

ADVANCED MICRO DEVICES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Millions except per share amounts and percentages) (Unaudited)

	Three Months Ended			Year Ended	
	December 26, 2020	September 26, 2020	December 28, 2019	December 26, 2020	December 28, 2019
Net revenue	\$ 3,244	\$ 2,801	\$ 2,127	\$ 9,763	\$ 6,731
Cost of sales	1,793	1,571	1,178	5,416	3,863
Gross profit	1,451	1,230	949	4,347	2,868
Gross margin %	45%	44%	45%	45%	43%
Research and development	573	508	395	1,983	1,547
Marketing, general and administrative	308	273	206	995	750
Licensing gain	-	-	-	-	(60)
Operating income	570	449	348	1,369	631
Interest expense	(9)	(11)	(18)	(47)	(94)
Other expense, net	(15)	(37)	(125)	(47)	(165)
Income before income taxes and equity income	546	401	205	1,275	372
Income tax provision (benefit)	(1,232)	12	35	(1,210)	31
Equity income in investee	3	1	-	5	-
Net Income	\$ 1,781	\$ 390	\$ 170	\$ 2,490	\$ 341
Earnings per share					
Basic	\$ 1.48	\$ 0.33	\$ 0.15	\$ 2.10	\$ 0.31
Diluted	\$ 1.45	\$ 0.32	\$ 0.15	\$ 2.06	\$ 0.30
Shares used in per share calculation					
Basic	1,205	1,184	1,140	1,184	1,091
Diluted	1,226	1,215	1,188	1,207	1,120

ADVANCED MICRO DEVICES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Millions) (Unaudited)

	<u>December 26, 2020</u>	<u>December 28, 2019</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,595	\$ 1,466
Short-term investments	695	37
Accounts receivable, net	2,066	1,859
Inventories	1,399	982
Receivables from related parties	10	20
Prepaid expenses and other current assets	378	233
Total current assets	<u>6,143</u>	<u>4,597</u>
Property and equipment, net	641	500
Operating lease right-of use assets	208	205
Goodwill	289	289
Investment: equity method	63	58
Deferred tax assets	1,245	22
Other non-current assets	373	357
Total Assets	<u>\$ 8,962</u>	<u>\$ 6,028</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 468	\$ 988
Payables to related parties	78	213
Accrued liabilities	1,796	1,084
Other current liabilities	75	74
Total current liabilities	<u>2,417</u>	<u>2,359</u>
Long-term debt, net	330	486
Long-term operating lease liabilities	201	199
Other long-term liabilities	177	157
Stockholders' equity:		
Capital stock:		
Common stock, par value	12	12
Additional paid-in capital	10,544	9,963
Treasury stock, at cost	(131)	(53)
Accumulated deficit	(4,605)	(7,095)
Accumulated other comprehensive income	17	-
Total stockholders' equity	<u>\$ 5,837</u>	<u>\$ 2,827</u>
Total Liabilities and Stockholders' Equity	<u>\$ 8,962</u>	<u>\$ 6,028</u>

ADVANCED MICRO DEVICES, INC.
 SELECTED CASH FLOW INFORMATION
 (Millions) (Unaudited)

	Three Months Ended			Year Ended	
	December 26, 2020	September 26, 2020	December 28, 2019	December 26, 2020	December 28, 2019
Net cash provided by (used in)					
Operating activities	\$ 554	\$ 339	\$ 442	\$ 1,071	\$ 493
Investing activities	\$ (294)	\$ (549)	\$ (26)	\$ (952)	\$ (149)
Financing activities	\$ 35	\$ (269)	\$ (107)	\$ 6	\$ 43

ADVANCED MICRO DEVICES, INC.
SELECTED CORPORATE DATA
(Millions) (Unaudited)

	Three Months Ended			Year Ended	
	December 26, 2020	September 26, 2020	December 28, 2019	December 26, 2020	December 28, 2019
Segment and Category Information					
Computing and Graphics ⁽¹⁾					
Net revenue	\$ 1,960	\$ 1,667	\$ 1,662	\$ 6,432	\$ 4,709
Operating income	\$ 420	\$ 384	\$ 360	\$ 1,266	\$ 577
Enterprise, Embedded and Semi-Custom ⁽²⁾					
Net revenue	\$ 1,284	\$ 1,134	\$ 465	\$ 3,331	\$ 2,022
Operating income	\$ 243	\$ 141	\$ 45	\$ 391	\$ 263
All Other ⁽³⁾					
Net revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Operating loss	\$ (93)	\$ (76)	\$ (57)	\$ (288)	\$ (209)
Total					
Net revenue	\$ 3,244	\$ 2,801	\$ 2,127	\$ 9,763	\$ 6,731
Operating income	\$ 570	\$ 449	\$ 348	\$ 1,369	\$ 631
Other Data					
Capital expenditures	\$ 74	\$ 74	\$ 42	\$ 294	\$ 217
Adjusted EBITDA ⁽⁴⁾	\$ 753	\$ 607	\$ 469	\$ 1,969	\$ 1,062
Cash, cash equivalents and short-term investments	\$ 2,290	\$ 1,771	\$ 1,503	\$ 2,290	\$ 1,503
Free cash flow ⁽⁵⁾	\$ 480	\$ 265	\$ 400	\$ 777	\$ 276
Total assets	\$ 8,962	\$ 7,023	\$ 6,028	\$ 8,962	\$ 6,028
Total debt	\$ 330	\$ 373	\$ 486	\$ 330	\$ 486

See footnotes on the next page

(1) The Computing and Graphics segment, which primarily includes desktop and notebook processors and chipsets, discrete and integrated graphics processing units (GPUs), data center and professional GPUs and development services. From time to time, the Company may also sell or license portions of its IP portfolio.

(2) The Enterprise, Embedded and Semi-Custom segment, which primarily includes server and embedded processors, semi-custom System-on-Chip (SoC) products, development services and technology for game consoles. From time to time, the Company may also sell or license portions of its IP portfolio.

(3) All Other category primarily includes certain expenses and credits that are not allocated to any of the operating segments. Also included in this category is stock-based compensation expense and acquisition-related costs.

(4) **Reconciliation of GAAP Net Income to Adjusted EBITDA***

	Three Months Ended			Year Ended	
	December 26, 2020	September 26, 2020	December 28, 2019	December 26, 2020	December 28, 2019
GAAP net income	\$ 1,781	\$ 390	\$ 170	\$ 2,490	\$ 341
Interest expense	9	11	18	47	94
Other expense, net	15	37	125	47	165
Income tax provision (benefit)	(1,232)	12	35	(1,210)	31
Equity income in investee	(3)	(1)	-	(5)	-
Stock-based compensation	79	76	57	274	197
Depreciation and amortization	90	82	64	312	222
Acquisition-related costs	14	-	-	14	-
Loss contingency on legal matter	-	-	-	-	12
Adjusted EBITDA	<u>\$ 753</u>	<u>\$ 607</u>	<u>\$ 469</u>	<u>\$ 1,969</u>	<u>\$ 1,062</u>

(5) **Free Cash Flow Reconciliation****

	Three Months Ended			Year Ended	
	December 26, 2020	September 26, 2020	December 28, 2019	December 26, 2020	December 28, 2019
GAAP net cash provided by operating activities	\$ 554	\$ 339	\$ 442	\$ 1,071	\$ 493
Purchases of property and equipment	(74)	(74)	(42)	(294)	(217)
Free cash flow	<u>\$ 480</u>	<u>\$ 265</u>	<u>\$ 400</u>	<u>\$ 777</u>	<u>\$ 276</u>

* The Company presents "Adjusted EBITDA" as a supplemental measure of its performance. Adjusted EBITDA for the Company is determined by adjusting GAAP net income for interest expense, other expense, net, income tax provision (benefit), equity income on investee, stock-based compensation, and depreciation and amortization expense. The Company also included acquisition-related costs for the quarter and the year ended December 26, 2020, and a loss contingency on legal matter for the year ended December 28, 2019. The Company calculates and presents Adjusted EBITDA because management believes it is of importance to investors and lenders in relation to its overall capital structure and its ability to borrow additional funds. In addition, the Company presents Adjusted EBITDA because it believes this measure assists investors in comparing its performance across reporting periods on a consistent basis by excluding items that the Company does not believe are indicative of its core operating performance. The Company's calculation of Adjusted EBITDA may or may not be consistent with the calculation of this measure by other companies in the same industry. Investors should not view Adjusted EBITDA as an alternative to the GAAP operating measure of income or GAAP liquidity measures of cash flows from operating, investing and financing activities. In addition, Adjusted EBITDA does not take into account changes in certain assets and liabilities that can affect cash flows.

** The Company also presents free cash flow as a supplemental Non-GAAP measure of its performance. Free cash flow is determined by adjusting GAAP net cash provided by operating activities for capital expenditures. The Company calculates and communicates free cash flow in the financial earnings press release because management believes it is of importance to investors to understand the nature of these cash flows. The Company's calculation of free cash flow may or may not be consistent with the calculation of this measure by other companies in the same industry. Investors should not view free cash flow as an alternative to GAAP liquidity measures of cash flows from operating activities.

The Company has provided reconciliations within the earnings press release of these Non-GAAP financial measures to the most directly comparable GAAP financial measures.

RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES

(In millions, except per share data) (Unaudited)

	Three Months Ended			Year Ended	
	December 26, 2020	September 26, 2020	December 28, 2019	December 26, 2020	December 28, 2019
GAAP gross profit	\$ 1,451	\$ 1,230	\$ 949	\$ 4,347	\$ 2,868
GAAP gross margin %	45%	44%	45%	45%	43%
Stock-based compensation	1	1	1	6	6
Non-GAAP gross profit	\$ 1,452	\$ 1,231	\$ 950	\$ 4,353	\$ 2,874
Non-GAAP gross margin %	45%	44%	45%	45%	43%
GAAP operating expenses	\$ 881	\$ 781	\$ 601	\$ 2,978	\$ 2,297
GAAP operating expenses/revenue %	27%	28%	28%	31%	34%
Stock-based compensation	78	75	56	268	191
Loss contingency on legal matter	-	-	-	-	12
Acquisition-related costs	14	-	-	14	-
Non-GAAP operating expenses	\$ 789	\$ 706	\$ 545	\$ 2,696	\$ 2,094
Non-GAAP operating expenses/revenue %	24%	25%	26%	28%	31%
GAAP operating income	\$ 570	\$ 449	\$ 348	\$ 1,369	\$ 631
GAAP operating margin %	18%	16%	16%	14%	9%
Stock-based compensation	79	76	57	274	197
Loss contingency on legal matter	-	-	-	-	12
Acquisition-related costs	14	-	-	14	-
Non-GAAP operating income	\$ 663	\$ 625	\$ 405	\$ 1,657	\$ 840
Non-GAAP operating margin %	20%	19%	19%	17%	12%

	Three Months Ended				Year Ended					
	December 26, 2020	September 26, 2020	December 28, 2019	December 26, 2020	September 26, 2020	December 28, 2019	December 26, 2020	December 28, 2019		
GAAP net income / earnings per share	\$ 1,781	\$ 1,45	\$ 390	\$ 0.32	\$ 170	\$ 0.15	\$ 2,490	\$ 2.06	\$ 341	\$ 0.30
Loss on debt redemption/conversion	16	0.01	38	0.03	128	0.10	54	0.04	176	0.15
Non-cash interest expense related to convertible debt	-	-	2	-	4	-	6	-	22	0.02
Stock-based compensation	79	0.06	76	0.06	57	0.05	274	0.22	197	0.16
Equity income in investee	(3)	-	(1)	-	-	-	(5)	-	-	-
Loss contingency on legal matter	-	-	-	-	-	-	-	-	12	0.01
Acquisition-related costs	14	0.01	-	-	-	-	14	0.01	-	-
Release of valuation allowance on deferred tax assets	(1,301)	(1.06)	-	-	-	-	(1,301)	(1.07)	-	-
Income tax provision (benefit)	50	0.05	(4)	-	24	0.02	43	0.03	8	-
Non-GAAP net income / earnings per share	\$ 636	\$ 0.52	\$ 501	\$ 0.41	\$ 383	\$ 0.32	\$ 1,575	\$ 1.29	\$ 756	\$ 0.64

Shares used and net income adjustment in earnings per share calculation⁽¹⁾

Shares used in per share calculation (GAAP)		1,226		1,215		1,188		1,207		1,120
Interest expense add-back to GAAP net income	\$	-	\$	1	\$	4	\$	1	\$	-
Shares used in per share calculation (Non-GAAP)		1,232		1,230		1,216		1,228		1,209
Interest expense add-back to Non-GAAP net income	\$	-	\$	1	\$	2	\$	4	\$	16

(1) For the three months ended December 26, 2020, September 26, 2020 and December 28, 2019, GAAP diluted EPS calculations include 3 million, 11 million and 31 million shares, respectively, related to the assumed conversion of the Company's 2026 Convertible Notes and the associated \$0 million, \$1 million and \$4 million interest expense, respectively, add-back to net income under the "if converted" method.

For the year ended December 26, 2020, GAAP diluted EPS calculations include 3 million shares related to the assumed conversion of the Company's 2026 Convertible Notes and the associated \$1 million interest expense add-back to net income under the "if converted" method. For the year ended December 28, 2019, 89 million shares related to the assumed conversion of the Company's 2026 Convertible Notes were not included in the GAAP diluted EPS calculations as their inclusion would have been anti-dilutive.

For the three months ended December 26, 2020, September 26, 2020 and December 28, 2019, Non-GAAP diluted EPS calculations include 9 million, 26 million and 59 million shares, respectively, related to the assumed conversion of the Company's 2026 Convertible Notes and the associated \$0 million, \$1 million and \$2 million interest expense, respectively, add-back to net income under the "if converted" method.

For the year ended December 26, 2020 and December 28, 2019, Non-GAAP diluted EPS calculations include 24 million and 89 million shares, respectively, related to the assumed conversion of the Company's 2026 Convertible Notes and the associated \$4 million and \$16 million interest expense, respectively, add-back to net income under the "if converted" method.