

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

	Three Months Ended			Year Ended	
	December 29, 2018	September 29, 2018	December 30, 2017	December 29, 2018	December 30, 2017
Net revenue	\$ 1,419	\$ 1,653	\$ 1,340	\$ 6,475	\$ 5,253
Cost of sales	882	992	888	4,028	3,466
Gross margin	537	661	452	2,447	1,787
Gross margin %	38%	40%	34%	38%	34%
Research and development	371	363	320	1,434	1,196
Marketing, general and administrative	138	148	134	562	516
Licensing gain	-	-	-	-	(52)
Operating income (loss)	28	150	(2)	451	127
Interest expense	(29)	(30)	(31)	(121)	(126)
Other income (expense), net	4	(6)	2	-	(9)
Income (loss) before equity loss and income taxes	3	114	(31)	330	(8)
Provision (benefit) for income taxes	(35)	12	(12)	(9)	18
Equity loss in investee	-	-	-	(2)	(7)
Net Income (loss)	\$ 38	\$ 102	\$ (19)	\$ 337	\$ (33)
Earnings (loss) per share					
Basic	\$ 0.04	\$ 0.10	\$ (0.02)	\$ 0.34	\$ (0.03)
Diluted	\$ 0.04	\$ 0.09	\$ (0.02)	\$ 0.32	\$ (0.03)
Shares used in per share calculation					
Basic	1,002	987	965	982	952
Diluted	1,079	1,076	965	1,064	952

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

	December 29, 2018	December 30, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,078	\$ 1,185
Marketable securities	78	-
Accounts receivable, net	1,235	454
Inventories, net	845	694
Prepayment and receivables - related parties	52	33
Prepaid expenses	57	77
Other current assets	195	191
Total current assets	3,540	2,634
Property and equipment, net	348	261
Goodwill	289	289
Investment: equity method	58	58
Other assets	321	310
Total Assets	\$ 4,556	\$ 3,552
Liabilities and Stockholders' Equity		
Current liabilities:		
Short-term debt	\$ 136	\$ 70
Accounts payable	528	384
Payables to related parties	533	412
Accrued liabilities	763	555
Other current liabilities	24	92
Total current liabilities	1,984	1,513
Long-term debt, net	1,114	1,325
Other long-term liabilities	192	118
Stockholders' equity:		
Capital stock:		
Common stock, par value	10	9
Additional paid-in capital	8,750	8,464
Treasury stock, at cost	(50)	(108)
Accumulated deficit	(7,436)	(7,775)
Accumulated other comprehensive income (loss)	(8)	6
Total Stockholders' equity	1,266	596
Total Liabilities and Stockholders' Equity	\$ 4,556	\$ 3,552

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

	Three Months Ended	Year Ended
	December 29, 2018	December 29, 2018
Net cash provided by (used in)		
Operating activities	\$ 120	\$ 34
Investing activities	\$ (88)	\$ (170)
Financing activities	\$ -	\$ 28

During 2018, the Company adopted Accounting Standards Update (ASU) 2016-15, *Statement of Cash Flows - Classification of Certain Cash Receipts and Cash Payments* which reclassified certain cash receipts from operating activities to investing activities, with retrospective application. All periods presented conform to the classification requirements of the standard. The adoption of this standard does not reflect a change in the underlying business or activities and had no material impact on the Company's consolidated statements of cash flows.

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

Segment and Category Information	Three Months Ended			Year Ended	
	December 29, 2018	September 29, 2018	December 30, 2017	December 29, 2018	December 30, 2017
Computing and Graphics ⁽¹⁾					
Net revenue	\$ 986	\$ 938	\$ 908	\$ 4,125	\$ 2,977
Operating income	\$ 115	\$ 100	\$ 33	\$ 470	\$ 92
Enterprise, Embedded and Semi-Custom ⁽²⁾					
Net revenue	\$ 433	\$ 715	\$ 432	\$ 2,350	\$ 2,276
Operating income (loss)	\$ (6)	\$ 86	\$ (13)	\$ 163	\$ 132
All Other ⁽³⁾					
Net revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Operating loss	\$ (81)	\$ (36)	\$ (22)	\$ (182)	\$ (97)
Total					
Net revenue	\$ 1,419	\$ 1,653	\$ 1,340	\$ 6,475	\$ 5,253
Operating income (loss)	\$ 28	\$ 150	\$ (2)	\$ 451	\$ 127
Other Data					
Capital expenditures	\$ 41	\$ 33	\$ 44	\$ 163	\$ 113
Adjusted EBITDA ⁽⁴⁾	\$ 152	\$ 227	\$ 58	\$ 803	\$ 368
Cash, cash equivalents and marketable securities	\$ 1,156	\$ 1,056	\$ 1,185	\$ 1,156	\$ 1,185
Free cash flow ⁽⁵⁾	\$ 79	\$ 44	\$ 322	\$ (129)	\$ (105)
Total assets	\$ 4,556	\$ 4,347	\$ 3,552	\$ 4,556	\$ 3,552
Total debt	\$ 1,250	\$ 1,303	\$ 1,395	\$ 1,250	\$ 1,395

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. In addition, the Company also included an impairment of technology licenses in the three months and year ended December 29, 2018.

(4) **Reconciliation of GAAP Operating Income (Loss) to Adjusted EBITDA***

	Three Months Ended			Year Ended	
	December 29,	September 29,	December 30,	December 29,	December 30,
	2018	2018	2017	2018	2017
GAAP operating income (loss)	\$ 28	\$ 150	\$ (2)	\$ 451	\$ 127
Impairment of technology licenses	45	-	-	45	-
Stock-based compensation	36	36	21	137	97
Depreciation and amortization	43	41	39	170	144
Adjusted EBITDA	<u>\$ 152</u>	<u>\$ 227</u>	<u>\$ 58</u>	<u>\$ 803</u>	<u>\$ 368</u>

(5) **Reconciliation of GAAP Net Cash Provided by Operating Activities to Free Cash Flow****

	Three Months Ended			Year Ended	
	December 29,	September 29,	December 30,	December 29,	December 30,
	2018	2018	2017	2018	2017
GAAP net cash provided by operating activities	\$ 120	\$ 77	\$ 366	\$ 34	\$ 8
Purchases of property and equipment	(41)	(33)	(44)	(163)	(113)
Free cash flow	<u>\$ 79</u>	<u>\$ 44</u>	<u>\$ 322</u>	<u>\$ (129)</u>	<u>\$ (105)</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. In addition, the Company also included an impairment of technology licenses in the three months and year ended December 29, 2018. 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. In 2018, the Company adopted Accounting Standards Update (ASU) 2016-15, *Statement of Cash Flows - Classification of Certain Cash Receipts and Cash Payments*, which reclassified certain cash receipts from operating activities to investing activities, with retrospective application. All periods presented conform to the classification requirements of the standard. The adoption of this standard does not reflect a change in the underlying business or activities and had no material impact on the Company's consolidated statements of cash flows.

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