

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

| | Quarter Ended | | | Six Months Ended | |
|---|-----------------|-----------------|------------------|------------------|------------------|
| | Jul. 2, 2011 | Apr. 2, 2011 | Jun. 26, 2010 | Jul. 2, 2011 | Jun. 26, 2010 |
| Net revenue | \$ 1,574 | \$ 1,613 | \$ 1,653 | \$ 3,187 | \$ 3,227 |
| Cost of sales | 854 | 922 | 915 | 1,776 | 1,748 |
| Gross margin | 720 | 691 | 738 | 1,411 | 1,479 |
| Gross margin % | 46% | 43% | 45% | 44% | 46% |
| Research and development | 367 | 367 | 371 | 734 | 694 |
| Marketing, general and administrative | 239 | 261 | 229 | 500 | 448 |
| Amortization of acquired intangible assets | 9 | 9 | 17 | 18 | 34 |
| Restructuring reversal | - | - | (4) | - | (4) |
| Operating income | 105 | 54 | 125 | 159 | 307 |
| Interest income | 2 | 3 | 3 | 5 | 6 |
| Interest expense | (47) | (48) | (55) | (95) | (104) |
| Other income (expense), net | 4 | 11 | (1) | 15 | 303 |
| Income before equity income (loss) and dilution gain in investee and income taxes | 64 | 20 | 72 | 84 | 512 |
| Provision (benefit) for income taxes | 3 | 2 | (5) | 5 | (5) |
| Equity income (loss) and dilution gain in investee, net | - | 492 | (120) | 492 | (303) |
| Net income (loss) | \$ 61 | \$ 510 | \$ (43) | \$ 571 | \$ 214 |
| Net income (loss) per share | | | | | |
| Basic | \$ 0.08 | \$ 0.71 | \$ (0.06) | \$ 0.79 | \$ 0.30 |
| Diluted | \$ 0.08 | \$ 0.68 | \$ (0.06) | \$ 0.76 | \$ 0.29 |
| Shares used in per share calculation | | | | | |
| Basic | 724 | 720 | 709 | 722 | 708 |
| Diluted | 743 | 764 | 709 | 766 | 732 |

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

| | Jul. 2, 2011 | Apr. 2, 2011 | Dec. 25, 2010 |
|--|-----------------|-----------------|------------------|
| Assets | | | |
| Current assets: | | | |
| Cash, cash equivalents and marketable securities | \$ 1,861 | \$ 1,745 | \$ 1,789 |
| Accounts receivable, net | 759 | 797 | 968 |
| Inventories, net | 642 | 648 | 632 |
| Prepaid expenses and other current assets | 176 | 221 | 205 |
| Total current assets | 3,438 | 3,411 | 3,594 |
| Property, plant and equipment, net | 686 | 676 | 700 |
| Investment in GLOBALFOUNDRIES | 486 | 486 | - |
| Acquisition related intangible assets, net | 19 | 28 | 37 |
| Goodwill | 323 | 323 | 323 |
| Other assets | 272 | 285 | 310 |
| Total Assets | \$ 5,224 | \$ 5,209 | \$ 4,964 |
| Liabilities and Stockholders' Equity | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 455 | \$ 411 | \$ 376 |
| Accounts payable to GLOBALFOUNDRIES | 117 | 127 | 205 |
| Accrued liabilities | 575 | 605 | 698 |
| Deferred income on shipments to distributors | 132 | 165 | 143 |
| Other short-term obligations | - | 34 | 229 |
| Current portion of long-term debt and capital lease obligations | 4 | 4 | 4 |
| Other current liabilities | 29 | 29 | 19 |
| Total current liabilities | 1,312 | 1,375 | 1,674 |
| Long-term debt and capital lease obligations, less current portion | 2,195 | 2,192 | 2,188 |
| Other long-term liabilities | 76 | 84 | 82 |
| Accumulated loss in excess of investment in GLOBALFOUNDRIES | - | - | 7 |
| Stockholders' equity: | | | |
| Capital stock: | | | |
| Common stock, par value | 7 | 7 | 7 |
| Additional paid-in capital | 6,637 | 6,611 | 6,575 |
| Treasury stock, at cost | (106) | (104) | (102) |
| Accumulated deficit | (4,897) | (4,958) | (5,468) |
| Accumulated other comprehensive income | - | 2 | 1 |
| Total stockholders' equity | 1,641 | 1,558 | 1,013 |
| Total Liabilities and Stockholders' Equity | \$ 5,224 | \$ 5,209 | \$ 4,964 |

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

| | Quarter Ended | Six Months Ended |
|---|-----------------|------------------|
| | Jul. 2, 2011 | Jul. 2, 2011 |
| Cash flows from operating activities: | | |
| Net income | \$ 61 | \$ 571 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Equity income and dilution gain in investee | - | (492) |
| Depreciation and amortization | 80 | 168 |
| Compensation recognized under employee stock plans | 20 | 47 |
| Non-cash interest expense | 6 | 11 |
| Other | (1) | 9 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 2 | (187) |
| Inventories | 6 | (10) |
| Prepaid expenses and other current assets | 47 | 36 |
| Other assets | (9) | 1 |
| Accounts payable to GLOBALFOUNDRIES | (10) | (88) |
| Accounts payable, accrued liabilities and other | (28) | (60) |
| Net cash provided by operating activities | \$ 174 | \$ 6 |
| Cash flows from investing activities: | | |
| Purchases of property, plant and equipment | (67) | (105) |
| Purchases of available-for-sale securities | (559) | (952) |
| Proceeds from sale and maturity of available-for-sale securities | 396 | 830 |
| Other | - | (17) |
| Net cash used in investing activities | \$ (230) | \$ (244) |
| Cash flows from financing activities: | | |
| Proceeds from borrowings, net of issuance cost | 5 | 170 |
| Net proceeds from foreign grants | 3 | 10 |
| Proceeds from issuance of AMD common stock | 6 | 15 |
| Repayments of debt and capital lease obligations | (4) | (5) |
| Other | (2) | (4) |
| Net cash provided by financing activities | \$ 8 | \$ 186 |
| Net decrease in cash and cash equivalents | (48) | (52) |
| Cash and cash equivalents at beginning of period | \$ 602 | \$ 606 |
| Cash and cash equivalents at end of period | \$ 554 | \$ 554 |

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

| <u>Segment and Category Information</u> | Quarter Ended | | | Six Months Ended | |
|---|-----------------|-----------------|------------------|------------------|------------------|
| | Jul. 2, 2011 | Apr. 2, 2011 | Jun. 26, 2010 | Jul. 2, 2011 | Jun. 26, 2010 |
| Computing Solutions (1) | | | | | |
| Net revenue | \$ 1,207 | \$ 1,200 | \$ 1,212 | \$ 2,407 | \$ 2,372 |
| Operating income | \$ 142 | \$ 100 | \$ 128 | \$ 242 | \$ 274 |
| Graphics (2) | | | | | |
| Net revenue | 367 | 413 | 440 | 780 | 849 |
| Operating income (loss) | (7) | 19 | 33 | 12 | 80 |
| All Other (3) | | | | | |
| Net revenue | - | - | 1 | - | 6 |
| Operating loss | (30) | (65) | (36) | (95) | (47) |
| Total | | | | | |
| Net revenue | \$ 1,574 | \$ 1,613 | \$ 1,653 | \$ 3,187 | \$ 3,227 |
| Operating income | \$ 105 | \$ 54 | \$ 125 | \$ 159 | \$ 307 |
| <u>Other Data</u> | | | | | |
| Depreciation and amortization (excluding amortization of acquired intangible assets) | \$ 71 | \$ 79 | \$ 83 | \$ 150 | \$ 166 |
| Capital additions | \$ 67 | \$ 38 | \$ 31 | \$ 105 | \$ 79 |
| Adjusted EBITDA (4) | \$ 205 | \$ 198 | \$ 244 | \$ 403 | \$ 546 |
| Cash, cash equivalents and marketable securities | \$ 1,861 | \$ 1,745 | \$ 1,896 | \$ 1,861 | \$ 1,896 |
| Adjusted free cash flow (5) | \$ 143 | \$ 154 | \$ 76 | \$ 297 | \$ 253 |
| Total assets | \$ 5,224 | \$ 5,209 | \$ 4,955 | \$ 5,224 | \$ 4,955 |
| Long-term debt and capital lease obligations | \$ 2,199 | \$ 2,196 | \$ 2,421 | \$ 2,199 | \$ 2,421 |
| Headcount | 11,599 | 11,256 | 10,649 | 11,599 | 10,649 |

See footnotes on the next page

- (1) Computing Solutions segment includes microprocessors, chipsets and embedded processors.
- (2) Graphics segment includes graphics, video and multimedia products developed for use in desktop and notebook computers, including home media PCs, professional workstations, servers and also includes royalties received in connection with the sale of game console systems that incorporate the Company's graphics technology.
- (3) All Other category includes certain operating expenses and credits that are not allocated to the operating segments. Also included in this category are amortization of acquired intangible assets and restructuring charges. It also includes the results of the Handheld business unit because the operating results of this business unit were not material.
- (4) **AMD reconciliation of GAAP operating income to Adjusted EBITDA***

| | Quarter Ended | | | Six Months Ended | |
|--|-----------------|-----------------|------------------|------------------|------------------|
| | Jul. 2, 2011 | Apr. 2, 2011 | Jun. 26, 2010 | Jul. 2, 2011 | Jun. 26, 2010 |
| GAAP operating income | \$ 105 | \$ 54 | \$ 125 | \$ 159 | \$ 307 |
| Payments to GLOBALFOUNDRIES | - | 24 | - | 24 | - |
| Legal settlement | - | 5 | - | 5 | - |
| Depreciation and amortization | 71 | 79 | 83 | 150 | 166 |
| Employee stock-based compensation expense | 20 | 27 | 23 | 47 | 43 |
| Amortization of acquired intangible assets | 9 | 9 | 17 | 18 | 34 |
| Restructuring reversal | - | - | (4) | - | (4) |
| Adjusted EBITDA | \$ 205 | \$ 198 | \$ 244 | \$ 403 | \$ 546 |

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

| | Quarter Ended | | | Six Months Ended | |
|--|-----------------|-----------------|------------------|------------------|------------------|
| | Jul. 2, 2011 | Apr. 2, 2011 | Jun. 26, 2010 | Jul. 2, 2011 | Jun. 26, 2010 |
| GAAP net cash provided by (used in) operating activities | \$ 174 | \$ (168) | \$ (98) | \$ 6 | \$ (75) |
| Non-GAAP adjustment | 36 | 360 | 205 | 396 | 407 |
| Non-GAAP net cash provided by operating activities | 210 | 192 | 107 | 402 | 332 |
| Purchases of property, plant and equipment | (67) | (38) | (31) | (105) | (79) |
| Non-GAAP adjusted free cash flow | \$ 143 | \$ 154 | \$ 76 | \$ 297 | \$ 253 |

* Starting in the fourth quarter of 2009, the Company presented "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, employee stock-based compensation expense and amortization of acquired intangible assets. In addition, for the first quarter of 2011 and the six months ended July 2, 2011, the Company included adjustments related to a payment to GLOBALFOUNDRIES and a legal settlement with a third party. For the second quarter of 2010 and the six months ended June 26, 2010, the Company included an adjustment for certain restructuring reversals. The Company calculates and communicates Adjusted EBITDA in the financial schedules 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.

** Starting in the first quarter of 2010, the Company presents non-GAAP adjusted free cash flow as a supplemental measure of its performance. In 2008 and 2009 the Company and certain of its subsidiaries (collectively, the "AMD Parties") entered into supplier agreements with IBM Credit LLC and certain of its subsidiaries (collectively, the "IBM Parties"). Pursuant to these supplier agreements, the AMD Parties sold to the IBM Parties invoices of selected distributor customers. Because the Company does not recognize revenue until its distributors sell its products to their customers, under U.S. GAAP, the Company classifies funds received from the IBM Parties as debt on the balance sheet. Moreover, for cash flow purposes, these funds are classified as cash flows from financing activities. When a distributor pays the applicable IBM Party, the Company reduces the distributor's accounts receivable and the corresponding debt resulting in a noncash accounting entry. Because the Company does not receive the cash from the distributor to reduce the accounts receivable, the distributor's payment is never reflected in the Company's cash flows from operating activities. Non-GAAP adjusted free cash flow for the Company was determined by adjusting GAAP net cash provided by (used in) operating activities by adding the distributors' payments to the IBM Parties to GAAP net cash provided by (used in) operating activities. This amount is then further adjusted by subtracting capital expenditures. Generally, under U.S. GAAP, the reduction in accounts receivable is assumed to be a source of operating cash flows. Therefore, the Company believes that treating the payments from its distributor customers to the IBM Parties as if the Company actually received the cash from the distributor and then used that cash to pay down the debt is more reflective of the economic substance of the transaction. On February 11, 2011, the Company terminated its supplier agreements with the IBM Parties. The Company calculates and communicates non-GAAP adjusted free cash flow in the financial schedules 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 adjusted 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 adjusted free cash flow as an alternative to GAAP liquidity measures of cash flows from operating or financing activities.