UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K
CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934
January 19, 2016
Date of Report (Date of earliest event reported)

ADVANCED MICRO DEVICES, INC.
(Exact name of registrant as specified in its charter)

Delaware	**001-07882**	**94-1692300**
(State of Incorporation)	**(Commission File Number)**	**(IRS Employer Identification Number)**

One AMD Place
P.O. Box 3453
Sunnyvale, California 94088-3453
(Address of principal executive offices) (Zip Code)
(408) 749-4000
(Registrant's telephone number, including area code)
N/A
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition.

Item 7.01 Regulation FD Disclosure.

The information in this report furnished pursuant to Items 2.02 and 7.01, including Exhibits 99.1 and 99.2 attached hereto, shall not be deemed "filed" for the purposes of Section 18 of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section. It may only be incorporated by reference in another filing under the Exchange Act or the Securities Act of 1933, as amended, if such subsequent filing specifically references the information furnished pursuant to Items 2.02 and 7.01 of this report.

On January 19, 2016, Advanced Micro Devices, Inc. (the "Company") announced its financial position and results of operations as of and for its fiscal quarter and fiscal year ended December 26, 2015 in a press release that is attached hereto as Exhibit 99.1. Attached hereto as Exhibit 99.2 is financial information and commentary by Devinder Kumar, Senior Vice President, Chief Financial Officer and Treasurer of the Company, regarding the Company's fiscal quarter and fiscal year ended December 26, 2015.

To supplement the Company's financial results presented on a U.S. Generally Accepted Accounting Principles ("GAAP") basis, the Company's earnings press release and CFO commentary contain non-GAAP financial measures, including non-GAAP gross margin, non-GAAP operating expenses, non-GAAP research and development and marketing, general and administrative expenses, non-GAAP operating income (loss), non-GAAP net income (loss), non-GAAP earnings (loss) per share, Adjusted EBITDA and non-GAAP free cash flow. The Company believes that the supplemental non-GAAP financial measures assist investors in comparing the Company's core performance by excluding items that it believes are not indicative of the Company's underlying operating performance. The Company cautions investors to carefully evaluate the financial results calculated in accordance with GAAP and the supplemental non-GAAP financial measures and reconciliations. The Company's non-GAAP financial measures are not intended to be considered in isolation and are not a substitute for, or superior to, financial measures calculated in accordance with GAAP.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

EXHIBIT INDEX

Exhibit No.	Description
99.1	Press release dated January 19, 2016
99.2	CFO Commentary on 2015 Fourth Quarter and Annual Results

SIGNATURE

Pursuant to the requirements of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: January 19, 2016	**ADVANCED MICRO DEVICES, INC.**		
	By:	*/s/ Devinder Kumar*	
	Name:	**Devinder Kumar**	
	Title:	**Chief Financial Officer, Senior Vice President & Treasurer**	

Exhibit 99.1

AMD

NEWS RELEASE

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AMD Reports 2015 Fourth Quarter and Annual Results

SUNNYVALE, Calif. - January 19, 2016 - AMD (NASDAQ:AMD) today announced revenue for the fourth quarter of 2015 of $958 million, operating loss of $49 million and net loss of $102 million, or $0.13 per share. Non-GAAP[(1)] operating loss was $39 million, non-GAAP[(1)] net loss was $79 million and non-GAAP[(1)] loss per share was $0.10.

GAAP Financial Results

	Q4-15	Q3-15	Q4-14	2015	2014
Revenue	$958M	$1.06B	$1.24B	$3.99B	$5.51B
Operating loss	$(49)M	$(158)M	$(330)M	$(481)M	$(155)M
Net loss / Loss per share	$(102)M/$(0.13)	$(197)M/$(0.25)	$(364)M/$(0.47)	$(660)M/$(0.84)	$(403)M/$(0.53)

Non-GAAP Financial Results[(1)]

	Q4-15	Q3-15	Q4-14	2015	2014
Revenue	$958M	$1.06B	$1.24B	$3.99B	$5.51B
Operating income (loss)	$(39)M	$(97)M	$52M	$(253)M	$316M
Net income (loss) / Earnings (loss) per share	$(79)M/$(0.10)	$(136)M/$(0.17)	$18M/$0.02	$(419)M/$(0.54)	$132M/$0.16

"AMD closed 2015 with solid execution fueled by the second straight quarter of double-digit percentage revenue growth in our Computing and Graphics segment and record annual semi-custom unit shipments," said Dr. Lisa Su, AMD president and CEO. "While 2015 was challenging from a financial perspective, key R&D investments and a sharpened focus on innovation position us well to deliver great products, improved financial results and share gains in 2016."

- **2015 Annual Results**

- Revenue of $3.99 billion, down 28 percent year-over-year, primarily due to lower client processor sales.
- Gross margin of 27 percent, down 6 percentage points year-over-year and non-GAAP[1] gross margin of 28 percent, down 7 percentage points year-over-year. The year-over-year declines were primarily due to lower unit volumes and product mix.
- Operating loss of $481 million and non-GAAP[1] operating loss of $253 million, compared to a loss of $155 million and non-GAAP[1] operating income of $316 million in 2014 primarily due to lower revenue and gross margin.
- Net loss of $660 million, loss per share of $0.84, and non-GAAP[1] net loss of $419 million, non-GAAP[1] loss per share of $0.54, compared to a net loss of $403 million, loss per share of $0.53, and non-GAAP[1] net income of $132 million, non-GAAP[1] earnings per share of $0.16 in 2014.

- **Q4 2015 Results**
  - Revenue of $958 million, down 10 percent sequentially primarily driven by seasonally lower sales of semi-custom SoCs and down 23 percent year-over-year, primarily due to lower client processor sales.
  - Gross margin of 30 percent, up 7 percentage points sequentially. Q3 2015 gross margin was negatively impacted by an inventory write-down of $65 million, or 6 percentage points. Excluding the Q3 2015 inventory write-down, non-GAAP gross margin improved 1 percentage point sequentially, primarily due to improved product mix in the Computing and Graphics segment.
  - Operating loss of $49 million, compared to an operating loss of $158 million for the prior quarter. Non-GAAP[1] operating loss of $39 million, compared to non-GAAP[1] operating loss of $97 million in Q3 2015, primarily due to higher gross margin and lower operating expenses.
  - Net loss of $102 million, loss per share of $0.13, and non-GAAP[1] net loss of $79 million, non-GAAP[1] loss per share of $0.10, compared to a net loss of $197 million, loss per share of $0.25 and non-GAAP[1] net loss of $136 million, non-GAAP[1] loss per share of $0.17 in Q3 2015.
  - Cash and cash equivalents were $785 million at the end of the quarter, up $30 million from the end of the prior quarter, primarily due to improved operating cash flow.
  - Total debt at the end of the quarter was $2.26 billion, flat from the end of the prior quarter.

Quarterly Financial Segment Summary

- Computing and Graphics segment revenue of $470 million, an increase of 11 percent sequentially and a decrease of 29 percent from Q4 2014. The sequential increase was primarily due to higher notebook processor sales, and the year-over-year decrease was primarily driven by lower client processor sales.

  - Operating loss was $99 million, compared to an operating loss of $181 million in Q3 2015 and an operating loss of $56 million in Q4 2014. The sequential improvement was driven primarily by higher sales and the absence of a Q3 2015 inventory write-down and the year-over-year decrease was primarily driven by lower sales.
  - Client average selling price (ASP) increased sequentially driven by a richer notebook processor product mix and decreased year-over-year due to a lower notebook processor ASP.
  - GPU ASP increased sequentially and year-over-year primarily due to a higher AIB channel ASP.
- Enterprise, Embedded and Semi-Custom segment revenue of $488 million, a decrease of 23 percent sequentially primarily driven by seasonally lower sales of semi-custom SoCs. Revenue decreased 15 percent from Q4 2014 primarily driven by lower game console royalties, and server and embedded revenue.
  - Operating income was $59 million compared with $84 million in Q3 2015 and $109 million in Q4 2014. The sequential decrease was primarily due to seasonally lower sales of semi-custom SoCs. The year-over-year decrease was primarily due to lower game console royalties, and server and embedded sales.
- All Other operating loss was $9 million compared with operating losses of $61 million in Q3 2015 and operating loss of $383 million in Q4 2014. The sequential improvement was primarily due to Q3 2015 restructuring and other special charges and the year-over-year improvement was primarily due to the absence of a goodwill impairment charge, lower restructuring and other special charges, net and a Q4 2014 lower of cost or market inventory adjustment.

Recent Highlights

- AMD provided a glimpse at its next-generation GPU architecture and delivered innovative new graphics, embedded, and desktop component technologies.
  - AMD previewed its revolutionary 14nm FinFET Polaris GPU Architecture, highlighting significant architectural improvements including High Dynamic Range (HDR) monitor support and a 2x performance-per-watt improvement over the prior generation. The GPUs deliver a remarkable generational jump in power efficiency, and are designed for fluid frame rates in graphics, gaming, VR, and multimedia applications on small form-factor thin and light computer designs.
  - AMD released its re-architected graphics software suite, Radeon Software Crimson Edition, giving users 12 new or enhanced features, up to 20 percent more graphics performance[2], adjustability that can nearly double generational energy efficiency[3], and stability across the full spectrum of AMD graphics products.

    - AMD introduced the AMD Radeon™ R9 380X GPU, conceived to play the most detailed and demanding games at 1080p and 1440p. The GPU offers a 256-bit interface and 4GB of high-performance GDDR5 memory and features including compatibility for both AMD FreeSync™ and AMD LiquidVR™ technologies plus Virtual Super Resolution.
    - AMD announced the new AMD FirePro™ W4300 graphics card, its highest performing professional graphics card optimized for Computer-Aided Design (CAD) that fits in both small and full-size workstations, offering unprecedented flexibility in its class.
    - AMD achieved high-end embedded performance leadership with the introduction of the AMD Embedded R-Series SOC processors designed for digital signage, retail signage, medical imaging, electronic gaming, media storage, and communications and networking.
    - AMD announced the AMD FX™ 6330 CPU for the China market with a new, near-silent stock cooler and offering excellent 6-core performance, control, and reliability for productivity, entertainment, and multi-tasking workloads.
- AMD launched its first 64-bit ARM® based product - the AMD Opteron™ A1100 SoC - designed to accelerate time-to-market deployment of ARM-based systems for the datacenter and improve enterprise-class ecosystem support for 64-bit ARM in key markets. AMD is working with technology partners and customers including Red Hat, Silver Lining Solutions, SoftIron, and SUSE on AMD Opteron A1100 SoC-based hardware and software solutions that provide high-speed network and storage connectivity, energy efficiency, and a balanced total cost of ownership for storage, web, and networking workloads.
- AMD collaborated with industry leaders to bring powerful new embedded, professional graphics, and gaming solutions to market.
    - AMD further solidified its No. 1 position in the thin client space with the introduction of the new AMD Embedded R-Series and AMD FirePro™-based HP t730, the world's first thin client with native quad UHD/4K support.
    - AMD announced several new AMD FirePro™ professional graphics design wins with Dell, including the new Dell Precision™ 3510, 7510, and 7710 mobile workstations delivering exceptional graphics performance and GPU compute capability. In particular the Dell Precision 7710 features nearly 3 TFLOPS of single-precision GPU compute power for GPU-accelerated applications and workflows.
    - AMD expanded its leadership position in virtual reality (VR), announcing a collaboration with Oculus and Dell to equip Oculus Ready PCs with AMD Radeon™ GPUs.
    - Lenovo introduced the AMD FX™ CPU and Radeon R9™ graphics-based Lenovo Y700, the first notebook validated to support AMD FreeSync™ technology.
- AMD provided developers with new tools designed to simplify software development and more fully harness the capabilities of its GPUs.

- AMD launched the "Boltzmann Initiative", a suite of tools designed to dramatically simplify GPU computing on AMD FirePro™ Graphics by leveraging Heterogeneous Systems Architecture's (HSA's) ability to harness both CPU and GPU for maximum compute efficiency through software.
- AMD announced the GPUOpen initiative to help address the evolving demands of graphics and unlock game and application development through open source software. The initiative enables game developers to better harness the investments they've made on console development, introduces a new compiler for heterogeneous computing, and demonstrates AMD's renewed commitment to Linux® with its Linux Open Source Strategy.

Current Outlook

AMD's outlook statements are based on current expectations. The following statements are forward-looking, and actual results could differ materially depending on market conditions and the factors set forth under "Cautionary Statement" below.

For Q1 2016, based on a 13 week quarter, AMD expects revenue to decrease 14 percent, plus or minus 3 percent, sequentially.

For additional details regarding AMD's results and outlook please see the CFO commentary posted at quarterlyearnings.amd.com.

AMD Teleconference

AMD will hold a conference call for the financial community at 2:00 p.m. PT (5:00 p.m. ET) today to discuss its fourth quarter and annual financial results. AMD will provide a real-time audio broadcast of the teleconference on the Investor Relations page of its website at www.amd.com. The webcast will be available for 12 months after the conference call.

Reconciliation of GAAP to Non-GAAP Gross Margin

(Millions except percentages)	Q4-15	Q3-15	Q4-14	2015	2014
GAAP Gross Margin	**$ 283**	**$ 239**	**$ 360**	**$ 1,080**	**$ 1,839**
GAAP Gross Margin %	**30%**	**23%**	**29%**	**27%**	**33%**
Technology node transition charge	—	—	—	33	—
Stock-based compensation*	1	—	—	3	3
Lower of cost or market inventory adjustment	—	—	58	—	58
Non-GAAP Gross Margin	**$ 284**	**$ 239**	**$ 418**	**$ 1,116**	**$ 1,900**
Non-GAAP Gross Margin %	**30%**	**23%**	**34%**	**28%**	**35%**

Reconciliation of GAAP Operating Loss to Non-GAAP Operating Income (Loss)

(Millions)	Q4-15	Q3-15	Q4-14	2015	2014
GAAP operating loss	**$ (49)**	**$ (158)**	**$ (330)**	**$ (481)**	**$ (155)**
Goodwill impairment	—	—	233	—	233
Technology node transition charge	—	—	—	33	—
Lower of cost or market inventory adjustment	—	—	58	—	58
Restructuring and other special charges, net	(6)	48	71	129	71
Workforce rebalancing severance charges	—	—	—	—	14
Amortization of acquired intangible assets	—	—	4	3	14
Stock-based compensation*	16	13	16	63	81
Non-GAAP operating income (loss)	**$ (39)**	**$ (97)**	**$ 52**	**$ (253)**	**$ 316**

Reconciliation of GAAP Net Loss/Loss per Share to Non-GAAP Net Income (Loss)/Earnings (Loss) per Share

(Millions except per share amounts)	Q4-15		Q3-15		Q4-14		2015		2014	
GAAP net loss /loss per share	**$ (102)**	**$ (0.13)**	**$ (197)**	**$ (0.25)**	**$ (364)**	**$ (0.47)**	**$ (660)**	**$ (0.84)**	**$ (403)**	**$ (0.53)**
Goodwill impairment	—	—	—	—	233	0.30	—	—	233	0.30
Technology node transition charge	—	—	—	—	—	—	33	0.04	—	—
Lower of cost or market inventory adjustment	—	—	—	—	58	0.07	—	—	58	0.07
Restructuring and other special charges, net	(6)	(0.01)	48	0.06	71	0.09	129	0.16	71	0.09
Workforce rebalancing severance charges	—	—	—	—	—	—	—	—	14	0.02
Loss on debt redemption	—	—	—	—	—	—	—	—	64	0.08
Tax settlement in foreign jurisdiction	13	0.02	—	—	—	—	13	0.02	—	—
Amortization of acquired intangible assets	—	—	—	—	4	—	3	—	14	0.02
Stock-based compensation*	16	0.02	13	0.02	16	0.02	63	0.08	81	0.11
Non-GAAP net income (loss) / earnings (loss) per share	**$ (79)**	**$ (0.10)**	**$ (136)**	**$ (0.17)**	**$ 18**	**$ 0.02**	**$ (419)**	**$ (0.54)**	**$ 132**	**$ 0.16**

* *Beginning in Q1 2015, AMD started excluding the impact of stock-based compensation from non-GAAP results. Prior periods have been adjusted accordingly.*

About AMD

For more than 45 years, AMD has driven innovation in high-performance computing, graphics, and visualization technologies — the building blocks for gaming, immersive platforms, and the datacenter. Hundreds of millions of consumers, leading Fortune 500 businesses, and cutting-edge scientific research facilities around the world rely on AMD technology daily to improve how they live, work, and play. AMD employees around the world are focused on building great products that push the boundaries of what is possible. For more information about how AMD is enabling today and inspiring tomorrow, visit the AMD (NASDAQ: AMD) website, blog, Facebook and Twitter pages.

Cautionary Statement

This earnings press release and the conference call remarks contain forward-looking statements concerning AMD, including its ability to deliver great products, improved financial results and share gains in 2016, and AMD's expected first quarter of 2016 revenue, which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are commonly identified by words including “believes,” “expects,” “may,” “will,” “should,” “seeks,” “intends,” “plans,” “pro forma,” “estimates,” “anticipates,” or the negative of these words and phrases, other variations of these words and phrases or comparable terminology. Investors are cautioned that the forward-looking statements in this release and conference call remarks are based on current beliefs, assumptions and expectations, speak only as of the date of this release and involve risks and uncertainties that could cause actual results to differ materially from current expectations. Material factors that could cause actual results to differ materially from current expectations include, without limitation, the following: Intel Corporation’s dominance of the microprocessor market and its aggressive business practices may limit AMD's ability to compete effectively; AMD relies on GLOBALFOUNDRIES Inc. (GF) to manufacture most of its microprocessor and APU products and certain of its GPU and semi-custom products. If GF is not able to satisfy AMD's manufacturing requirements, its business could be adversely impacted; AMD relies on third parties to manufacture its products, and if they are unable to do so on a timely basis in sufficient quantities and using competitive technologies, AMD's business could be materially adversely affected; failure to achieve expected manufacturing yields for AMD's products could negatively impact its financial results; the success of AMD's business is dependent upon its ability to introduce products on a timely basis with features and performance levels that provide value to its customers while supporting and coinciding with significant industry transitions; if AMD cannot generate sufficient revenue and operating cash flow or obtain external financing, it may face a cash shortfall and be unable to make all of its planned investments in research and development or other strategic investments; the loss of a significant customer may have a material adverse effect on AMD; global economic uncertainty may adversely impact AMD's business and operating results; AMD may not be able to generate sufficient cash to service its debt obligations or meet its working capital requirements; AMD has a substantial amount of indebtedness which could adversely affect its financial position and prevent it from implementing its strategy or fulfilling its contractual obligations; the agreements governing AMD's notes and its secured revolving line of credit (Secured Revolving Line of Credit) impose restrictions on AMD that may adversely affect its ability to operate its business; the completion and impact of its restructuring plan announced in October 2015, its transformation initiatives and any future restructuring actions could adversely affect it; the markets in which AMD's products are sold are highly competitive; uncertainties involving the ordering and shipment of AMD's products could materially adversely affect it; AMD's receipt of revenue from its semi-custom SoC products is dependent upon its technology being designed into third-party products and the success of those products; the demand for AMD's products depends in part on the market conditions in the industries into which they are sold. Fluctuations in demand for AMD's products or a market decline in any of these industries could have a material adverse effect on its results of operations; AMD's ability to design and introduce new products in a timely manner is dependent upon third-party intellectual property; AMD depends on third-party companies for the design, manufacture and supply of motherboards and other computer platform components to support its business; if AMD loses Microsoft Corporations support for its products or other software vendors do not design and develop software to run on AMD's products, its ability to sell its products could be materially adversely affected; AMD may incur future impairments of goodwill; AMD's reliance on third-party distributors and AIB partners subjects it to certain risks; AMD's inability to continue to attract and retain qualified personnel may hinder its product development programs; in the event of a change of control, AMD may not be able to repurchase its outstanding debt as required by the applicable indentures and its Secured Revolving Line of Credit, which would result in a default under the indentures and its Secured Revolving Line of Credit; the semiconductor industry is highly cyclical and has experienced severe downturns that have materially adversely affected, and may continue to materially adversely affect, its business in the future; AMD's business is dependent upon the proper functioning of its internal business processes and information systems and modification or interruption of such systems may disrupt its business, processes and internal controls; data breaches and cyber-attacks could compromise AMD's intellectual property or other confidential, sensitive information be costly to remediate and cause significant damage to its business and reputation; AMD's operating results are subject to quarterly and seasonal sales patterns; if essential equipment or materials are not available to manufacture its products, AMD could be materially adversely affected; if AMD's products are not compatible with some or all industry-standard software and hardware, it could be materially adversely affected; costs related to defective products could have a material adverse effect on AMD; if AMD fails to maintain the efficiency of its supply chain as it responds to changes in customer demand for its products, its business could be materially adversely affected; AMD outsources to third parties certain supply-chain logistics functions, including portions of its product distribution, transportation management and information technology support services; acquisitions, divestitures and/or joint ventures could disrupt its business, harm its financial condition and operating results or dilute, or adversely affect the price of its common stock; AMD's worldwide operations are subject to political, legal and economic risks and natural disasters, which could have a material adverse effect on it; worldwide political conditions may adversely affect demand for AMD's products; unfavorable currency exchange rate fluctuations could adversely affect AMD; AMD's inability to effectively control the sales of its products on the gray market could have a material adverse effect on it; if AMD cannot adequately protect its technology or other intellectual property in the United States and abroad, through patents, copyrights, trade secrets, trademarks and other measures, it may lose a competitive advantage and incur significant expenses; AMD is a party to litigation and may become a party to other claims or litigation that could cause it to incur substantial costs or pay substantial damages or prohibit it from selling its products; AMD's business is subject to potential tax liabilities; a variety of environmental laws that AMD is subject to could result in additional costs and liabilities; and higher health care costs and labor costs could adversely affect AMD's business. Investors are urged to review in detail the risks and uncertainties in AMD’s Securities and Exchange Commission filings, including but not limited to AMD's Quarterly Report on Form 10-Q for the quarter ended September 26, 2015.

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1. In this earnings press release, in addition to GAAP financial results, AMD has provided non-GAAP financial measures including non-GAAP gross margin, non-GAAP operating income (loss), non-GAAP net income (loss) and non-GAAP earnings (loss) per share. These non-GAAP financial measures reflect certain adjustments as presented in the tables in this earnings press release. AMD also provided adjusted EBITDA and non-GAAP free cash flow as supplemental measures of its performance. These items are defined in the footnotes to the selected corporate data tables provided at the end of this earnings press release. AMD is providing these financial measures because it believes this non-GAAP presentation makes it easier for investors to compare its operating results for current and historical periods and also because AMD believes it assists investors in comparing AMD’s performance across reporting periods on a consistent basis by excluding items that it does not believe are indicative of its core operating performance and for the other reasons described in the footnotes to the selected data tables. Refer to the data tables at the end of this earnings press release.

2. AMD Internal Lab testing as of Oct 22, 2015 with an Intel Core i7 5960X with 2x8GB DDR4-2666 MHz memory, Gigabyte X99-UD4PC, AMD Radeon™ R9 Fury X, Windows 10 64bit. PC manufacturers may vary configurations yielding different results. Fable Legends @ 1080p scored 63.99 fps with AMD Catalyst™ 15.7.1 Driver and 76.88 fps with Radeon Software Crimson Edition. RS-2

3. AMD Internal Lab testing as of Nov 2, 2015 with an Intel Core i7 5960X with 2x8GB DDR4-2666 MHz memory, Gigabyte X99-UD4, AMD Radeon™ R9 380, Windows 10 64bit. PC manufacturers may vary configurations yielding different results. Frame Rate Target Control (FRTC) enables users to set a target maximum frame rate when playing an application in full screen mode, thereby reducing GPU power consumption, heat generation and fan speeds/noise. FRTC caps performance not only in 3D rendered in-game scenes, but also in splash screens, loading screens and menus. See http://www.amd.com/en-us/innovations/software-technologies/technologies-gaming/frtc for full details on FRTC. Rocketleague at 1080p Max quality consumed 180W using AMD Catalyst 15.7.1 Driver, 175W with Radeon Software Crimson Edition, and 61W when using FRTC=55fps in Radeon Software Crimson Edition. RS-7

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

	Three Months Ended			Year Ended	
	December 26, 2015	September 26, 2015	December 27, 2014	December 26, 2015	December 27, 2014
Net revenue	$ 958	$ 1,061	$ 1,239	$ 3,991	$ 5,506
Cost of sales	675	822	879	$ 2,911	$ 3,667
Gross margin	283	239	360	1,080	1,839
Gross margin %	30%	23%	29%	27%	33%
Research and development	229	241	238	947	1,072
Marketing, general and administrative	109	108	144	482	604
Amortization of acquired intangible assets	—	—	4	3	14
Restructuring and other special charges, net	(6)	48	71	129	71
Goodwill impairment charge	—	—	233	—	233
Operating loss	(49)	(158)	(330)	(481)	(155)
Interest expense	(41)	(39)	(41)	(160)	(177)
Other income (expense), net	(2)	—	4	(5)	(66)
Loss before income taxes	(92)	(197)	(367)	(646)	(398)
Provision (benefit) for income taxes	$ 10	$ —	$ (3)	$ 14	$ 5
Net loss	(102)	(197)	(364)	(660)	(403)
Net loss per share					
Basic	$ (0.13)	$ (0.25)	$ (0.47)	$ (0.84)	$ (0.53)
Diluted	$ (0.13)	$ (0.25)	$ (0.47)	$ (0.84)	$ (0.53)
Shares used in per share calculation					
Basic	791	785	776	783	768
Diluted	791	785	776	783	768

ADVANCED MICRO DEVICES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Millions)

	Three Months Ended			Year Ended	
	December 26, 2015	September 26, 2015	December 27, 2014	December 26, 2015	December 27, 2014
Total comprehensive loss	$ (95)	$ (207)	$ (368)	$ (663)	$ (406)

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

	December 26, 2015	September 26, 2015	December 27, 2014
Assets			
Current assets:			
Cash and cash equivalents	$ 785	$ 755	$ 805
Marketable securities	—	—	235
Accounts receivable, net	533	648	818
Inventories, net	678	761	685
Prepayment and other - GLOBALFOUNDRIES	33	20	113
Prepaid expenses	43	63	32
Other current assets	248	206	48
Total current assets	2,320	2,453	2,736
Property, plant and equipment, net	188	194	302
Acquisition related intangible assets, net	—	—	65
Goodwill	278	283	320
Other assets	323	286	344
Total Assets	$ 3,109	$ 3,216	$ 3,767
Liabilities and Stockholders' Equity (Deficit)			
Current liabilities:			
Short-term debt	$ 230	$ 230	$ 177
Accounts payable	279	388	415
Payable to GLOBALFOUNDRIES	245	226	218
Accrued liabilities	472	395	518
Other current liabilities	124	137	40
Deferred income on shipments to distributors	53	60	72
Total current liabilities	1,403	1,436	1,440
Long-term debt	2,032	2,030	2,035
Other long-term liabilities	86	86	105
Stockholders' equity (deficit):			
Capital stock:			
Common stock, par value	8	8	8
Additional paid-in capital	7,017	6,997	6,949
Treasury stock, at cost	(123)	(122)	(119)
Accumulated deficit	(7,306)	(7,204)	(6,646)
Accumulated other comprehensive loss	(8)	(15)	(5)
Total Stockholders' equity (deficit)	(412)	(336)	187
Total Liabilities and Stockholders' Equity (Deficit)	$ 3,109	$ 3,216	$ 3,767

ADVANCED MICRO DEVICES, INC.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(Millions)

	Three Months Ended December 26, 2015	Year Ended December 26, 2015
Cash flows from operating activities:		
Net Loss	$ (102)	$ (660)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	34	167
Stock-based compensation expense	16	63
Non-cash interest expense	3	11
Restructuring and other special charges, net	—	83
Other	(10)	(3)
Changes in operating assets and liabilities:		
Accounts receivable	116	280
Inventories	82	(11)
Prepayment and other - GLOBALFOUNDRIES	(13)	84
Prepaid expenses and other assets	(9)	(122)
Accounts payable, accrued liabilities and other	(82)	(156)
Payable to GLOBALFOUNDRIES	18	27
Net cash provided by (used in) operating activities	**$ 53**	**$ (237)**
Cash flows from investing activities:		
Purchases of available-for-sale securities	—	(227)
Purchases of property, plant and equipment	(32)	(96)
Proceeds from maturities of available-for-sale securities	—	462
Proceeds from sale of property, plant and equipment	—	8
Net cash provided by (used in) investing activities	**$ (32)**	**$ 147**
Cash flows from financing activities:		
Net proceeds from grants	6	14
Proceeds from issuance of common stock	3	4
Proceeds from borrowings, net	—	100
Repayments of long-term debt and capital lease obligations	—	(44)
Other	—	(4)
Net cash provided by financing activities	**$ 9**	**$ 70**
Net increase (decrease) in cash and cash equivalents	30	(20)
Cash and cash equivalents at beginning of period	**$ 755**	**$ 805**
Cash and cash equivalents at end of period	**$ 785**	**$ 785**

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

	Three Months Ended			Year Ended	
	December 26, 2015	September 26, 2015	December 27, 2014	December 26, 2015	December 27, 2014
Segment and Category Information					
Computing and Graphics [1]					
Net revenue	$ 470	$ 424	$ 662	$ 1,805	$ 3,132
Operating loss	$ (99)	$ (181)	$ (56)	$ (502)	$ (76)
Enterprise, Embedded and Semi-Custom [2]					
Net revenue	488	637	577	2,186	2,374
Operating income	59	84	109	215	399
All Other [3]					
Net revenue	—	—	—	—	—
Operating loss	(9)	(61)	(383)	(194)	(478)
Total					
Net revenue	**$ 958**	**$ 1,061**	**$ 1,239**	**$ 3,991**	**$ 5,506**
Operating loss	**$ (49)**	**$ (158)**	**$ (330)**	**$ (481)**	**$ (155)**
Other Data					
Depreciation and amortization, excluding amortization of acquired intangible assets	$ 34	$ 42	$ 44	$ 164	$ 189
Capital additions	$ 32	$ 25	$ 22	$ 96	$ 95
Adjusted EBITDA [4]	$ (5)	$ (55)	$ 96	$ (89)	$ 505
Cash, cash equivalents and marketable securities	$ 785	$ 755	$ 1,040	$ 785	$ 1,040
Non-GAAP free cash flow [5]	$ 21	$ (84)	$ 94	$ (333)	$ (193)
Total assets	$ 3,109	$ 3,216	$ 3,767	$ 3,109	$ 3,767
Total debt	$ 2,262	$ 2,260	$ 2,212	$ 2,262	$ 2,212
Headcount	9,139	9,475	9,687	9,139	9,687

See footnotes on the next page

(1) Computing and Graphics segment primarily includes desktop and notebook processors, chipsets, discrete graphics processing units (GPUs) and professional graphics.

(2) 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.

(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 are amortization of acquired intangible assets and stock-based compensation expense. In addition, the Company also included the following adjustments for the indicated periods: for the fourth and third quarters of 2015 and for 2015, the Company included restructuring and other special charges, net; for the fourth quarter of 2014, the Company included a goodwill impairment, net restructuring and other special charges and a lower of cost or market inventory adjustment; and for 2014, the Company included a goodwill impairment, net restructuring and other special charges, a lower of cost or market inventory adjustment and workforce rebalancing severance charges;

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

	Three Months Ended			Year Ended	
	December 26, 2015	September 26, 2015	December 27, 2014	December 26, 2015	December 27, 2014
GAAP operating loss	**$ (49)**	**$ (158)**	**$ (330)**	**$ (481)**	**$ (155)**
Goodwill impairment	—	—	233	—	233
Restructuring and other special charges, net	(6)	48	71	129	71
Workforce rebalancing severance charges	—	—	—	—	14
Lower of cost or market inventory adjustment	—	—	58	—	58
Technology node transition charge	—	—	—	33	—
Stock-based compensation expense	16	13	16	63	81
Amortization of acquired intangible assets	—	—	4	3	14
Depreciation and amortization	34	42	44	164	189
Adjusted EBITDA	**$ (5)**	**$ (55)**	**$ 96**	**$ (89)**	**$ 505**

(5) Non-GAAP free cash flow reconciliation**

	Three Months Ended			Year Ended	
	December 26, 2015	September 26, 2015	December 27, 2014	December 26, 2015	December 27, 2014
GAAP net cash provided by (used in) operating activities	**$ 53**	**$ (59)**	**$ 116**	**$ (237)**	**$ (98)**
Purchases of property, plant and equipment	(32)	(25)	(22)	(96)	(95)
Non-GAAP free cash flow	**$ 21**	**$ (84)**	**$ 94**	**$ (333)**	**$ (193)**

* 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 depreciation and amortization, stock-based compensation expense and restructuring and other special charges, net. In addition, the Company also excluded the following adjustments for the indicated periods: for 2015, the Company excluded a technology node transition charge and amortization of acquired intangible assets; for the fourth quarter of 2014 and for 2014, the Company excluded an adjustment for a goodwill impairment charge, lower of cost or market inventory adjustment and amortization of acquired intangible assets. In addition, for 2014, the Company also excluded workforce rebalancing severance charges. The Company calculates and communicates Adjusted EBITDA because the Company’s 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 and income taxes that can affect cash flows.

** The Company also presents non-GAAP free cash flow as a supplemental measure of its performance. Non-GAAP free cash flow is determined by adjusting GAAP net cash provided by (used in) operating activities for capital expenditures. The Company calculates and communicates non-GAAP free cash flow in the financial earnings press release because the Company’s management believes it is of importance to investors to understand the nature of these cash flows. The Company’s calculation of non-GAAP 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 non-GAAP 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.

AMD

AMD Reports 2015 Fourth Quarter and Annual Results - CFO Commentary

January 19, 2016

Reconciliation for all non-GAAP financial measures discussed in this commentary to the most directly comparable GAAP financial measures is included below and in our financial tables that accompany our earnings press release available at quarterlyearnings.amd.com.

2015 Annual Results Highlights

- AMD revenue of $3.99 billion, down 28% year-over-year.
- Gross margin of 27%, down 6 percentage points year-over-year and non-GAAP gross margin of 28%, down 7 percentage points year-over-year.
- Operating loss of $481 million and non-GAAP operating loss of $253 million, compared to GAAP operating loss of $155 million and non-GAAP operating income of $316 million in 2014.
- Net loss of $660 million, loss per share of $0.84 and non-GAAP net loss of $419 million, non-GAAP loss per share of $0.54, compared to GAAP net loss of $403 million, loss per share of $0.53 and non-GAAP net income of $132 million, non-GAAP earnings per share of $0.16 in 2014.

2015 Year End Summary

In 2015, we remained focused on stabilizing our Computing and Graphics business, with two consecutive quarters of double-digit percentage revenue improvement in the second half of the year. We continued to diversify our revenue driven largely by strong demand for our semi-custom SoCs, selling a record number of annual units. We made progress on several fronts from a financial perspective, completing our inventory rebalancing effort in the channel while reducing non-GAAP operating expenses by 14 percent from 2014. From a balance sheet perspective, we managed cash well within our target range of $600 million to $1 billion, and exited 2015 with inventory below 2014 levels, despite the weaker PC environment. We reduced interest expense by 10% from the prior year.

We further simplified and focused our business model, honing our investments around the gaming, immersive platforms and the datacenter markets and announcing plans to form a joint venture with Nantong Fujitsu Microelectronics with our world-class assembly and test facilities and employees.

2015 Commentary

Revenue was $3.99 billion, down 28% from 2014. Computing and Graphics segment revenue was down 42% from 2014, primarily due to lower client processor sales. Enterprise, Embedded and Semi-Custom segment revenue was down 8% from 2014, primarily due to lower server and embedded revenue and lower game console royalties, partially offset by our highest semi-custom SoC sales ever recorded.

Non-GAAP gross margin was 28% in 2015, down 7 percentage points from 2014, due primarily to lower unit volumes and product mix. To derive non-GAAP gross margin for 2015, we excluded the impact of a technology node transition charge and stock-based compensation.

Operating expenses in 2015 were $1.56 billion, compared to $1.99 billion in 2014 and **non-GAAP operating expenses** were $1.37 billion or 34% of revenue, compared to $1.58 billion in 2014, a reduction of 14% primarily due to lower headcount and marketing-related expenses.

- **Non-GAAP R&D** was $911 million, 23% of revenue.
- **Non-GAAP SG&A** was $458 million, 11% of revenue.

To derive non-GAAP operating expenses for 2015, we excluded the impact of restructuring and other special charges, net, stock-based compensation and amortization of acquired intangible assets.

Non-GAAP operating loss was $253 million.
To derive non-GAAP operating loss for 2015, we excluded the impact of restructuring and other special charges, net, stock-based compensation, a technology node transition charge and amortization of acquired intangible assets.

Non-GAAP net loss was $419 million.
To derive non-GAAP net loss for 2015, we excluded the impact of restructuring and other special charges, net, stock-based compensation, a technology node transition charge, a tax settlement in a foreign jurisdiction and amortization of acquired intangible assets.

Adjusted EBITDA was negative $89 million, a decrease from $505 million in 2014.

Q4 2015 Results

- Revenue of $958 million, down 10% sequentially and 23% year-over-year.
- Gross margin of 30%, up 7 percentage points sequentially.

- Operating loss of $49 million, compared to an operating loss of $158 million in Q3 2015 and non-GAAP operating loss of $39 million, compared to non-GAAP operating loss of $97 million in Q3 2015.
- Net loss of $102 million, loss per share of $0.13, compared to a net loss of $197 million, loss per share of $0.25 in Q3 2015 and non-GAAP net loss of $79 million, loss per share of $0.10, compared to non-GAAP net loss of $136 million, loss per share of $0.17 in Q3 2015.

Q4 2015 Commentary

Revenue was $958 million, down 10% sequentially. Computing and Graphics segment revenue was up 11% from Q3 2015, primarily due to higher notebook processor sales. Enterprise, Embedded and Semi-Custom segment revenue was down 23% sequentially, primarily due to seasonally lower semi-custom SoC sales.

Non-GAAP gross margin was 30%, up 7 percentage points sequentially. Q3 2015 gross margin was negatively impacted by an inventory write-down of $65 million, or 6 percentage points. Excluding the Q3 2015 inventory write-down, non-GAAP gross margin improved 1 percentage point sequentially, primarily due to improved product mix in the Computing and Graphics segment. To derive non-GAAP gross margin, we exclude the impact of stock-based compensation.

Operating expenses were $332 million and **non-GAAP operating expenses** were $323 million or 34% of revenue, down $13 million from the prior quarter, primarily due to reduced headcount as a result of Q4 2015 restructuring actions.

- **Non- GAAP R&D** was $220 million, 23% of revenue.
- **Non-GAAP SG&A** was $103 million, 11% of revenue.

To derive non-GAAP operating expenses, we exclude the impact of restructuring and other special charges, net, and stock-based compensation.

Operating expenses:

	Q415	Q3-15	Q2-15	Q1-15	Q4-14	2015	2014
GAAP	$332M	$397M	$369M	$463M	$690M	$1,561M	$1,994M
Non-GAAP	$323M	$336M	$353M	$357M	$366M	$1,369M	$1,584M

Beginning in Q1 2015, AMD started excluding the impact of stock-based compensation from non-GAAP results. Prior periods have been adjusted accordingly.

Non-GAAP operating loss was $39 million.

To derive non-GAAP operating loss, we exclude the impact of stock-based compensation and restructuring and other special charges, net.

Non-GAAP net loss was $79 million.
To derive non-GAAP net loss, we exclude the impact of stock-based compensation, a tax settlement in a foreign jurisdiction and restructuring and other special charges, net.

Depreciation and amortization, excluding amortization of acquired intangible assets, was $34 million, compared to $42 million in the prior quarter.

Interest expense was $41 million, up $2 million from the prior quarter, due to $2 million related to a tax settlement in a foreign jurisdiction recognized as interest expense. This tax settlement impact is excluded from our non-GAAP results.

Net interest expense, other expense and taxes were $53 million in the quarter, on a GAAP basis, up from $39 million in the prior quarter primarily due to a $13 million tax settlement in a foreign jurisdiction. This tax settlement is excluded from our non-GAAP results.

Non-GAAP net loss per share was $0.10, calculated using 791 million shares.

Adjusted EBITDA improved to negative $5 million, from negative $55 million in the prior quarter.

Q4 2015 Segment Results

Computing and Graphics segment revenue was $470 million, up 11% sequentially, primarily due to higher notebook processor sales.

- Client processor sales increased sequentially and chipset sales were flat sequentially.
- Client average selling price (ASP) increased sequentially driven by a richer mix of notebook processor sales and decreased year-over-year due to a lower notebook processor ASP.
- GPU ASP increased sequentially and year-over-year, primarily due to a higher channel ASP.

Computing and Graphics operating loss was $99 million, compared to an operating loss of $181 million in Q3 2015, primarily due to higher sales and the absence of a Q3 2015 inventory write-down.

Enterprise, Embedded and Semi-Custom segment revenue was $488 million, down 23% compared to the prior quarter, primarily driven by seasonally lower sales of our semi-custom SoCs.

Enterprise, Embedded and Semi-Custom operating income was $59 million, down from operating income of $84 million in the prior quarter, primarily due to seasonally lower semi-custom product sales.

GLOBALFOUNDRIES Wafer Supply Agreement (WSA)

We have concluded our wafer reprofiling discussions related to the 2015 WSA amendment with GLOBALFOUNDRIES and will be moving approximately $60 million of wafer purchases from that amendment to later in 2016. To date, total wafer purchases under the 2015 WSA amendment are approximately $1 billion, including approximately $150 million of wafer purchases taken early in our fiscal first quarter 2016. We are currently negotiating the 2016 WSA amendment.

Balance Sheet

Cash and cash equivalents were $785 million at the end of Q4 2015, compared to $755 million at the end of the prior quarter, primarily due to improved operating cash flow.

Cash, cash equivalents and marketable securities at the end of:

Q4-15	Q3-15	Q2-15	Q1-15	Q4-14
$785M	$755M	$829M	$906M	$1,040M

Inventory was $678 million exiting the quarter, down from $761 million at the end of Q3 2015, primarily due to lower levels of inventory for our semi-custom products.

Payable to GLOBALFOUNDRIES line item on the Balance Sheet of $245 million includes amounts due to GLOBALFOUNDRIES for wafer purchases.

Total debt at the end of the quarter was $2.26 billion, flat from the end of the prior quarter. As of the end of the quarter, the total borrowing against our secured revolving line of credit was $230 million, unchanged from the prior quarter.

Total Debt

(Millions)	Q4-15	Q3-15
6.75% Senior Notes due 2019	$ 600	$ 600
6.75% Senior Notes due 2019—Interest Rate Swap	7	5
7.75% Senior Notes due 2020	450	450
7.50% Senior Notes due 2022	475	475
7.00% Senior Notes due 2024	500	500
Borrowings from secured revolving line of credit, net	230	230
Total Debt	**$ 2,262**	**$ 2,260**

Non-GAAP free cash flow was $21 million, with **net cash provided by operating activities** of $53 million and **capital expenditures** of $32 million. Capital expenditures increased $7 million from Q3 2015, and free cash flow improved by $105 million from Q3 2015.

ATMP Manufacturing Facilities Joint Venture

We continue to work toward closure of our JV with Nantong Fujitsu Microelectronics. We expect to close this transaction in the first half of 2016, pending regulatory and other approvals. We expect to receive approximately $320 million, net of taxes and other expenses upon closing.

Outlook

The following statements concerning AMD are forward-looking and actual results could differ materially from current expectations. Investors are urged to review in detail the risks and uncertainties in AMD’s Securities and Exchange Commission filings, including but not limited to the Quarterly Report on Form 10-Q for the quarter ended September 26, 2015.

For Q1 2016, based on a 13 week quarter, we expect:

- Revenue to decrease 14% sequentially, +/- 3%, driven by game console seasonality and a cautious macro environment in China.
- Gross margin to be approximately 32%.
- Non-GAAP operating expenses to be approximately $320 million.
- Interest expense, taxes and other to be approximately $42 million.

  Cash and cash equivalents balances down approximately $100 million from the end of the fourth quarter, including approximately $70 million of cash interest payments. This does not include any cash proceeds related to the joint venture with Nantong Fujitsu Microelectronics.
- Inventory to be flat from Q4 2015 levels.

Our fiscal year 2016 is based on 53 weeks and we will take the extra week in our fiscal fourth quarter.

For the full year 2016, we expect:

- Revenue to grow year-over-year.
- Non-GAAP operating expenses to be approximately between $320 million and $340 million per quarter, as we continue to invest in leadership products and in line with expected revenue profile.
- Taxes of approximately $3 million per quarter.
- Interest expense, taxes and other to be approximately $45 million per quarter, with the exception of Q1 2016, which is expected to be $42 million.
- Cash and cash equivalents balances to be in the optimal zone of $600 million to $1 billion.
- Capital expenditures of approximately $70 million.
- Inventory to be down year-over-year.
- To return to non-GAAP operating profitability in 2H 2016.
- To generate positive free cash flow from operations in 2016.

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Non-GAAP Measures

To supplement the financial results of Advanced Micro Devices, Inc. (“AMD” or the “Company”) presented on a U.S. GAAP (“GAAP”) basis, this commentary contains non-GAAP financial measures, including non-GAAP gross margin, non-GAAP operating expenses, non-GAAP research and development and marketing, general and administrative expenses, non-GAAP operating income (loss), non-GAAP net income (loss), non-GAAP earnings (loss) per share, Adjusted EBITDA and non-GAAP free cash flow. These non-GAAP financial measures reflect certain adjustments, and the Company has presented a reconciliation of GAAP to non-GAAP financial measures in the tables below.

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 depreciation and amortization, stock-based compensation expense and restructuring and other special charges, net. In addition, the Company also excluded the following adjustments for the indicated periods: for 2015, the Company excluded a technology node transition charge and amortization of acquired intangible assets; for the fourth quarter of 2014 and for 2014, the Company excluded an adjustment for a goodwill impairment charge, lower of cost or market inventory adjustment and amortization of acquired intangible assets. In addition, for 2014, the Company also excluded workforce rebalancing severance charges. The Company calculates and communicates Adjusted EBITDA because the Company's 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 and income taxes that can affect cash flows.

The Company also presents non-GAAP free cash flow in this commentary as a supplemental measure of its performance. Non-GAAP free cash flow for the Company was determined by adjusting GAAP net cash provided by (used in) operating activities less capital expenditures. The Company calculates and communicates non-GAAP free cash flow because the Company's management believes it is important to investors to understand the nature of this cash flow. The Company's calculation of non-GAAP 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 non-GAAP free cash flow as an alternative to GAAP liquidity measures of cash flows from operating activities. The Company has provided reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measures. The Company is providing these financial measures because it believes this non-GAAP presentation makes it easier for investors to compare its operating results for current and historical periods and also because the Company believes it assists investors in comparing the Company's performance across reporting periods on a consistent basis by excluding items that it does not believe are indicative of its core operating performance. To supplement the financial results of Advanced Micro Devices, Inc. ("AMD" or the "Company") presented on a U.S. GAAP ("GAAP") basis, this commentary contains non-GAAP financial measures, including non-GAAP gross margin, non-GAAP operating expenses, non-GAAP research and development and marketing, general and administrative expenses, non-GAAP operating income (loss), non-GAAP net income (loss), non-GAAP earnings (loss) per share, Adjusted EBITDA and non-GAAP free cash flow. These non-GAAP financial measures reflect certain adjustments, and the Company has presented a reconciliation of GAAP to non-GAAP financial measures in the tables below.

Reconciliation of GAAP to Non-GAAP Gross Margin

(Millions except percentages)	Q4-15	Q3-15	Q4-14	2015	2014
GAAP Gross Margin	**$ 283**	**$ 239**	**$ 360**	**$ 1,080**	**$ 1,839**
GAAP Gross Margin %	**30%**	**23%**	**29%**	**27%**	**33%**
Technology node transition charge	—	—	—	33	—
Stock-based compensation*	1	—	—	3	3
Lower of cost or market inventory adjustment	—	—	58	—	58
Non-GAAP Gross Margin	**$ 284**	**$ 239**	**$ 418**	**$ 1,116**	**$ 1,900**
Non-GAAP Gross Margin %	**30%**	**23%**	**34%**	**28%**	**35%**

Reconciliation of GAAP to Non-GAAP Operating Expenses

(Millions)	Q4-15	Q3-15	Q2-15	Q1-15	Q4-14	2015	2014
GAAP operating expenses	**$ 332**	**$ 397**	**$ 369**	**$ 463**	**$ 690**	**$ 1,561**	**$ 1,994**
Goodwill impairment	—	—	—	—	233	—	233
Restructuring and other special charges, net	(6)	48	—	87	71	129	71
Workforce rebalancing severance charges	—	—	—	—	—	—	14
Amortization of acquired intangible assets	—	—	—	3	4	3	14
Stock-based compensation*	15	13	16	16	16	60	78
Non-GAAP operating expenses	**$ 323**	**$ 336**	**$ 353**	**$ 357**	**$ 366**	**$ 1,369**	**$ 1,584**

Reconciliation of GAAP to Non-GAAP Research and Development (R&D) and Marketing, General and Administrative Expenses (SG&A)

(Millions)	Q4-15			Q3-15			Q4-14			2015			2014		
	R&D	**SG&A**	**Total**	**R&D**	**SG&A**	**Total**	**R&D**	**SG&A**	**Total**	**R&D**	**SG&A**	**Total**	**R&D**	**SG&A**	**Total**
GAAP R&D & SG&A	**$ 229**	**$ 109**	**$ 338**	**$ 241**	**$ 108**	**$ 349**	**$ 238**	**$ 144**	**$ 382**	**$ 947**	**$ 482**	**$ 1,429**	**$ 1,072**	**$ 604**	**$ 1,676**
Stock-based compensation*	9	6	15	7	6	13	10	6	16	36	24	60	44	34	78
Workforce rebalancing severance charges	—	—	—	—	—	—	—	—	—	—	—	—	9	5	14
Non-GAAP R&D & SG&A	**$ 220**	**$ 103**	**$ 323**	**$ 234**	**$ 102**	**$ 336**	**$ 228**	**$ 138**	**$ 366**	**$ 911**	**$ 458**	**$ 1,369**	**$ 1,019**	**$ 565**	**$ 1,584**

Reconciliation of GAAP Operating Loss to Non-GAAP Operating Income (Loss)

(Millions)	Q4-15	Q3-15	Q4-14	2015	2014
GAAP operating loss	**$ (49)**	**$ (158)**	**$ (330)**	**$ (481)**	**$ (155)**
Goodwill impairment	—	—	233	—	233
Technology node transition charge	—	—	—	33	—
Lower of cost or market inventory adjustment	—	—	58	—	58
Restructuring and other special charges, net	(6)	48	71	129	71
Workforce rebalancing severance charges	—	—	—	—	14
Amortization of acquired intangible assets	—	—	4	3	14
Stock-based compensation*	16	13	16	63	81
Non-GAAP operating income (loss)	**$ (39)**	**$ (97)**	**$ 52**	**$ (253)**	**$ 316**

Reconciliation of GAAP Net Loss/Loss per share to Non-GAAP Net Income (Loss)/Earnings (Loss) per Share

(Millions except per share amounts)	Q4-15		Q3-15		Q4-14		2015		2014	
GAAP net loss /loss per share	**$ (102)**	**$ (0.13)**	**$ (197)**	**$ (0.25)**	**$ (364)**	**$ (0.47)**	**$ (660)**	**$ (0.84)**	**$ (403)**	**$ (0.53)**
Goodwill impairment	—	—	—	—	233	0.30	—	—	233	0.30
Technology node transition charge	—	—	—	—	—	—	33	0.04	—	—
Lower of cost or market inventory adjustment	—	—	—	—	58	0.07	—	—	58	0.07
Restructuring and other special charges, net	(6)	(0.01)	48	0.06	71	0.09	129	0.16	71	0.09
Workforce rebalancing severance charges	—	—	—	—	—	—	—	—	14	0.02
Loss on debt redemption	—	—	—	—	—	—	—	—	64	0.08
Tax settlement in foreign jurisdiction	13	0.02	—	—	—	—	13	0.02	—	—
Amortization of acquired intangible assets	—	—	—	—	4	—	3	—	14	0.02
Stock-based compensation*	16	0.02	13	0.02	16	0.02	63	0.08	81	0.11
Non-GAAP net income (loss) / earnings (loss) per share	**$ (79)**	**$ (0.10)**	**$ (136)**	**$ (0.17)**	**$ 18**	**$ 0.02**	**$ (419)**	**$ (0.54)**	**$ 132**	**$ 0.16**

Reconciliation of GAAP Operating Loss to Adjusted EBITDA*

(Millions)	Q4-15	Q3-15	Q4-14	2015	2014
GAAP operating loss	**$ (49)**	**$ (158)**	**$ (330)**	**$ (481)**	**$ (155)**
Goodwill impairment	—	—	233	—	233
Restructuring and other special charges, net	(6)	48	71	129	71
Workforce rebalancing severance charges	—	—	—	—	14
Lower of cost or market inventory adjustment	—	—	58	—	58
Technology node transition charge	—	—	—	33	—
Stock-based compensation expense	16	13	16	63	81
Amortization of acquired intangible assets	—	—	4	3	14
Depreciation and amortization	34	42	44	164	189
Adjusted EBITDA	**$ (5)**	**$ (55)**	**$ 96**	**$ (89)**	**$ 505**

Non-GAAP Free Cash Flow Reconciliation

(Millions)	Q4-15	Q3-15	Q4-14	2015	2014
GAAP net cash provided by (used in) operating activities	**$ 53**	**$ (59)**	**$ 116**	**$ (237)**	**$ (98)**
Purchases of property, plant and equipment	(32)	(25)	(22)	(96)	(95)
Non-GAAP free cash flow	**$ 21**	**$ (84)**	**$ 94**	**$ (333)**	**$ (193)**

* Beginning Q1 2015, AMD started excluding the impact of stock-based compensation from non-GAAP results. Prior periods have been adjusted accordingly.

Cautionary Statement

This commentary contains forward-looking statements concerning AMD; its financial outlook for the first quarter of 2016 and fiscal 2016, including revenue, gross margin, non-GAAP operating expenses, the total of interest expense, taxes and other expense, inventory, taxes and capital expenditures; its optimal cash, cash equivalents and marketable securities balances; the expected closing date for the proposed joint ventures between AMD and Nantong Fujitsu Microelectronics, Co., Ltd. and the expected cash proceeds AMD will receive at closing; AMD's ability to return to non-GAAP operating profitability in the second half of 2016; and AMD's ability to generate free cash flow in 2016, which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are commonly identified by words including “believes,” “expects,” “may,” “will,” “should,” “seeks,” “intends,” “plans,” “pro forma,” “estimates,” “anticipates,” or the negative of these words and phrases, other variations of these words and phrases or comparable terminology. Investors are cautioned that the forward-looking statements in this commentary are based on current beliefs, assumptions and expectations, speak only as of the date of this document and involve risks and uncertainties that could cause actual results to differ materially from current expectations. Material factors that could cause actual results to differ materially from current expectations include, without limitation, the following: Intel Corporation’s dominance of the microprocessor market and its aggressive business practices may limit AMD's ability to compete effectively; AMD relies on GLOBALFOUNDRIES Inc. (GF) to manufacture most of its microprocessor and APU products and certain of its GPU and semi-custom products. If GF is not able to satisfy AMD's manufacturing requirements, its business could be adversely impacted; AMD relies on third parties to manufacture its products, and if they are unable to do so on a timely basis in sufficient quantities and using competitive technologies, AMD's business could be materially adversely affected; failure to achieve expected manufacturing yields for AMD's products could negatively impact its financial results; the success of AMD's business is dependent upon its ability to introduce products on a timely basis with features and performance levels that provide value to its customers while supporting and coinciding with significant industry transitions; if AMD cannot generate sufficient revenue and operating cash flow or obtain external financing, it may face a cash shortfall and be unable to make all of its planned investments in research and development or other strategic investments; the loss of a significant customer may have a material adverse effect on AMD; global economic uncertainty may adversely impact AMD's business and operating results; AMD may not be able to generate sufficient cash to service its debt obligations or meet its working capital requirements; AMD has a substantial amount of indebtedness which could adversely affect its financial position and prevent it from implementing its strategy or fulfilling its contractual obligations; the agreements governing AMD's notes and its secured revolving line of credit (Secured Revolving Line of Credit) impose restrictions on AMD that may adversely affect its ability to operate its business; the completion and impact of its restructuring plan announced in October 2015, its transformation initiatives and any future restructuring actions could adversely affect it; the markets in which AMD's products are sold are highly competitive; uncertainties involving the ordering and shipment of AMD's products could materially adversely affect it; AMD's receipt of revenue from its semi-custom SoC products is dependent upon its technology being designed into third-party products and the success of those products; the demand for AMD's products depends in part on the market conditions in the industries into which they are sold. Fluctuations in demand for AMD's products or a market decline in any of these industries could have a material adverse effect on its results of operations; AMD's ability to design and introduce new products in a timely manner is dependent upon third-party intellectual property; AMD depends on third-party companies for the design, manufacture and supply of motherboards and other computer platform components to support its business; if AMD loses Microsoft Corporations support for its products or other software vendors do not design and develop software to run on AMD's products, its ability to sell its products could be materially adversely affected; AMD may incur future impairments of goodwill; AMD's reliance on third-party distributors and AIB partners subjects it to certain risks; AMD's inability to continue to attract and retain qualified personnel may hinder its product development programs; in the event of a change of control, AMD may not be able to repurchase its outstanding debt as required by the applicable indentures and its Secured Revolving Line of Credit, which would result in a default under the indentures and its Secured Revolving Line of Credit; the semiconductor industry is highly cyclical and has experienced severe downturns that have materially adversely affected, and may continue to materially adversely affect, its business in the future; AMD's business is dependent upon the proper functioning of its internal business processes and information systems and modification or interruption of such systems may disrupt its business, processes and internal controls; data breaches and cyber-attacks could compromise AMD's intellectual property or other confidential, sensitive information be costly to remediate and cause significant damage to its business and reputation; AMD's operating results are subject to quarterly and seasonal sales patterns; if essential equipment or materials are not available to manufacture its products, AMD could be materially adversely affected; if AMD's products are not compatible with some or all industry-standard software and hardware, it could be materially adversely affected; costs related to defective products could have a material adverse effect on AMD; if AMD fails to maintain the efficiency of its supply chain as it responds to changes in customer demand for its products, its business could be materially adversely affected; AMD outsources to third parties certain supply-chain logistics functions, including portions of its product distribution, transportation management and information technology support services; acquisitions, divestitures and/or joint ventures could disrupt its business, harm its financial condition and operating results or dilute, or adversely affect the price of its common stock; AMD's worldwide operations are subject to political, legal and economic risks and natural disasters, which could have a material adverse effect on it; worldwide political conditions may adversely affect demand for AMD's products; unfavorable currency exchange rate fluctuations could adversely affect AMD; AMD's inability to effectively control the sales of its products on the gray market could have a material adverse effect on it; if AMD cannot adequately protect its technology or other intellectual property in the United States and abroad, through patents, copyrights, trade secrets, trademarks and other measures, it may lose a competitive advantage and incur significant expenses; AMD is a party to litigation and may become a party to other claims or litigation that could cause it to incur substantial costs or pay substantial damages or prohibit it from selling its products; AMD's business is subject to potential tax liabilities; a variety of environmental laws that AMD is subject to could result in additional costs and liabilities; and higher health care costs and labor costs could adversely affect AMD's business. Investors are urged to review in detail the risks and uncertainties in AMD’s Securities and Exchange Commission filings, including but not limited to AMD's Quarterly Report on Form 10-Q for the quarter ended September 26, 2015.