.2 |
| Net debt (US\$ m) | -7,051 | -14,422 | -23,376 | -29,962 |
| OCFPS (US\$) | 1.98 | 2.99 | 3.21 | 3.09 |
| P/OCF (x) | 10.3 | 6.6 | 6.1 | 6.3 |
| Number of shares (m) | 5,634.00 | | | 2.46 |
| BV/share (current, US\$) | 5.8 | | | 3.4 |
| Net debt (current, US\$ m) | -6,264.0 | | | 0.63 |
| Dividend yield (%) | 3.2 | | | |
| | | Price/sales(x) | | |
| | | P/BVPS (x) | | |
| | | Dividend (current, US\$) | | |

Source: Company data, Credit Suisse estimates.

DISCLOSURE APPENDIX CONTAINS IMPORTANT DISCLOSURES, ANALYST CERTIFICATIONS, INFORMATION ON TRADE ALERTS, ANALYST MODEL PORTFOLIOS AND THE STATUS OF NON-U.S. ANALYSTS. U.S. Disclosure: Credit Suisse does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the Firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Software IP Should Drive Higher Share of BOM

We view this acquisition to be in-line with INTC's strategy of transforming itself from a single chip (i.e. processor) supplier to complete platform solution provider i.e. one that includes hardware and software. INTC believes that this type of a value added approach is the best way to minimize the impact of Moore's law driven price declines.

Back in 2003, INTC introduced Centrino its first version of a bundled platform solution of MPU + integrated graphics chipset + wireless. More recently, its focus has been on vPro for the corporate IT environment with functions such as remote manageability, virtualization, backups, remote kill in the event of the loss of a laptop, etc. INTC typically gets about \$5-\$10 ASP premium for the inclusion of the vPro features in chip vs. a consumer MPU without the same features.

We expect that the addition of security features/functionality to the compute platform could provide a similar boost to ASPs. We believe this is particularly relevant in the Atom based embedded/smartphone space where instead of selling a SoC for \$20, INTC could charge ~\$25 for the same SoC with inbuilt security functions – a 20% ASP premium and a 7 pct point GM boost for a part that costs \$8 to manufacture.

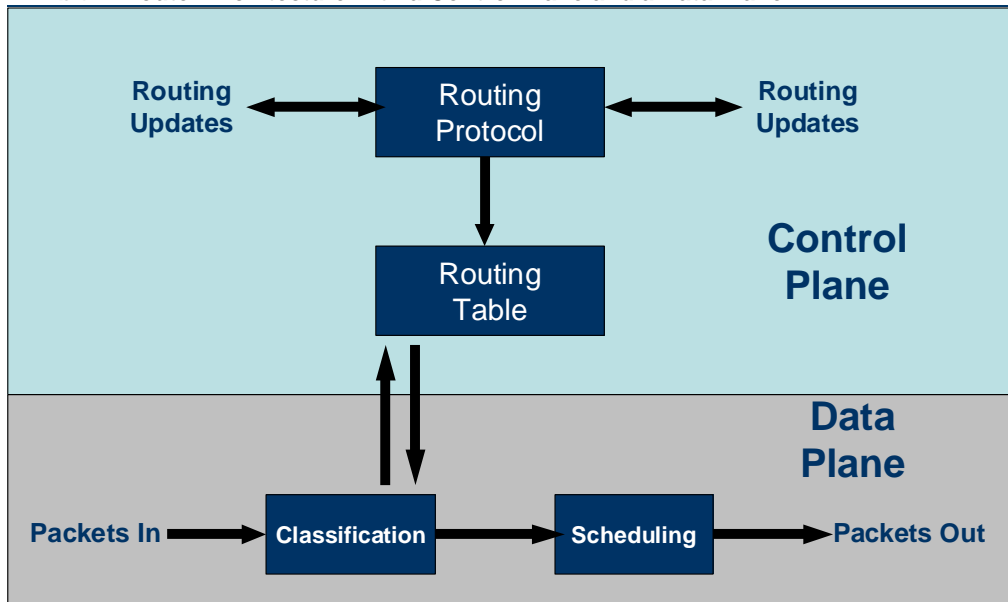
Potential Router Type Architecture for Security Servers

One potential design approach that Intel could take is to design a security system which uses a router type design. Most current generation of routers separate the two major functions of the router – control and data into two sub-systems.

- Control Plane is the part of the router that maintains the network map in the form of a routing table which contains a list of adjacent destinations that the router is connected to. When an incoming IP packet arrives, depending on the destination address the look up function in the routing table decides which adjacent router that the packet will be dispatched to. The control plane is responsible for both building and maintaining (i.e. keeping up to date) the routing table as well as management functions such as prioritization for maintaining QoS standards. For example, if new routers get added for capacity expansion purposes, then the routing table is kept up to date using remote access.
- Data Plane is the part of the router which actually receives incoming IP packets and forwards them to an outgoing interface (destination) that is determined by the control plane (based on the routing table rules).

Intel could take a similar approach for servers geared towards anti-virus, malware, spyware, firewall, VPN and security purposes and add a companion processor (or other IC) to the server. This dedicated processor could independently maintain an updated version of all known security threats and will assist the main processor in determining threats as/when they occur. The tight coupling of hardware with real-time updated versions of security software should result in better performance and easier manageability of the security server.

Exhibit 1: Router Architecture with a Control Plane and a Data Plane



Source: Company data, Credit Suisse estimates

McAfee Overview

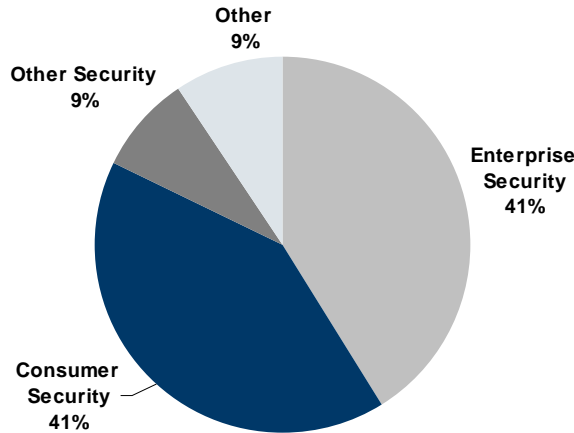
McAfee is a security technology company that develops, markets, and distributes computer security solutions for enterprise, governments, small business, and consumers either directly or through distribution partners. McAfee operates globally to offer solutions and services which secure systems and networks worldwide.

McAfee's current product portfolio consists of seven different segments: Appliance – E-Mail Security Boundary, Appliance - Secure Web Gateway, Other Security Software, Consumer Security Software, Endpoint Protection Platform (Enterprise), Email Security Boundary, Secure Web Gateway.

McAfee's revenues in 2009 were \$1.93bn; and Street consensus estimates for 2010 are \$2.04bn (+6% y/y). Over the past 5 years McAfee's organic (ex-large acquisitions) average growth rate is 13% a premium to Intel's growth of 5%.

In 2009, we estimate that Secure Computing, Endpoint Protection Platform software represented the highest portion of McAfee's total revenue in 2009 with approximately 41% and Consumer Security Software also represented approximately 41% of revenue. Other Security Software and Appliance - Email Security Boundary represented approximately 8.5% and 4% of revenue, respectively, while Secure Web Gateway represented approximately 2.7% of total revenue. Finally, Email Security Boundary and Secure Web Gateway represented approximately 1.5% and 1.2 of revenue respectively.

Exhibit 2: McAfee Revenue Mix, 2009



Source: IDC, Gartner, company data, Credit Suisse estimates.

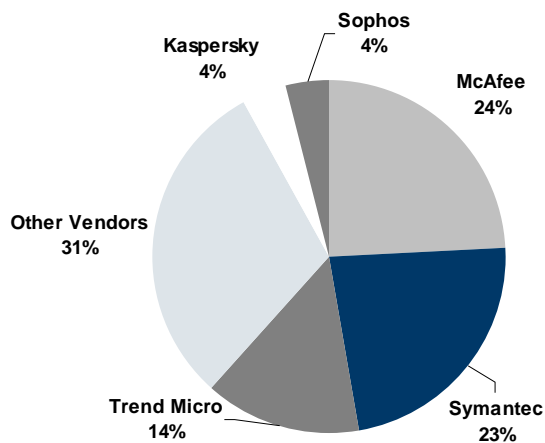
Antivirus

Enterprise Antivirus (41% of revenue mix)

Enterprise antivirus features a group of products that scan, detect, and correct viruses, spyware, and malicious code at both the desktop and server level. This sub-segment includes desktop, LAN file server, e-mail, and Web gateway and subscription antivirus sold or rented to SMBs.

In 2009, the enterprise software market generated a total of \$2.9 billion in revenues. McAfee is currently the market leader with 24% of the market, Symantec holds the second position, with 23% of the market.

Exhibit 3: Enterprise antivirus Market Share (2009)



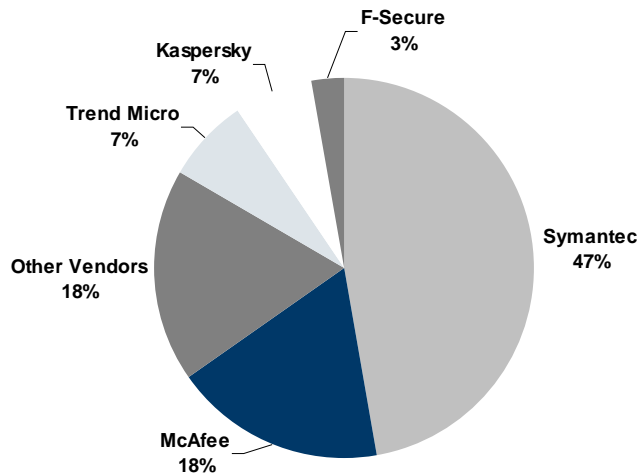
Source: Gartner, Credit Suisse.

Consumer Antivirus (41% of revenue mix)

Like enterprise antivirus, consumer antivirus includes a group of products that scan, detect, and correct viruses, spyware, and malicious code at both the desktop and server level. However, only desktop and subscription antivirus sold or rented to SOHOs and consumers are included in this segment.

In 2009, the consumer software market created \$3.84 billion in revenues. Symantec remained the leader with 47% market share and McAfee held the second position controlling 18% of the market.

Exhibit 4: Consumer antivirus Market Share (2009)



Source: Gartner, Credit Suisse.

Investment Thesis

We reiterate our Outperform rating on INTC based on our belief that the company is well positioned to benefit from (1) Rebound in enterprise IT spending (60%+ of revs) driven by an aging corporate desktop (~5 yrs) and notebook (~4 yrs) installed base, (2) Accelerating PC growth especially in emerging markets, (3) Strong Nehalem driven server cycle in volume (Dual-Processor or Nehalem/Westmere EP) and high performance (Multi-processor or Nehalem EX), and (4) Ramp of higher margin 32nm products in 2010/11 with manufacturing, cost and performance advantages over competition.

Concerns on the stock continue to be dominated by inventory double ordering, weak enterprise PC demand, weakening product mix driven in part by Intel Atom's "good-enough" computing and the mix-shift towards consumer PCs, and lastly, increased competition and cannibalization from ARM architecture based tablets and netbooks.

INTC Snapshot

Exhibit 5: INTC Summary of Results and Expectations

in millions, unless otherwise stated

| INTC | Jun-10 | Sep-10E | | | Dec-10E | | CY2010E | | | CY2011E | |
|----------------------|----------|----------|----------|--------------------|----------|----------|----------|----------|-----------------|----------|----------|
| | Reported | CS | Cons | Guidance | CS | Cons | CS | Cons | Guidance | CS | Cons |
| Revenue | \$10,765 | \$11,600 | \$11,552 | \$11.2 to \$12.0bn | \$12,200 | \$12,135 | \$44,864 | \$44,658 | | \$47,450 | \$47,024 |
| % q/q | 4.5% | 7.8% | 7.3% | +4% to +12% q/q | 5.2% | 5.0% | | | | | |
| Seasonal q/q % | -2.0% | 8.9% | | | 6.5% | | | | | | |
| % y/y | 34.2% | 23.5% | | | 15.4% | | 27.7% | 27.1% | | 5.8% | 5.3% |
| Gross Margin (GAAP) | 67.2% | 67.0% | | 65% to 69% | 67.0% | | 66.2% | | 64% to 68% | 65.6% | |
| R&D Expense | \$1,666 | \$1,670 | | | \$1,700 | | \$6,600 | | ~\$6.6bn | \$6,800 | |
| MG&A Expense | \$1,584 | \$1,530 | | | \$1,480 | | \$6,108 | | | \$6,200 | |
| Opex (R&D plus MG&A) | \$3,250 | \$3,200 | | \$3.2bn | \$3,180 | | \$12,708 | | \$12.6-\$12.8bn | \$13,000 | |
| Operating Margin | 37.0% | 39.4% | | | 40.9% | | 37.9% | | | 38.2% | |
| Net Margin | 26.8% | 26.8% | | 32% tax rate | 27.9% | | 26.4% | | 31% tax rate | 26.6% | |
| EPS (w/ options) | \$0.51 | \$0.54 | \$0.54 | | \$0.59 | \$0.58 | \$2.07 | \$2.04 | | \$2.18 | \$2.10 |
| EPS pf (w/o options) | \$0.55 | \$0.58 | | | \$0.63 | | \$2.23 | | | \$2.34 | |
| Fully diluted shares | 5,711 | 5,734 | | | 5,757 | | 5,721 | | | 5,786 | |

Source: Company data, Credit Suisse estimates

Exhibit 6: INTC Income Statement

in millions, unless otherwise stated

| Modified 13 July 2010 | Mar-09 1Q | Jun-09 2Q | Sep-09 3Q | Dec-09 4Q | Mar-10 1Q | Jun-10 2Q | Sep-10E 3Q | Dec-10E 4Q | Mar-11E 1Q | Jun-11E 2Q | Sep-11E 3Q | Dec-11E 4Q | 2008 Dec-08 | 2009 Dec-09 | 2010E Dec-10 | 2011E Dec-11 | 2012E Dec-12 |
|------------------------------------|----------------|-----------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| TOTAL SALES | \$7,145 | \$8,024 | \$9,389 | \$10,569 | \$10,299 | \$10,765 | \$11,600 | \$12,200 | \$11,350 | \$11,100 | \$12,050 | \$12,950 | \$37,586 | \$35,127 | \$44,864 | \$47,450 | \$48,667 |
| (sequential % change) | -13.1% | 12.3% | 17.0% | 12.6% | -2.6% | 4.5% | 7.8% | 5.2% | -7.0% | -2.2% | 8.6% | 7.5% | | | | | |
| (year-over year % change) | -26.1% | -15.3% | -8.1% | 28.5% | 44.1% | 34.2% | 23.5% | 15.4% | 10.2% | 3.1% | 3.9% | 6.1% | -2.0% | -6.5% | 27.7% | 5.8% | 2.6% |
| Cost of goods sold | 3,907 | 3,945 | 3,985 | 3,729 | 3,770 | 3,530 | 3,828 | 4,026 | 4,029 | 3,996 | 4,097 | 4,209 | \$16,742 | \$15,566 | \$15,154 | \$16,331 | \$17,995 |
| GROSS MARGIN (\$) | 3,238 | 4,079 | 5,404 | 6,840 | 6,529 | 7,235 | 7,772 | 8,174 | 7,321 | 7,104 | 7,953 | 8,741 | 20,844 | 19,561 | 29,710 | 31,119 | 30,672 |
| Gross Margin (%) | 45.3% | 50.8% | 57.6% | 64.7% | 63.4% | 67.2% | 67.0% | 67.0% | 64.5% | 64.0% | 66.0% | 67.5% | 55.5% | 55.7% | 66.2% | 65.6% | 63.0% |
| Research and development | 1,317 | 1,303 | 1,430 | 1,603 | 1,564 | 1,666 | 1,670 | 1,700 | 1,680 | 1,670 | 1,700 | 1,750 | 5,722 | 5,653 | 6,600 | \$6,800 | \$6,850 |
| R&D % of rev | 18.4% | 16.2% | 15.2% | 15.2% | 15.2% | 15.5% | 14.4% | 13.9% | 14.8% | 15.0% | 14.1% | 13.5% | 15.2% | 16.1% | 14.7% | 14.3% | 14.1% |
| Marketing, general, and admin | 1,200 | 1,250 | 1,320 | 1,468 | 1,514 | 1,584 | 1,530 | 1,480 | 1,520 | 1,500 | 1,570 | 1,610 | 5,458 | 5,238 | 6,108 | \$6,200 | \$6,250 |
| MG&A % of rev | 16.8% | 15.6% | 14.1% | 13.9% | 14.7% | 14.7% | 13.2% | 12.1% | 13.4% | 13.5% | 13.0% | 12.4% | 14.5% | 14.9% | 13.6% | 13.1% | 12.8% |
| Other operating expenses (net) | 74 | 91 | 75 | 1,272 | 3 | 4 | - | - | - | - | - | - | 251 | 1,512 | 7 | - | - |
| Total Operating Expenses | 2,591 | 2,644 | 2,825 | 4,343 | 3,081 | 3,254 | 3,200 | 3,180 | 3,200 | 3,170 | 3,270 | 3,360 | 11,431 | 12,403 | 12,715 | 13,000 | 13,100 |
| OPERATING INCOME | 647 | 1,435 | 2,579 | 2,497 | 3,448 | 3,981 | 4,572 | 4,994 | 4,121 | 3,934 | 4,683 | 5,381 | 9,413 | 7,158 | 16,995 | 18,119 | 17,572 |
| Operating Margin (%) | 9.1% | 17.9% | 27.5% | 23.6% | 33.5% | 37.0% | 39.4% | 40.9% | 36.3% | 35.4% | 38.9% | 41.6% | 25.0% | 20.4% | 37.9% | 38.2% | 36.1% |
| Gains on equity securities (net) | (113) | (69) | (79) | 91 | (31) | 193 | - | - | - | - | - | - | (1,756) | (170) | 162 | - | - |
| Interest and other, net | 95 | 31 | 32 | 5 | 29 | 11 | - | 20 | 30 | 40 | 40 | 40 | 488 | 163 | 60 | 150 | 200 |
| PRETAX INCOME | 629 | 1,397 | 2,532 | 2,593 | 3,446 | 4,185 | 4,572 | 5,014 | 4,151 | 3,974 | 4,723 | 5,421 | 8,145 | 7,151 | 17,217 | 18,269 | 17,772 |
| (% of sales) | 8.8% | 17.4% | 27.0% | 24.5% | 33.5% | 38.9% | 39.4% | 41.1% | 36.6% | 35.8% | 39.2% | 41.9% | 21.7% | 20.4% | 38.4% | 38.5% | 36.5% |
| Income taxes | - | 348 | 676 | 311 | 1,004 | 1,298 | 1,463 | 1,604 | 1,287 | 1,232 | 1,464 | 1,681 | 2,504 | 1,335 | 5,370 | 5,663 | 5,509 |
| (tax rate) | 0.0% | 24.9% | 26.7% | 12.0% | 29.1% | 31.0% | 32.0% | 32.0% | 31.0% | 31.0% | 31.0% | 31.0% | 30.7% | 18.7% | 31.2% | 31.0% | 31.0% |
| NET INCOME | \$629 | \$1,049 | \$1,856 | \$2,282 | \$2,442 | \$2,887 | \$3,109 | \$3,410 | \$2,864 | \$2,742 | \$3,259 | \$3,741 | \$5,642 | \$5,816 | \$11,847 | \$12,606 | \$12,263 |
| (% of sales) | 8.8% | 13.1% | 19.8% | 21.6% | 23.7% | 26.8% | 26.8% | 27.9% | 25.2% | 24.7% | 27.0% | 28.9% | 15.0% | 16.6% | 26.4% | 26.6% | 25.2% |
| Non-recurring charges (benefits) | - | 1,447 | - | - | - | - | - | - | - | - | - | - | 350 | 1,447 | - | - | - |
| NET INCOME (U.S. GAAP) | \$629 | \$(398) | \$1,856 | \$2,282 | \$2,442 | \$2,887 | \$3,109 | \$3,410 | \$2,864 | \$2,742 | \$3,259 | \$3,741 | \$5,292 | \$4,369 | \$11,847 | \$12,606 | \$12,263 |
| Basic average shares out | 5,573 | 5,595 | 5,537 | 5,522 | 5,529 | 5,563 | 5,585 | 5,608 | 5,619 | 5,630 | 5,641 | 5,653 | 5,663 | 5,557 | 5,571 | 5,594 | 5,610 |
| Diluted average shares out | 5,634 | 5,678 | 5,616 | 5,650 | 5,681 | 5,711 | 5,734 | 5,757 | 5,768 | 5,780 | 5,791 | 5,803 | 5,749 | 5,645 | 5,721 | 5,786 | 5,832 |
| EPS (Cont Ops, w/ options) | \$0.12 | \$0.18 | \$0.33 | \$0.40 | \$0.43 | \$0.51 | \$0.54 | \$0.59 | \$0.50 | \$0.47 | \$0.56 | \$0.64 | \$0.98 | \$1.03 | \$2.07 | \$2.18 | \$2.10 |
| EPS (Cont Ops, w/o options) | \$0.15 | \$0.23 | \$0.37 | \$0.44 | \$0.47 | \$0.55 | \$0.58 | \$0.63 | \$0.54 | \$0.51 | \$0.60 | \$0.69 | \$1.13 | \$1.19 | \$2.23 | \$2.34 | \$2.26 |
| EPS (U.S. GAAP REPORTED) | \$0.11 | \$(0.07) | \$0.33 | \$0.40 | \$0.43 | \$0.51 | \$0.54 | \$0.59 | \$0.50 | \$0.47 | \$0.56 | \$0.64 | \$0.92 | \$0.77 | \$2.07 | \$2.18 | \$2.10 |

Source: Company data, Credit Suisse estimates

Exhibit 8: INTC Cash Flow Statement
in millions, unless otherwise stated

| <i>Modified 13 July 2010</i> | Mar-09 | Jun-09 | Sep-09 | Dec-09 | Mar-10 | Jun-10 | Sep-10E | Dec-10E | Mar-11E | Jun-11E | Sep-11E | Dec-11E | 2008 | 2009 | 2010E | 2011E | 2012E |
|--|----------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | Dec-08 | Dec-09 | Dec-10 | Dec-11 | Dec-12 |
| Operating Activities | | | | | | | | | | | | | | | | | |
| Net income (loss) | \$629 | \$(398) | \$1,856 | \$2,282 | \$2,442 | \$2,887 | \$3,109 | \$3,410 | \$2,864 | \$2,742 | \$3,259 | \$3,741 | 5,292 | 4,369 | 11,847 | 12,606 | 12,263 |
| Depreciation | 1,208 | 1,211 | 1,153 | 1,172 | 1,080 | 1,086 | 1,043 | 1,070 | 1,103 | 1,102 | 1,106 | 1,119 | 4,360 | 4,744 | 4,279 | 4,429 | 4,598 |
| Share-based compensation | 213 | 258 | 218 | 200 | 248 | 232 | 225 | 225 | 227 | 222 | 241 | 259 | 851 | 889 | 930 | 949 | 973 |
| Amortization | 62 | 75 | 82 | 89 | 61 | 63 | 63 | 64 | 64 | 64 | 65 | 65 | 256 | 308 | 251 | 258 | 263 |
| Other | 259 | 251 | 257 | 33 | 56 | - | - | - | - | - | - | - | 1,672 | 800 | 56 | - | - |
| Change in operating assets and liabilities: | (1,993) | 1,987 | 437 | (371) | 192 | (306) | (520) | 356 | (463) | (213) | 599 | 398 | (1,505) | 60 | (278) | 320 | (103) |
| Net Cash from Operating Activities | \$378 | \$3,384 | \$4,003 | \$3,405 | \$4,079 | \$3,962 | \$3,920 | \$5,124 | \$3,795 | \$3,917 | \$5,269 | \$5,581 | \$10,926 | \$11,170 | \$17,085 | \$18,562 | \$17,994 |
| Investing Activities | | | | | | | | | | | | | | | | | |
| Additions to property, plant and equipment | \$(1,509) | \$(981) | \$(944) | \$(1,081) | \$(928) | \$(1,048) | \$(1,600) | \$(1,624) | \$(1,350) | \$(1,350) | \$(1,300) | \$(1,300) | (5,197) | (4,515) | (5,200) | (5,300) | (5,500) |
| Purchases of available-for-sale investments | (905) | (2,929) | (4,046) | (4,961) | (5,632) | (100.0) | - | - | - | - | - | - | (9,155) | (12,841) | (5,732) | - | - |
| Maturities and sales of available-for-sale investments | 2,729 | 1,879 | 2,355 | 3,336 | 4,169 | - | - | - | - | - | - | - | 9,759 | 10,299 | 4,169 | - | - |
| Other investing activities | 94 | (194) | (745) | (63) | (281) | (33.0) | - | - | - | - | - | - | (1,272) | (908) | (314) | - | - |
| Net Cash from Investing Activities | \$409 | \$(2,225) | \$(3,380) | \$(2,769) | \$(2,672) | \$(1,181) | \$(1,600) | \$(1,624) | \$(1,350) | \$(1,350) | \$(1,300) | \$(1,300) | \$(5,865) | \$(7,965) | \$(7,077) | \$(5,300) | \$(5,500) |
| Financing Activities | | | | | | | | | | | | | | | | | |
| Increase (decrease) in short-term debt, net | (69) | (7) | (1) | (10) | 158 | - | - | - | - | - | - | - | \$(40) | (87) | 158 | - | - |
| Excess tax benefit from share-based payment | - | - | 6 | 3 | 2 | - | - | - | - | - | - | - | 30 | 9 | 2 | - | - |
| Proceeds from sales of shares through options | 247 | 1 | 119 | 33 | 228 | 218 | 200 | 200 | 200 | 200 | 200 | 200 | 1,105 | 400 | 846 | 800 | - |
| Purchase and retirement of common stock | - | - | (1,752) | (10) | (3) | - | - | - | (400) | (400) | (400) | (400) | (7,195) | (1,762) | (3) | (1,600) | (2,400) |
| Payment of dividends to stockholders | (779) | (771) | (784) | (774) | (870) | (877) | (877) | (877) | (877) | (877) | (877) | (877) | (3,100) | (3,108) | (3,501) | (3,508) | (3,508) |
| Other | - | - | 1,980 | - | 79 | - | - | - | - | - | - | - | 182 | 1,980 | 79 | - | - |
| Net Cash Flow - Financing | \$(601) | \$(777) | \$(432) | \$(758) | \$(406) | \$(659) | \$(677) | \$(677) | \$(1,077) | \$(1,077) | \$(1,077) | \$(1,077) | \$(9,018) | \$(2,568) | \$(2,419) | \$(4,308) | \$(5,908) |
| Change in cash and cash equivalents | \$186 | \$382 | \$191 | \$(122) | \$1,001 | \$2,122 | \$1,643 | \$2,823 | \$1,368 | \$1,490 | \$2,892 | \$3,204 | \$(3,958) | \$637 | \$7,589 | \$8,954 | \$6,586 |
| Cash and cash equivalents at beginning of period | \$8,681 | \$7,792 | \$9,021 | \$9,259 | \$9,272 | \$10,915 | \$12,229 | \$13,872 | \$16,695 | \$18,063 | \$19,553 | \$22,445 | \$7,922 | \$8,681 | \$9,272 | \$16,695 | \$25,649 |
| Cash and Equivalents at end of quarter | \$7,792 | \$9,021 | \$9,259 | \$9,272 | \$10,915 | \$12,229 | \$13,872 | \$16,695 | \$18,063 | \$19,553 | \$22,445 | \$25,649 | \$8,681 | \$9,272 | \$16,695 | \$25,649 | \$32,235 |

Source: Company data, Credit Suisse estimates

Companies Mentioned (Price as of 18 Aug 10)

Advanced Micro Devices, Inc. (AMD, \$6.57, NEUTRAL [V], TP \$9.00)
 Cisco Systems Inc. (CSCO, \$22.43, OUTPERFORM [V], TP \$32.00)
 Hewlett-Packard (HPQ, \$41.36)
 Intel Corp. (INTC, \$19.58, OUTPERFORM [V], TP \$32.00)
 International Business Machines (IBM, \$129.41)
 McAfee Inc. (MFE, \$29.93, NEUTRAL, TP \$35.00)
 Symantec Corporation (SYMC, \$12.59, OUTPERFORM, TP \$16.50)
 Trend Micro Incorporated (4704, ¥2,183)

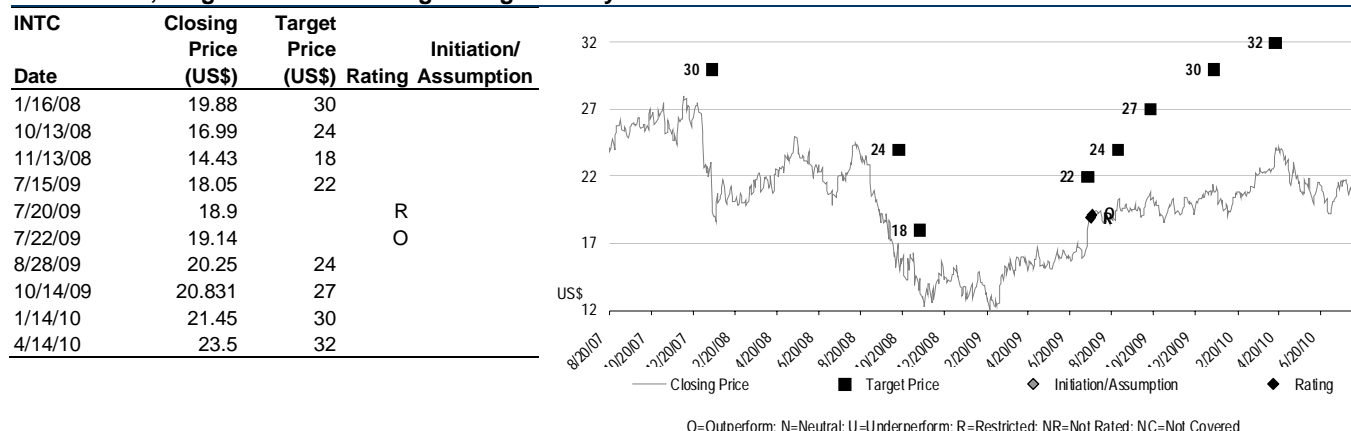
Disclosure Appendix

Important Global Disclosures

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3-Year Price, Target Price and Rating Change History Chart for INTC



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Market Weight: Industry expected to perform in-line with the relevant broad market benchmark over the next 12 months.

Underweight: Industry expected to underperform the relevant broad market benchmark over the next 12 months.

*An analyst's coverage universe consists of all companies covered by the analyst within the relevant sector.

**The broad market benchmark is based on the expected return of the local market index (e.g., the S&P 500 in the U.S.) over the next 12 months.

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| | Global Ratings Distribution | |
|---------------------------|-----------------------------|-----------------------|
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| Underperform/Sell* | 11% | (53% banking clients) |
| Restricted | 2% | |

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Method: We used Price to Earnings method to develop our \$32 target price for Intel - it represents a 15.5x P/E multiple to our 2010 EPS estimate of \$2.07; its 5 year NTM average is 17.6x.

Risks: We see several risks to Intel achieving our \$32 target price. Risks that could cause downside on fundamentals include aggressive pricing, higher manufacturing spending, and loss of market share in key enterprise markets. Other risks are a reversal of recent strength in servers, where Intel has renewed momentum, ability to maintain share in desktop and mobile, with the new Core 2 Duo offering, lower gross margin due to higher manufacturing costs, and seeing slower-than-expected unit growth of PC units.

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