

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

	Three Months Ended			Nine Months Ended	
	September 28, 2019	June 29, 2019	September 29, 2018	September 28, 2019	September 29, 2018
Net revenue	\$ 1,801	\$ 1,531	\$ 1,653	\$ 4,604	\$ 5,056
Cost of sales	1,024	910	992	2,685	3,146
Gross margin	777	621	661	1,919	1,910
Gross margin %	43%	41%	40%	42%	38%
Research and development	406	373	363	1,152	1,063
Marketing, general and administrative	185	189	148	544	424
Licensing gain	-	-	-	(60)	-
Operating income	186	59	150	283	423
Interest expense	(24)	(25)	(30)	(76)	(92)
Other income (expense), net	(36)	3	(6)	(40)	(4)
Income before income taxes and equity loss	126	37	114	167	327
Provision (benefit) for income taxes	7	2	12	(4)	26
Equity income (loss) in investee	1	-	-	-	(2)
Net Income	\$ 120	\$ 35	\$ 102	\$ 171	\$ 299
Earnings per share					
Basic	\$ 0.11	\$ 0.03	\$ 0.10	\$ 0.16	\$ 0.31
Diluted	\$ 0.11	\$ 0.03	\$ 0.09	\$ 0.15	\$ 0.28
Shares used in per share calculation					
Basic	1,097	1,084	987	1,075	976
Diluted	1,117	1,109	1,076	1,107	1,058

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

	September 28, 2019 ⁽¹⁾	December 29, 2018 ⁽²⁾
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,156	\$ 1,078
Marketable securities	53	78
Accounts receivable, net	1,393	1,235
Inventories, net	1,040	845
Prepayment and receivables - related parties	17	34
Prepaid expenses and other current assets	253	270
Total current assets	3,912	3,540
Property and equipment, net	453	348
Operating lease right-of use assets	205	-
Goodwill	289	289
Investment: equity method	59	58
Other assets	335	321
Total Assets	\$ 5,253	\$ 4,556
Liabilities and Stockholders' Equity		
Current liabilities:		
Short-term debt, net	\$ -	\$ 136
Accounts payable	763	834
Payables to related parties	215	207
Accrued liabilities	837	783
Other current liabilities	49	24
Total current liabilities	1,864	1,984
Long-term debt, net	872	1,114
Long-term operating lease liabilities	201	-
Other long-term liabilities	140	192
Stockholders' equity:		
Capital stock:		
Common stock, par value	11	10
Additional paid-in capital	9,490	8,750
Treasury stock, at cost	(53)	(50)
Accumulated deficit	(7,265)	(7,436)
Accumulated other comprehensive loss	(7)	(8)
Total Stockholders' equity	\$ 2,176	\$ 1,266
Total Liabilities and Stockholders' Equity	\$ 5,253	\$ 4,556

⁽¹⁾ During the first quarter of 2019, the Company adopted the new lease accounting standard, ASC 842, Leases, which resulted in an increase to assets and liabilities for leases primarily related to office buildings. The adoption of this standard had no impact to the Company's results of operations or statement of cash flows.

⁽²⁾ During the second quarter of 2019, GLOBALFOUNDRIES Inc. (GF) ceased being a related party of the Company. All prior period GF related party balances have been reclassified to conform to the current period presentation.

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

	Three Months Ended	Nine Months Ended
	September 28, 2019	September 28, 2019
Net cash provided by (used in)		
Operating activities	\$ 234	\$ 51
Investing activities	\$ 57	\$ (123)
Financing activities	\$ (98)	\$ 150

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

Segment and Category Information	Three Months Ended			Nine Months Ended	
	September 28, 2019	June 29, 2019	September 29, 2018	September 28, 2019	September 29, 2018
Computing and Graphics ⁽¹⁾					
Net revenue	\$ 1,276	\$ 940	\$ 938	\$ 3,047	\$ 3,139
Operating income	\$ 179	\$ 22	\$ 100	\$ 217	\$ 355
Enterprise, Embedded and Semi-Custom ⁽²⁾					
Net revenue	\$ 525	\$ 591	\$ 715	\$ 1,557	\$ 1,917
Operating income	\$ 61	\$ 89	\$ 86	\$ 218	\$ 169
All Other ⁽³⁾					
Net revenue	-	-	-	-	-
Operating loss	\$ (54)	\$ (52)	\$ (36)	\$ (152)	\$ (101)
Total					
Net revenue	\$ 1,801	\$ 1,531	\$ 1,653	\$ 4,604	\$ 5,056
Operating income	\$ 186	\$ 59	\$ 150	\$ 283	\$ 423
Other Data					
Capital expenditures	\$ 55	\$ 58	\$ 33	\$ 175	\$ 122
Adjusted EBITDA ⁽⁴⁾	\$ 300	\$ 163	\$ 227	\$ 593	\$ 651
Cash, cash equivalents and marketable securities	\$ 1,209	\$ 1,128	\$ 1,056	\$ 1,209	\$ 1,056
Free cash flow ⁽⁵⁾	\$ 179	\$ (28)	\$ 44	\$ (124)	\$ (208)
Total assets	\$ 5,253	\$ 5,102	\$ 4,347	\$ 5,253	\$ 4,347
Total debt	\$ 872	\$ 1,031	\$ 1,303	\$ 872	\$ 1,303

See footnotes on the next page

- (1) The Computing and Graphics segment primarily includes desktop and notebook processors and chipsets, discrete and integrated graphics processing units (GPUs), data center and professional GPUs, and development services. The Company also licenses portions of its intellectual property portfolio.
- (2) The Enterprise, Embedded and Semi-Custom segment primarily includes server and embedded processors, semi-custom System-on-Chip (SoC) products, development services and technology for game consoles. The Company also licenses portions of its intellectual property 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.

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

	Three Months Ended			Nine Months Ended		
	September 28, 2019	June 29, 2019	September 29, 2018	September 28, 2019	September 29, 2018	
GAAP net income	\$ 120	\$ 35	\$ 102	\$ 171	\$ 299	
Interest expense	24	25	30	76	92	
Other (income) expense, net	36	(3)	6	40	4	
Provision (benefit) for income taxes	7	2	12	(4)	26	
Equity (income) loss in investee	(1)	-	-	-	2	
Stock-based compensation	54	45	36	140	101	
Depreciation and amortization	60	52	41	158	127	
Loss contingency on legal matter	-	7	-	12	-	
Adjusted EBITDA	\$ 300	\$ 163	\$ 227	\$ 593	\$ 651	

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

	Three Months Ended			Nine Months Ended		
	September 28, 2019	June 29, 2019	September 29, 2018	September 28, 2019	September 29, 2018	
GAAP net cash provided by (used in) operating activities	\$ 234	\$ 30	\$ 77	\$ 51	\$ (86)	
Purchases of property and equipment	(55)	(58)	(33)	(175)	(122)	
Free cash flow	\$ 179	\$ (28)	\$ 44	\$ (124)	\$ (208)	

* 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 income (expense), net, provision (benefit) for income taxes, equity income (loss) on investee, stock-based compensation, and depreciation and amortization expense. In addition, the Company also included a loss contingency on legal matter in the three months ended June 29, 2019 and the nine months ended September 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 (used in) 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. All periods presented conform to the current period presentation.

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)

	Three Months Ended		
	September 28, 2019	June 29, 2019	September 29, 2018
GAAP gross margin	\$ 777	\$ 621	\$ 661
GAAP gross margin %	43%	41%	40%
Stock-based compensation	2	2	1
Non-GAAP gross margin	\$ 779	\$ 623	\$ 662
Non-GAAP gross margin %	43%	41%	40%
GAAP operating expenses	\$ 591	\$ 562	\$ 511
Stock-based compensation	52	43	35
Loss contingency on legal matter	-	7	-
Non-GAAP operating expenses	\$ 539	\$ 512	\$ 476
GAAP operating income	\$ 186	\$ 59	\$ 150
Stock-based compensation	54	45	36
Loss contingency on legal matter	-	7	-
Non-GAAP operating income	\$ 240	\$ 111	\$ 186

	Three Months Ended					
	September 28, 2019		June 29, 2019		September 29, 2018	
GAAP net income / earnings per share	\$ 120	\$ 0.11	\$ 35	\$ 0.03	\$ 102	\$ 0.09
Loss on debt redemption/conversion	40	0.03	-	-	6	-
Non-cash interest expense related to convertible debt	6	-	6	-	6	0.01
Stock-based compensation	54	0.04	45	0.04	36	0.03
Equity income in investee	(1)	-	-	-	-	-
Loss contingency on legal matter	-	-	7	0.01	-	-
Provision (benefit) for income taxes	-	-	(1)	-	-	-
Non-GAAP net income / earnings per share ⁽¹⁾	\$ 219	\$ 0.18	\$ 92	\$ 0.08	\$ 150	\$ 0.13

Shares used and net income adjustment in earnings per share calculation

Shares used in per share calculation (GAAP)		1,117		1,109		1,076
Interest expense add-back to GAAP net income	\$	-	\$	-	\$	-
Shares used in per share calculation (Non-GAAP)		1,212		1,210		1,177
Interest expense add-back to Non-GAAP net income	\$	4	\$	5	\$	5

⁽¹⁾ For the three months ended September 28, 2019, Non-GAAP diluted EPS calculation includes the 95 million shares related to the Company's 2026 Convertible Notes and the associated \$4 million interest expense add-back to net income under the "if converted" method. For the three months ended June 29, 2019 and September 29, 2018, Non-GAAP diluted EPS calculation includes the 100.6 million shares related to the Company's 2026 Convertible Notes and the associated \$5 million interest expense add-back to net income under the "if converted" method.