

ADVANCED MICRO DEVICES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Millions except per share amounts and percentages) (Unaudited)

	Three Months Ended			Year Ended	
	December 25, 2021	September 25, 2021	December 26, 2020	December 25, 2021	December 26, 2020
Net revenue	\$ 4,826	\$ 4,313	\$ 3,244	\$ 16,434	\$ 9,763
Cost of sales	2,400	2,227	1,793	8,505	5,416
Gross profit	2,426	2,086	1,451	7,929	4,347
Gross margin %	50%	48%	45%	48%	45%
Research and development	811	765	573	2,845	1,983
Marketing, general and administrative	412	376	308	1,448	995
Licensing gain	(4)	(3)	-	(12)	-
Operating income	1,207	948	570	3,648	1,369
Interest expense	(8)	(7)	(9)	(34)	(47)
Other income (expense), net	4	62	(15)	55	(47)
Income before income taxes and equity income	1,203	1,003	546	3,669	1,275
Income tax provision (benefit)	229	82	(1,232)	513	(1,210)
Equity income in investee	-	2	3	6	5
Net income	\$ 974	\$ 923	\$ 1,781	\$ 3,162	\$ 2,490
Earnings per share					
Basic	\$ 0.81	\$ 0.76	\$ 1.48	\$ 2.61	\$ 2.10
Diluted	\$ 0.80	\$ 0.75	\$ 1.45	\$ 2.57	\$ 2.06
Shares used in per share calculation					
Basic	1,208	1,214	1,205	1,213	1,184
Diluted	1,222	1,230	1,226	1,229	1,207

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

	<u>December 25, 2021</u>	<u>December 26, 2020</u>
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,535	\$ 1,595
Short-term investments	1,073	695
Accounts receivable, net	2,706	2,066
Inventories	1,955	1,399
Receivables from related parties	2	10
Prepaid expenses and other current assets	312	378
Total current assets	<u>8,583</u>	<u>6,143</u>
Property and equipment, net	702	641
Operating lease right-of use assets	367	208
Goodwill	289	289
Investment: equity method	69	63
Deferred tax assets	931	1,245
Other non-current assets	1,478	373
Total Assets	<u>\$ 12,419</u>	<u>\$ 8,962</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,321	\$ 468
Payables to related parties	85	78
Accrued liabilities	2,424	1,796
Short-term debt	312	-
Other current liabilities	98	75
Total current liabilities	<u>4,240</u>	<u>2,417</u>
Long-term debt, net	1	330
Long-term operating lease liabilities	348	201
Other long-term liabilities	333	177
Stockholders' equity:		
Capital stock:		
Common stock, par value	12	12
Additional paid-in capital	11,069	10,544
Treasury stock, at cost	(2,130)	(131)
Accumulated deficit ⁽¹⁾	(1,451)	(4,605)
Accumulated other comprehensive income	(3)	17
Total stockholders' equity	<u>\$ 7,497</u>	<u>\$ 5,837</u>
Total Liabilities and Stockholders' Equity	<u>\$ 12,419</u>	<u>\$ 8,962</u>

⁽¹⁾ During the first quarter of 2021, the Company adopted ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, using the modified retrospective adoption method, which resulted in \$8 million of deferred tax liability associated with book-tax differences in a foreign equity method investment recognized in Accumulated deficit.

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

	Three Months Ended			Year Ended	
	December 25, 2021	September 25, 2021	December 26, 2020	December 25, 2021	December 26, 2020
Net cash provided by (used in)					
Operating activities	\$ 822	\$ 849	\$ 554	\$ 3,521	\$ 1,071
Investing activities	\$ -	\$ (83)	\$ (294)	\$ (686)	\$ (952)
Financing activities	\$ (727)	\$ (949)	\$ 35	\$ (1,895)	\$ 6

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

Segment Information	Three Months Ended			Year Ended	
	December 25, 2021	September 25, 2021	December 26, 2020	December 25, 2021	December 26, 2020
Computing and Graphics ⁽¹⁾					
Net revenue	\$ 2,584	\$ 2,398	\$ 1,960	\$ 9,332	\$ 6,432
Operating income	\$ 566	\$ 513	\$ 420	\$ 2,090	\$ 1,266
Enterprise, Embedded and Semi-Custom ⁽²⁾					
Net revenue	\$ 2,242	\$ 1,915	\$ 1,284	\$ 7,102	\$ 3,331
Operating income	\$ 762	\$ 542	\$ 243	\$ 1,979	\$ 391
All Other ⁽³⁾					
Net revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Operating loss	\$ (121)	\$ (107)	\$ (93)	\$ (421)	\$ (288)
Total					
Net revenue	\$ 4,826	\$ 4,313	\$ 3,244	\$ 16,434	\$ 9,763
Operating income	\$ 1,207	\$ 948	\$ 570	\$ 3,648	\$ 1,369
Other Data					
Capital expenditures	\$ 86	\$ 85	\$ 74	\$ 301	\$ 294
Adjusted EBITDA ⁽⁴⁾	\$ 1,446	\$ 1,152	\$ 753	\$ 4,476	\$ 1,969
Cash, cash equivalents and short-term investments	\$ 3,608	\$ 3,608	\$ 2,290	\$ 3,608	\$ 2,290
Free cash flow ⁽⁵⁾	\$ 736	\$ 764	\$ 480	\$ 3,220	\$ 777
Total assets	\$ 12,419	\$ 11,153	\$ 8,962	\$ 12,419	\$ 8,962
Total debt	\$ 313	\$ 313	\$ 330	\$ 313	\$ 330

See footnotes on the next page

- (1) The Computing and Graphics segment primarily includes desktop and notebook microprocessors, accelerated processing units that integrate microprocessors and graphics, chipsets, discrete 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 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 25, 2021	September 25, 2021	December 26, 2020	December 25, 2021	December 26, 2020
GAAP net income	\$ 974	\$ 923	\$ 1,781	\$ 3,162	\$ 2,490
Interest expense	8	7	9	34	47
Other (income) expense, net	(4)	(62)	15	(55)	47
Income tax provision (benefit)	229	82	(1,232)	513	(1,210)
Equity income in investee	-	(2)	(3)	(6)	(5)
Stock-based compensation	112	99	79	379	274
Depreciation and amortization	118	97	90	407	312
Acquisition-related costs	9	8	14	42	14
Adjusted EBITDA	\$ 1,446	\$ 1,152	\$ 753	\$ 4,476	\$ 1,969

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

	Three Months Ended			Year Ended	
	December 25, 2021	September 25, 2021	December 26, 2020	December 25, 2021	December 26, 2020
GAAP net cash provided by operating activities	\$ 822	\$ 849	\$ 554	\$ 3,521	\$ 1,071
Operating cash flow margin %	17%	20%	17%	21%	11%
Purchases of property and equipment	(86)	(85)	(74)	(301)	(294)
Free cash flow	\$ 736	\$ 764	\$ 480	\$ 3,220	\$ 777
Free cash flow margin %	15%	18%	15%	20%	8%

* 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, income tax provision, equity income in investee, stock-based compensation, and depreciation and amortization expense. The Company also included acquisition-related costs for the three months ended December 25, 2021, September 25, 2021 and December 26, 2020, and for the year ended December 25, 2021 and December 26, 2020. 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 25, 2021	September 25, 2021	December 26, 2020	December 25, 2021	December 26, 2020
GAAP gross profit	\$ 2,426	\$ 2,086	\$ 1,451	\$ 7,929	\$ 4,347
GAAP gross margin %	50%	48%	45%	48%	45%
Stock-based compensation	1	1	1	5	6
Non-GAAP gross profit	\$ 2,427	\$ 2,087	\$ 1,452	\$ 7,934	\$ 4,353
Non-GAAP gross margin %	50%	48%	45%	48%	45%
GAAP operating expenses	\$ 1,223	\$ 1,141	\$ 881	\$ 4,293	\$ 2,978
GAAP operating expenses/revenue %	25%	26%	27%	26%	31%
Stock-based compensation	111	98	78	374	268
Acquisition-related costs	9	8	14	42	14
Non-GAAP operating expenses	\$ 1,103	\$ 1,035	\$ 789	\$ 3,877	\$ 2,696
Non-GAAP operating expenses/revenue %	23%	24%	24%	24%	28%
GAAP operating income	\$ 1,207	\$ 948	\$ 570	\$ 3,648	\$ 1,369
GAAP operating margin %	25%	22%	18%	22%	14%
Stock-based compensation	112	99	79	379	274
Acquisition-related costs	9	8	14	42	14
Non-GAAP operating income	\$ 1,328	\$ 1,055	\$ 663	\$ 4,069	\$ 1,657
Non-GAAP operating margin %	27%	24%	20%	25%	17%

	Three Months Ended			Year Ended						
	December 25, 2021	September 25, 2021	December 26, 2020	December 25, 2021	December 26, 2020					
GAAP net income / earnings per share	\$ 974	\$ 0.80	\$ 923	\$ 0.75	\$ 1,781	\$ 1.45	\$ 3,162	\$ 2.57	\$ 2,490	\$ 2.06
Loss on debt redemption/conversion	-	-	-	-	16	0.01	7	-	54	0.04
(Gains) losses on equity investments, net	(4)	-	(60)	(0.05)	-	-	(56)	(0.04)	-	-
Non-cash interest expense related to convertible debt	-	-	-	-	-	-	-	-	6	-
Stock-based compensation	112	0.09	99	0.08	79	0.06	379	0.31	274	0.22
Equity income in investee	-	-	(2)	-	(3)	-	(6)	-	(5)	-
Acquisition-related costs	9	-	8	0.01	14	0.01	42	0.03	14	0.01
Release of valuation allowance on deferred tax assets	-	-	-	-	(1,301)	(1.06)	-	-	(1,301)	(1.07)
Income tax provision	31	0.03	(75)	(0.06)	50	0.05	(93)	(0.08)	43	0.03
Non-GAAP net income / earnings per share	\$ 1,122	\$ 0.92	\$ 893	\$ 0.73	\$ 636	\$ 0.52	\$ 3,435	\$ 2.79	\$ 1,575	\$ 1.29

Shares used and net income adjustment in earnings per share calculation ⁽¹⁾										
Shares used in per share calculation (GAAP)		1,222		1,230		1,226		1,229		1,207
Interest expense add-back to GAAP net income	\$	-	\$	-	\$	-	\$	-	\$	1
Shares used in per share calculation (Non-GAAP)		1,222		1,230		1,232		1,229		1,228
Interest expense add-back to Non-GAAP net income	\$	-	\$	-	\$	-	\$	-	\$	4

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

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