

Reconciliation of GAAP to Non-GAAP Gross Margin

(Millions except percentages)	Q4-13	Q3-13	Q4-12	2013	2012
GAAP Gross Margin	\$ 553	\$ 521	\$ 178	\$ 1,978	\$ 1,235
GAAP Gross Margin %	35%	36%	15%	37%	23%
Lower of cost or market charge related to GF take-or-pay obligation	-	-	273	-	273
Limited waiver of exclusivity from GF	-	-	-	-	703
Legal settlements, net	-	-	-	-	5
Non-GAAP Gross Margin	\$ 553	\$ 521	\$ 451	\$ 1,978	\$ 2,216
Non-GAAP Gross Margin %	35%	36%	39%	37%	41%

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

(Millions)	Q4-13	Q3-13	Q4-12	2013	2012
GAAP operating income (loss)	\$ 135	\$ 95	\$ (422)	\$ 103	\$ (1,056)
Amortization of acquired intangible assets	4	5	4	18	14
Restructuring and other special charges (gains), net	-	(22)	90	30	100
Legal settlements, net	(48)	-	-	(48)	5
Limited waiver of exclusivity from GF	-	-	-	-	703
Lower of cost or market charge related to GF take-or-pay obligation	-	-	273	-	273
SeaMicro acquisition costs	-	-	-	-	6
Non-GAAP operating income (loss)	\$ 91	\$ 78	\$ (55)	\$ 103	\$ 45

Reconciliation of GAAP to Non-GAAP Net Income (Loss)

(Millions except per share amounts)	Q4-13		Q3-13		Q4-12	
GAAP net income (loss) / Earnings (loss) per share	\$ 89	\$ 0.12	\$ 48	\$ 0.06	\$ (473)	\$ (0.63)
Amortization of acquired intangible assets	4	-	5	0.01	4	0.01
Restructuring and other special charges (gains), net	-	-	(22)	(0.03)	90	0.12
Legal settlements, net	(48)	(0.06)	-	-	-	-
Limited waiver of exclusivity from GF	-	-	-	-	-	-
Lower of cost or market charge related to GF take-or-pay obligation	-	-	-	-	273	0.37
SeaMicro acquisition costs	-	-	-	-	-	-
Tax benefit related to SeaMicro acquisition	-	-	-	-	-	-
Impairment charge on certain marketable securities	-	-	-	-	4	-
Non-GAAP net income (loss) / Earnings (loss) per share	\$ 45	\$ 0.06	\$ 31	\$ 0.04	\$ (102)	\$ (0.14)

Reconciliation of GAAP to Non-GAAP Gross Margin

(Millions except percentages)	Q4-13	Q3-13	Q4-12	2013	2012
GAAP Gross Margin	\$ 553	\$ 521	\$ 178	\$ 1,978	\$ 1,235
GAAP Gross Margin %	35%	36%	15%	37%	23%
Lower of cost or market charge related to GF take-or-pay obligation	-	-	273	-	273
Limited waiver of exclusivity from GF	-	-	-	-	703
Legal settlements, net	-	-	-	-	5
Non-GAAP Gross Margin	\$ 553	\$ 521	\$ 451	\$ 1,978	\$ 2,216
Non-GAAP Gross Margin %	35%	36%	39%	37%	41%

Reconciliation of GAAP to Non-GAAP Operating Expenses

(Millions)	Q4-13	Q3-13	Q2-13	Q1-13	Q4-12	Q3-12	Q2-12	Q1-12
GAAP operating expenses	\$ 418	\$ 426	\$ 488	\$ 543	\$ 600	\$ 523	\$ 561	\$ 607
Amortization of acquired intangible assets	4	5	4	5	4	4	4	1
Restructuring and other special charges (gains), net	-	(22)	5	47	90	3	-	8
Legal settlements, net	(48)	-	-	-	-	-	-	-
SeaMicro acquisition costs	-	-	-	-	-	-	-	6
Non-GAAP operating expenses	\$ 462	\$ 443	\$ 479	\$ 491	\$ 506	\$ 516	\$ 557	\$ 592

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

(Millions)	Q4-13	Q3-13	Q4-12	2013	2012
GAAP operating income (loss)	\$ 135	\$ 95	\$ (422)	\$ 103	\$ (1,056)
Amortization of acquired intangible assets	4	5	4	18	14
Restructuring and other special charges (gains), net	-	(22)	90	30	100
Legal settlements, net	(48)	-	-	(48)	5
Limited waiver of exclusivity from GF	-	-	-	-	703
Lower of cost or market charge related to GF take-or-pay obligation	-	-	273	-	273
SeaMicro acquisition costs	-	-	-	-	6
Non-GAAP operating income (loss)	\$ 91	\$ 78	\$ (55)	\$ 103	\$ 45

Reconciliation of GAAP to Non-GAAP Net Income (Loss)

(Millions except per share amounts)	Q4-13	Q3-13	Q4-12	2013	2012
GAAP net income (loss) / Earnings (loss) per share	\$ 89	\$ 0.12	\$ 48	\$ 0.06	\$ (473)
Amortization of acquired intangible assets	4	-	5	0.01	4
Restructuring and other special charges (gains), net	-	-	(22)	(0.03)	90
Legal settlements, net	(48)	(0.06)	-	-	(48)
Limited waiver of exclusivity from GF	-	-	-	-	-
Lower of cost or market charge related to GF take-or-pay obligation	-	-	-	-	273
SeaMicro acquisition costs	-	-	-	-	-
Tax benefit related to SeaMicro acquisition	-	-	-	-	(36)
Impairment charge on certain marketable securities	-	-	-	-	4
Non-GAAP net income (loss) / Earnings (loss) per share	\$ 45	\$ 0.06	\$ 31	\$ 0.04	\$ (102)

Reconciliation of GAAP operating income (loss) to Adjusted EBITDA

(Millions)	Q4-13	Q3-13	Q4-12	2013	2012
GAAP operating income (loss)	\$ 135	\$ 95	\$ (422)	\$ 103	\$ (1,056)
Lower of cost or market charge related to GF take-or-pay obligation	-	-	273	-	273
Limited waiver of exclusivity from GF	-	-	-	-	703
Legal settlements, net	(48)	-	-	(48)	5
Depreciation and amortization	50	52	62	219	247
Employee stock-based compensation expense	24	23	23	91	97
Amortization of acquired intangible assets	4	5	4	17	14
Restructuring and other special charges (gains), net	-	(22)	90	30	100
SeaMicro acquisition costs	-	-	-	-	6
Adjusted EBITDA	\$ 165	\$ 153	\$ 30	\$ 412	\$ 389

Non-GAAP free cash flow reconciliation

(Millions)	Q4-13	Q3-13	Q4-12	2013	2012
GAAP net cash provided by (used in) operating activities	\$ 21	\$ 21	\$ (286)	\$ (148)	\$ (338)
Purchases of property, plant and equipment	(21)	(15)	(22)	(84)	(133)
Non-GAAP free cash flow	\$ 0	\$ 6	\$ (308)	\$ (232)	\$ (471)

Reconciliation of GAAP to Non-GAAP Gross Margin

(Millions except percentages)

	Q4-13	Q3-13	Q2-13	Q1-13	Q4-12	Q3-12	Q2-12	Q1-12	2013	2012
GAAP Gross Margin	\$ 553	\$ 521	\$ 459	\$ 445	\$ 178	\$ 392	\$ 638	\$ 27	1,978	1,235
GAAP Gross Margin %	35%	36%	40%	41%	15%	31%	45%	2%	37%	23%
Lower of cost or market charge related to GF take-or-pay obligation	-	-	-	-	273	-	-	-	-	273
Limited waiver of exclusivity from GF	-	-	-	-	-	-	-	703	-	703
Legal settlements, net	-	-	-	-	-	-	5	-	-	5
Non-GAAP Gross Margin	\$ 553	\$ 521	\$ 459	\$ 445	\$ 451	\$ 392	\$ 643	\$ 730	\$ 1,978	\$ 2,216
Non-GAAP Gross Margin %	35%	36%	40%	41%	39%	31%	46%	46%	37%	41%

Reconciliation of GAAP to Non-GAAP Operating Expenses

(Millions)

	Q4-13	Q3-13	Q2-13	Q1-13	Q4-12	Q3-12	Q2-12	Q1-12	2013	2012
GAAP operating expenses	\$ 418	\$ 426	\$ 488	\$ 543	\$ 600	\$ 523	\$ 561	\$ 607	1,875	2,291
Amortization of acquired intangible assets	4	5	4	5	4	4	4	1	18	13
Restructuring and other special changes (gains), net	-	(22)	5	47	90	3	-	8	30	101
Legal settlements, net	(48)	-	-	-	-	-	-	-	(48)	-
SeaMicro acquisition costs	-	-	-	-	-	-	-	6	-	6
Non-GAAP operating expenses	\$ 462	\$ 443	\$ 479	\$ 491	\$ 506	\$ 516	\$ 557	\$ 592	\$ 1,875	\$ 2,171

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

(Millions)

	Q4-13	Q3-13	Q2-13	Q1-13	Q4-12	Q3-12	Q2-12	Q1-12	2013	2012
GAAP operating income (loss)	\$ 135	\$ 95	\$ (29)	\$ (98)	\$ (422)	\$ (131)	\$ 77	\$ (580)	103	(1,056)
Amortization of acquired intangible assets	4	5	4	5	4	4	4	1	18	14
Restructuring and other special changes (gains), net	-	(22)	5	47	90	3	-	8	30	100
Legal settlements, net	(48)	-	-	-	-	-	5	-	(48)	5
Limited waiver of exclusivity from GF	-	-	-	-	-	-	-	703	-	703
Lower of cost or market charge related to GF take-or-pay obligation	-	-	-	-	273	-	-	-	-	273
SeaMicro acquisition costs	-	-	-	-	-	-	-	6	-	6
Non-GAAP operating income (loss)	\$ 91	\$ 78	\$ (20)	\$ (46)	\$ (55)	\$ (124)	\$ 86	\$ 138	\$ 103	\$ 45

Reconciliation of GAAP Net Income (Loss) to Non-GAAP Net Income (loss)

(Millions except per share amounts)

	Q4-13	Q3-13	Q2-13	Q1-13	2013					
GAAP net income (loss) / Earnings (loss) per share	\$ 89	\$ 0.12	\$ 48	\$ 0.06	\$ (74)	\$ (0.10)	\$ (146)	\$ (0.19)	\$ (83)	\$ (0.11)
Amortization of acquired intangible assets	4	-	5	0.01	4	0.01	5	0.01	18	0.02
Restructuring and other special changes (gains), net	-	-	(22)	(0.03)	5	0.01	47	0.06	30	0.04
Legal settlements, net	(48)	(0.06)	-	-	-	-	-	-	(48)	(0.06)
Non-GAAP net income (loss) / Earnings (loss) per share	\$ 45	\$ 0.06	\$ 31	\$ 0.05	\$ (65)	\$ (0.09)	\$ (94)	\$ (0.13)	\$ (83)	\$ (0.11)

(Millions except per share amounts)	Q4-12		Q3-12		Q2-12		Q1-12		2012	
GAAP net income (loss) / Earnings (loss) per share	\$ (473)	\$ (0.63)	\$ (157)	\$ (0.21)	\$ 37	\$ 0.05	\$ (590)	\$ (0.80)	\$ (1,183)	\$ (1.60)
Amortization of acquired intangible assets	4	0.01	4	0.01	4	0.01	1	-	14	0.02
Restructuring and other special changes (gains), net	90	0.12	3	-	-	-	8	0.01	100	0.14
Legal settlements, net	-	-	-	-	5	0.01	-	-	5	0.01
Limited waiver of exclusivity from GF	-	-	-	-	-	-	703	0.94	703	0.95
Lower of cost or market charge related to GF take-or-pay obligation	273	0.37	-	-	-	-	-	-	273	0.37
SeaMicro acquisition costs	-	-	-	-	-	-	6	0.01	6	0.01
Tax benefit related to SeaMicro acquisition	-	-	-	-	-	-	(36)	(0.05)	(36)	(0.05)
Impairment charge on certain marketable securities	4	-	-	-	-	-	-	-	4	0.01
Non-GAAP net income (loss) / Earnings (loss) per share	\$ (102)	\$ (0.14)	\$ (150)	\$ (0.20)	\$ 46	\$ 0.06	\$ 92	\$ 0.12	\$ (114)	\$ (0.16)

Non-GAAP Expense Ratio

(Millions)	Q4-13	Q3-13	Q2-13	Q1-13	Q4-12	Q3-12	Q2-12	Q1-12	2013	2012
Revenue	\$ 1,589	\$ 1,461	\$ 1,161	\$ 1,088	\$ 1,155	\$ 1,269	\$ 1,413	\$ 1,585	5,299	5,422
Operating Expenses- GAAP	\$ 418	\$ 426	\$ 488	\$ 543	\$ 600	\$ 523	\$ 561	\$ 607	1,875	2,291
E/R Ratio- GAAP	26%	29%	42%	50%	52%	41%	40%	38%	35%	42%
Operating Expenses- Non-GAAP	\$ 462	\$ 443	\$ 479	\$ 491	\$ 506	\$ 516	\$ 557	\$ 592	1,875	2,171
E/R Ratio- Non-GAAP	29%	30%	41%	45%	44%	41%	39%	37%	35%	40%

Reconciliation of GAAP operating income (loss) to Adjusted EBITDA

(Millions)	Q4-13	Q3-13	Q2-13	Q1-13	Q4-12	Q3-12	Q2-12	Q1-12	2013	2012
GAAP operating income (loss)	135	95	(29)	(98)	(422)	(131)	77	(580)	103	(1,056)
Lower of cost or market charge related to GF take-or-pay obligation	-	-	-	-	273	-	-	-	-	273
Limited waiver of exclusivity from GF	-	-	-	-	-	-	-	703	-	703
Legal settlements, net	(48)	-	-	-	-	-	5	-	(48)	5
Depreciation and amortization	50	52	54	62	62	62	61	62	219	247
Employee stock-based compensation expense	24	23	20	24	23	27	26	21	91	97
Amortization of acquired intangible assets	4	5	4	5	4	4	4	1	17	13
Restructuring and other special changes (gains), net	-	(22)	5	47	90	3	-	8	30	101
SeaMicro acquisition costs	-	-	-	-	-	-	-	6	-	6
Adjusted EBITDA	165	153	54	40	30	(35)	173	221	412	389

Non-GAAP free cash flow reconciliation

(Millions)	Q4-13	Q3-13	Q2-13	Q1-13	Q4-12	Q3-12	Q2-12	Q1-12	2013	2012
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GAAP net cash provided by (used in) operating activities	21	\$ 21	\$ (35)	\$ (155)	\$ (286)	\$ (240)	\$ 81	\$ 107	(148)	(338)
Purchases of property, plant and equipment	(21)	(15)	(28)	(20)	(22)	(32)	(39)	(40)	(84)	(133)
Non-GAAP free cash flow	0	\$ 6	\$ (63)	\$ (175)	\$ (308)	\$ (272)	\$ 42	\$ 67	(232)	(471)

