



Q1 2013 Investor Presentation

CAUTIONARY STATEMENT



This presentation contains forward-looking statements, concerning among other things, AMD's strategic initiatives and growth opportunities, including anticipated future revenue from adjacent markets; industry trends and AMD's alignment to such industry trends; AMD's product strategies; product roadmaps including the timing, features and performance of new product and technology releases, AMD's restructuring actions and the anticipated savings from such actions, and AMD's financial goals for 2013, including operating expenses, capital expenditures, tax and cash balances, ability to return to profitability and achieve positive free cash flow by the second half of 2013, which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act. 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 presentation are based on current beliefs, assumptions and expectations, speak only as of the date of this presentation and involve risks and uncertainties that could cause actual results to differ materially from current expectations. Risks include the possibility that Intel Corporation's pricing, marketing and rebating programs, product bundling, standard setting, new product introductions or other activities may negatively impact the company's plans; that the company will require additional funding and may be unable to raise sufficient capital on favorable terms, or at all; that customers stop buying the company's products or materially reduce their operations or demand for its products; that the company may be unable to develop, launch and ramp new products and technologies in the volumes that are required by the market at mature yields on a timely basis; that the company's third party foundry suppliers will be unable to transition its products to advanced manufacturing process technologies in a timely and effective way or to manufacture its products on a timely basis in sufficient quantities and using competitive process technologies; that the company will be unable to obtain sufficient manufacturing capacity or components to meet demand for our its products or will not fully utilize its projected manufacturing capacity needs at GFs microprocessor manufacturing facilities; that the company's requirements for wafers will be less than the fixed number of wafers that it agreed to purchase from GF or GF encounters problems that significantly reduce the number of functional die the company receives from each wafer; that the company is unable to successfully implement our long-term business strategy; that the company inaccurately estimates the quantity or type of products that its customers will want in the future or will ultimately end up purchasing, resulting in excess or obsolete inventory; that the company is unable to manage the risks related to the use of its third-party distributors and add-in-board (AIB) partners or offer the appropriate incentives to focus them on the sale of its products; that the company may be unable to maintain the level of investment in research and development that is required to remain competitive; that there may be unexpected variations in market growth and demand for its products and technologies in light of the product mix that it may have available at any particular time; that global business and economic conditions will not improve or will worsen; that PC market conditions do not improve or will worsen; that demand for computers will be lower than currently expected; and the effect of political or economic instability, domestically or internationally, on the company's sales or supply chain. Investors are urged to review in detail the risks and uncertainties in the company's Securities and Exchange Commission filings, including but not limited to the Quarterly Report on Form 10-K for the year ended December 29, 2012.

THREE STEPS TO TRANSFORMATION



RESET & RESTRUCTURE Q3'12 - Q1'13



- ▶ \$450M OPEX by Q3 2013
- ▶ Reduce headcount by ~14%
- ▶ Manage cash and Inventory

ACCELERATE & EXECUTE PLAN 2013



- ▶ Execute 2013 roadmap
- ▶ Deliver 2013 financial commitments
- ▶ Return to operating profitability by 2H 2013
- ▶ Achieve positive free cash flow by 2H 2013

TRANSFORM TO WIN 2014 & BEYOND



- ▶ Build leadership IP:
 - Low power
 - Server: x86 & ARM
 - Graphics
- ▶ Transition 40-50% of our business to high growth adjacent markets
 - New client
 - Embedded/Semi-custom
 - Graphics
 - Dense server

NEW CLIENT

- ▶ Ultra low power, ultra thin and tablets
- ▶ Driving leadership with our APU and Graphics IP
- ▶ Over 125 AMD based Windows 8 systems

GRAPHICS

- ▶ Leverage industry leading graphics technology
- ▶ Drive product differential via ongoing investments
- ▶ “Never Settle” campaign

LOW POWER DENSE SERVERS

- ▶ Leveraging our differentiated SeaMicro server fabric
- ▶ Uniquely positioned to offer both x86 and ARM-based 64-bit server solutions

EMBEDDED / SEMI-CUSTOM

- ▶ Targeting APU and graphics IP in embedded devices
 - Gaming, Industrial, Communications
- ▶ First semi-custom APU design win to power Sony PlayStation® 4
- ▶ Target ~20% of AMD revenue by Q4 2013 up from ~5% in Q3 2012

LEADERSHIP PRODUCTS FOR CONSUMERS IN 2013

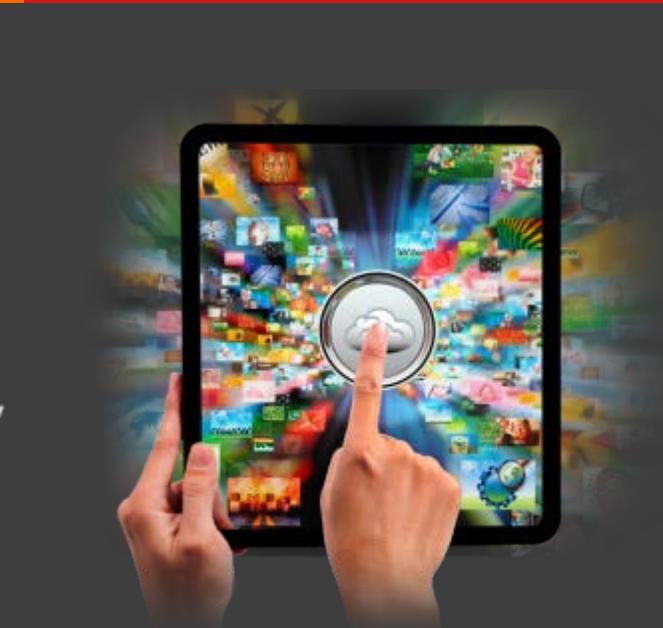


DISCRETE
GRAPHICS
LEADERSHIP

PERFORMANCE
ULTRATHINS &
DESKTOPS

MAINSTREAM
ULTRATHINS &
SMALL PCS

TRUE
PERFORMANCE
TABLETS



“Solar System / Sea Islands”

“Richland” & “Kaveri”

“Kabini”

“Temash”

AMD roadmaps are subject to change without notice.
All product names in quotes are codenames and are for AMD internal use only.



PREMIUM PERFORMANCE AND ADVANCED FEATURES IN THIN AND LIGHT DESIGNS



MAXIMUM COMPUTE AND GRAPHICS



SLEEK DESIGNS



ELITE EXPERIENCES

- ▶ 20 - 40% greater performance than previous generation¹
- ▶ With Greater Battery Life²
- ▶ AMD software innovations
 - AMD Face Login³
 - AMD Screen Mirror⁴
 - AMD Gesture Control⁵



CORE X86 "TRUE SOC" BASED ON NEXT-GEN 28NM "JAGUAR" CORE



- ▶ Successor to AMD's fastest growing low power platforms, "Brazos"
- ▶ Over 50+% performance increase over "Brazos 2.0"¹
- ▶ More cores, higher clock speed and new memory controller that simplifies hybrid and ultrathin notebook designs
- ▶ Over 10 Hours of Battery Life²
- ▶ Working silicon in-house
- ▶ Will launch in 1H'13



THE ELITE MOBILITY PROCESSOR FOR WINDOWS 8



SUPERIOR HD MEDIA



PC GAMING IN A TABLET



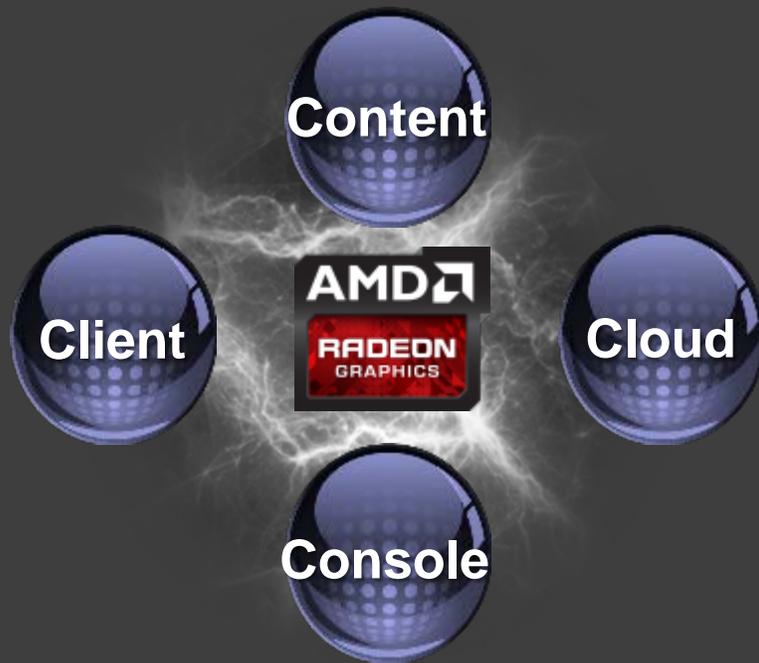
ACCELERATED APPS AND PRODUCTIVITY

▶ New Device Category: Performance Tablet

- **Multi-tasking performance:**
Dual & Quad-Core Options
- **Brilliant HD visuals:**
AMD Radeon™ HD Graphics
- **Application Acceleration**



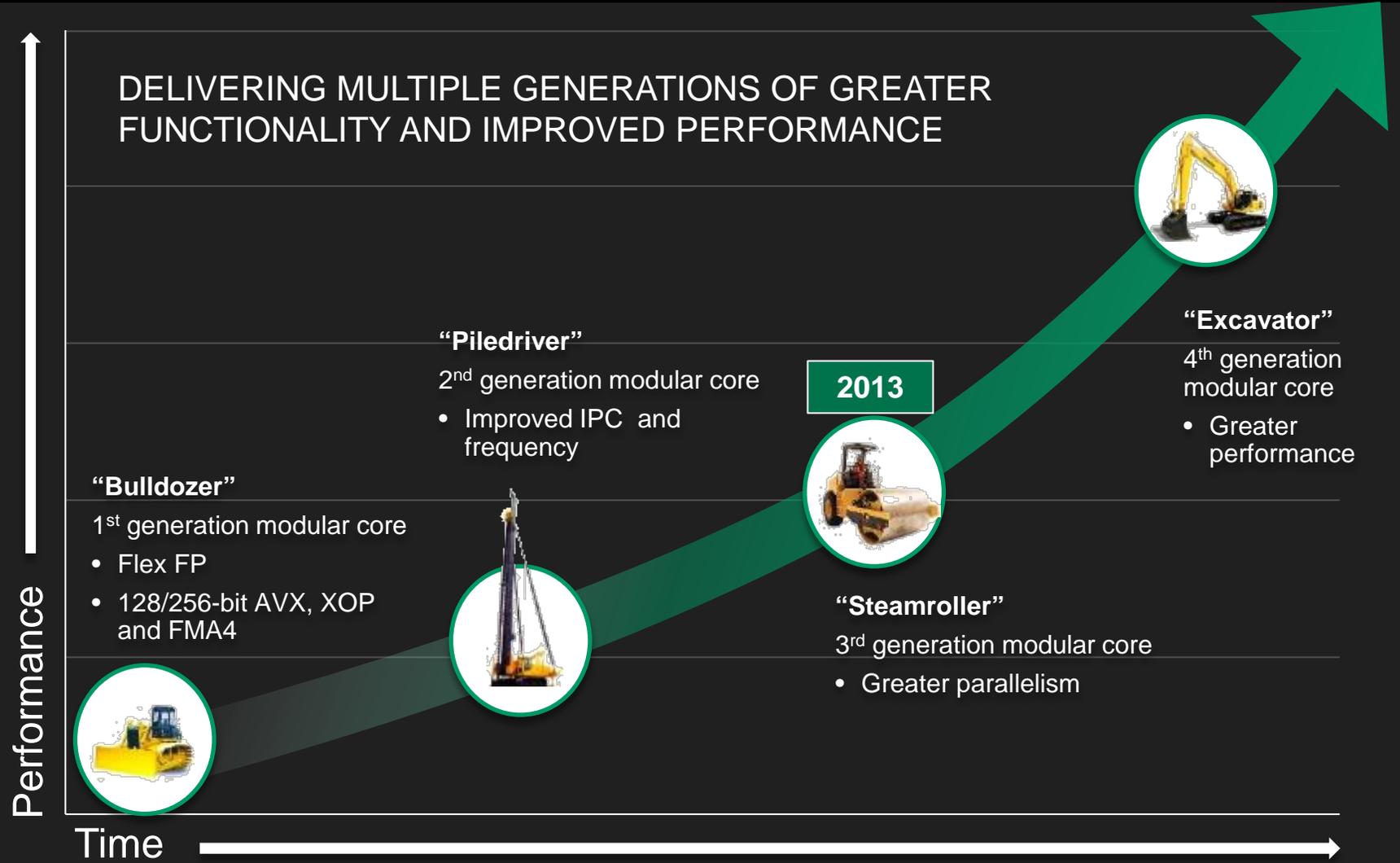
LEADING THE CLOUD THROUGH BEST-IN-CLASS GAMING TECHNOLOGY



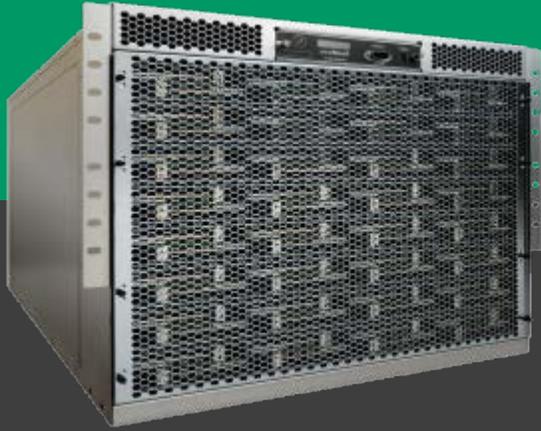
- ▶ “Never Settle” Campaign - Crysis 3, “BioShock Infinite,” “DmC Devil May Cry” and “Tomb Raider” – designed to **run best on AMD** Radeon graphics
- ▶ **Leading in Cloud** through Best-In-Class Gaming Technology with key strategic partnerships — CiiNOW
- ▶ **Gaming Console Graphics Leader:** Powering 3 out of 4 Consoles, including the new Nintendo® Wii U™ and Sony PlayStation® 4
- ▶ Continue to **lead in Performance and Immersive Experience Gaming**, with 2nd Generation Graphics Core Next(GCN)-Powered AMD Radeon™ HD 8000M, fully DirectX® 11.1-capable



LATEST AMD
OPTERON™ 6300
SERIES
PROCESSORS
DELIVER THE
WINNING SOLUTION
FOR VIRTUALIZED
DATA CENTERS AND
HIGH PERFORMANCE
COMPUTING
CLUSTERS



WAYFAIR E-RETAILER ACCELERATES DEVELOPMENT AND CAPABILITIES WITH AMD'S SEAMICRO SERVER



The SeaMicro SM10000-XE™

A PROVEN INDUSTRY-LEADER IN PERFORMANCE-PER-WATT, WITH OVER 80 CUSTOMERS

- 1 SYSTEM, 10 RACK UNITS TALL
- 1/2 THE POWER
- 1/3 THE SPACE
- 12X THE BANDWIDTH TO THE CPU²

“AMD’s SeaMicro server provided immediate CAPEX and OPEX savings, which allowed us to double the amount of compute and actually reduce our space requirements and lower power consumption by 50 percent.¹”

¹ Ben Clark, Director of Software Engineering at Wayfair.

² See Appendix B



LEVERAGING HIGH PERFORMANCE DESIGN METHODOLOGY, APU TECHNOLOGY AND GRAPHICS IP IN HIGH-GROWTH EMBEDDED MARKETS

- ▶ Scaling AMD product capabilities into high growth, highly profitable embedded markets
 - Gaming: casino gaming machines
 - Industrial controls, medical appliances, POS and KIOSK systems, thin client
 - Communication infrastructure, video conferencing, digital signage, set-top-boxes
- ▶ Re-useable IP blocks provide a distinct advantage in embedded markets
- ▶ Success drivers: low power, small size, cost effective
- ▶ Lower volatility due to long design win cycles with often longer revenue cycles





SONY PLAYSTATION® 4

- ▶ AMD develops semi-custom APU to power Sony PlayStation® 4
- ▶ First announced design win based on semi-custom AMD APUs
- ▶ Single-chip custom processor features:
 - CPU : x86-64 AMD "Jaguar", 8 cores
 - GPU : 1.84 TFLOPS, AMD next-generation Radeon™ based graphics engine
- ▶ Supercharged PC architecture that combines next-gen hardware, software, and the fastest game network in the world
- ▶ Semi-custom opportunities lower R&D costs as customer pays for development up front

STRONG MOMENTUM IN LEVERAGING CORE IP INTO FAST-GROWING ADJACENT MARKETS



Q3'12



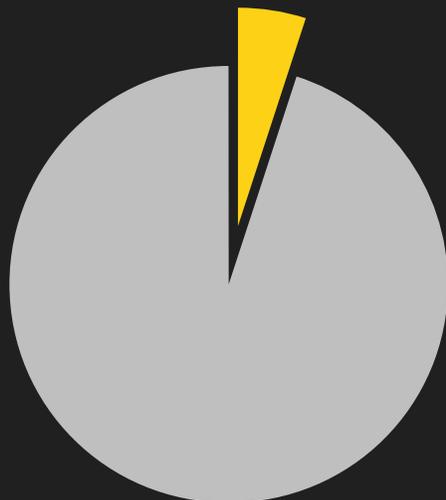
Q4'13



Future



Embedded / semi-custom
5%



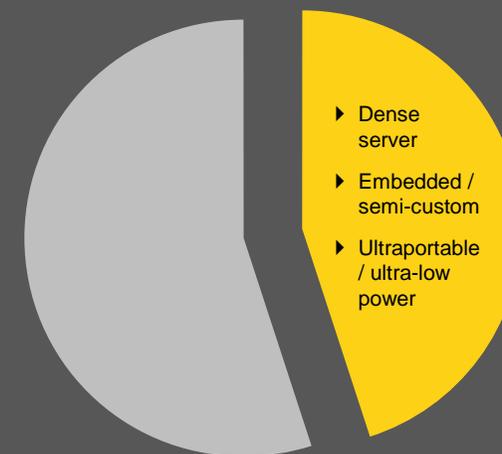
95%
Traditional computing

Embedded / semi-custom
20%



80%
Traditional computing

High growth markets
40-50%



50-60%
Traditional computing

EMBEDDED / SEMI-CUSTOM ON-TRACK TO BE 20% OF REVENUE BY Q4-13

FINANCIAL OVERVIEW



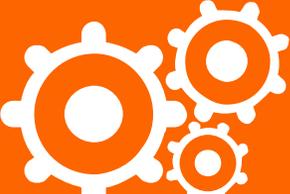
AMD'S FINANCIAL FOCUS



TARGET GROWTH MARKETS
BEYOND PCS WITH
DIFFERENTIATED IP



RE-SET AND REFOCUS
CORPORATION



DRIVE ONGOING OPERATIONAL
EFFICIENCIES



FOCUS ON LIQUIDITY

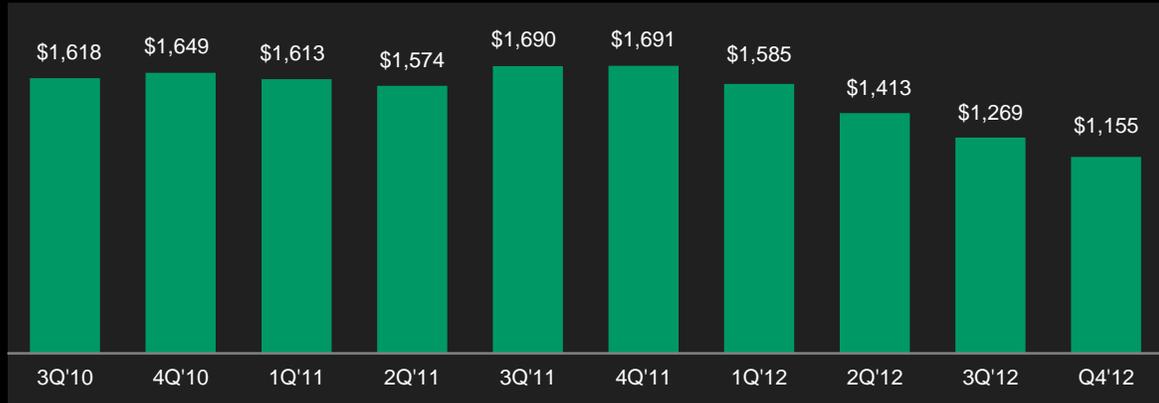


EXECUTE NEW OPERATING
MODEL TO ACHIEVE
PROFITABLE GROWTH

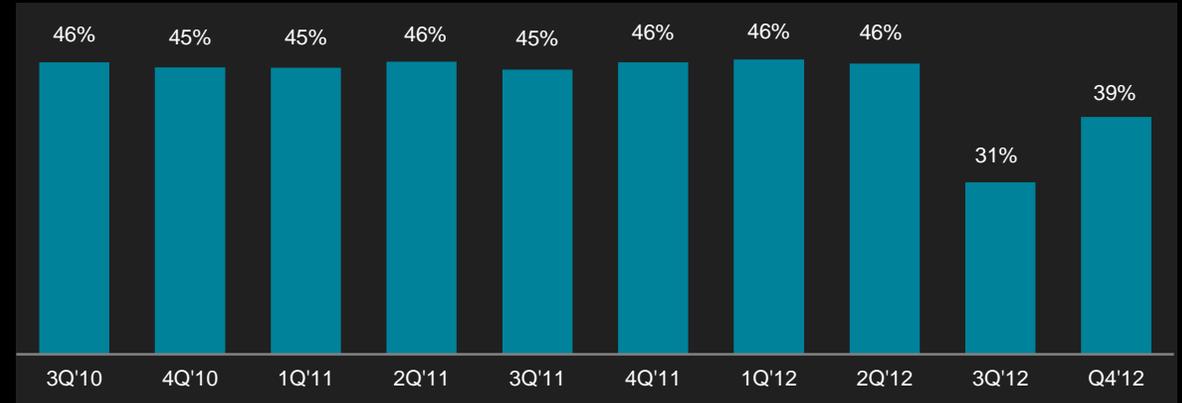
HISTORICAL: FINANCIAL METRICS



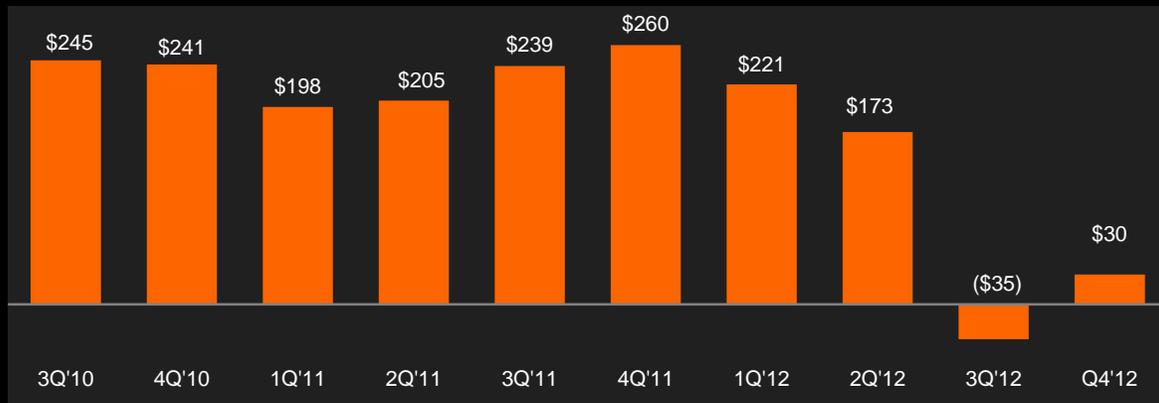
REVENUE



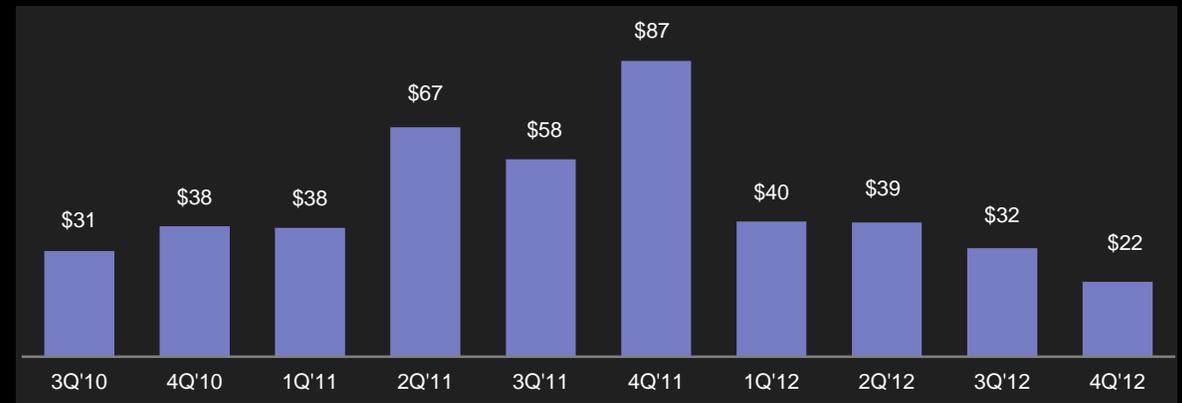
NON GAAP GROSS MARGIN



NON GAAP ADJUSTED EBITDA

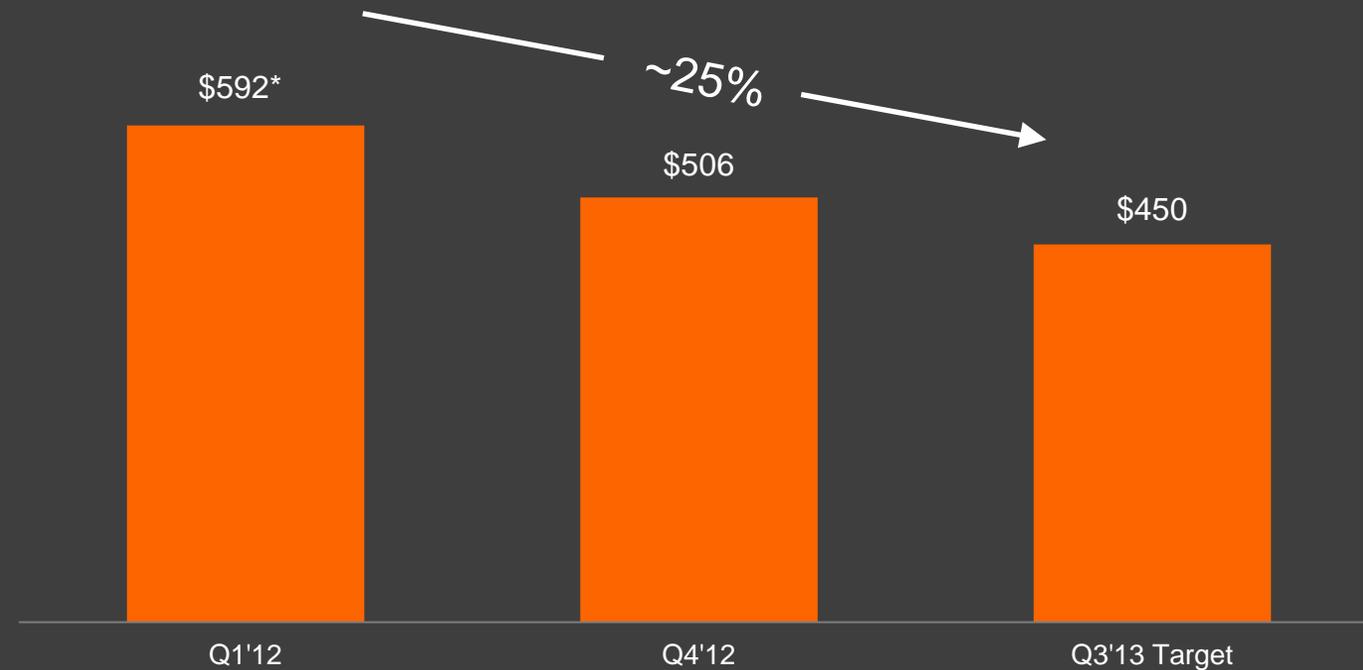


CAPITAL EXPENDITURES



All numbers in millions USD, reported non-GAAP numbers. Q3-12 31% Gross Margin includes \$100 million inventory write-down, which accounted for 8 Gross Margin percentage points. See Appendixes D & E for for GAAP to Non-GAAP Gross Margin and Adjusted EBITDA reconciliation.

NON-GAAP OPEX¹: TODAY AND TARGETED (\$ IN MILLIONS)



KEY RESTRUCTURING ACTIONS

- ▶ ~14% reduction of headcount substantially completed by Q1 2013
- ▶ Site consolidations
- ▶ Re useable IP blocks
- ▶ Organizational restructuring
- ▶ Volume design win focus for better backend economies of scale

EXPECTED TO CREATE A MORE EFFICIENT COST STRUCTURE AND RESULT IN OPERATIONAL SAVINGS OF ~\$190M IN 2013

*See Appendix D for GAAP to Non-GAAP OPEX reconciliation.

WAFER PURCHASES

- ▶ Lowered wafer purchase commitments for Q4 2012 to \$115M
- ▶ Estimates wafers purchases from GF for ~\$1.15B in 2013 and ~\$250M in Q1 2014

R&D REIMBURSEMENT REDUCTIONS

- ▶ Moving to standard 28nm process technology and significantly reducing reimbursements to GF for future research and development costs, a savings of ~\$20M per quarter during the next several years

TERMINATION PAYMENT

- ▶ Termination payment of \$320M to GF associated with the reduced wafer purchase commitments in Q4 2012
- ▶ Payments spread across Q4'12 through Q1'14. (\$80M Q4'12; \$40 Q2'13 and \$200M Q1'14)

AMD AND GF HAVE A SOLID PARTNERSHIP REFLECTED BY SUCCESSFUL WSA RENEGOTIATIONS IN 2011 AND IN 2012

Q4 2012 FINANCIAL RESULTS



	Q3 2012	Q4 2012	Q-to-Q Fav / (Unfav)
Revenue	\$1,269 M	\$1,155 M	\$(114) M
Non-GAAP Gross Margin ^{(1) (2)}	31%	39%	(8%)
Non-GAAP Operating Expenses ⁽¹⁾	\$516 M	\$506 M	\$10 M
Non-GAAP Operating Loss ^{(1) (2)}	\$(124) M	\$(55) M	\$69 M
Cash, Cash Equivalents and Marketable Securities (incl. Long-Term)	\$1,480 M	\$1,183 M	\$(297) M
Inventories, net	\$744 M	\$562 M	\$182 M
Long-term Debt and Capital Lease (incl. Short-Term) ⁽³⁾	\$2,040 M	\$2,042 M	\$(2) M

1 See Appendix C & D for GAAP to Non-GAAP Gross Margin, Operating Expenses and Operating Loss reconciliations.

2 Q3 12 Non-GAAP Gross Margin and Operating Loss include \$100 million inventory write-down. The \$100 million inventory right-down which accounted for 8 Gross Margin percentage points and \$100 million Operating Loss..

3 See Appendix C for Long-Term Debt and Capital Lease reconciliation

FINANCIAL RESET: GOOD PROGRESS IN Q4 2012 WE DID WHAT WE SAID WE WOULD DO!



Progress made in Q4 2012

PROGRESS ON GUIDANCE

- ▶ Sales
- ▶ OPEX
- ▶ Inventory

- ▶ Down 9%, in-line with guidance
- ▶ \$506M, lower than guided
- ▶ \$562M, down \$182M, 25% better than prior quarter

TRANSPARENCY

- ▶ Q4 2012 Restructuring charge
- ▶ Q4 2012 & Q1 2013 Headcount reductions
- ▶ Expense savings

- ▶ As guided, \$90M
- ▶ Down 14%
- ▶ On-track to reach \$450M in Q3 2013

CASH¹ AND LIQUIDITY

- ▶ Optimal cash balance
- ▶ Cash burn

- ▶ \$1.1B optimal and \$700M min cash balances
- ▶ Outlined Q4 2012 GF and restructuring cash payments

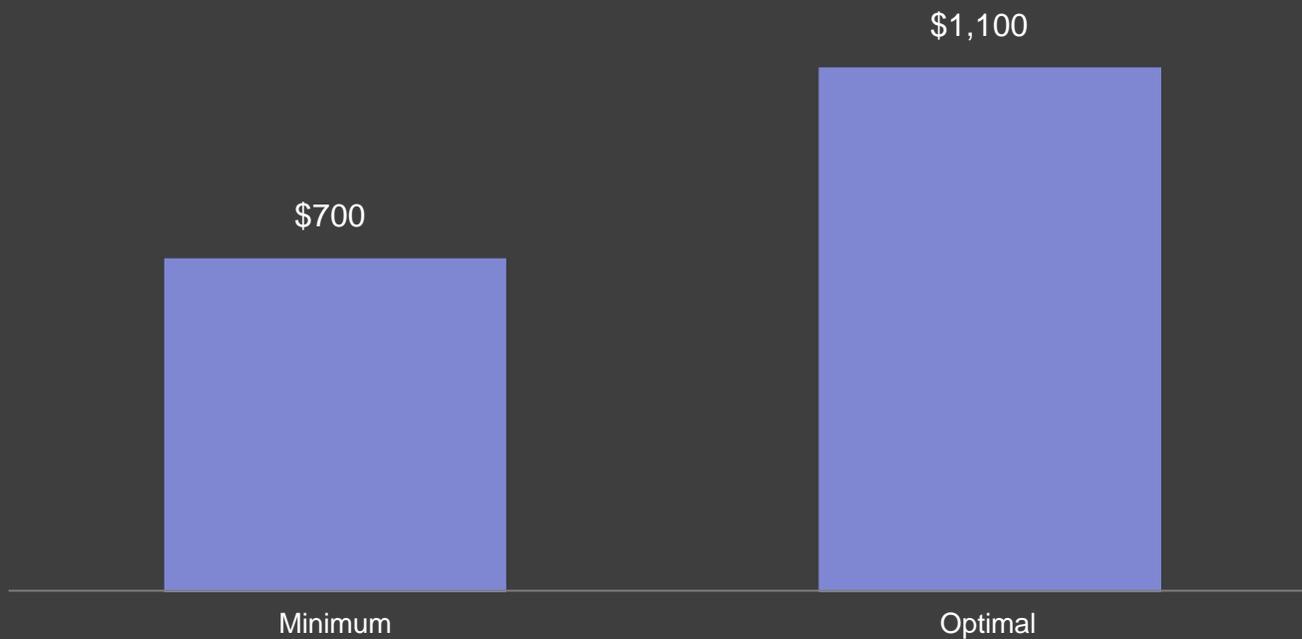
WSA

- ▶ Payments related to future cash burn

- ▶ \$80M take-or-pay and \$50M limited waiver of exclusivity payments in Q4 2012
- ▶ \$175M limited waiver of exclusivity payment in Q1 2013

¹ Cash balance includes: cash, cash equivalents and marketable securities (including long term marketable securities)

CASH¹: MINIMUM AND OPTIMAL BALANCE (\$ IN MILLIONS)



CONSIDERATIONS

- ▶ Q4 2012 cash was \$1.2B - above optimal cash balance of \$1.1B
 - Cash decreased by \$297M in Q4 2012
 - GF and restructuring cash payments totaling \$176M
- ▶ Minimum target cash balance is \$700M
 - Comfortable operating at this level given our current business and operating model
- ▶ ~90% of cash held domestically

¹ Cash balance includes: cash, cash equivalents and marketable securities (including long term marketable securities)

2013 FINANCIAL GOALS



OPEX

▶ Operating expenses to be \$450M in Q3 2013

CAPEX

▶ ~\$150 million

TAX

▶ \$4 million / quarter

FREE CASH FLOW

▶ Positive by 2H 2013

CASH BALANCE¹

▶ Maintain cash balances¹ in the optimal zone of \$1.1 billion for the year and well above the target minimum of \$700 million

PROFITABILITY

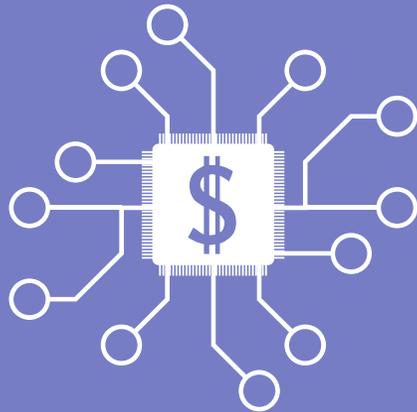
▶ Return to operating profitability by 2H 2013

¹ Cash balance includes: cash, cash equivalents and marketable securities (including long term marketable securities)

DIVERSIFYING
BEYOND THE
TRADITIONAL PC
MARKET



CONTINUING TO
INVEST IN
DIFFERENTIATED
IP



THREE PHASE
TURNAROUND
PLAN EXECUTION



MAINTAIN OPTIMAL
LIQUIDITY



APPENDICES



1 - Testing and projections developed by AMD Performance Labs. The score for the 2012 AMD A10-4600M on 3DMark 11 was 1150 and the 2012 AMD A8-4555M was 780 while the "Richland" 2013 AMD A10-5750M was 1400 and the AMD A8-5545M was 1100. PC configs based on the "Pumori" reference design with the 2012 AMD A10-4600M with Radeon™ HD 7660G graphics, the 2012 AMD A8-4555M with AMD Radeon™ HD 7600G graphics, the 2013 AMD A10-5750M with AMD Radeon™ HD 8650G graphics and the 2013 AMD A8-5545M with AMD Radeon™ 8510G Graphics. All configs used 4G DDR3-1600 (Dual Channel) Memory and Windows 7 Home Premium 64-bit. RIN-1

2 - Based on testing and calculations by AMD Performance Labs, the 2013 AMD A-Series "Richland" platform enables 780 min./13:00 hours of Screen on idle / eReader. Battery life calculations based on a 6 cell Li-Ion 62.16Whr battery pack at 98% utilization. AMD defines "all-day" battery life as 8+ hours of battery life in Windows Idle. Test configuration: "Pumori" reference board, AMD A6-5350M APU with AMD Radeon™ HD 8450G Graphics, 4G DDR3-1600 (Dual Channel) Memory and Windows 7 Home Premium 64-bit, 14" 1366 x 768 eDP Panel / LED Backlight set at 100 nits, HDD (SATA) - 250GB 5400rpm, 62Whr Battery Pack and Windows 7 Home Premium. RIN-5

3 - AMD Face Login: AMD Face Login is designed as a convenient tool to help you log into Windows and many popular web sites quickly. It should not be used to protect your computer and personal information from unwanted access. Only available on upcoming AMD A10 and A8 APUs codenamed "Richland" and upcoming AMD A6 and A4 APUs codenamed "Temash." Requires a webcam, and will only operate on PCs running Windows 7 or Windows 8 operating system and Internet Explorer version 9 or 10. Internet connection is required for website login and use of other online features.

4 - AMD Screen Mirror: AMD Screen Mirror is designed to enable the transmission and display of your PC screen on other compatible networked "mirror" devices. Only available on upcoming AMD A10, A8 and A6 APUs codenamed "Richland" and upcoming AMD A6 and A4 APUs codenamed "Temash." Compatible Digital Media Renderer (DMR) devices are listed on the Digital Living Network Alliance (DLNA) website (<http://www.dlna.org/consumer-home/look-for-dlna/product-search>) with the "Play To' Receiver" feature and must also include H.264 and AAC support. Both PC and DMR device must be connected to a network that will permit content streaming. AMD Screen Mirror supports almost all popular image, audio and video file formats as well as applications showing on your PC screen, but will not mirror protected content. Requires minimum screen resolution of 800x600. Performance may be degraded on networks with limited bandwidth, especially with high definition content.

5 - AMD Gesture Control: AMD Gesture Control is designed to enable gesture recognition as a tool for controlling certain applications on your PC. Only available on upcoming AMD A10 and A8 APUs codenamed "Richland" and upcoming AMD A6 and A4 APUs codenamed "Temash." Requires a web camera, and will only operate on PCs running Windows 7 or Windows 8 operating system. Supported Windows desktop apps include: Windows Media Player, Windows Photo Viewer, Microsoft PowerPoint and Adobe Acrobat Reader. Supported Windows Store apps include: Microsoft Photos, Microsoft Music, Microsoft Reader and Kindle. Performance may be degraded in low lighting or intensely-focused lighting environments.

Kabini

1 - Test conducted in AMD Labs measuring productivity performance with PCMark Vantage. The “Kabini” A6 APU-based system scored 5271 while the “Brazos” APU-based system scored 2807. Kabini” PC config is based off the "Larne" reference design with 2013 AMD A6-5200 APU with AMD Radeon HD 8400 graphics, 4G DDR3 1600, and Windows 8 64bit. “Brazos” PC config is based off the “Renmore” reference design with 2012 AMD E2-1800 APU with AMD Radeon HD 7340 graphics, 4G DDR3 1333 and Windows 7 Ultimate. KBN-3

2 - Test conducted in AMD Labs measuring battery life with Windows 8 idle performance. The “Kabini” A6 APU-based system idled for 604 minutes (10.1 hours). “Kabini” PC config is based off the "Larne" reference design with 2013 AMD A6-5200 with AMD Radeon HD 8400 graphics, 4G DDR3 1600, and Windows 8 64bit. KBN-4

SeaMicro Server

SeaMicro: 1/2 the power or twice the compute per-watt based on a comparison of same throughput achieved by 28 traditional 2P Hex Core 1U Westmere rack servers @ 7300 total watts at 100% utilization and 64 1P SeaMicro servers in a single 10U chassis at 3,550 total watts at 100% utilization, running SPEC_intrate and SPEC_fprate workload. 1/3 the floor space or three times the compute-per-unit space is based on a comparison of 28 1U traditional dual socket hex core servers plus 1RU rack switch and 1RU terminal versus one SeaMicro chassis at 10U. 12X throughput is based on a traditional Dual socket platform with 12 cores (2 socket x six cores) and 2x1GB NICs (2 Gig/12 cores = 167 Mbps bandwidth per core) compared to a SeaMicro single socket server 4 cores and aggregated bandwidth of up to 8 1 Gig NICs for each socket (8 Gig/4 cores = 2Gbps bandwidth per core) $2/167 = 12$. SVR-175

APPENDIX C



Debt and Capital Lease ⁽¹⁾ (Millions)	Q3-12			Q4-12		
	Gross	Discount	Net	Gross	Discount	Net
6.00% Convertible Debt	\$ 580	\$ (27)	\$ 553	\$ 580	\$ (24)	\$ 556
8.125% Senior Debt	500	(37)	463	500	(36)	464
7.75% Senior Debt	500	-	500	500	-	500
7.5% Senior Debt	500	-	500	500	-	500
Total Debt	2,080	(64)	2,016	2,080	(60)	2,020
Capital Lease Obligations	24	-	24	22	-	22
Long Term Debt and Capital Lease	\$2,104	\$ (64)	\$ 2,040	\$2,102	\$ (60)	\$ 2,042

(1) For illustrative purposes we have added back adjustments made to our 6.00% Convertible Senior Notes due 2015 related to the implementation in the first quarter of 2009 of FASB Staff Position Accounting Principles Board No. 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement) (FSP APB 14-1) codified principally in Accounting Standards Codification Topic 470, Debt.

Reconciliation of GAAP to Non-GAAP Operating Loss (Millions)	Q3-12 ⁽¹⁾	Q4-12
GAAP Operating Loss	\$ (131)	\$ (422)
Lower of cost or market charge related to GF take-or-pay obligation	-	(273)
Amortization of acquired intangible assets	(4)	(4)
Restructuring charges, net	(3)	(90)
Non-GAAP Operating Loss	\$ (124)	\$ (55)

APPENDIX E



AMD reconciliation of GAAP operating income (loss) to Adjusted EBITDA (Millions)

	Q3-10	Q4-10	Q1-11	Q2-11	Q3-11	Q4-11	Q1-12	Q2-12	Q3-12	Q4-12
GAAP operating income (loss)	\$ 128	\$ 413	\$ 54	\$ 105	\$ 138	\$ 71	\$ (580)	\$ 77	\$ (131)	\$ (422)
Lower of cost or market charge related to GF take-or-pay obligation										273
Limited waiver of exclusivity from GF	-	-	-	-	-	-	703	-	-	-
Payments to GF	-	-	24	-	-	-	-	-	-	-
Legal settlement	-	(283)	5	-	-	-	-	5	-	-
Depreciation and amortization	79	78	79	71	71	67	62	61	62	62
Employee stock-based compensation expense	22	22	27	20	22	21	21	26	27	23
Amortization of acquired intangible assets	16	11	9	9	8	3	1	4	4	4
Restructuring charges, net	-	-	-	-	-	98	8	-	3	90
SeaMicro acquisition costs	-	-	-	-	-	-	6	-	-	-
Adjusted EBITDA	\$ 245	\$ 241	\$ 198	\$ 205	\$ 239	\$ 260	\$ 221	\$ 173	\$ (35)	\$ 30

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, the Company included certain adjustments presented above. 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.

APPENDIX D



Reconciliation of GAAP to Non-GAAP Gross Margin (Millions, except percentages)

	Q3-10	Q4-10	Q1-11	Q2-11	Q3-11	Q4-11	Q1-12	Q2-12	Q3-12	Q4-12
GAAP Gross Margin	\$ 739	\$ 743	\$ 691	\$ 720	\$ 756	\$ 773	\$ 27	\$ 638	\$ 392	\$ 178
Lower of cost or market charge related to GF take-or-pay obligation	-	-	-	-	-	-	-	-	-	-
GAAP Gross Margin %	46%	45%	43%	46%	45%	46%	2%	45%	31%	15%
Limited waiver of exclusivity from GF	-	-	-	-	-	-	(703)	-	-	-
Payment to GF	-	-	(24)	-	-	-	-	-	-	-
Legal settlements	-	-	(5)	-	-	-	-	(5)	-	-
Non-GAAP Gross Margin	\$ 739	\$ 743	\$ 720	\$ 720	\$ 756	\$ 773	\$ 730	\$ 643	\$ 392	\$ 451
Non-GAAP Gross Margin %	46%	45%	45%	46%	45%	46%	46%	46%	31%	39%

Reconciliation of GAAP to Non-GAAP Operating Expenses (Millions)

	Q1-12	Q3-12	Q4-12
GAAP operating expenses	\$ 607	\$ 523	\$ 600
Amortization of acquired intangible assets	1	4	4
Restructuring charges, net	8	3	90
SeaMicro acquisition costs	6	-	-
Non-GAAP operating expenses	\$ 592	\$ 516	\$ 506

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