

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

	Three Months Ended			Nine Months Ended	
	September 30, 2017	July 1, 2017	September 24, 2016	September 30, 2017	September 24, 2016
Net revenue	\$ 1,643	\$ 1,222	\$ 1,307	\$ 3,849	\$ 3,166
Cost of sales	1,070	818	1,248	2,541	2,519
Gross margin	573	404	59	1,308	647
Gross margin %	35%	33%	5%	34%	20%
Research and development	315	279	259	860	744
Marketing, general and administrative	132	125	117	378	339
Restructuring and other special charges, net	-	-	-	-	(10)
Licensing gain	-	(25)	(24)	(52)	(57)
Operating income (loss)	126	25	(293)	122	(369)
Interest expense	(31)	(32)	(41)	(95)	(122)
Other income (expense), net	(3)	(3)	(63)	(11)	87
Income (loss) before equity loss and income taxes	92	(10)	(397)	16	(404)
Provision for income taxes	19	3	4	27	34
Equity loss in investee	(2)	(3)	(5)	(7)	(8)
Net Income (loss)	\$ 71	\$ (16)	\$ (406)	\$ (18)	\$ (446)
Earnings (loss) per share					
Basic	\$ 0.07	\$ (0.02)	\$ (0.50)	\$ (0.02)	\$ (0.56)
Diluted	\$ 0.07	\$ (0.02)	\$ (0.50)	\$ (0.02)	\$ (0.56)
Shares used in per share calculation					
Basic	957	945	815	947	801
Diluted	1,042	945	815	947	801

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

	Three Months Ended			Nine Months Ended	
	September 30, 2017	July 1, 2017	September 24, 2016	September 30, 2017	September 24, 2016
Total comprehensive income (loss)	\$ 73	\$ (12)	\$ (406)	\$ (11)	\$ (441)

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

	September 30, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 879	\$ 1,264
Accounts receivable, net	771	311
Inventories, net	794	751
Prepayment and other receivables - related parties	26	32
Prepaid expenses	72	63
Other current assets	157	109
Total current assets	2,699	2,530
Property, plant and equipment, net	236	164
Goodwill	289	289
Investment: equity method	57	59
Other assets	305	279
Total Assets	\$ 3,586	\$ 3,321
Liabilities and Stockholders' Equity		
Current liabilities:		
Short-term debt	\$ 70	\$ -
Accounts payable	472	440
Payables to related parties	444	383
Accrued liabilities	460	391
Other current liabilities	73	69
Deferred income on shipments to distributors	72	63
Total current liabilities	1,591	1,346
Long-term debt, net	1,356	1,435
Other long-term liabilities	119	124
Stockholders' equity:		
Capital stock:		
Common stock, par value	10	9
Additional paid-in capital	8,437	8,334
Treasury stock, at cost	(108)	(119)
Accumulated deficit	(7,821)	(7,803)
Accumulated other comprehensive income (loss)	2	(5)
Total Stockholders' equity	520	416
Total Liabilities and Stockholders' Equity	\$ 3,586	\$ 3,321

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

	Three Months Ended	Nine Months Ended
	September 30, 2017	September 30, 2017
Cash flows from operating activities:		
Net Income (loss)	\$ 71	\$ (18)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	36	105
Stock-based compensation expense	29	76
Non-cash interest expense	9	27
Loss on debt redemption	2	9
Other	3	4
Changes in operating assets and liabilities:		
Accounts receivable	(157)	(460)
Inventories	39	(43)
Prepayment and other receivables - related parties	(16)	6
Prepaid expenses and other assets	(26)	(82)
Payables to related parties	70	61
Accounts payable, accrued liabilities and other	6	-
Net cash provided by (used in) operating activities	\$ 66	\$ (315)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(34)	(69)
Purchases of available-for-sale securities	-	(221)
Proceeds from maturity of available-for-sale securities	85	221
Other	-	(2)
Net cash provided by (used in) investing activities	\$ 51	\$ (71)
Cash flows from financing activities:		
Proceeds from borrowings, net	28	70
Proceeds from issuance of common stock under stock-based compensation equity plans	5	15
Repayments of long-term debt	(28)	(70)
Other	(3)	(14)
Net cash provided by financing activities	\$ 2	\$ 1
Net increase (decrease) in cash and cash equivalents	119	(385)
Cash and cash equivalents at beginning of period	\$ 760	\$ 1,264
Cash and cash equivalents at end of period	\$ 879	\$ 879

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

Segment and Category Information	Three Months Ended			Nine Months Ended	
	September 30, 2017	July 1, 2017	September 24, 2016	September 30, 2017	September 24, 2016
Computing and Graphics ⁽¹⁾					
Net revenue	\$ 819	\$ 659	\$ 472	\$ 2,071	\$ 1,367
Operating income (loss)	\$ 70	\$ 7	\$ (66)	\$ 62	\$ (217)
Enterprise, Embedded and Semi-Custom ⁽²⁾					
Net revenue	\$ 824	\$ 563	\$ 835	\$ 1,778	\$ 1,799
Operating income	\$ 84	\$ 42	\$ 136	\$ 135	\$ 236
All Other ⁽³⁾					
Net revenue	-	-	-	-	-
Operating loss	\$ (28)	\$ (24)	\$ (363)	\$ (75)	\$ (388)
Total					
Net revenue	\$ 1,643	\$ 1,222	\$ 1,307	\$ 3,849	\$ 3,166
Operating income (loss)	\$ 126	\$ 25	\$ (293)	\$ 122	\$ (369)
Other Data					
Capital expenditures ⁽⁴⁾	\$ 34	\$ 12	\$ 9	\$ 69	\$ 56
Adjusted EBITDA ⁽⁵⁾	\$ 191	\$ 84	\$ 103	\$ 303	\$ 117
Cash, cash equivalents and marketable securities	\$ 879	\$ 844	\$ 1,258	\$ 879	\$ 1,258
Free cash flow ⁽⁶⁾	\$ 32	\$ (94)	\$ 20	\$ (384)	\$ (154)
Total assets	\$ 3,586	\$ 3,370	\$ 3,616	\$ 3,586	\$ 3,616
Total debt	\$ 1,426	\$ 1,417	\$ 1,632	\$ 1,426	\$ 1,632

See footnotes on the next page

- (1) The Computing and Graphics segment primarily includes desktop and notebook processors and chipsets, discrete graphics processing units (GPUs) and professional graphics processors. The Company also licenses portions of its intellectual property portfolio.
- (2) The Enterprise, Embedded and Semi-Custom segment primarily includes server and embedded processors, semi-custom System-on-Chip (SoC) products, development services and technology for game consoles. The Company also licenses portions of its intellectual property portfolio.
- (3) All Other category primarily includes certain expenses and credits that are not allocated to any of the operating segments. Also included in this category is stock-based compensation expense. In addition, the Company also included a charge related to the sixth amendment to the WSA with GF for the three and nine months ended September 24, 2016 and restructuring and other special charges, net for the nine months ended September 24, 2016.
- (4) Starting in Q1 2017, the Company classifies production mask sets as property, plant and equipment on its balance sheet.

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

	Three Months Ended			Nine Months Ended	
	September 30, 2017	July 1, 2017	September 24, 2016	September 30, 2017	September 24, 2016
GAAP operating income (loss)	\$ 126	\$ 25	\$ (293)	\$ 122	\$ (369)
Charge related to the sixth amendment to the WSA with GF	-	-	340	-	340
Restructuring and other special charges, net	-	-	-	-	(10)
Stock-based compensation	29	24	23	76	57
Depreciation and amortization	36	35	33	105	99
Adjusted EBITDA	\$ 191	\$ 84	\$ 103	\$ 303	\$ 117

(6) **Free cash flow reconciliation****

	Three Months Ended			Nine Months Ended	
	September 30, 2017	July 1, 2017	September 24, 2016	September 30, 2017	September 24, 2016
GAAP net cash provided by (used in) operating activities	\$ 66	\$ (82)	\$ 29	\$ (315)	\$ (98)
Purchases of property, plant and equipment	(34)	(12)	(9)	(69)	(56)
Free cash flow	\$ 32	\$ (94)	\$ 20	\$ (384)	\$ (154)

* 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 and stock-based compensation expense. In addition, the Company excluded a charge related to the sixth amendment to the WSA with GF for the three and nine months ended September 24, 2016 and restructuring and other special charges, net for the nine months ended September 24, 2016. 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.