

# NEWS RELEASE

**Media Contact**  
**Drew Prairie**  
512-602-4425  
[drew.prairie@amd.com](mailto:drew.prairie@amd.com)

**Investor Contact**  
**Ruth Cotter**  
408-749-3887  
[ruth.cotter@amd.com](mailto:ruth.cotter@amd.com)

## AMD Reports 2016 Second Quarter Results

**SUNNYVALE, Calif. — July 21, 2016 —** [AMD](#) (NASDAQ:AMD) today announced revenue for the second quarter of 2016 of \$1,027 million, operating loss of \$8 million, and net income of \$69 million, or \$0.08 per diluted share. Non-GAAP <sup>(1)</sup> operating income was \$3 million and non-GAAP <sup>(1)</sup> net loss was \$40 million, or \$0.05 per share.

### GAAP Financial Results

	Q2-16	Q1-16	Q2-15
Revenue	\$1,027M	\$832M	\$942M
Operating loss	\$(8)M	\$(68)M	\$(137)M
Net income (loss) / earnings (loss) per share	\$69M/\$0.08	\$(109)M/\$(0.14)	\$(181)M/\$(0.23)

### Non-GAAP Financial Results<sup>(1)</sup>

	Q2-16	Q1-16	Q2-15
Revenue	\$1,027M	\$832M	\$942M
Operating income (loss)	\$3M	\$(55)M	\$(87)M
Net loss / loss per share	\$(40)M/\$(0.05)	\$(96)M/\$(0.12)	\$(131)M/\$(0.17)

“In the second quarter we accomplished a significant milestone as we returned to non-GAAP operating profitability based on solid execution and strong demand for our semi-custom and graphics products,” said Lisa Su, AMD president and CEO. “Based on the strength of our semi-custom products and demand for our latest Radeon RX GPUs and 7th Generation A-Series APUs, we are well positioned to drive growth and market share gains in the second half of the year.”

## Q2 2016 Results

- Q2 2016, Q1 2016 and Q2 2015 were 13-week fiscal quarters.
- Revenue of \$1,027 million, up 23 percent sequentially and up 9 percent year-over-year primarily due to higher sales of semi-custom SoCs.
- Gross margin of 31 percent, down 1 percentage point sequentially, due primarily to a higher mix of semi-custom SoC sales.
- Operating expenses of \$353 million, compared to \$344 million for the prior quarter. Non-GAAP operating expenses of \$342 million, compared to non-GAAP operating expenses of \$332 million in Q1 2016, primarily due to increased marketing investments.
- Operating loss of \$8 million, compared to an operating loss of \$68 million in Q1 2016. Non-GAAP<sup>(1)</sup> operating income of \$3 million, compared to non-GAAP<sup>(1)</sup> operating loss of \$55 million in Q1 2016, primarily due to higher sales.
- Net income of \$69 million, earnings per share of \$0.08, and non-GAAP<sup>(1)</sup> net loss of \$40 million, non-GAAP<sup>(1)</sup> loss per share of \$0.05. This is compared to a net loss of \$109 million, loss per share of \$0.14 and non-GAAP<sup>(1)</sup> net loss of \$96 million, non-GAAP<sup>(1)</sup> loss per share of \$0.12 in Q1 2016. The GAAP sequential and year-over-year improvements were primarily due to a gain of \$150 million related to the formation of our assembly, test, mark and pack (ATMP) joint venture (JV) with Nantong Fujitsu Microelectronics Co., Ltd. (NFME), partially offset by related taxes of \$27 million. The non-GAAP sequential and year-over-year improvements were primarily due to higher sales and an IP licensing gain.
- Cash and cash equivalents were \$957 million at the end of the quarter, up \$241 million from the end of the prior quarter, primarily due to net cash proceeds received from the ATMP JV transaction with NFME which closed in Q2 2016.
- Total debt at the end of the quarter was \$2.24 billion, flat from the prior quarter.

## Financial Segment Summary

- Computing and Graphics segment revenue of \$435 million decreased 5 percent sequentially and increased 15 percent from Q2 2015. The sequential decrease was primarily due to decreased sales of client desktop processors and chipsets and the year-

over-year increase was driven primarily by increased notebook processor and GPU sales.

- Operating loss was \$81 million, compared with an operating loss of \$70 million in Q1 2016 and an operating loss of \$147 million in Q2 2015. The sequential increase was primarily due to lower revenue. The year-over-year improvement was primarily due to higher revenue and lower operating expenses.
- Client average selling price (ASP) increased sequentially driven by a higher desktop processor ASP and decreased year-over-year primarily due to lower notebook processor ASP.
- GPU ASP remained flat sequentially and decreased year-over-year. The year-over-year decrease was primarily driven by lower desktop GPU ASP.
- Enterprise, Embedded and Semi-Custom segment revenue of \$592 million increased 59 percent sequentially and increased 5 percent year-over-year due to higher sales of semi-custom SoCs.
  - Operating income was \$84 million compared with \$16 million in Q1 2016 and \$27 million in Q2 2015 primarily due to higher revenue from the sale of semi-custom SoC products and a \$26 million IP licensing gain in Q2 2016 compared to \$7 million in Q1 2016.
- All Other category operating loss was \$11 million compared with \$14 million in Q1 2016 and \$17 million in Q2 2015.

## Recent Highlights

- AMD and NFME [created a joint venture](#) offering differentiated ATMP capabilities to both AMD and a broader range of customers.
- The AMD Board of Directors [appointed Board member John Caldwell as Chairman](#).
- AMD unveiled the Radeon™ RX GPU product lineup based on its new Polaris architecture based on 14nm FinFET technology, enabling generational leaps in energy efficiency and advancing the company's work to bring virtual reality to mainstream consumers.

- AMD announced availability of the [Radeon™ RX 480 graphics card](#), which is designed to deliver premium VR experiences to the largest segment of GPU buyers.
- AMD also [announced](#) the acquisition of software company HiAlgo Inc., a developer of unique PC gaming technologies, which will help drive future gaming innovation in Radeon Software that will benefit owners of Radeon™ RX Series GPUs and beyond.
- AMD launched its [7<sup>th</sup> Generation A-Series APU](#) mobile processors (“Bristol Ridge” and “Stoney Ridge”), designed for powerful productivity and entertainment performance.
  - [AMD 7<sup>th</sup> Generation APUs](#) can be found today in the [HP ENVY x360](#), with new notebook designs from Acer, Asus, Dell, HP, Lenovo, and others expected to become available throughout 2016.
- [AMD conducted](#) the world’s first live public demonstration of its upcoming x86 “Zen” processor core architecture in the next-generation AM4 desktop processor (codenamed “Summit Ridge”).
- AMD extended its leadership in gaming as Microsoft [announced two new AMD-powered game consoles to its Xbox family](#) that enable the next generation of immersive gaming experiences through support for new technologies like HDR, 4K and high fidelity VR. The [Xbox One S](#) will go on sale in early August 2016, while the company’s next-generation Project Scorpio is scheduled to arrive for holiday 2017.
- AMD continued to drive innovation in the professional graphics market with the introduction of the industry’s only hardware-virtualized GPU for blade servers ([AMD FirePro™ S7100X](#)) and the world’s first workstation graphics card with industry-leading 32GB memory support ([AMD FirePro™ W9100 32GB](#)).
- AMD joined with ARM, Huawei, IBM, Mellanox, Qualcomm Technologies and Xilinx to [establish a new, open specification for high-performance, coherent interconnect technology](#) designed to significantly improve compute efficiency for servers running datacenter workloads.
- AMD [released](#) its 21<sup>st</sup> annual corporate responsibility (CR) report detailing the company’s progress toward its social and environmental goals.

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 Q3 2016, AMD expects revenue to increase 18 percent sequentially, plus or minus 3 percent.

For additional details regarding AMD's results and outlook please see the CFO commentary posted at [quarterlyearnings.amd.com](http://quarterlyearnings.amd.com).

### AMD Teleconference

AMD will hold a conference call for the financial community at 2:00 p.m. PDT (5:00 p.m. EDT) today to discuss its second quarter 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](http://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)	Q2-16	Q1-16	Q2-15
<b>GAAP Gross Margin</b>	<b>\$ 319</b>	<b>\$ 269</b>	<b>\$ 232</b>
<b>GAAP Gross Margin %</b>	<b>31%</b>	<b>32%</b>	<b>25%</b>
Technology node transition charge	-	-	33
Stock-based compensation	-	1	1
<b>Non-GAAP Gross Margin</b>	<b>\$ 319</b>	<b>\$ 270</b>	<b>\$ 266</b>
<b>Non-GAAP Gross Margin %</b>	<b>31%</b>	<b>32%</b>	<b>28%</b>

### Reconciliation of GAAP to Non-GAAP Operating Expenses

(Millions)	Q2-16	Q1-16	Q2-15
<b>GAAP operating expenses</b>	<b>\$ 353</b>	<b>\$ 344</b>	<b>\$ 369</b>
Restructuring and other special charges, net	(7)	(3)	-
Stock-based compensation	18	15	16
<b>Non-GAAP operating expenses</b>	<b>\$ 342</b>	<b>\$ 332</b>	<b>\$ 353</b>

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

(Millions)	Q2-16	Q1-16	Q2-15
<b>GAAP operating loss</b>	<b>\$ (8)</b>	<b>\$ (68)</b>	<b>\$ (137)</b>
Technology node transition charge	-	-	33
Restructuring and other special charges, net	(7)	(3)	-
Stock-based compensation	18	16	17
<b>Non-GAAP operating income (loss)</b>	<b>\$ 3</b>	<b>\$ (55)</b>	<b>\$ (87)</b>

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

(Millions except per share amounts)	Q2-16		Q1-16		Q2-15	
<b>GAAP net income (loss) /income (loss) per share</b>	<b>\$ 69</b>	<b>\$ 0.08</b>	<b>\$ (109)</b>	<b>\$ (0.14)</b>	<b>\$ (181)</b>	<b>\$ (0.23)</b>
Technology node transition charge	-	-	-	-	33	0.04
Restructuring and other special charges, net	(7)	(0.01)	(3)	-	-	-
Stock-based compensation	18	0.02	16	0.02	17	0.02
Gain on sale of 85% of ATMP JV	(150)	(0.19)	-	-	-	-
Equity in income (loss) of ATMP JV	3	-	-	-	-	-
Tax provision related to sale of 85% of ATMP JV	27	0.03	-	-	-	-
<b>Non-GAAP net loss/loss per share</b>	<b>\$ (40)</b>	<b>\$ (0.05)</b>	<b>\$ (96)</b>	<b>\$ (0.12)</b>	<b>\$ (131)</b>	<b>\$ (0.17)</b>

## 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 press release contains forward-looking statements concerning Advanced Micro Devices, Inc. ("AMD" or the "Company") including the demand of AMD's semi-custom products, Radeon™ RX GPUs and 7<sup>th</sup> Generation A-Series APUs, the ability of AMD to position itself based on the strength of its products to drive growth and market share gains in the second half of the year; the features, functionality, timing and availability of AMD future products; and AMD's expected third quarter 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 such as "would," "may," "expects," "believes," "plans," "intends," "projects" and other terms with similar meaning. Investors are cautioned that the forward-looking statements in this document 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. Such statements are subject to certain known and unknown risks and uncertainties, many of which are difficult to predict and generally beyond AMD's control, that could cause actual results and other future events to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. 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 GF to manufacture all of its microprocessor and APU products and a certain portion of its GPU products, with limited exceptions. 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 the Secured Revolving Line of Credit impose restrictions on AMD that may adversely affect its ability to operate its business; the completion and impact of the 2015 Restructuring Plan, 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, software and other computer platform components to support its business; if AMD loses Microsoft Corporation's 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'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; 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 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 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, materials or manufacturing processes 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; AMD may incur future impairments of goodwill; 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; and a variety of environmental laws that AMD is subject to could result in additional costs and liabilities. 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 March 26, 2016.

-30-

*AMD, the AMD Arrow logo, Catalyst, FirePro, Radeon, and combinations thereof, are trademarks of Advanced Micro Devices, Inc. ARM is a registered trademark of ARM Limited in the EU and other countries. DirectX, Microsoft and Windows are registered trademarks of Microsoft Corporation in the US and other jurisdictions. Other names are for informational purposes only and used to identify companies and products and may be trademarks of their respective owner.*

- 
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 operating expenses, 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

2016031

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 CFO Commentary.