

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

	Quarter Ended			Nine Months Ended	
	Oct. 1, 2011	Jul. 2, 2011	Sep. 25, 2010	Oct. 1, 2011	Sep. 25, 2010
Net revenue	\$ 1,690	\$ 1,574	\$ 1,618	\$ 4,877	\$ 4,845
Cost of sales	934	854	879	2,710	2,627
Gross margin	756	720	739	2,167	2,218
Gross margin %	45%	46%	46%	44%	46%
Research and development	361	367	359	1,095	1,053
Marketing, general and administrative	249	239	236	749	684
Amortization of acquired intangible assets	8	9	16	26	50
Restructuring reversals	-	-	-	-	(4)
Operating income	138	105	128	297	435
Interest income	3	2	3	8	9
Interest expense	(42)	(47)	(56)	(137)	(160)
Other income (expense), net	(7)	4	(6)	8	297
Income before equity income (loss) and dilution gain in investee and income taxes	92	64	69	176	581
Provision (benefit) for income taxes	(5)	3	1	-	(4)
Equity income (loss) and dilution gain in investee, net	-	-	(186)	492	(489)
Net income (loss)	\$ 97	\$ 61	\$ (118)	\$ 668	\$ 96
Net income (loss) per share					
Basic	\$ 0.13	\$ 0.08	\$ (0.17)	\$ 0.92	\$ 0.13
Diluted	\$ 0.13	\$ 0.08	\$ (0.17)	\$ 0.90	\$ 0.13
Shares used in per share calculation					
Basic	729	724	713	725	710
Diluted	741	743	713	742	732

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

	Oct. 1, 2011	Jul. 2, 2011	Dec. 25, 2010
Assets			
Current assets:			
Cash, cash equivalents and marketable securities	\$ 1,807	\$ 1,861	\$ 1,789
Accounts receivable, net	908	759	968
Inventories, net	540	642	632
Prepaid expenses and other current assets	157	176	205
Total current assets	3,412	3,438	3,594
Long-term marketable securities	50	-	-
Property, plant and equipment, net	697	686	700
Investment in GLOBALFOUNDRIES	486	486	-
Acquisition related intangible assets, net	11	19	37
Goodwill	323	323	323
Other assets	257	272	310
Total Assets	\$ 5,236	\$ 5,224	\$ 4,964
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable	\$ 467	\$ 455	\$ 376
Accounts payable to GLOBALFOUNDRIES	151	117	205
Accrued liabilities	590	575	698
Deferred income on shipments to distributors	131	132	143
Other short-term obligations	-	-	229
Current portion of long-term debt and capital lease obligations	489	4	4
Other current liabilities	27	29	19
Total current liabilities	1,855	1,312	1,674
Long-term debt and capital lease obligations, less current portion	1,571	2,195	2,188
Other long-term liabilities	66	76	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	6,652	6,637	6,575
Treasury stock, at cost	(107)	(106)	(102)
Accumulated deficit	(4,800)	(4,897)	(5,468)
Accumulated other comprehensive income (loss)	(8)	-	1
Total stockholders' equity	1,744	1,641	1,013
Total Liabilities and Stockholders' Equity	\$ 5,236	\$ 5,224	\$ 4,964

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

	Quarter Ended	Nine Months Ended
	Oct. 1, 2011	Oct. 1, 2011
Cash flows from operating activities:		
Net income	\$ 97	\$ 668
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity income and dilution gain in investee	-	(492)
Depreciation and amortization	79	247
Compensation recognized under employee stock plans	22	69
Non-cash interest expense	5	16
Other	(5)	4
Changes in operating assets and liabilities:		
Accounts receivable	(150)	(337)
Inventories	102	92
Prepaid expenses and other current assets	6	42
Other assets	(4)	(3)
Accounts payable to GLOBALFOUNDRIES	34	(54)
Accounts payable, accrued liabilities and other	3	(57)
Net cash provided by operating activities	\$ 189	\$ 195
Cash flows from investing activities:		
Purchases of property, plant and equipment	(58)	(163)
Proceeds from sale of property, plant and equipment	16	16
Purchases of available-for-sale securities	(509)	(1,461)
Proceeds from sale and maturity of available-for-sale securities	585	1,415
Other	-	(17)
Net cash provided by (used in) investing activities	\$ 34	\$ (210)
Cash flows from financing activities:		
Proceeds from borrowings, net of issuance cost	-	170
Net proceeds from foreign grants	-	10
Proceeds from issuance of AMD common stock	2	17
Repayments of debt and capital lease obligations	(153)	(158)
Other	(1)	(5)
Net cash provided by (used in) financing activities	\$ (152)	\$ 34
Net increase in cash and cash equivalents	71	19
Cash and cash equivalents at beginning of period	\$ 554	\$ 606
Cash and cash equivalents at end of period	\$ 625	\$ 625

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

<u>Segment and Category Information</u>	Quarter Ended			Nine Months Ended	
	Oct. 1, 2011	Jul. 2, 2011	Sep. 25, 2010	Oct. 1, 2011	Sep. 25, 2010
Computing Solutions (1)					
Net revenue	\$ 1,286	\$ 1,207	\$ 1,226	\$ 3,693	\$ 3,598
Operating income	\$ 149	\$ 142	\$ 164	\$ 391	\$ 438
Graphics (2)					
Net revenue	403	367	390	1,183	1,239
Operating income (loss)	12	(7)	1	24	81
All Other (3)					
Net revenue	1	-	2	1	8
Operating loss	(23)	(30)	(37)	(118)	(84)
Total					
Net revenue	\$ 1,690	\$ 1,574	\$ 1,618	\$ 4,877	\$ 4,845
Operating income	\$ 138	\$ 105	\$ 128	\$ 297	\$ 435
<u>Other Data</u>					
Depreciation and amortization (excluding amortization of acquired intangible assets)	\$ 71	\$ 71	\$ 79	\$ 221	\$ 244
Capital additions	\$ 58	\$ 67	\$ 31	\$ 163	\$ 110
Adjusted EBITDA (4)	\$ 239	\$ 205	\$ 245	\$ 642	\$ 790
Cash, cash equivalents and marketable securities (5)	\$ 1,857	\$ 1,861	\$ 1,726	\$ 1,857	\$ 1,726
Adjusted free cash flow (6)	\$ 131	\$ 143	\$ 91	\$ 428	\$ 344
Total assets	\$ 5,236	\$ 5,224	\$ 4,595	\$ 5,236	\$ 4,595
Long-term debt and capital lease obligations, including current portion	\$ 2,060	\$ 2,199	\$ 2,188	\$ 2,060	\$ 2,188
Headcount	12,019	11,599	11,021	12,019	11,021

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 and servers and also includes revenue received in connection with the development and 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			Nine Months Ended	
	Oct. 1, 2011	Jul. 2, 2011	Sep. 25, 2010	Oct. 1, 2011	Sep. 25, 2010
GAAP operating income	\$ 138	\$ 105	\$ 128	\$ 297	\$ 435
Payments to GLOBALFOUNDRIES	-	-	-	24	-
Legal settlement	-	-	-	5	-
Depreciation and amortization	71	71	79	221	244
Employee stock-based compensation expense	22	20	22	69	65
Amortization of acquired intangible assets	8	9	16	26	50
Restructuring reversals	-	-	-	-	(4)
Adjusted EBITDA	\$ 239	\$ 205	\$ 245	\$ 642	\$ 790

- (5) Cash, cash equivalents and marketable securities also include the long-term portion of marketable securities of \$50 million.

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

	Quarter Ended			Nine Months Ended	
	Oct. 1, 2011	Jul. 2, 2011	Sep. 25, 2010	Oct. 1, 2011	Sep. 25, 2010
GAAP net cash provided by (used in) operating activities	\$ 189	\$ 174	\$ (124)	\$ 195	\$ (199)
Non-GAAP adjustment	-	36	246	396	653
Non-GAAP net cash provided by operating activities	189	210	122	591	454
Purchases of property, plant and equipment	(58)	(67)	(31)	(163)	(110)
Non-GAAP adjusted free cash flow	\$ 131	\$ 143	\$ 91	\$ 428	\$ 344

* 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, employee stock-based compensation expense and amortization of acquired intangible assets. In addition, for the nine months ended October 1, 2011, the Company also included an adjustment related to a payment to GF and adjustments related to a legal settlement with a third party, and for the nine months ended September 25, 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 also presents non-GAAP adjusted free cash flow in the earnings release 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 GAAP, the Company classified funds received from the IBM Parties as debt on the balance sheet. Moreover, for cash flow purposes, these funds were classified as cash flows from financing activities. When a distributor paid the applicable IBM Party, the Company reduced the distributor's accounts receivable and the corresponding debt resulting in a non-cash accounting entry. Because the Company did not receive the cash from the distributor to reduce the accounts receivable, the distributor's payment was never reflected in the Company's cash flows from operating activities. Non-GAAP adjusted free cash flow for the Company was determined by adding the distributors' payments to the IBM Parties to GAAP net cash provided by (used in) operating activities. This amount was then further adjusted by subtracting capital expenditures. Generally, under 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 IBM Parties. As a result, during the third quarter of 2011, there were no outstanding invoices related to the financing arrangement with the IBM Parties, and the Company did not make any adjustments for distributor payments to the IBM Parties to its GAAP net cash provided by (used in) operating activities when calculating non-GAAP adjusted free cash flow. 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. The Company has provided reconciliations within the press release and financial schedules of these non-GAAP financial measures to the most directly comparable GAAP financial measures.