

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

	Three Months Ended			Six Months Ended	
	June 29, 2019	March 30, 2019	June 30, 2018	June 29, 2019	June 30, 2018
Net revenue	\$ 1,531	\$ 1,272	\$ 1,756	\$ 2,803	\$ 3,403
Cost of sales	910	751	1,104	1,661	2,154
Gross margin	621	521	652	1,142	1,249
Gross margin %	41%	41%	37%	41%	37%
Research and development	373	373	357	746	700
Marketing, general and administrative	189	170	142	359	276
Licensing gain	-	(60)	-	(60)	-
Operating income	59	38	153	97	273
Interest expense	(25)	(27)	(31)	(52)	(62)
Other income (expense), net	3	(7)	1	(4)	2
Income before income taxes and equity loss	37	4	123	41	213
Provision (benefit) for income taxes	2	(13)	6	(11)	14
Equity loss in investee	-	(1)	(1)	(1)	(2)
Net Income	\$ 35	\$ 16	\$ 116	\$ 51	\$ 197
Earnings per share					
Basic	\$ 0.03	\$ 0.01	\$ 0.12	\$ 0.05	\$ 0.20
Diluted	\$ 0.03	\$ 0.01	\$ 0.11	\$ 0.05	\$ 0.19
Shares used in per share calculation					
Basic	1,084	1,044	972	1,064	970
Diluted	1,109	1,094	1,147	1,102	1,043

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

	June 29, 2019 ⁽¹⁾⁽²⁾	December 29, 2018 ⁽²⁾
Assets		
Current assets:		
Cash and cash equivalents	\$ 963	\$ 1,078
Marketable securities	165	78
Accounts receivable, net	1,333	1,235
Inventories, net	1,015	845
Prepayment and receivables - related parties	30	34
Prepaid expenses and other current assets	248	270
Total current assets	3,754	3,540
Property and equipment, net	458	348
Operating lease right-of use assets	212	-
Goodwill	289	289
Investment: equity method	58	58
Other assets	331	321
Total Assets	\$ 5,102	\$ 4,556
Liabilities and Stockholders' Equity		
Current liabilities:		
Short-term debt, net	\$ -	\$ 136
Accounts payable	828	834
Payables to related parties	201	207
Accrued liabilities	727	783
Other current liabilities	48	24
Total current liabilities	1,804	1,984
Long-term debt, net	1,031	1,114
Long-term operating lease liabilities	211	-
Other long-term liabilities	155	192
Stockholders' equity:		
Capital stock:		
Common stock, par value	11	10
Additional paid-in capital	9,325	8,750
Treasury stock, at cost	(50)	(50)
Accumulated deficit	(7,385)	(7,436)
Accumulated other comprehensive loss	-	(8)
Total Stockholders' equity	1,901	1,266
Total Liabilities and Stockholders' Equity	\$ 5,102	\$ 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	Six Months Ended
	June 29, 2019	June 29, 2019
Net cash provided by (used in)		
Operating activities	\$ 30	\$ (183)
Investing activities	\$ (7)	\$ (180)
Financing activities	\$ (38)	\$ 248

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

Segment and Category Information	Three Months Ended			Six Months Ended	
	June 29, 2019	March 30, 2019	June 30, 2018	June 29, 2019	June 30, 2018
Computing and Graphics ⁽¹⁾					
Net revenue	\$ 940	\$ 831	\$ 1,086	\$ 1,771	\$ 2,201
Operating income	\$ 22	\$ 16	\$ 117	\$ 38	\$ 255
Enterprise, Embedded and Semi-Custom ⁽²⁾					
Net revenue	\$ 591	\$ 441	\$ 670	\$ 1,032	\$ 1,202
Operating income	\$ 89	\$ 68	\$ 69	\$ 157	\$ 83
All Other ⁽³⁾					
Net revenue	-	-	-	-	-
Operating loss	\$ (52)	\$ (46)	\$ (33)	\$ (98)	\$ (65)
Total					
Net revenue	\$ 1,531	\$ 1,272	\$ 1,756	\$ 2,803	\$ 3,403
Operating income	\$ 59	\$ 38	\$ 153	\$ 97	\$ 273
Other Data					
Capital expenditures	\$ 58	\$ 62	\$ 43	\$ 120	\$ 89
Adjusted EBITDA ⁽⁴⁾	\$ 163	\$ 130	\$ 228	\$ 293	\$ 424
Cash, cash equivalents and marketable securities	\$ 1,128	\$ 1,194	\$ 983	\$ 1,128	\$ 983
Free cash flow ⁽⁵⁾	\$ (28)	\$ (275)	\$ (99)	\$ (303)	\$ (252)
Total assets	\$ 5,102	\$ 4,931	\$ 4,103	\$ 5,102	\$ 4,103
Total debt	\$ 1,031	\$ 1,094	\$ 1,393	\$ 1,031	\$ 1,393

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 Operating Income to Adjusted EBITDA***

	Three Months Ended			Six Months Ended	
	June 29, 2019	March 30, 2019	June 30, 2018	June 29, 2019	June 30, 2018
GAAP operating income	\$ 59	\$ 38	\$ 153	\$ 97	\$ 273
Stock-based compensation	45	41	33	86	65
Depreciation and amortization	52	46	42	98	86
Loss contingency on legal matter	7	5	-	12	-
Adjusted EBITDA	\$ 163	\$ 130	\$ 228	\$ 293	\$ 424

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

	Three Months Ended			Six Months Ended	
	June 29, 2019	March 30, 2019	June 30, 2018	June 29, 2019	June 30, 2018
GAAP net cash provided by (used in) operating activities	\$ 30	\$ (213)	\$ (56)	\$ (183)	\$ (163)
Purchases of property and equipment	(58)	(62)	(43)	(120)	(89)
Free cash flow	\$ (28)	\$ (275)	\$ (99)	\$ (303)	\$ (252)

* The Company presents "Adjusted EBITDA" as a supplemental measure of its performance. Adjusted EBITDA for the Company is determined by adjusting GAAP operating income for stock-based compensation and depreciation and amortization expense. In addition, the Company also included a loss contingency on legal matter in the three and six months ended June 29, 2019 and the three months ended March 30, 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 operating 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 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. 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		
	June 29, 2019	March 30, 2019	June 30, 2018
GAAP gross margin	\$ 621	\$ 521	\$ 652
GAAP gross margin %	41%	41%	37%
Stock-based compensation	2	1	1
Non-GAAP gross margin	<u>\$ 623</u>	<u>\$ 522</u>	<u>\$ 653</u>
Non-GAAP gross margin %	41%	41%	37%
GAAP operating expenses	\$ 562	\$ 543	\$ 499
Stock-based compensation	43	40	32
Loss contingency on legal matter	7	5	-
Non-GAAP operating expenses	<u>\$ 512</u>	<u>\$ 498</u>	<u>\$ 467</u>
GAAP operating income	\$ 59	\$ 38	\$ 153
Stock-based compensation	45	41	33
Loss contingency on legal matter	7	5	-
Non-GAAP operating income	<u>\$ 111</u>	<u>\$ 84</u>	<u>\$ 186</u>

	Three Months Ended					
	June 29, 2019		March 30, 2019		June 30, 2018	
GAAP net income / earnings per share ⁽¹⁾	\$ 35	\$ 0.03	\$ 16	\$ 0.01	\$ 116	\$ 0.11
Loss on debt redemption	-	-	8	0.01	-	-
Non-cash interest expense related to convertible debt	6	-	6	0.01	6	-
Stock-based compensation	45	0.04	41	0.04	33	0.03
Equity loss in investee	-	-	1	-	1	-
Loss contingency on legal matter	7	0.01	5	-	-	-
Provision (benefit) for income taxes ⁽²⁾	(1)	-	(15)	(0.01)	-	-
Non-GAAP net income / earnings per share ⁽³⁾	<u>\$ 92</u>	<u>\$ 0.08</u>	<u>\$ 62</u>	<u>\$ 0.06</u>	<u>\$ 156</u>	<u>\$ 0.14</u>

Shares used and net income adjustment in earnings per share calculation

Shares used in per share calculation (GAAP)		1,109		1,094		1,147
Interest expense add-back to GAAP net income	\$	-	\$	-	\$	11
Shares used in per share calculation (Non-GAAP)		1,210		1,195		1,147
Interest expense add-back to Non-GAAP net income	\$	5	\$	5	\$	5

⁽¹⁾ For three months ended June 30, 2018, GAAP diluted EPS calculation includes the 100.6 million shares related to the Company's 2026 Convertible Notes and the associated \$11 million interest expense add-back to net income under the "if converted" method.

⁽²⁾ The adjustment in the three months ended March 30, 2019 represents a reduction of US taxes due to the completion of certain internal tax structuring. The associated tax benefit on a Non-GAAP basis is being recognized throughout 2019.

⁽³⁾ For all three periods, 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.