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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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**FORM 8-K**

**CURRENT REPORT**  
**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

January 20, 2009  
Date of Report (Date of earliest event reported)

**ADVANCED MICRO DEVICES, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State of Incorporation)

**001-07882**  
(Commission File Number)

**94-1692300**  
(IRS Employer Identification Number)

**One AMD Place**  
**P.O. Box 3453**  
**Sunnyvale, California 94088-3453**  
(Address of principal executive offices) (Zip Code)

**(408) 749-4000**  
(Registrant's telephone number, including area code)

**N/A**  
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 2.02 Results of Operations and Financial Condition.**

**Item 7.01 Regulation FD Disclosure.**

The information in this Report furnished pursuant to Items 2.02 and 7.01, including Exhibit 99.1 attached hereto, shall not be deemed “filed” for the purposes of Section 18 of the Securities and Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section. It may only be incorporated by reference in another filing under the Exchange Act or the Securities Act of 1933, as amended, if such subsequent filing specifically references the information furnished pursuant to Items 2.02 and 7.01 of this Report.

On January 22, 2009, Advanced Micro Devices, Inc. (the “Company”) announced its financial position and results of operations as of and for its fiscal quarter ended December 27, 2008 and for the fiscal year then ended in a press release that is attached hereto as Exhibit 99.1.

To supplement the Company’s financial results presented on a U.S. GAAP (“GAAP”) basis, the Company’s earnings release contains non-GAAP financial measures of non-GAAP net loss, non-GAAP operating loss and non-GAAP gross margin.

To derive non-GAAP net loss for the fourth fiscal quarter of 2008, the Company excluded the loss from discontinued operations, the impairment of goodwill and acquired intangible assets related to the Company’s acquisition of ATI Technologies, Inc. (“ATI”) on October 24, 2006, an incremental write-down of inventory, marketable securities net impairment charges, the amortization of acquired intangible assets and integration and other charges related to the ATI acquisition, certain restructuring charges, The Foundry Company formation costs, and a gain from the Company’s repurchase of debt. To derive non-GAAP net loss for the fourth fiscal quarter of 2007, the Company excluded the loss from discontinued operations, the impairment of goodwill and acquired intangible assets related to the Company’s acquisition of ATI, marketable securities net impairment charges, the amortization of acquired intangible assets and integration and other charges primarily related to the ATI acquisition, the tax benefit from ATI acquisition-related charges and The Foundry Company formation costs. To derive non-GAAP net loss for the third fiscal quarter of 2008, the Company excluded the loss from discontinued operations, the impairment of goodwill and acquired intangible assets related to the Company’s acquisition of ATI, process technology license revenue, marketable securities net impairment charges, the amortization of acquired intangible assets and integration and other charges related to the ATI acquisition, certain restructuring charges and The Foundry Company formation costs.

To derive non-GAAP net loss for the fiscal year of 2008, the Company excluded the loss from discontinued operations, the impairment of goodwill and acquired intangible assets related to the ATI acquisition, an incremental write-down of inventory, process technology license revenue, a gain on sale of 200 millimeter equipment, marketable securities net impairment charges, the amortization of acquired intangible assets and integration and other charges related primarily to the ATI acquisition, certain restructuring charges, The Foundry Company formation costs, and a gain from the Company’s repurchase of debt. To derive non-GAAP net loss for the fiscal year of 2007, the Company excluded the loss from discontinued operations, the impairment of goodwill and acquired intangible assets related to the ATI acquisition, marketable securities net impairment charges, the amortization of acquired intangible assets and integration and other charges related primarily to the ATI acquisition, a tax benefit from ATI acquisition-related charges, The Foundry Company formation costs, cost of fair value adjustment of acquired inventory and debt issuance charges.

To derive non-GAAP operating loss for the fourth fiscal quarter of 2008, the Company excluded the impairment of goodwill and acquired intangible assets related to the ATI acquisition, an incremental write-down of inventory, the amortization of acquired intangible assets and integration and other charges related to the ATI acquisition, certain restructuring charges and The Foundry Company formation costs. To derive non-GAAP operating loss for the fourth fiscal quarter of 2007, the Company excluded the impairment of goodwill and acquired intangible assets related to the ATI acquisition, the amortization of acquired intangible assets and integration and other charges primarily related to the ATI acquisition, and The Foundry Company formation costs. To derive non-GAAP operating loss for the third fiscal quarter of 2008, the Company excluded the impairment of goodwill and acquired intangible assets related to the ATI acquisition, process technology license revenue, the amortization of acquired intangible assets and integration and other charges related to the ATI acquisition, certain restructuring charges and The Foundry Company formation costs.

To derive non-GAAP operating loss for the fiscal year of 2008, the Company excluded the impairment of goodwill and acquired intangible assets related to the ATI acquisition, an incremental write-down of inventory, process technology license revenue, a gain on sale of 200 millimeter equipment, the amortization of acquired intangible assets and integration and other charges related primarily to the ATI acquisition, certain restructuring charges, and The Foundry Company formation costs. To derive non-GAAP operating loss for the fiscal year of 2007, the Company excluded the impairment of goodwill and acquired intangible assets related to the ATI acquisition, the amortization of acquired intangible assets and integration and other charges related primarily to the ATI acquisition, The Foundry Company formation costs and cost of fair value adjustment of acquired inventory.

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To derive non-GAAP gross margin for the fourth fiscal quarter of 2008, the Company excluded an incremental write-down of inventory. To derive non-GAAP gross margin for the third fiscal quarter of 2008, the Company excluded process technology license revenue.

To derive non-GAAP gross margin for the fiscal year of 2008, the Company excluded an incremental write-down of inventory and process technology license revenue. To derive non-GAAP gross margin for the fiscal year of 2007, the Company excluded the cost of fair value adjustment of acquired inventory.

Specifically, these non-GAAP financial measures reflect adjustments based on the following:

Discontinued operations: As part of the Company's strategy of evaluating the viability of its non-core business, the Company previously determined that its Handheld and DTV business units were not directly aligned with its computing and graphics opportunities. Therefore, the Company decided to divest these business units and classify them as discontinued operations in the financial statements presented. During the fourth fiscal quarter of 2008, the Company determined that the discontinued operation classification criteria for the Handheld business unit were no longer met. Accordingly, the results of the Handheld business unit were reclassified from discontinued operations to continuing operations, and prior periods were recast to conform to current period presentation. In the fourth fiscal quarter of 2008, AMD completed the sale of its DTV business unit to Broadcom Corporation for \$141.5 million in cash. In the first fiscal quarter of 2009, AMD completed the sale of technology assets, intellectual property and resources of its Handheld business unit to Qualcomm for \$65 million in cash.

ATI impairment of goodwill and acquired intangible assets: As a result of the Company's goodwill impairment analysis and the analysis of impairment on acquired intangible assets, the Company concluded that a portion of their carrying values were impaired. The Company believes these charges are not indicative on ongoing performance and consequently excluded the effect of these charges from its GAAP net loss and its GAAP operating income (loss).

Incremental write-down of inventory: During the fourth fiscal quarter of 2008, the Company recorded an incremental write-down of inventory when compared to the third fiscal quarter of 2008 due to weak market conditions. The Company excluded this write-down from GAAP net loss, GAAP operating income (loss) and GAAP gross margin for the fourth fiscal quarter of 2008 and the fiscal year of 2008 due to the challenging market conditions.

Process technology license revenue: The Company excluded the effect of this item from its GAAP net loss, operating income (loss) and gross margin for the third fiscal quarter of 2008 and the fiscal year of 2008, as \$191 million is an unusually large amount of technology license revenue for one fiscal quarter.

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**Gain on sale of 200 millimeter equipment:** In the second fiscal quarter of 2008, the Company recognized a gain of \$193 million in connection with sales of certain 200 millimeter wafer fabrication tools. The Company excluded the effect of this item from its GAAP net loss and operating income (loss) for the fiscal year of 2008 as it is not indicative of ongoing operating performance.

**Marketable securities net impairment charges:** For the fourth fiscal quarter of 2008, these charges were comprised of a \$32 million charge consisting of \$20 million related to the Company's investment in Spansion Inc. and \$12 million related to the Company's investment in auction rate securities, offset by an \$11 million gain on a put option on certain auction rate securities. For the third fiscal quarter of 2008, these charges consisted of a \$9 million charge related to the Company's investment in Spansion Inc. For the fourth fiscal quarter of 2007, these charges consisted of a \$69 million charge related to the Company's investment in Spansion Inc. For the fiscal year of 2008 these charges were comprised of \$77 million in charges consisting of \$53 million in charges related to the Company's investment in Spansion, Inc. and \$24 million in charges related to the Company's investment in auction rate securities, offset by an \$11 million gain on a put option on certain auction rate securities. For the fiscal year of 2007 these charges consisted of \$111 million in charges related to the Company's investment in Spansion Inc. The Company excluded the effect of these charges from its GAAP net loss as it is not indicative of ongoing operating performance.

**Amortization of acquired intangible assets, integration and other charges:** The Company incurred significant expenses in connection with the ATI acquisition, which it would not have otherwise incurred and which the Company believes are not indicative of ongoing performance. These primarily consisted of the amortization expense of acquired intangible assets and charges incurred in connection with integrating the two companies. In the fiscal year of 2007, the Company incurred severance charges for workforce reductions as a result of the Company's cost cutting efforts. The Company believes that the exclusion of these amounts enables investors to better evaluate its current operating performance compared with prior periods.

**Restructuring charges:** The restructuring charges relate to restructuring plans implemented by the Company during the second and fourth fiscal quarters of 2008 to reduce its breakeven point. The plans primarily involve the termination of employees. In addition the restructuring plan implemented in the fourth fiscal quarter of 2008 involves additional cost reduction actions that either have taken place during the fourth fiscal quarter of 2008 or will take place in 2009. The restructuring charges for the restructuring plan implemented during the second fiscal quarter of 2008 represent primarily severance and costs related to the continuation of certain employee benefits and the costs related to the termination of a contract. The restructuring charges for the restructuring plan implemented during the fourth fiscal quarter of 2008 represent primarily severance and costs related to the continuation of certain employee benefits, contract or program termination costs, asset impairments and exit costs for facility site consolidations and closures. For the third fiscal quarter of 2008, these restructuring charges totaled \$9 million, and for the fourth fiscal quarter of 2008, restructuring charges were \$50 million. For the fiscal year of 2008 these restructuring charges were \$90 million. The Company excluded the effect of this item from GAAP net loss and operating income (loss) as it is not indicative of ongoing performance.

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Tax benefit from ATI acquisition-related charges: The Company excluded the effect of this item from its GAAP net loss for the fourth fiscal quarter of 2007 and the fiscal year of 2007 as it is not indicative of ongoing performance. The excluded tax benefit relates to the tax credits recognized in connection with the ATI acquisition-related charges.

The Foundry Company formation costs: The Company has incurred certain costs to execute its asset smart strategy to form The Foundry Company joint venture. The Company excluded the effect of these costs from GAAP net loss and GAAP operating (income) loss for the fourth fiscal quarter of 2008, the fourth fiscal quarter of 2007, the third fiscal quarter of 2008, and the fiscal year of 2008 and the fiscal year of 2007 as these costs are not indicative of ongoing operating performance.

Gain on debt buyback: During the fourth fiscal quarter of 2008 the Company repurchased \$60 million of its 6.00% convertible senior notes due 2015 at 34% of par resulting in a gain on the debt buyback of \$39 million. The Company excluded this gain from GAAP net loss for the fourth fiscal quarter of 2008 and the fiscal year of 2008 as it is not indicative of ongoing operating performance.

Cost of fair value adjustment of acquired inventory: The Company incurred these costs in connection with the ATI acquisition which it would not have otherwise incurred and which the Company believes are not indicative of ongoing performance. These costs were excluded from GAAP net loss, GAAP operating income (loss) and GAAP gross margin for the fiscal year of 2007.

Debt issuance charges: These charges relate to the write-off of unamortized debt issuance fees upon redemption of certain Company debt and are not indicative of ongoing performance. These costs were excluded from GAAP net loss for the fiscal year of 2007.

The Company's management believes this non-GAAP presentation will aid investors by presenting current and historical results in a form that makes it easier to compare current period operating results with historical operating results.

In addition, the Company presented "Adjusted EBITDA" in the financial schedules to the earnings release. In the financial schedules, Adjusted EBITDA was determined by adjusting income (loss) from continuing operations for impairment of goodwill and acquired intangible assets, depreciation and amortization, amortization of acquired intangible assets, interest expense and taxes.

Pursuant to the requirements of Regulation G, the Company has provided reconciliations within the press release and financial schedules of these non-GAAP financial measures to the most directly comparable U.S. GAAP financial measures.

The Company calculated and communicated 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.

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 U.S. GAAP operating measure of net income (loss) or U.S. 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.

Management does not intend the presentation of these non-GAAP measures to be considered in isolation or as a substitute for results prepared in accordance with U.S. GAAP. These non-GAAP measures should be read only in conjunction with the Company's consolidated financial statements prepared in accordance with U.S. GAAP.

**Item 8.01 Other Events.**

On January 20, 2009 the Company received a letter from Intel Corporation ("Intel") relating to the 1976 and 2001 Patent Cross License Agreement between the Company and Intel (the "Cross-Licenses"). In the letter, Intel requests a meeting with the Company to discuss whether The Foundry Company qualifies as a licensed "Subsidiary" under the Cross-Licenses, whether the creation of The Foundry Company is a breach of the provisions of one of the Cross-Licenses and whether either the transaction establishing The Foundry Company or the Company's 2006 acquisition of ATI constituted a change of control of the Company under the Cross-Licenses.

The Company strongly believes that The Foundry Company qualifies as a "Subsidiary" under the Cross-Licenses, that the creation of The Foundry Company is not a breach of the provisions of either of the Cross-Licenses and that neither the transaction establishing The Foundry Company nor the Company's acquisition of ATI constituted a change of control of the Company under the Cross-Licenses.

**Additional Information and Where to Find It**

AMD has filed a proxy statement pursuant to which AMD's board of directors is soliciting proxies in connection with seeking AMD stockholder approval of the issuance of AMD shares and warrants pursuant to the Master Transaction Agreement with the Securities and Exchange Commission (the "SEC"). **Investors and security holders are urged to read the proxy statement and other relevant documents filed with the SEC because they contain important information.** The proxy statement is publicly available and AMD anticipates disseminating the proxy statement to its stockholders on or about January 23, 2009. Security holders may obtain a free copy of the proxy statement and other documents filed by AMD with the SEC at the SEC's web site at <http://www.sec.gov>. The proxy statement and other documents may also be obtained free of charge by contacting AMD Investor Relations at [investor.relations@amd.com](mailto:investor.relations@amd.com) or by telephone: (408) 749-4000.

AMD and its executive officers and directors may be deemed to be participants in the solicitation of proxies from AMD's stockholders with respect to the issuance of AMD shares and warrants pursuant to the Master Transaction Agreement. Information regarding such executive officers and directors is included in AMD's Proxy Statement for its 2008 Annual Meeting of Stockholders filed with the SEC on March 14, 2008, which is available free of charge at the SEC's web site at <http://www.sec.gov> and by contacting AMD Investor Relations at [investor.relations@amd.com](mailto:investor.relations@amd.com) or by telephone: (408) 749-4000. Certain executive officers and directors of AMD have interests in the transaction that may differ from the interests of AMD stockholders generally. These interests are described in the proxy statement pursuant to which AMD's board of directors is soliciting proxies in connection with seeking AMD stockholder approval of the issuance of AMD shares and warrants pursuant to the Master Transaction Agreement.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits.

| <u>Exhibit No.</u> | <u>Description</u>                    |
|--------------------|---------------------------------------|
| 99.1               | Press release dated January 22, 2009. |

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: January 22, 2009

ADVANCED MICRO DEVICES, INC.

By: /s/ Faina Medzonsky

Name: Faina Medzonsky

Title: Assistant Secretary

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INDEX TO EXHIBITS

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| <u>Exhibit No.</u> | <u>Description</u>                    |
|--------------------|---------------------------------------|
| 99.1               | Press release dated January 22, 2009. |



## AMD News Release

**EDITORIAL CONTACT:**

Drew Prairie  
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**AMD Reports Fourth Quarter and Annual Results**

SUNNYVALE, Calif. — Jan. 22, 2009 — AMD (NYSE:AMD) today reported fourth quarter 2008 revenue from continuing operations<sup>1</sup> of \$1.162 billion. Fourth quarter 2008 revenue decreased 35 percent compared to the third quarter of 2008 and 33 percent compared to the fourth quarter of 2007. Fourth quarter 2008 revenue was down 28 percent sequentially, excluding third quarter 2008 process technology license revenue of \$191 million.

In the fourth quarter of 2008, AMD reported a net loss of \$1.424 billion, or \$2.34 per share. For continuing operations, fourth quarter 2008 loss was \$1.414 billion, or \$2.32 per share, and the operating loss was \$1.274 billion. The results for continuing operations include an unfavorable impact of \$996 million, or \$1.64 per share as described in the table below. Loss from discontinued operations was \$10 million, or \$0.02 a share.

For the year ended December 27, 2008, AMD achieved revenue of \$5.808 billion. Fiscal 2008 net loss was \$3.098 billion. AMD reported revenue of \$5.858 billion and a net loss of \$3.379 billion for fiscal 2007.

**Reconciliation of GAAP to Non-GAAP Net Loss<sub>1,2,3</sub>**

| (Millions except per share amounts)                                 | Q4-08      |           | Q3-08    |           | Q4-07      |           |
|---|------------|-----------|----------|-----------|------------|-----------|
| GAAP net loss / EPS   | \$ (1,424) | \$ (2.34) | \$ (127) | \$ (0.21) | \$ (1,772) | \$ (3.06) |
| Loss from discontinued operations                                   | (10)       | (0.02)    | (150)    | (0.25)    | (474)      | (0.82)    |
| Income (loss) from continuing operations                            | (1,414)    | (2.32)    | 23       | 0.04      | (1,298)    | (2.24)    |
| ATI impairment of goodwill and acquired intangible assets           | (684)      | (1.12)    | (2)      | —         | (1,132)    | (1.96)    |
| Incremental write-down of inventory                                 | (227)      | (0.37)    | —        | —         | —          | —         |
| Process technology license revenue                                  | —          | —         | 191      | 0.31      | —          | —         |
| Marketable securities net impairment charges                        | (21)       | (0.03)    | (9)      | (0.01)    | (69)       | (0.12)    |
| Amortization of acquired intangibles, integration and other charges | (30)       | (0.05)    | (30)     | (0.05)    | (50)       | (0.09)    |
| Restructuring charges   | (50)       | (0.08)    | (9)      | (0.01)    | —          | —         |
| Tax benefit from ATI acquisition-related charges                    | —          | —         | —        | —         | 46         | 0.08      |
| The Foundry Company formation costs                                 | (23)       | (0.04)    | (4)      | (0.01)    | (3)        | (0.01)    |
| Gain on debt buyback  | 39         | 0.06      | —        | —         | —          | —         |
| Non-GAAP net loss   | \$ (418)   |           | \$ (114) |           | \$ (90)    |           |

<sup>1</sup> During the fourth quarter of 2008, the Company determined that the discontinued operation classification criteria for the Handheld business unit were no longer met. Accordingly, the results of the Handheld business have been reclassified from discontinued operations to continuing operations. Prior periods have been recast to conform to current period.

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**Reconciliation of GAAP to Non-GAAP Operating Income (Loss)<sup>1,2,3</sup>**

| (Millions)  | Q4-08     | Q3-08   | Q4-07     |
|---|-----------|---------|-----------|
| GAAP operating income (loss)  | \$(1,274) | \$122   | \$(1,187) |
| ATI impairment of goodwill and acquired intangible assets           | (684)     | (2)     | (1,132)   |
| Incremental write-down of inventory                                 | (227)     | —       | —         |
| Process technology license revenue                                  | —         | 191     | —         |
| Amortization of acquired intangibles, integration and other charges | (30)      | (30)    | (50)      |
| Restructuring charges   | (50)      | (9)     | —         |
| The Foundry Company formation costs                                 | (23)      | (4)     | (3)       |
| Cost of fair value adjustment of acquired inventory                 | —         | —       | —         |
| Non-GAAP operating loss   | \$ (260)  | \$ (24) | \$ (2)    |

In the third quarter of 2008, AMD had revenue from continuing operations of \$1.797 billion, including process technology license revenue of \$191 million, a net loss of \$127 million, income from continuing operations of \$23 million and operating income of \$122 million. In the fourth quarter of 2007, AMD had revenue from continuing operations of \$1.737 billion, a net loss of \$1.772 billion, a loss from continuing operations of \$1.298 billion and an operating loss of \$1.187 billion.

“Although industry visibility is poor, our priorities remain clear and achievable,” said Dirk Meyer, AMD’s president and CEO. “We remain focused on further reducing our breakeven point through targeted restructuring actions while ensuring we execute our highly-competitive product and technology roadmaps. We made significant progress toward the creation of ‘The Foundry Company’ in the quarter, and anticipate closing the transaction in February. We expect our ongoing restructuring actions and asset smart strategy, combined with the strength of our innovative product offerings, will leave us well positioned for a global market recovery.”

Fourth quarter 2008 gross margin was 23 percent, including a negative impact of 20 percentage points due to a \$227 million incremental write down of inventory due to weak market conditions. Third quarter 2008 gross margin was 51 percent, 45 percent excluding process technology license revenue.

<sup>2</sup> In this press release, in addition to GAAP financial results, AMD has provided non-GAAP financial measures for net loss, operating income (loss) and gross margin. These non-GAAP financial measures exclude certain adjustments as reflected in the tables in this press release. Management believes this non-GAAP presentation makes it easier for investors to compare current and historical period operating results.

<sup>3</sup> Refer to corresponding table at the end of this press release for annual data.

## Reconciliation of GAAP to Non-GAAP Gross Margin<sub>2,3</sub>

| (Millions, except percentages)      | Q4-08  | Q3-08 | Q4-07 |
|-------------------------------------|--------|-------|-------|
| GAAP Gross Margin                   | \$ 272 | \$916 | \$769 |
| GAAP Gross Margin %                 | 23%    | 51%   | 44%   |
| Incremental write-down of inventory | (227)  | —     | —     |
| Process technology license revenue  | —      | 191   | —     |
| Non-GAAP Gross Margin               | \$ 499 | \$725 | \$769 |
| Non-GAAP Gross Margin %*            | 43%    | 45%   | 44%   |

\* For Q3-08 the revenue number used in the gross margin percent calculation excludes \$191 million of process technology license revenue

## Segment Information<sub>3</sub>

| (Millions)   | Q4-08 | vs Q3-08 | vs Q4-07 |
|--|-------|----------|----------|
| <b>Computing Solutions (including process technology license revenue in Q3-08)</b> |       |          |          |
| Revenue  | \$873 | -37%     | -38%     |
| Microprocessor Units   |       | down     | down     |
| Microprocessor Average Selling Prices (ASP)  |       | down     | down     |
| <b>Graphics (including game console royalties)</b>                                 |       |          |          |
| Revenue  | \$270 | -30%     | -8%      |
| Graphic Processor Units  |       | down     | down     |
| Graphic Processor Average Selling Prices (ASP)                                     |       | up       | up       |

## Current Outlook

AMD's outlook statements are based on current expectations of its continuing operations. 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.

In light of the current macroeconomic conditions, very limited visibility and continued corrections in the supply chain, AMD expects first quarter 2009 revenue to decrease from the fourth quarter 2008.

## Additional Highlights

- The formation of 'The Foundry Company' remains on track to close in February. AMD and the [Advanced Technology Investment Company \(ATIC\)](#) obtained clearance from the [Committee on Foreign Investment in the United States \("CFIUS"\)](#), regarding the creation of "The Foundry Company". In addition, the Empire State Development Corporation and the New York Public Authorities Control Board approved the transfer of development incentives from AMD to "The Foundry Company."

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- AMD announced the widespread availability and broad OEM, ISV, channel and system builder support for its 45nm Quad-Core AMD Opteron™ processor. HP, Dell, IBM and Sun Microsystems introduced more than a dozen new systems designed to take advantage of the new Quad-Core AMD Opteron™ processor's superior virtualization performance, energy-efficiency and platform stability. Additionally, Microsoft® selected the new AMD processor for its Windows® Azure™ cloud computing service.
    - o Quad-Core AMD Opteron processor-based servers captured the top VMmark virtualization performance scores for 2-, 4- and 8-socket servers while two-socket servers based on the new processor have achieved the four highest SPECweb2005 scores. SPECweb2005 is a leading performance indicator for Web 2.0 and Cloud Computing environments.
  - AMD Opteron processors now help drive seven of the Top 10 supercomputer systems in the world, including “Jaguar,” the first ever wholly x86-based supercomputer to achieve the petaflop performance milestone.
  - AMD announced the availability of the AMD platform for ultrathin notebooks, codenamed “Yukon”, based on the new AMD Athlon™ Neo processor, ATI Radeon™ X1250 integrated graphics and optional ATI Mobility Radeon™ HD 3410 discrete graphics. The first product offering based on the Yukon platform will be the HP Pavilion dv2 Entertainment Notebook PC, which was named “Best Notebook of CES” by Laptop magazine and is expected to be available in April.
  - AMD launched the “Dragon” platform for desktop PCs, featuring the new AMD Phenom™ II X4 processor. HP, Dell and Alienware plan to offer desktop systems based on the Dragon platform in the first quarter.
  - AMD continued to strengthen its leading-edge mobile graphics portfolio, with the introduction of the ATI Mobility Radeon 4000, the world’s first TeraFLOPS class visual compute power in a notebook. Asus, MSI and Toshiba all introduced new ATI Mobility Radeon 4000-powered laptops. Additionally, Alienware and OCZ both released notebooks utilizing AMD’s CrossfireX™ dual-GPU configurations based on the ATI Radeon HD 3800 series.

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- AMD expanded ATI Radeon™ HD 4800 series with the launch of the ATI Radeon HD 4830, which delivers exceptional game performance and is designed for an expanded PC gaming market segment.
  - AMD announced plans to create, in partnership with OTOY, the “AMD Fusion Render Cloud”, a petaFLOPS-class supercomputer designed to process and electronically distribute HD video and gaming content to thin clients and handheld devices via HTML browsers when completed in the second half of 2009.
  - As part of the Company’s strategy to focus on x86 computing and graphics technologies, AMD completed the sale of its Digital TV (DTV) processor business to Broadcom Corporation for \$141.5 million in cash and the sale of technology assets, intellectual property and resources that formed the basis of its Handheld business to Qualcomm for \$65 million in cash.

#### ***AMD Teleconference***

AMD will hold a conference call for the financial community at 2:00 p.m. PT (5:00 p.m. ET) today to discuss its fourth quarter financial results. AMD will provide a real-time audio broadcast of the teleconference on the Investor Relations page of its Web site at [www.amd.com](http://www.amd.com). The webcast will be available for 10 days after the conference call.

#### ***About AMD***

Advanced Micro Devices (NYSE: AMD) is an innovative technology company dedicated to collaborating with customers and partners to ignite the next generation of computing and graphics solutions at work, home and play. For more information, visit <http://www.amd.com>

#### ***Cautionary Statement***

This release contains forward-looking statements concerning the expected closing of The Foundry Company joint venture and the increased investment by the Mubadala Development Company, first quarter 2009 revenue, and the company’s breakeven goals, restructuring actions, asset smart strategy and its future products and technologies, 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 release are based on current beliefs, assumptions and expectations, speak only as of the date of this release 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

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introductions or other activities targeting the company's business will prevent attainment of the company's current plans; global business and economic conditions will continue in their current state or worsen, resulting in lower than currently expected revenue in the first quarter of 2009 and beyond; the company's Asset Smart strategy will not reach fruition or will be less beneficial than anticipated; the announced transaction for the formation of The Foundry Company and the associated fourth-party investment will not occur as anticipated; demand for computers and consumer electronics products and, in turn, demand for the company's products will be lower than currently expected; customers stop buying the company's products or materially reduce their demand for its products; the company will require additional funding and may not be able to raise funds on favorable terms or at all; the company's restructuring efforts will not be effective; the company will be unable to develop, launch and ramp new products and technologies in the volumes and mix required by the market and at mature yields on a timely basis; there will be unexpected variations in market growth and demand for the company's products and technologies in light of the product mix that it may have available at any particular time or a decline in demand; the company will be unable to transition to advanced manufacturing process technologies in a timely and effective way, consistent with planned capital expenditures; the company will be unable to maintain the level of investment in research and development and capacity that is required to remain competitive; and the company will be unable to obtain sufficient manufacturing capacity or components to meet demand for its products or will under-utilize its microprocessor manufacturing facilities. 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-Q for the quarter ended September 27, 2008.

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**Reconciliation of GAAP to Non-GAAP Net Loss<sub>1,2</sub>**

| (Millions except per share amounts)                                 | Q4-08     |          | Q3-08   |          | Q4-07     |          | 2008      |          | 2007      |          |
|---|-----------|----------|---------|----------|-----------|----------|-----------|----------|-----------|----------|
| GAAP net loss / EPS   | \$(1,424) | \$(2.34) | \$(127) | \$(0.21) | \$(1,772) | \$(3.06) | \$(3,098) | \$(5.10) | \$(3,379) | \$(6.06) |
| Loss from discontinued operations                                   | (10)      | (0.02)   | (150)   | (0.25)   | (474)     | (0.82)   | (684)     | (1.12)   | (551)     | (0.99)   |
| Income (loss) from continuing operations                            | (1,414)   | (2.32)   | 23      | 0.04     | (1,298)   | (2.24)   | (2,414)   | (3.98)   | (2,828)   | (5.07)   |
| ATI impairment of goodwill and acquired intangible assets           | (684)     | (1.12)   | (2)     | —        | (1,132)   | (1.96)   | (1,089)   | (1.79)   | (1,132)   | (2.03)   |
| Incremental write-down of inventory                                 | (227)     | (0.37)   | —       | —        | —         | —        | (227)     | (0.37)   | —         | —        |
| Process technology license revenue                                  | —         | —        | 191     | 0.31     | —         | —        | 191       | 0.31     | —         | —        |
| Gain on sale of 200 millimeter equipment                            | —         | —        | —       | —        | —         | —        | 193       | 0.32     | —         | —        |
| Marketable securities net impairment charges                        | (21)      | (0.03)   | (9)     | (0.01)   | (69)      | (0.12)   | (66)      | (0.11)   | (111)     | (0.20)   |
| Amortization of acquired intangibles, integration and other charges | (30)      | (0.05)   | (30)    | (0.05)   | (50)      | (0.09)   | (137)     | (0.23)   | (254)     | (0.46)   |
| Restructuring charges   | (50)      | (0.08)   | (9)     | (0.01)   | —         | —        | (90)      | (0.15)   | —         | —        |
| Tax benefit from ATI acquisition-related charges                    | —         | —        | —       | —        | 46        | 0.08     | —         | —        | 46        | 0.08     |
| The Foundry Company formation costs                                 | (23)      | (0.04)   | (4)     | (0.01)   | (3)       | (0.01)   | (35)      | (0.06)   | (3)       | (0.01)   |
| Gain on debt buyback  | 39        | 0.06     | —       | —        | —         | —        | 39        | 0.06     | —         | —        |
| Cost of fair value adjustment of acquired inventory                 | —         | —        | —       | —        | —         | —        | —         | —        | (25)      | (0.04)   |
| Debt issuance charges   | —         | —        | —       | —        | —         | —        | —         | —        | (5)       | (0.01)   |
| Non-GAAP net loss   | \$ (418)  |          | \$(114) |          | \$ (90)   |          | \$(1,193) |          | \$(1,344) |          |

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**Reconciliation of GAAP to Non-GAAP Operating Income (Loss)<sub>1,2</sub>**

| (Millions)  | <u>Q4-08</u> | <u>Q3-08</u> | <u>Q4-07</u> | <u>2008</u> | <u>2007</u> |
|---|--------------|--------------|--------------|-------------|-------------|
| GAAP operating income (loss)  | \$ (1,274)   | \$ 122       | \$ (1,187)   | \$ (1,955)  | \$ (2,310)  |
| ATI impairment of goodwill and acquired intangible assets           | (684)        | (2)          | (1,132)      | (1,089)     | (1,132)     |
| Incremental write-down of inventory                                 | (227)        | —            | —            | (227)       | —           |
| Process technology license revenue                                  | —            | 191          | —            | 191         | —           |
| Gain on sale of 200 millimeter equipment                            | —            | —            | —            | 193         | —           |
| Amortization of acquired intangibles, integration and other charges | (30)         | (30)         | (50)         | (137)       | (254)       |
| Restructuring charges   | (50)         | (9)          | —            | (90)        | —           |
| The Foundry Company formation costs                                 | (23)         | (4)          | (3)          | (35)        | (3)         |
| Cost of fair value adjustment of acquired inventory                 | —            | —            | —            | —           | (25)        |
| Non-GAAP operating loss   | \$ (260)     | \$ (24)      | \$ (2)       | \$ (761)    | \$ (896)    |

**Reconciliation of GAAP to Non-GAAP Gross Margin<sub>2</sub>**

| (Millions, except percentages)                      | <u>Q4-08</u> | <u>Q3-08</u> | <u>Q4-07</u> | <u>2008</u> | <u>2007</u> |
|---|--------------|--------------|--------------|-------------|-------------|
| GAAP Gross Margin                                   | \$ 272       | \$ 916       | \$ 769       | \$ 2,320    | \$ 2,189    |
| GAAP Gross Margin %                                 | 23%          | 51%          | 44%          | 40%         | 37%         |
| Incremental write-down of inventory                 | (227)        | —            | —            | (227)       | —           |
| Process technology license revenue                  | —            | 191          | —            | 191         | —           |
| Cost of fair value adjustment of acquired inventory | —            | —            | —            | —           | (25)        |
| Non-GAAP Gross Margin                               | \$ 499       | \$ 725       | \$ 769       | \$ 2,356    | \$ 2,214    |
| Non-GAAP Gross Margin %*                            | 43%          | 45%          | 44%          | 42%         | 38%         |

\* For Q3-08 and fiscal year 2008, the revenue number used in the gross margin percent calculation excludes \$191 million of process technology license revenue

**Segment Information**

| (Millions)   | <u>Q4-08</u> | <u>vs Q3-08</u> | <u>vs Q4-07</u> | <u>2008</u> | <u>vs 2007</u> |
|--|--------------|-----------------|-----------------|-------------|----------------|
| <b>Computing Solutions (including process technology license revenue in Q3-08)</b> |              |                 |                 |             |                |
| Revenue  | \$ 873       | -37%            | -38%            | \$ 4,559    | -3%            |
| Microprocessor Units   |              | down            | down            |             | down           |
| Microprocessor Average Selling Prices (ASP)  |              | down            | down            |             | down           |
| <b>Graphics (including game console royalties)</b>                                 |              |                 |                 |             |                |
| Revenue  | \$ 270       | -30%            | -8%             | \$ 1,165    | 17%            |
| Graphic Processor Units  |              | down            | down            |             | up             |
| Graphic Processor Average Selling Prices (ASP)                                     |              | up              | up              |             | up             |



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

|  | Quarter Ended                   |                                  |                                 | Year Ended                      |                                  |
|--|---------------------------------|----------------------------------|---------------------------------|---------------------------------|----------------------------------|
|  | Dec. 27,<br>2008<br>(Unaudited) | Sept. 27,<br>2008<br>(Unaudited) | Dec. 29,<br>2007<br>(Unaudited) | Dec. 27,<br>2008<br>(Unaudited) | Dec. 29,<br>2007*<br>(Unaudited) |
| Net revenue  | \$ 1,162                        | \$ 1,797                         | \$ 1,737                        | \$ 5,808                        | \$ 5,858                         |
| Cost of sales  | 890                             | 881                              | 968                             | 3,488                           | 3,669                            |
| Gross margin   | 272                             | 916                              | 769                             | 2,320                           | 2,189                            |
| Gross margin %   | 23%                             | 51%                              | 44%                             | 40%                             | 37%                              |
| Research and development   | 465                             | 438                              | 455                             | 1,848                           | 1,771                            |
| Marketing, general and administrative  | 317                             | 315                              | 319                             | 1,304                           | 1,360                            |
| Amortization of acquired intangible assets and integration charges                       | 30                              | 30                               | 50                              | 137                             | 236                              |
| Impairment of goodwill and acquired intangible assets                                    | 684                             | 2                                | 1,132                           | 1,089                           | 1,132                            |
| Restructuring charges  | 50                              | 9                                | —                               | 90                              | —                                |
| Gain on sale of 200 millimeter equipment   | —                               | —                                | —                               | (193)                           | —                                |
| <b>Operating income (loss)</b>   | <b>(1,274)</b>                  | <b>122</b>                       | <b>(1,187)</b>                  | <b>(1,955)</b>                  | <b>(2,310)</b>                   |
| Interest income  | 7                               | 7                                | 19                              | 39                              | 73                               |
| Interest expense   | (89)                            | (87)                             | (95)                            | (366)                           | (367)                            |
| Other income (expense), net  | 37                              | (4)                              | 1                               | 22                              | (7)                              |
| Income (loss) from continuing operations before minority interest, equity in net loss of |                                 |                                  |                                 |                                 |                                  |
| Spanion Inc. and other and income taxes  | (1,319)                         | 38                               | (1,262)                         | (2,260)                         | (2,611)                          |
| Minority interest in consolidated subsidiaries   | (6)                             | (7)                              | (9)                             | (33)                            | (35)                             |
| Equity in net loss of Spanion Inc. and other   | (20)                            | (9)                              | (69)                            | (53)                            | (155)                            |
| Income (loss) from continuing operations before income taxes                             | (1,345)                         | 22                               | (1,340)                         | (2,346)                         | (2,801)                          |
| Provision (benefit) for income taxes   | 69                              | (1)                              | (42)                            | 68                              | 27                               |
| Income (loss) from continuing operations   | \$ (1,414)                      | \$ 23                            | \$ (1,298)                      | \$ (2,414)                      | \$ (2,828)                       |
| Income (loss) from discontinued operations, net of tax                                   | (10)                            | (150)                            | (474)                           | (684)                           | (551)                            |
| <b>Net income (loss)</b>   | <b>\$ (1,424)</b>               | <b>\$ (127)</b>                  | <b>\$ (1,772)</b>               | <b>\$ (3,098)</b>               | <b>\$ (3,379)</b>                |
| <b>Net income (loss) per common share</b>  |                                 |                                  |                                 |                                 |                                  |
| Basic and diluted  |                                 |                                  |                                 |                                 |                                  |
| Continuing operations  | \$ (2.32)                       | \$ 0.04                          | \$ (2.24)                       | \$ (3.98)                       | \$ (5.07)                        |
| Discontinued operations  | \$ (0.02)                       | \$ (0.25)                        | \$ (0.82)                       | \$ (1.12)                       | \$ (0.99)                        |
| Basic and diluted net income (loss) per common share                                     | \$ (2.34)                       | \$ (0.21)                        | \$ (3.06)                       | \$ (5.10)                       | \$ (6.06)                        |
| Shares used in per share calculation   |                                 |                                  |                                 |                                 |                                  |
| Basic and diluted  | 609                             | 608                              | 579                             | 607                             | 558                              |

\* Amounts for the year ended December 29, 2007 were derived from the December 29, 2007 audited financial statements, adjusted for discontinued operations.

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

|  | Dec. 27,<br>2008<br>(Unaudited) | Dec. 29,<br>2007* |
|--|---------------------------------|-------------------|
| <b>Assets</b>  |                                 |                   |
| Current assets:  |                                 |                   |
| Cash, cash equivalents and marketable securities                   | \$ 1,096                        | \$ 1,889          |
| Accounts receivable, net   | 320                             | 640               |
| Inventories  | 656                             | 810               |
| Prepaid expenses and other current assets                          | 279                             | 401               |
| Deferred income taxes  | 28                              | 64                |
| Assets of discontinued operations                                  | —                               | 759               |
| Total current assets   | <u>2,379</u>                    | <u>4,563</u>      |
| Property, plant and equipment, net                                 | 4,296                           | 4,716             |
| Goodwill   | 323                             | 1,286             |
| Acquisition related intangible assets, net                         | 168                             | 465               |
| Other assets   | 509                             | 520               |
| <b>Total Assets</b>  | <u>\$ 7,675</u>                 | <u>\$11,550</u>   |
| <b>Liabilities and Stockholders' Equity (Deficit)</b>              |                                 |                   |
| Current liabilities:   |                                 |                   |
| Accounts payable   | \$ 631                          | \$ 1,009          |
| Accrued compensation and benefits                                  | 162                             | 186               |
| Accrued liabilities  | 785                             | 821               |
| Deferred income on shipments to distributors                       | 50                              | 101               |
| Current portion of long-term debt and capital lease obligations    | 286                             | 238               |
| Other short-term obligations                                       | 86                              | —                 |
| Other current liabilities  | 226                             | 270               |
| Total current liabilities  | <u>2,226</u>                    | <u>2,625</u>      |
| Deferred income taxes  | 91                              | 6                 |
| Long-term debt and capital lease obligations, less current portion | 4,702                           | 5,031             |
| Other long-term liabilities  | 569                             | 633               |
| Minority interest in consolidated subsidiaries                     | 169                             | 265               |
| Stockholders' equity (deficit):                                    |                                 |                   |
| Capital stock:   |                                 |                   |
| Common stock, par value  | 6                               | 6                 |
| Capital in excess of par value                                     | 6,002                           | 5,921             |
| Retained earnings (deficit)  | (6,198)                         | (3,100)           |
| Accumulated other comprehensive income                             | 108                             | 163               |
| Total stockholders' equity (deficit)                               | <u>(82)</u>                     | <u>2,990</u>      |
| <b>Total Liabilities and Stockholders' Equity (Deficit)</b>        | <u>\$ 7,675</u>                 | <u>\$11,550</u>   |

\* Amounts for the year ended December 29, 2007 were derived from the December 29, 2007 audited financial statements, adjusted for discontinued operations.

ADVANCED MICRO DEVICES, INC.  
**SELECTED CORPORATE DATA (1)**  
(Unaudited)  
(Millions except headcount and percentages)

|  | Quarter Ended    |                   |                  | Year Ended       |                  |
|--|------------------|-------------------|------------------|------------------|------------------|
|  | Dec. 27,<br>2008 | Sept. 27,<br>2008 | Dec. 29,<br>2007 | Dec. 27,<br>2008 | Dec. 29,<br>2007 |
| <b>Segment Information from Continuing Operations</b>                              |                  |                   |                  |                  |                  |
| Computing Solutions (2)  |                  |                   |                  |                  |                  |
| Net revenue  | \$ 873           | \$ 1,391          | \$ 1,402         | \$ 4,559         | \$ 4,702         |
| Operating income (loss)  | \$ (431)         | \$ 143            | \$ 10            | \$ (461)         | \$ (712)         |
| Graphics (3)   |                  |                   |                  |                  |                  |
| Net revenue  | 270              | 385               | 295              | 1,165            | 992              |
| Operating income (loss)  | (10)             | 47                | 15               | 12               | (39)             |
| All Other (4)  |                  |                   |                  |                  |                  |
| Net revenue  | 19               | 21                | 40               | 84               | 164              |
| Operating income (loss)  | (833)            | (68)              | (1,212)          | (1,506)          | (1,559)          |
| <b>Total from Continuing Operations</b>  |                  |                   |                  |                  |                  |
| Net revenue  | \$ 1,162         | \$ 1,797          | \$ 1,737         | \$ 5,808         | \$ 5,858         |
| Operating income (loss)  | \$ (1,274)       | \$ 122            | \$ (1,187)       | \$ (1,955)       | \$ (2,310)       |
| <b>Revenue Reconciliation</b>  |                  |                   |                  |                  |                  |
| Revenue from continuing operations   | \$ 1,162         | \$ 1,797          | \$ 1,737         | \$ 5,808         | \$ 5,858         |
| Revenue from discontinued operations   | 8                | 23                | 33               | 73               | 155              |
| Total revenue  | \$ 1,170         | \$ 1,820          | \$ 1,770         | \$ 5,881         | \$ 6,013         |
| <b>Components of Discontinued Operations</b>                                       |                  |                   |                  |                  |                  |
| Operating income (loss)  | \$ (10)          | \$ (15)           | \$ 2             | \$ (74)          | \$ (75)          |
| Impairment of goodwill and acquired intangible assets                              | —                | (135)             | (476)            | (609)            | (476)            |
| Restructuring charges  | —                | —                 | —                | (1)              | —                |
| Total loss from discontinued operations  | \$ (10)          | \$ (150)          | \$ (474)         | \$ (684)         | \$ (551)         |
| <b>Other Data</b>  |                  |                   |                  |                  |                  |
| Depreciation & amortization (excluding amortization of acquired intangible assets) | \$ 271           | \$ 266            | \$ 272           | \$ 1,068         | \$ 1,030         |
| Capital additions  | \$ 112           | \$ 83             | \$ 264           | \$ 621           | \$ 1,683         |
| Adjusted EBITDA (5)  | \$ (271)         | \$ 406            | \$ 206           | \$ 313           | \$ (64)          |
| <b>Headcount</b>   | 14,652           | 15,460            | 16,420           | 14,652           | 16,420           |

- Comparative amounts adjusted for discontinued operations except for headcount data.
- Computing Solutions segment includes microprocessors, chipsets and embedded processors. For the year ended December 27, 2008, the operating loss includes a \$193M gain on the sale of 200 mm equipment. For the quarter ended Sept. 27, 2008 and year ended December 27, 2008, net revenue includes \$191M in technology license revenue.
- Graphics segment includes graphics, video and multimedia products developed for use in desktop and notebook computers, including home media PCs, professional workstations and servers. Starting in the quarter ended June 28, 2008 this segment also includes royalties received in connection with the sale of game console systems that incorporate the Company's graphics technology. Prior periods have been recast to conform to current period presentation.
- All Other category includes employee stock-based compensation expense and certain operating expenses and credits that are not allocated to the operating segments. Also included in this category are charges for the impairment of goodwill and acquired intangible assets, amortization of acquired intangible assets and integration, restructuring, severance; The Foundry Company formation costs; and the cost of fair value adjustment of acquired inventory. Details of these significant items are shown below. Starting in the quarter ended December 27, 2008, the All Other category includes the results of our Handheld business. Prior periods have been recast to conform to current period presentation.

**Significant items in All Other**

|  | Quarter Ended |              |                 | Year Ended      |                 |
|--|---------------|--------------|-----------------|-----------------|-----------------|
|  | Q408          | Q308         | Q407            | FY08            | FY07            |
| Impairment of goodwill and acquired intangible assets              | \$ 684        | \$ 2         | \$ 1,132        | \$ 1,089        | \$ 1,132        |
| Amortization of acquired intangible assets and integration charges | 30            | 30           | 50              | 137             | 236             |
| Restructuring charges  | 50            | 9            | —               | 90              | —               |
| The Foundry Company formation costs                                | 23            | —            | —               | 23              | —               |
| Cost of fair value adjustment of acquired inventory                | —             | —            | —               | —               | 25              |
| Severance charges  | —             | —            | —               | —               | 18              |
|  | <u>\$ 787</u> | <u>\$ 41</u> | <u>\$ 1,182</u> | <u>\$ 1,339</u> | <u>\$ 1,411</u> |

**Employee stock-based compensation expense:**

|                                       | Quarter Ended |              |              | Year Ended   |               |
|---------------------------------------|---------------|--------------|--------------|--------------|---------------|
|                                       | Q408          | Q308         | Q407         | FY08         | FY07          |
| Cost of sales                         | \$ 2          | \$ 2         | \$ 5         | \$ 10        | \$ 11         |
| Research and development              | 10            | 10           | 11           | 44           | 50            |
| Marketing, general and administrative | 8             | 7            | 10           | 23           | 48            |
|                                       | <u>\$ 20</u>  | <u>\$ 19</u> | <u>\$ 26</u> | <u>\$ 77</u> | <u>\$ 109</u> |

(5) **Reconciliation of income (loss) from continuing operations to Adjusted EBITDA\***

|   | Quarter Ended |       |           | Year Ended |           |
|---|---------------|-------|-----------|------------|-----------|
|   | Q408          | Q308  | Q407      | FY08       | FY07      |
| Income (loss) from continuing operations              | \$(1,414)     | \$ 23 | \$(1,298) | \$(2,414)  | \$(2,828) |
| Impairment of goodwill and acquired intangible assets | 684           | 2     | 1,132     | 1,089      | 1,132     |
| Depreciation and amortization                         | 271           | 266   | 272       | 1,068      | 1,030     |
| Amortization of acquired intangible assets            | 30            | 29    | 47        | 136        | 208       |
| Interest expense                                      | 89            | 87    | 95        | 366        | 367       |

|                                      |                 |               |               |               |                |
|--------------------------------------|-----------------|---------------|---------------|---------------|----------------|
| Provision (benefit) for income taxes | 69              | (1)           | (42)          | 68            | 27             |
| Adjusted EBITDA                      | <u>\$ (271)</u> | <u>\$ 406</u> | <u>\$ 206</u> | <u>\$ 313</u> | <u>\$ (64)</u> |

\* The Company defines Adjusted EBITDA as income (loss) from continuing operations adjusted for impairment of goodwill and acquired intangible assets, depreciation and amortization, amortization of acquired intangible assets, interest expense and taxes. The Company calculates and communicates Adjusted EBITDA because management believes it is of interest to investors and lenders in relation to its overall capital structure and its ability to borrow additional funds. 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 U.S. GAAP operating measure of net income (loss) or U.S. 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.