

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

	Three Months Ended			Nine Months Ended	
	September 29, 2018	June 30, 2018	September 30, 2017	September 29, 2018	September 30, 2017
Net revenue	\$ 1,653	\$ 1,756	\$ 1,584	\$ 5,056	\$ 3,913
Cost of sales	992	1,104	1,013	3,146	2,578
Gross margin	661	652	571	1,910	1,335
Gross margin %	40%	37%	36%	38%	34%
Research and development	363	357	320	1,063	876
Marketing, general and administrative	148	142	132	424	382
Licensing gain	-	-	-	-	(52)
Operating income	150	153	119	423	129
Interest expense	(30)	(31)	(31)	(92)	(95)
Other income (expense), net	(6)	1	(3)	(4)	(11)
Income before equity loss and income taxes	114	123	85	327	23
Provision for income taxes	12	6	22	26	30
Equity loss in investee	-	(1)	(2)	(2)	(7)
Net Income (loss)	\$ 102	\$ 116	\$ 61	\$ 299	\$ (14)
Earnings (loss) per share					
Basic	\$ 0.10	\$ 0.12	\$ 0.06	\$ 0.31	\$ (0.01)
Diluted	\$ 0.09	\$ 0.11	\$ 0.06	\$ 0.28	\$ (0.01)
Shares used in per share calculation					
Basic	987	972	957	976	947
Diluted	1,076	1,147	1,042	1,058	947

The three months ended June 30, 2018 diluted EPS is calculated based on 1,147 million shares, which include 100.6 million shares related to the Company's 2026 Convertible Notes and an \$11 million interest expense add-back to net income under the "if converted" method. The three months ended September 29, 2018 and September 30, 2017 diluted EPS are calculated based on 1,076 million shares and 1,042 million shares, respectively, and do not include potential shares from the conversion of the Company's 2026 Convertible Notes because their inclusion would have been anti-dilutive under the "if-converted" method.

The nine months ended September 29, 2018 diluted EPS are calculated based on 1,058 million shares, and do not include potential shares from the conversion of the Company's 2026 Convertible Notes because their inclusion would have been anti-dilutive under the "if-converted" method.

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

	September 29, 2018	December 30, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,046	\$ 1,185
Marketable securities	10	-
Accounts receivable, net	1,207	454
Inventories, net	738	694
Prepayment and receivables - related parties	53	33
Prepaid expenses	60	77
Other current assets	200	191
Total current assets	3,314	2,634
Property and equipment, net	318	261
Goodwill	289	289
Investment: equity method	58	58
Other assets	368	310
Total Assets	\$ 4,347	\$ 3,552
Liabilities and Stockholders' Equity		
Current liabilities:		
Short-term debt	\$ 136	\$ 70
Accounts payable	508	384
Payables to related parties	533	412
Accrued liabilities	688	555
Other current liabilities	13	92
Total current liabilities	1,878	1,513
Long-term debt, net	1,167	1,325
Other long-term liabilities	177	118
Stockholders' equity:		
Capital stock:		
Common stock, par value	10	9
Additional paid-in capital	8,666	8,464
Treasury stock, at cost	(67)	(108)
Accumulated deficit	(7,474)	(7,775)
Accumulated other comprehensive income (loss)	(10)	6
Total Stockholders' equity	1,125	596
Total Liabilities and Stockholders' Equity	\$ 4,347	\$ 3,552

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

	Three Months Ended	Nine Months Ended
	September 29, 2018	September 29, 2018
Net cash provided by (used in)		
Operating activities	\$ 95	\$ (36)
Investing activities	\$ (8)	\$ (132)
Financing activities	\$ 8	\$ 28

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

Segment and Category Information	Three Months Ended			Nine Months Ended	
	September 29, 2018	June 30, 2018	September 30, 2017	September 29, 2018	September 30, 2017
Computing and Graphics ⁽¹⁾					
Net revenue	\$ 938	\$ 1,086	\$ 835	\$ 3,139	\$ 2,069
Operating income	\$ 100	\$ 117	\$ 73	\$ 355	\$ 59
Enterprise, Embedded and Semi-Custom ⁽²⁾					
Net revenue	\$ 715	\$ 670	\$ 749	\$ 1,917	\$ 1,844
Operating income	\$ 86	\$ 69	\$ 74	\$ 169	\$ 145
All Other ⁽³⁾					
Net revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Operating loss	\$ (36)	\$ (33)	\$ (28)	\$ (101)	\$ (75)
Total					
Net revenue	\$ 1,653	\$ 1,756	\$ 1,584	\$ 5,056	\$ 3,913
Operating income	\$ 150	\$ 153	\$ 119	\$ 423	\$ 129
Other Data					
Capital expenditures	\$ 33	\$ 43	\$ 34	\$ 122	\$ 69
Adjusted EBITDA ⁽⁴⁾	\$ 227	\$ 228	\$ 184	\$ 651	\$ 310
Cash, cash equivalents and marketable securities	\$ 1,056	\$ 983	\$ 879	\$ 1,056	\$ 879
Free cash flow ⁽⁵⁾	\$ 62	\$ (88)	\$ 32	\$ (158)	\$ (384)
Total assets	\$ 4,347	\$ 4,103	\$ 3,611	\$ 4,347	\$ 3,611
Total debt	\$ 1,303	\$ 1,393	\$ 1,426	\$ 1,303	\$ 1,426

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) and professional GPUs. 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 Operating Income to Adjusted EBITDA***

	Three Months Ended			Nine Months Ended	
	September 29, 2018	June 30, 2018	September 30, 2017	September 29, 2018	September 30, 2017
GAAP operating income	\$ 150	\$ 153	\$ 119	\$ 423	\$ 129
Stock-based compensation	36	33	29	101	76
Depreciation and amortization	41	42	36	127	105
Adjusted EBITDA	<u>\$ 227</u>	<u>\$ 228</u>	<u>\$ 184</u>	<u>\$ 651</u>	<u>\$ 310</u>

(5) **Free cash flow reconciliation****

	Three Months Ended			Nine Months Ended	
	September 29, 2018	June 30, 2018	September 30, 2017	September 29, 2018	September 30, 2017
GAAP net cash provided by (used in) operating activities	\$ 95	\$ (45)	\$ 66	\$ (36)	\$ (315)
Purchases of property and equipment	(33)	(43)	(34)	(122)	(69)
Free cash flow	<u>\$ 62</u>	<u>\$ (88)</u>	<u>\$ 32</u>	<u>\$ (158)</u>	<u>\$ (384)</u>

* The Company presents "Adjusted EBITDA" as a supplemental measure of its performance. Adjusted EBITDA for the Company is determined by adjusting operating income for stock-based compensation and depreciation and amortization expense. 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 operating income (loss) 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 as well as interest income and expense and income taxes 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.

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