

ADVANCED MICRO DEVICES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Three Months Ended			Nine Months Ended	
	September 30, 2023	July 1, 2023	September 24, 2022	September 30, 2023	September 24, 2022
Net revenue	\$ 5,800	\$ 5,359	\$ 5,565	\$ 16,512	\$ 18,002
Cost of sales	2,843	2,704	2,799	8,236	8,797
Amortization of acquisition-related intangibles	210	212	412	727	1,005
Total cost of sales	3,053	2,916	3,211	8,963	9,802
Gross profit	2,747	2,443	2,354	7,549	8,200
Gross margin	47%	46%	42%	46%	46%
Research and development	1,507	1,443	1,279	4,361	3,639
Marketing, general and administrative	576	547	557	1,708	1,746
Amortization of acquisition-related intangibles	450	481	590	1,449	1,499
Licensing gain	(10)	(8)	(8)	(28)	(97)
Operating income (loss)	224	(20)	(64)	59	1,413
Interest expense	(26)	(28)	(31)	(79)	(69)
Other income (expense), net	59	46	22	148	(24)
Income (loss) before income taxes and equity income	257	(2)	(73)	128	1,320
Income tax provision (benefit)	(39)	(23)	(135)	(49)	32
Equity income in investee	3	6	4	10	11
Net income	\$ 299	\$ 27	\$ 66	\$ 187	\$ 1,299
Earnings per share					
Basic	\$ 0.18	\$ 0.02	\$ 0.04	\$ 0.12	\$ 0.84
Diluted	\$ 0.18	\$ 0.02	\$ 0.04	\$ 0.11	\$ 0.84
Shares used in per share calculation					
Basic	1,616	1,612	1,615	1,613	1,542
Diluted	1,629	1,627	1,625	1,625	1,555

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

	<u>September 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,561	\$ 4,835
Short-term investments	2,224	1,020
Accounts receivable, net	5,054	4,126
Inventories	4,445	3,771
Receivables from related parties	1	2
Prepaid expenses and other current assets	1,403	1,265
Total current assets	<u>16,688</u>	<u>15,019</u>
Property and equipment, net	1,566	1,513
Operating lease right-of-use assets	507	460
Goodwill	24,186	24,177
Acquisition-related intangibles, net	21,950	24,118
Investment: equity method	93	83
Deferred tax assets	76	58
Other non-current assets	2,560	2,152
Total Assets	<u>\$ 67,626</u>	<u>\$ 67,580</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 2,245	\$ 2,493
Payables to related parties	325	463
Accrued liabilities	3,376	3,077
Current portion of long-term debt, net	752	–
Other current liabilities	929	336
Total current liabilities	<u>7,627</u>	<u>6,369</u>
Long-term debt, net of current portion	1,715	2,467
Long-term operating lease liabilities	395	396
Deferred tax liabilities	1,152	1,934
Other long-term liabilities	1,767	1,664
Stockholders' equity:		
Capital stock:		
Common stock, par value	17	16
Additional paid-in capital	59,182	58,005
Treasury stock, at cost	(4,235)	(3,099)
Retained earnings (Accumulated deficit)	56	(131)
Accumulated other comprehensive loss	(50)	(41)
Total stockholders' equity	<u>54,970</u>	<u>54,750</u>
Total Liabilities and Stockholders' Equity	<u>\$ 67,626</u>	<u>\$ 67,580</u>

ADVANCED MICRO DEVICES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions) (Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2023	September 24, 2022	September 30, 2023	September 24, 2022
Cash flows from operating activities:				
Net income	\$ 299	\$ 66	\$ 187	\$ 1,299
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	823	1,165	2,654	2,954
Stock-based compensation	353	275	1,010	766
Amortization of operating lease right-of-use assets	25	23	73	63
Amortization of inventory fair value adjustment	-	2	3	187
Loss on sale or disposal of property and equipment	3	-	10	15
Deferred income taxes	(218)	(710)	(800)	(1,328)
(Gains) losses on equity investments, net	(3)	3	(1)	57
Other	(23)	(5)	(43)	(9)
Changes in operating assets and liabilities				
Accounts receivable, net	(743)	(285)	(929)	(1,301)
Inventories	122	(723)	(674)	(997)
Receivables from related parties	1	-	1	(1)
Prepaid expenses and other assets	(143)	(588)	(380)	(825)
Payables to related parties	13	36	(137)	313
Accounts payable	(547)	783	(238)	811
Accrued and other liabilities	459	923	550	994
Net cash provided by operating activities	421	965	1,286	2,998
Cash flows from investing activities:				
Purchases of property and equipment	(124)	(123)	(407)	(326)
Purchases of short-term investments	(496)	(1,779)	(3,312)	(2,399)
Proceeds from maturity of short-term investments	746	615	1,917	2,864
Proceeds from sale of short-term investments	-	-	248	-
Cash received from acquisition of Xilinx	-	-	-	2,366
Acquisitions, net of cash acquired	(14)	-	(14)	(1,558)
Other	(10)	(11)	(5)	(15)
Net cash provided by (used in) investing activities	102	(1,298)	(1,573)	932
Cash flows from financing activities:				
Proceeds from debt, net of issuance costs	-	-	-	991
Repayment of debt	-	(312)	-	(312)
Proceeds from sales of common stock through employee equity plans	4	1	148	79
Repurchases of common stock	(511)	(617)	(752)	(3,452)
Common stock repurchases for tax withholding on employee equity plans	(295)	(305)	(382)	(371)
Other	(1)	-	(1)	(2)
Net cash used in financing activities	(803)	(1,233)	(987)	(3,067)
Net increase (decrease) in cash and cash equivalents	(280)	(1,566)	(1,274)	863
Cash and cash equivalents at beginning of period	3,841	4,964	4,835	2,535
Cash and cash equivalents at end of period	\$ 3,561	\$ 3,398	\$ 3,561	\$ 3,398

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

Segment and Category Information ⁽¹⁾	Three Months Ended			Nine Months Ended	
	September 30, 2023	July 1, 2023	September 24, 2022	September 30, 2023	September 24, 2022
Data Center					
Net revenue	\$ 1,598	\$ 1,321	\$ 1,609	\$ 4,214	\$ 4,388
Operating income	\$ 306	\$ 147	\$ 505	\$ 601	\$ 1,404
Client					
Net revenue	\$ 1,453	\$ 998	\$ 1,022	\$ 3,190	\$ 5,298
Operating income (loss)	\$ 140	\$ (69)	\$ (26)	\$ (101)	\$ 1,342
Gaming					
Net revenue	\$ 1,506	\$ 1,581	\$ 1,631	\$ 4,844	\$ 5,161
Operating income	\$ 208	\$ 225	\$ 142	\$ 747	\$ 687
Embedded					
Net revenue	\$ 1,243	\$ 1,459	\$ 1,303	\$ 4,264	\$ 3,155
Operating income	\$ 612	\$ 757	\$ 635	\$ 2,167	\$ 1,553
All Other					
Net revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Operating loss	\$ (1,042)	\$ (1,080)	\$ (1,320)	\$ (3,355)	\$ (3,573)
Total					
Net revenue	\$ 5,800	\$ 5,359	\$ 5,565	\$ 16,512	\$ 18,002
Operating income (loss)	\$ 224	\$ (20)	\$ (64)	\$ 59	\$ 1,413
Other Data					
Capital expenditures	\$ 124	\$ 125	\$ 123	\$ 407	\$ 326
Adjusted EBITDA ⁽²⁾	\$ 1,439	\$ 1,224	\$ 1,427	\$ 3,920	\$ 5,533
Cash, cash equivalents and short-term investments	\$ 5,785	\$ 6,285	\$ 5,591	\$ 5,785	\$ 5,591
Free cash flow ⁽³⁾	\$ 297	\$ 254	\$ 842	\$ 879	\$ 2,672
Total assets	\$ 67,626	\$ 67,967	\$ 67,811	\$ 67,626	\$ 67,811
Total debt	\$ 2,467	\$ 2,467	\$ 2,466	\$ 2,467	\$ 2,466

See footnotes on the next page

(1) The Data Center segment primarily includes server microprocessors (CPUs) and graphics processing units (GPUs), data processing units (DPUs), Field Programmable Gate Arrays (FPGAs) and Adaptive System-on-Chip (SoC) products for data centers.

The Client segment primarily includes CPUs, accelerated processing units that integrate microprocessors and GPUs (APUs), and chipsets for desktop and notebook personal computers.

The Gaming segment primarily includes discrete GPUs, semi-custom SoC products and development services.

The Embedded segment primarily includes embedded CPUs and GPUs, APUs, FPGAs, and Adaptive SoC products.

From time to time, the Company may also sell or license portions of its IP portfolio.

All Other category primarily includes certain expenses and credits that are not allocated to any of the operating segments, such as amortization of acquisition-related intangible asset, employee stock-based compensation expense, acquisition-related and other costs, and licensing gain.

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

	Three Months Ended			Nine Months Ended	
	September 30, 2023	July 1, 2023	September 24, 2022	September 30, 2023	September 24, 2022
GAAP net income	\$ 299	\$ 27	\$ 66	\$ 187	\$ 1,299
Interest expense	26	28	31	79	69
Other (income) expense, net	(59)	(46)	(22)	(148)	24
Income tax provision (benefit)	(39)	(23)	(135)	(49)	32
Equity income in investee	(3)	(6)	(4)	(10)	(11)
Stock-based compensation	353	348	269	1,006	702
Depreciation and amortization	163	156	163	478	450
Amortization of acquisition-related intangibles	660	693	1,002	2,176	2,504
Acquisition-related and other costs	39	47	57	201	464
Adjusted EBITDA	<u>\$ 1,439</u>	<u>\$ 1,224</u>	<u>\$ 1,427</u>	<u>\$ 3,920</u>	<u>\$ 5,533</u>

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 (benefit), equity income in investee, stock-based compensation, depreciation and amortization expense (including amortization of acquisition-related intangibles), acquisition-related and other costs. 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.

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

	Three Months Ended			Nine Months Ended	
	September 30, 2023	July 1, 2023	September 24, 2022	September 30, 2023	September 24, 2022
GAAP net cash provided by operating activities	\$ 421	\$ 379	\$ 965	\$ 1,286	\$ 2,998
Operating cash flow margin %	7%	7%	17%	8%	17%
Purchases of property and equipment	(124)	(125)	(123)	(407)	(326)
Free cash flow	<u>\$ 297</u>	<u>\$ 254</u>	<u>\$ 842</u>	<u>\$ 879</u>	<u>\$ 2,672</u>
Free cash flow margin %	5%	5%	15%	5%	15%

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, and free cash flow margin % is free cash flow expressed as a percentage of the Company's net revenue. 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		
	September 30, 2023	July 1, 2023	September 24, 2022
GAAP gross profit	\$ 2,747	\$ 2,443	\$ 2,354
<i>GAAP gross margin</i>	<i>47%</i>	<i>46%</i>	<i>42%</i>
Stock-based compensation	6	10	8
Amortization of acquisition-related intangibles	210	212	412
Acquisition-related and other costs ⁽¹⁾	-	-	2
Non-GAAP gross profit	\$ 2,963	\$ 2,665	\$ 2,776
<i>Non-GAAP gross margin</i>	<i>51%</i>	<i>50%</i>	<i>50%</i>
GAAP operating expenses	\$ 2,533	\$ 2,471	\$ 2,426
<i>GAAP operating expenses/revenue %</i>	<i>44%</i>	<i>46%</i>	<i>44%</i>
Stock-based compensation	347	338	261
Amortization of acquisition-related intangibles	450	481	590
Acquisition-related and other costs ⁽¹⁾	39	47	55
Non-GAAP operating expenses	\$ 1,697	\$ 1,605	\$ 1,520
<i>Non-GAAP operating expenses/revenue %</i>	<i>29%</i>	<i>30%</i>	<i>27%</i>
GAAP operating income (loss)	\$ 224	\$ (20)	\$ (64)
<i>GAAP operating margin</i>	<i>4%</i>	<i>0%</i>	<i>(1%)</i>
Stock-based compensation	353	348	269
Amortization of acquisition-related intangibles	660	693	1,002
Acquisition-related and other costs ⁽¹⁾	39	47	57
Non-GAAP operating income	\$ 1,276	\$ 1,068	\$ 1,264
<i>Non-GAAP operating margin</i>	<i>22%</i>	<i>20%</i>	<i>23%</i>

	Three Months Ended					
	September 30, 2023		July 1, 2023		September 24, 2022	
GAAP net income / diluted earnings per share	\$ 299	\$ 0.18	\$ 27	\$ 0.02	\$ 66	\$ 0.04
(Gains) losses on equity investments, net	(4)	-	3	-	3	-
Stock-based compensation	353	0.22	348	0.21	269	0.16
Equity income in investee	(3)	-	(6)	-	(4)	-
Amortization of acquisition-related intangibles	660	0.41	693	0.42	1,002	0.62
Acquisition-related and other costs ⁽¹⁾	39	0.02	47	0.03	57	0.04
Income tax provision	(209)	(0.13)	(164)	(0.10)	(298)	(0.19)
Non-GAAP net income / diluted earnings per share	\$ 1,135	\$ 0.70	\$ 948	\$ 0.58	\$ 1,095	\$ 0.67

⁽¹⁾ Acquisition-related and other costs primarily comprised of transaction costs, purchase price adjustments for inventory, certain compensation charges, contract termination and workforce rebalancing charges.