

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

	Three Months Ended			Six Months Ended	
	June 30, 2018	March 31, 2018	July 1, 2017	June 30, 2018	July 1, 2017
Net revenue	\$ 1,756	\$ 1,647	\$ 1,151	\$ 3,403	\$ 2,329
Cost of sales	1,104	1,050	765	2,154	1,565
Gross margin	652	597	386	1,249	764
Gross margin %	37%	36%	34%	37%	33%
Research and development	357	343	285	700	556
Marketing, general and administrative	142	134	127	276	250
Licensing gain	-	-	(25)	-	(52)
Operating income (loss)	153	120	(1)	273	10
Interest expense	(31)	(31)	(32)	(62)	(64)
Other income (expense), net	1	1	(3)	2	(8)
Income (loss) before equity loss and income taxes	123	90	(36)	213	(62)
Provision for income taxes	6	8	3	14	8
Equity loss in investee	(1)	(1)	(3)	(2)	(5)
Net Income (loss)	\$ 116	\$ 81	\$ (42)	\$ 197	\$ (75)
Earnings (loss) per share					
Basic	\$ 0.12	\$ 0.08	\$ (0.04)	\$ 0.20	\$ (0.08)
Diluted	\$ 0.11	\$ 0.08	\$ (0.04)	\$ 0.19	\$ (0.08)
Shares used in per share calculation					
Basic	972	968	945	970	942
Diluted	1,147	1,039	945	1,043	942

For the three months ended June 30, 2018, diluted EPS includes the impact of the 2026 Convertible Notes as their inclusion is dilutive under the "if-converted" method. Accordingly, \$11 million of interest expense is added back to net income and diluted shares includes 100.6 million shares.

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

	June 30, 2018	December 30, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 948	\$ 1,185
Marketable securities	35	-
Accounts receivable, net	1,118	454
Inventories, net	750	694
Prepayment and other receivables - related parties	25	33
Prepaid expenses	68	77
Other current assets	155	191
Total current assets	3,099	2,634
Property and equipment, net	295	261
Goodwill	289	289
Investment: equity method	57	58
Other assets	363	310
Total Assets	\$ 4,103	\$ 3,552
Liabilities and Stockholders' Equity		
Current liabilities:		
Short-term debt	\$ 223	\$ 70
Accounts payable	520	384
Payables to related parties	475	412
Accrued liabilities	577	555
Other current liabilities	73	92
Total current liabilities	1,868	1,513
Long-term debt, net	1,170	1,325
Other long-term liabilities	186	118
Stockholders' equity:		
Capital stock:		
Common stock, par value	10	9
Additional paid-in capital	8,564	8,464
Treasury stock, at cost	(109)	(108)
Accumulated deficit	(7,576)	(7,775)
Accumulated other comprehensive income (loss)	(10)	6
Total Stockholders' equity	\$ 879	\$ 596
Total Liabilities and Stockholders' Equity	\$ 4,103	\$ 3,552

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

	Three Months Ended	Six Months Ended
	June 30, 2018	June 30, 2018
Net cash provided by (used in)		
Operating activities	\$ (45)	\$ (131)
Investing activities	\$ (78)	\$ (124)
Financing activities	\$ 28	\$ 20

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

Segment and Category Information	Three Months Ended			Six Months Ended	
	June 30, 2018	March 31, 2018	July 1, 2017	June 30, 2018	July 1, 2017
Computing and Graphics ⁽¹⁾					
Net revenue	\$ 1,086	\$ 1,115	\$ 661	\$ 2,201	\$ 1,234
Operating income (loss)	\$ 117	\$ 138	\$ 7	\$ 255	\$ (14)
Enterprise, Embedded and Semi-Custom ⁽²⁾					
Net revenue	\$ 670	\$ 532	\$ 490	\$ 1,202	\$ 1,095
Operating income	\$ 69	\$ 14	\$ 16	\$ 83	\$ 71
All Other ⁽³⁾					
Net revenue	-	-	-	-	-
Operating loss	\$ (33)	\$ (32)	\$ (24)	\$ (65)	\$ (47)
Total					
Net revenue	\$ 1,756	\$ 1,647	\$ 1,151	\$ 3,403	\$ 2,329
Operating income (loss)	\$ 153	\$ 120	\$ (1)	\$ 273	\$ 10
Other Data					
Capital expenditures	\$ 43	\$ 46	\$ 12	\$ 89	\$ 35
Adjusted EBITDA ⁽⁴⁾	\$ 228	\$ 196	\$ 58	\$ 424	\$ 126
Cash, cash equivalents and marketable securities	\$ 983	\$ 1,045	\$ 844	\$ 983	\$ 844
Free cash flow ⁽⁵⁾	\$ (88)	\$ (132)	\$ (94)	\$ (220)	\$ (416)
Total assets	\$ 4,103	\$ 3,763	\$ 3,395	\$ 4,103	\$ 3,395
Total debt	\$ 1,393	\$ 1,388	\$ 1,417	\$ 1,393	\$ 1,417

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 (Loss) to Adjusted EBITDA***

	Three Months Ended			Six Months Ended	
	June 30, 2018	March 31, 2018	July 1, 2017	June 30, 2018	July 1, 2017
GAAP operating income (loss)	\$ 153	\$ 120	\$ (1)	\$ 273	\$ 10
Stock-based compensation	33	32	24	65	47
Depreciation and amortization	42	44	35	86	69
Adjusted EBITDA	<u>\$ 228</u>	<u>\$ 196</u>	<u>\$ 58</u>	<u>\$ 424</u>	<u>\$ 126</u>

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

	Three Months Ended			Six Months Ended	
	June 30, 2018	March 31, 2018	July 1, 2017	June 30, 2018	July 1, 2017
GAAP net cash used in operating activities	\$ (45)	\$ (86)	\$ (82)	\$ (131)	\$ (381)
Purchases of property and equipment	(43)	(46)	(12)	(89)	(35)
Free cash flow	<u>\$ (88)</u>	<u>\$ (132)</u>	<u>\$ (94)</u>	<u>\$ (220)</u>	<u>\$ (416)</u>

* The Company presents "Adjusted EBITDA" as a supplemental measure of its performance. Adjusted EBITDA for the Company is determined by adjusting operating income (loss) 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.