

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

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 28, 2019

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number 001-07882

ADVANCED MICRO DEVICES INC

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

94-1692300

(I.R.S. Employer
Identification No.)

2485 Augustine Drive

Santa Clara,

California

(Address of principal executive offices)

95054

(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value	AMD	The Nasdaq Global Select Market

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 (the Exchange Act) during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of the registrant's common stock, \$0.01 par value, as of October 25, 2019: 1,113,627,528

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Advanced Micro Devices, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
	(In millions, except per share amounts)			
Net revenue	\$ 1,801	\$ 1,653	\$ 4,604	\$ 5,056
Cost of sales	1,024	992	2,685	3,146
Gross profit	777	661	1,919	1,910
Research and development	406	363	1,152	1,063
Marketing, general and administrative	185	148	544	424
Licensing gain	—	—	(60)	—
Operating income	186	150	283	423
Interest expense	(24)	(30)	(76)	(92)
Other expense, net	(36)	(6)	(40)	(4)
Income before income taxes and equity income (loss)	126	114	167	327
Provision (benefit) for income taxes	7	12	(4)	26
Equity income (loss) in investee	1	—	—	(2)
Net income	\$ 120	\$ 102	\$ 171	\$ 299
Earnings per share				
Basic	\$ 0.11	\$ 0.10	\$ 0.16	\$ 0.31
Diluted	\$ 0.11	\$ 0.09	\$ 0.15	\$ 0.28
Shares used in per share calculation				
Basic	1,097	987	1,075	976
Diluted	1,117	1,076	1,107	1,058

See accompanying notes.

Advanced Micro Devices, Inc.
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
	(In millions)			
Net income	\$ 120	\$ 102	\$ 171	\$ 299
Other comprehensive income (loss), net of tax of zero:				
Unrealized gains (losses) on cash flow hedges:				
Unrealized losses arising during the period	(9)	(5)	(5)	(16)
Losses reclassified into income	2	5	6	—
Total change in unrealized gains (losses) on cash flow hedges	(7)	—	1	(16)
Cumulative-effect adjustment to accumulated deficit related to the adoption of ASU 2016-01, Financial Instruments	—	—	—	2
Total comprehensive income	<u>\$ 113</u>	<u>\$ 102</u>	<u>\$ 172</u>	<u>\$ 285</u>

See accompanying notes.

Advanced Micro Devices, Inc.
Condensed Consolidated Balance Sheets
(Unaudited)

	September 28, 2019	December 29, 2018
(In millions, except par value amounts)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,156	\$ 1,078
Marketable securities	53	78
Accounts receivable, net	1,393	1,235
Inventories, net	1,040	845
Prepayments and receivables-related parties	17	34
Prepaid expenses and other current assets	253	270
Total current assets	3,912	3,540
Property and equipment, net	453	348
Operating lease right-of-use assets	205	—
Goodwill	289	289
Investment: equity method	59	58
Other assets	335	321
Total assets	\$ 5,253	\$ 4,556
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt, net	\$ —	\$ 136
Accounts payable	763	834
Payables to related parties	215	207
Accrued liabilities	837	783
Other current liabilities	49	24
Total current liabilities	1,864	1,984
Long-term debt, net	872	1,114
Long-term operating lease liabilities	201	—
Other long-term liabilities	140	192
Contingencies (See Note 13)		
Stockholders' equity:		
Capital stock:		
Common stock, par value \$0.01; shares authorized: 2,250; shares issued: 1,119 and 1,010; shares outstanding: 1,114 and 1,005	11	10
Additional paid-in capital	9,490	8,750
Treasury stock, at cost (shares issued: 5 and 5)	(53)	(50)
Accumulated deficit	(7,265)	(7,436)
Accumulated other comprehensive loss	(7)	(8)
Total stockholders' equity	2,176	1,266
Total liabilities and stockholders' equity	\$ 5,253	\$ 4,556

See accompanying notes.

Advanced Micro Devices, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended	
	September 28, 2019	September 29, 2018
	(In millions)	
Cash flows from operating activities:		
Net income	\$ 171	\$ 299
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	158	127
Stock-based compensation	140	101
Amortization of debt discount and issuance costs	25	29
Amortization of operating lease right-of-use assets	27	—
Loss on debt redemption, repurchase and conversion	48	7
Loss on sale/disposal of property and equipment	34	—
Other	(13)	2
Changes in operating assets and liabilities:		
Accounts receivable	(158)	(803)
Inventories	(195)	(44)
Prepayments and receivables - related parties	17	(37)
Prepaid expenses and other assets	(32)	(9)
Payables to related parties	8	40
Accounts payable, accrued liabilities and other	(179)	202
Net cash provided by (used in) operating activities	51	(86)
Cash flows from investing activities:		
Purchases of property and equipment	(175)	(122)
Purchases of available-for-sale debt securities	(284)	(45)
Proceeds from maturity of available-for-sale debt securities	309	35
Collection of deferred proceeds on sale of receivables	25	50
Other	2	—
Net cash used in investing activities	(123)	(82)
Cash flows from financing activities:		
Repayments of short-term debt	(70)	—
Proceeds from warrant exercise by related party	449	—
Proceeds from issuance of common stock through employee equity incentive plans	38	44
Payments to extinguish long-term debt	(261)	(15)
Other	(6)	(1)
Net cash provided by financing activities	150	28
Net increase (decrease) in cash, cash equivalents, and restricted cash	78	(140)
Cash, cash equivalents, and restricted cash at beginning of period	1,083	1,191
Cash, cash equivalents, and restricted cash at end of period	\$ 1,161	\$ 1,051
Supplemental cash flow information:		
Non-cash investing and financing activities:		
Purchases of property and equipment, accrued but not paid	\$ 120	\$ 46
Issuance of common stock to partially settle convertible debt, net	\$ 108	\$ —
Issuance of treasury stock to partially settle debt	\$ 7	\$ 103
Deferred proceeds on sale of receivables	\$ —	\$ 21
Other	\$ 9	\$ 9
Reconciliation of cash, cash equivalents, and restricted cash		
Cash and cash equivalents	\$ 1,156	\$ 1,046
Restricted cash included in Prepaid expenses and other current assets	5	5
Total cash, cash equivalents, and restricted cash	\$ 1,161	\$ 1,051

See accompanying notes.

Advanced Micro Devices
Condensed Consolidated Statements of Stockholders' Equity
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
(In millions)				
Capital stock				
Common stock				
Balance, beginning of period	\$ 11	\$ 10	\$ 10	\$ 9
Common stock issued under employee equity incentive plans, net of tax withholding	—	—	—	1
Issuance of common stock upon warrant exercise	—	—	1	—
Balance, end of period	<u>\$ 11</u>	<u>\$ 10</u>	<u>\$ 11</u>	<u>\$ 10</u>
Additional paid-in capital				
Balance, beginning of period	\$ 9,325	\$ 8,564	\$ 8,750	\$ 8,464
Common stock issued under employee equity incentive plans, net of tax withholding	3	9	38	44
Stock-based compensation	54	36	140	101
Issuance of common stock upon warrant exercise	—	—	449	—
Issuance of common stock to partially settle convertible debt, net	108	—	108	—
Issuance of treasury stock to partially settle debt	—	57	4	57
Other	—	—	1	—
Balance, end of period	<u>\$ 9,490</u>	<u>\$ 8,666</u>	<u>\$ 9,490</u>	<u>\$ 8,666</u>
Treasury stock				
Balance, beginning of period	\$ (50)	\$ (109)	\$ (50)	\$ (108)
Treasury stock issued under employee equity incentive plans, net of tax withholding	—	(5)	—	(5)
Issuance of treasury stock to partially settle debt	—	47	3	47
Other	(3)	—	(6)	(1)
Balance, end of period	<u>\$ (53)</u>	<u>\$ (67)</u>	<u>\$ (53)</u>	<u>\$ (67)</u>
Accumulated deficit				
Balance, beginning of period	\$ (7,385)	\$ (7,576)	\$ (7,436)	\$ (7,775)
Net income	120	102	171	299
Cumulative effect adjustment to accumulated deficit related to the adoption of ASU 2016-01, Financial Instruments	—	—	—	2
Balance, end of period	<u>\$ (7,265)</u>	<u>\$ (7,474)</u>	<u>\$ (7,265)</u>	<u>\$ (7,474)</u>
Accumulated other comprehensive income (loss)				
Balance, beginning of period	\$ —	\$ (10)	\$ (8)	\$ 6
Other comprehensive income (loss)	(7)	—	1	(16)
Balance, end of period	<u>(7)</u>	<u>(10)</u>	<u>(7)</u>	<u>(10)</u>
Total stockholders' equity	<u>\$ 2,176</u>	<u>\$ 1,125</u>	<u>\$ 2,176</u>	<u>\$ 1,125</u>

See accompanying notes.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

NOTE 1. Basis of Presentation and Significant Accounting Policies

Basis of Presentation. The accompanying unaudited condensed consolidated financial statements of Advanced Micro Devices, Inc. and its subsidiaries (the Company or AMD) have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. The results of operations for the three and nine months ended September 28, 2019 shown in this report are not necessarily indicative of results to be expected for the full year ending December 28, 2019. In the opinion of the Company's management, the information contained herein reflects all adjustments necessary for a fair presentation of the Company's results of operations, financial position, cash flows and stockholders' equity. All such adjustments are of a normal, recurring nature. The unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 2018. Certain prior period amounts have been reclassified to conform to current period presentation.

The Company uses a 52 or 53 week fiscal year ending on the last Saturday in December. The three and nine months ended September 28, 2019 and September 29, 2018 each consisted of 13 weeks and 39 weeks, respectively.

Principles of Consolidation. The condensed consolidated financial statements include the Company's accounts and those of its wholly-owned subsidiaries. All inter-company accounts and transactions have been eliminated in consolidation.

Significant Accounting Policies. Except for the accounting policies highlighted below, there have been no material changes to the Company's significant accounting policies in Note 2 - Summary of Significant Accounting Policies, of the Notes to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 29, 2018.

Leases. The Company determines if an arrangement is a lease, or contains a lease, at the inception of the arrangement. When the Company determines the arrangement is a lease, or contains a lease, at lease inception, it then determines whether the lease is an operating lease or a finance lease. Operating and finance leases result in the Company recording a right-of-use (ROU) asset and lease liability on its balance sheet. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. Operating and finance lease ROU assets and liabilities are recognized based on the present value of lease payments over the lease term. In determining the present value of lease payments, the Company uses the implicit interest rate if readily determinable or when the implicit interest rate is not readily determinable, the Company uses its incremental borrowing rate. The operating lease ROU asset also includes any lease payments made and excludes any lease incentives. Specific lease terms may include options to extend or terminate the lease when the Company believes it is reasonably certain that it will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. As allowed by the guidance, the Company has elected not to recognize ROU assets and lease liabilities that arise from short-term (12 months or less) leases for any class of underlying asset. Operating leases are included in operating lease ROU assets, other current liabilities, and long-term operating lease liabilities in the Company's condensed consolidated balance sheet. The Company's finance leases are immaterial.

Recently Adopted Accounting Standards

Leases. In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations for lease recognition and disclosure. ASU 2016-02 requires lessees to recognize lease assets and lease liabilities on the balance sheet, while recognizing expenses on the income statements in a manner similar to legacy guidance. The Company adopted this standard in the first quarter of 2019, using the optional adoption method, which did not require an adjustment to comparative period financial statements, and recorded \$228 million of right-of-use assets and \$261 million of lease liabilities primarily related to office buildings in its consolidated balance sheet as of December 30, 2018. The Company's accounting for capital leases, now referred to as finance leases, remains unchanged. The Company's adoption of the new standard had no impact on its consolidated statement of operations or on net cash provided by or used in operating, financing, or investing activities on its consolidated statement of cash flows.

Upon adoption of ASU 2016-02, the Company elected a transition practical expedient under the new accounting standard allowing it not to separate lease and non-lease components and instead to account for each separate lease component and non-lease component as a single lease component. The Company implemented internal controls and key system functionality to enable the preparation of financial information on adoption.

Recently Issued Accounting Standards

Financial Instruments. In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*. This standard changes the methodology for measuring credit losses on financial instruments and the timing of when such losses are recorded. ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, using a modified retrospective adoption method. The Company will adopt this standard in the first quarter of 2020 and this standard will not have a material impact on its consolidated financial statements.

There were no other significant updates to the recently issued accounting standards other than as disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 2018.

Although there are several other new accounting pronouncements issued by the FASB, the Company does not believe any of these accounting pronouncements had or will have a material impact on its consolidated financial statements.

NOTE 2. Supplemental Balance Sheet Information

Accounts Receivable, net

As of September 28, 2019 and December 29, 2018, Accounts receivable, net included unbilled accounts receivable of \$176 million and \$308 million, respectively. Unbilled receivables primarily represent work completed on semi-custom products under non-cancellable purchase orders that have no alternative use to the Company at contract inception, for which revenue has been recognized but not yet invoiced to customers. All unbilled accounts receivable are expected to be billed and collected within twelve months.

Inventories, net

	September 28, 2019	December 29, 2018
	(In millions)	
Raw materials	\$ 95	\$ 134
Work in process	754	354
Finished goods	191	357
Total inventories, net	<u>\$ 1,040</u>	<u>\$ 845</u>

Property and Equipment, net

	September 28, 2019	December 29, 2018
	(In millions)	
Leasehold improvements	\$ 207	\$ 179
Equipment	945	798
Construction in progress	70	78
Property and equipment, gross	1,222	1,055
Accumulated depreciation	(769)	(707)
Total property and equipment, net	<u>\$ 453</u>	<u>\$ 348</u>

Other Assets

	September 28, 2019	December 29, 2018
	(In millions)	
Software technology and licenses, net	\$ 220	\$ 226
Other	115	95
Total other assets	\$ 335	\$ 321

Accrued Liabilities

	September 28, 2019	December 29, 2018
	(In millions)	
Accrued compensation and benefits	\$ 212	\$ 236
Marketing programs and advertising expenses	327	275
Software technology and licenses payable	43	28
Other	255	244
Total accrued liabilities	\$ 837	\$ 783

Other Current Liabilities

	September 28, 2019	December 29, 2018
	(In millions)	
Unearned revenue	\$ 5	\$ 11
Operating lease liabilities	38	—
Other	6	13
Total other current liabilities	\$ 49	\$ 24

Unearned revenue represents consideration received or due from customers in advance of the Company satisfying its performance obligations. The unearned revenue is associated with any combination of development services, IP licensing and product revenue. Changes in unearned revenue were as follows:

	Three Months Ended		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
	(In millions)			
Beginning balance	\$ 1	\$ 67	\$ 11	\$ 85
Unearned revenue	4	37	5	124
Revenue recognized during the period	—	(86)	(11)	(186)
Other	—	(15)	—	(20)
Ending balance	\$ 5	\$ 3	\$ 5	\$ 3

Revenue allocated to remaining performance obligations that are unsatisfied (or partially unsatisfied) as of September 28, 2019 is \$523 million, which may include amounts received from customers but not yet earned and amounts that will be invoiced and recognized as revenue in future periods associated with any combination of development services, IP licensing and product revenue. The Company expects to recognize \$220 million in the next 12 months.

The revenue allocated to remaining performance obligations did not include amounts which have an original contractual expected duration of less than one year.

NOTE 3. Equity Joint Ventures

ATMP Joint Ventures

The Company holds a 15% equity interest in two joint ventures (collectively, the ATMP JV), and as such, the ATMP JV is a related party of the Company. The Company has no obligation to fund the ATMP JV. The Company accounts for its equity interests in the ATMP JV under the equity method of accounting due to its significant influence over the ATMP JV.

The ATMP JV provides assembly, test, mark and packaging (ATMP) services to the Company. The Company assists the ATMP JV in its management of certain raw material inventory. The purchases from and resales to the ATMP JV of inventory under inventory management is reported within purchases and resales with the ATMP JV and does not impact the Company's condensed consolidated statement of operations.

The Company's total purchases from the ATMP JV during the three and nine months ended September 28, 2019 amounted to \$175 million and \$479 million, respectively. The Company's total purchases from the ATMP JV during the three and nine months ended September 29, 2018 amounted to \$151 million and \$429 million, respectively. As of September 28, 2019 and December 29, 2018, the amount payable to the ATMP JV was \$215 million and \$207 million, respectively, included in Payables to related parties on the Company's condensed consolidated balance sheets. The Company's resales back to the ATMP JV during the three and nine months ended September 28, 2019 amounted to \$4 million and \$47 million, respectively. The Company's resales back to the ATMP JV during the three and nine months ended September 29, 2018 amounted to \$21 million and \$40 million, respectively. As of September 28, 2019 and December 29, 2018, the Company had receivables from ATMP JV of \$4 million and \$16 million, respectively, included in Prepayments and receivables-related parties on the Company's condensed consolidated balance sheets.

For the three and nine months ended September 28, 2019, the Company recorded income of \$1 million and \$0 million, respectively, in Equity income (loss) in investee on its condensed consolidated statements of operations, which included certain expenses incurred by the Company on behalf of the ATMP JV. For the three and nine months ended September 29, 2018, the Company recorded a loss of \$0 million and \$2 million, respectively, in Equity income (loss) in investee on its condensed consolidated statements of operations, which included certain expenses incurred by the Company on behalf of the ATMP JV. As of September 28, 2019 and December 29, 2018, the carrying value of the Company's investment in the ATMP JV was \$59 million and \$58 million, respectively.

THATIC Joint Ventures

In February 2016, the Company and Higon Information Technology Co., Ltd. (THATIC), a third-party Chinese entity (JV Partner), formed a joint venture comprised of two separate legal entities, China JV1 and China JV2 (collectively, the THATIC JV). The Company's equity share in China JV1 and China JV2 is a majority and minority interest, respectively, funded by the Company's contribution of certain of its patents. The JV Partner is responsible for the initial and on-going financing of the THATIC JV's operations. The Company has no obligations to fund the THATIC JV. The Company does not consolidate either of these entities and accounts for its investments in the THATIC JV under the equity method of accounting. The THATIC JV is a related party of the Company.

The Company's share in the net losses of the THATIC JV for the three and nine months ended September 28, 2019 is not recorded in the Company's condensed consolidated statements of operations since the Company is not obligated to fund the THATIC JV's losses in excess of the Company's investment in the THATIC JV, which was zero as of September 28, 2019. As of September 28, 2019 and December 29, 2018, the total assets and liabilities of the THATIC JV were not material.

In February 2016, the Company licensed certain of its intellectual property (Licensed IP) to the THATIC JV for a total of \$293 million in license fees payable over several years upon achievement of certain milestones. The Company also expects to receive a royalty based on the sales of the THATIC JV's products to be developed on the basis of such Licensed IP. The Company classifies Licensed IP income and royalty income, associated with the February 2016 agreement, as licensing gain within operating income. The Company recognized \$60 million as licensing gain associated with the Licensed IP during the nine months ended September 28, 2019.

In March 2017, the Company entered into a development and intellectual property agreement (Development and IP) with the THATIC JV, and also expects to receive a royalty based on the sales of the THATIC JV's products to be developed on the basis of such agreement. The Company classifies Development and IP income and royalty income, associated with the March 2017 agreement, as revenue once earned.

In addition, from time to time, the Company enters into certain agreements with the THATIC JV to provide other services primarily related to research and development.

The Company's receivable from the THATIC JV for the above agreements was \$13 million and \$18 million as of September 28, 2019 and December 29, 2018, respectively, included in Prepayments and receivables-related parties on its condensed consolidated balance sheets.

In June 2019, the U.S. Commerce Department's Bureau of Industry and Security added certain Chinese entities to the Entity List, including THATIC and the THATIC JV. The Company is complying with U.S. law pertaining to the Entity List designation.

NOTE 4. GLOBALFOUNDRIES

In March 2009, the Company and GLOBALFOUNDRIES Inc. (GF) entered into a Wafer Supply Agreement (the WSA) under which the Company would purchase wafers from GF. The WSA, which has been amended from time to time, governs the terms by which the Company purchases products manufactured by GF through March 1, 2024. Pursuant to the WSA and its amendments, the Company is required to purchase all of its microprocessor and APU product requirements, and a certain portion of its GPU product requirements from GF manufactured at process nodes larger than 7 nanometer (nm), with limited exceptions. Under the terms of the WSA, the Company has minimum annual wafer purchase targets through 2021. If the Company fails to meet the agreed wafer purchase target during a calendar year, it will be required to pay to GF a portion of the difference between the actual wafer purchases and the applicable annual purchase target. The Company also agreed to continue to make quarterly payments to GF based on the volume of certain wafers purchased from another wafer foundry.

On August 30, 2016, in consideration for the limited waiver and rights under the WSA Sixth Amendment, the Company entered into a warrant agreement (the Warrant Agreement) with West Coast Hitech L.P. (WCH), a wholly-owned subsidiary of Mubadala Development Company PJSC (Mubadala). Under the Warrant Agreement, WCH and its permitted assigns were entitled to purchase 75 million shares of the Company's common stock (the Warrant Shares) at a purchase price of \$5.98 per share. On February 13, 2019, WCH exercised its warrant to purchase 75 million shares of the Company's common stock at a purchase price of \$5.98 per share for a total amount of \$449 million.

Through May 15, 2019, GF was a related party of the Company because Mubadala and Mubadala Technology Investments LLC (Mubadala Tech, a party to the WSA) were affiliated with WCH, and a member of the Company's Board of Directors (the Board) was associated with Mubadala. GF, WCH and Mubadala Tech are wholly-owned subsidiaries of Mubadala. Effective May 15, 2019, the member of the Board associated with Mubadala retired from the Board, and as a result, GF was no longer considered a related party of the Company. All prior period related party classifications on the financial statements for GF have been reclassified to conform to the current period presentation.

NOTE 5. Debt, Secured Revolving Facility and Secured Revolving Line of Credit

Debt

2.125% Convertible Senior Notes Due 2026

In September 2016, the Company issued \$805 million principal amount of 2.125% Convertible Senior Notes due 2026 (2.125% Notes). The 2.125% Notes mature on September 1, 2026. However, holders of the 2.125% Notes may convert them at their option during certain time periods and upon the occurrence of one of the following circumstances:

(1) during any calendar quarter commencing after the calendar quarter ending on September 30, 2016 (and only during such calendar quarter), if the last reported sale price of the Company's common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day (equivalent to an initial conversion price of approximately \$8.00 per share of common stock);

(2) during the five business day period after any ten consecutive trading day period (the Measurement Period) in which the trading price per \$1,000 principal amount of notes for each trading day of the Measurement Period was less than 98% of the product of the last reported sale price of the Company's common stock and the conversion rate on each such trading day; or

(3) upon the occurrence of specified corporate events.

On or after June 1, 2026 until the close of business on the business day immediately preceding the maturity date, holders may convert their notes at any time, regardless of the foregoing circumstances. Upon conversion, the Company will pay or deliver cash, shares of the Company's common stock or a combination of cash and shares of the Company's common stock, at the Company's election.

The first event described in (1) above was met during the third quarter of 2019 and as a result, the 2.125% Notes are convertible at the option of the holder from October 1, 2019 until December 31, 2019.

During the three and nine months ended September 28, 2019, the Company converted \$126 million principal amount of its 2.125% Notes through the issuance of approximately 16 million shares of the Company's common stock at the conversion price of \$8.00 per share and an aggregate cash payment of \$14 million. As of September 28, 2019, the Company had \$679 million principal of its 2.125% Notes outstanding.

The Company's current intent is to deliver shares of its common stock upon conversion of the 2.125% Notes. As such, the Company continued to classify the carrying value of the liability component of the 2.125% Notes as long-term debt and the equity component of the 2.125% Notes as permanent equity on its condensed consolidated balance sheet as of September 28, 2019.

The 2.125% Notes consisted of the following:

	September 28, 2019	December 29, 2018
	(In millions)	
Principal amounts:		
Principal	\$ 679	\$ 805
Unamortized debt discount ⁽¹⁾	(205)	(262)
Unamortized debt issuance costs	(8)	(11)
Net carrying amount	\$ 466	\$ 532
Carrying amount of the equity component, net ⁽²⁾	\$ 258	\$ 305

⁽¹⁾ Included in the consolidated balance sheets within Long-term debt, net and amortized over the remaining life of the notes using the effective interest rate method.

⁽²⁾ Included in the consolidated balance sheets within additional paid-in capital, net of \$8 million of equity issuance costs.

As of September 28, 2019, the remaining life of the 2.125% Notes was approximately 84 months.

Based on the closing price of the Company's common stock of \$28.72 on September 27, 2019, the last trading day of the three months ended September 28, 2019, the if-converted value of the 2.125% Notes exceeded its principal amount by \$1,759 million.

The effective interest rate of the liability component of the 2.125% Notes is 8%. This interest rate was based on the interest rates of similar liabilities at the time of issuance that did not have associated conversion features. The following table sets forth total interest expense recognized related to the 2.125% Notes:

	Three Months Ended		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
	(In millions)			
Contractual interest expense	\$ 4	\$ 5	\$ 12	\$ 13
Interest cost related to amortization of debt issuance costs	\$ —	\$ —	\$ 1	\$ 1
Interest cost related to amortization of the debt discount	\$ 6	\$ 6	\$ 18	\$ 18

6.75% Senior Notes Due 2019

On February 26, 2014, the Company issued \$600 million of its 6.75% Senior Notes due March 1, 2019 (6.75% Notes). During the first three months of 2019, the Company redeemed the remaining \$66 million in aggregate principal amount of its 6.75% Notes with a combination of cash and treasury stock.

7.50% Senior Notes Due 2022

On August 15, 2012, the Company issued \$500 million of its 7.50% Senior Notes due 2022 (7.50% Notes). During the nine months ended September 28, 2019, the Company repurchased \$25 million in aggregate principal amount of its 7.50% Notes in cash. As of September 28, 2019, the outstanding aggregate principal amount of the 7.50% Notes was \$312 million.

7.00% Senior Notes Due 2024

On June 16, 2014, the Company issued \$500 million of its 7.00% Senior Notes due 2024 (7.00% Notes). During the three and nine months ended September 28, 2019, the Company repurchased \$80 million and \$154 million, respectively, in aggregate principal amount of its 7.00% Notes with a combination of cash and treasury stock. As of September 28, 2019, the outstanding aggregate principal amount of the 7.00% Notes was \$96 million.

Potential Repurchase of Outstanding Notes

The Company may elect to purchase or otherwise retire the 7.50% Notes and 7.00% Notes with cash or treasury stock and the 2.125% Notes with stock from time to time in the open market or through privately negotiated transactions, either directly or through intermediaries, or by tender offer when the Company believes the market conditions are favorable.

Debt Redemption, Repurchase and Conversion

In aggregate, for the three and nine months ended September 28, 2019, the Company recorded a loss on extinguishment of debt of \$40 million and \$48 million, respectively, associated with the various debt redemptions, repurchases and conversions noted above.

Secured Revolving Facility

On June 7, 2019, the Company entered into a secured revolving credit facility for up to \$500 million (the Secured Revolving Facility) pursuant to a credit agreement by and among the Company, as borrower, the lenders party thereto and Wells Fargo Bank, National Association, as administrative agent (the Credit Agreement). The Secured Revolving Facility consists of a \$500 million, five-year secured revolving loan facility, including a \$50 million swingline subfacility and a \$75 million sublimit for letters of credit. The Company's obligations under the Credit Agreement are secured by a lien on substantially all of the Company's property, other than intellectual property.

The Credit Agreement also provides the ability to increase the Secured Revolving Facility or incur incremental term loans or other incremental equivalent debt by an amount not to exceed certain amounts as set forth in the Credit Agreement. The Company's available borrowings under the Secured Revolving Facility are also subject to reduction by an amount equal to the net cash proceeds of (i) any debt issuances not permitted by the Secured Revolving Facility and (ii) any non-ordinary course asset sales, in excess of \$250 million, if such net cash proceeds are not reinvested by the Company within twelve months of receipt.

Borrowings under the Secured Revolving Facility bear interest at a variable rate based upon, at the Company's option, either at the LIBOR rate, or the base rate (in each case, as customarily defined) plus an applicable margin. The applicable margin for LIBOR rate loans ranges, based on an applicable total leverage ratio, from 1.00% to 1.75% per annum and the applicable margin for base rate loans ranges from 0.00% to 0.75% per annum. The Company is required to pay fees on the undrawn portion available under the Secured Revolving Facility and in respect of outstanding letters of credit.

The Credit Agreement contains customary affirmative and negative covenants, as well as a total leverage covenant requiring the Company to maintain a maximum ratio of consolidated funded debt to consolidated EBITDA of 4.00:1.00 and an interest coverage covenant requiring the Company to maintain a minimum ratio of consolidated EBITDA to consolidated cash interest expense of 3.00:1.00. The Credit Agreement also contains customary events of default, which if they occur, could result in the termination of commitments under the Secured Revolving Facility, the declaration that all outstanding loans are immediately due and payable in whole or in part and the requirement to maintain cash collateral deposits in respect of outstanding letters of credit.

As of September 28, 2019, there were no borrowings outstanding under the Credit Agreement, and the Company was in compliance with all required covenants under the Credit Agreement. As of September 28, 2019, the Company had \$14 million of letters of credit outstanding under the Credit Agreement.

Secured Revolving Line of Credit

On June 7, 2019, in connection with entering into the Credit Agreement as described above, the Company repaid its outstanding loan balance of \$70 million under the secured revolving line of credit (Secured Revolving Line of Credit) and terminated the Amended and Restated Loan and Security Agreement dated as of April 14, 2015, as amended (the Agreement) among the Company, a group of lenders, and Bank of America, N.A., acting as agent for the lenders.

NOTE 6. Financial Instruments

Cash, Cash Equivalents, and Marketable Securities

Cash and financial instruments measured and recorded at fair value as of September 28, 2019 and December 29, 2018 are summarized below:

	Total Fair Value	Cash and Cash Equivalents	Short-Term Marketable Securities
	(In millions)		
September 28, 2019			
Cash	\$ 1,155	\$ 1,155	\$ —
Level 1 ⁽¹⁾			
Government money market funds	\$ 1	\$ 1	\$ —
Total level 1	\$ 1	\$ 1	\$ —
Level 2 ⁽²⁾			
Commercial paper	\$ 53	\$ —	\$ 53
Total level 2	\$ 53	\$ —	\$ 53
Total	\$ 1,209	\$ 1,156	\$ 53

	Total Fair Value	Cash and Cash Equivalents	Short-Term Marketable Securities
	(In millions)		
December 29, 2018			
Cash	\$ 315	\$ 315	\$ —
Level 1 ⁽¹⁾			
Government money market funds	\$ 275	\$ 275	\$ —
Total level 1	\$ 275	\$ 275	\$ —
Level 2 ⁽²⁾			
Commercial paper	\$ 566	\$ 488	\$ 78
Total level 2	\$ 566	\$ 488	\$ 78
Total	\$ 1,156	\$ 1,078	\$ 78

⁽¹⁾ The Company's Level 1 assets are valued using quoted prices for identical instruments in active markets.

⁽²⁾ The Company's Level 2 assets are valued using broker reports that utilize quoted prices for identical instruments in markets that are not active or comparable instruments in active markets. Brokers gather observable inputs for all of the Company's fixed income securities from a variety of industry data providers and other third-party sources.

In addition to the amounts presented above, as of both September 28, 2019 and December 29, 2018, the Company had \$5 million of investments in government money market funds, used as collateral for letters of credit deposits, which were included in Other current assets on the Company's condensed consolidated balance sheets. As of September 28, 2019 and December 29, 2018, the Company also had \$28 million and \$21 million, respectively, of investments in mutual funds held in a Rabbi trust established for the Company's deferred compensation plan, which were included in Other assets on the Company's condensed consolidated balance sheets. These government money market funds and mutual funds are classified within Level 1 because they are valued using quoted prices for identical instruments in active markets. Their amortized cost approximates the fair value for all periods presented. The Company is restricted from accessing these investments.

Financial Instruments Not Recorded at Fair Value on a Recurring Basis

The Company carries its financial instruments at fair value with the exception of its debt. Financial instruments that are not recorded at fair value are measured at fair value on a quarterly basis for disclosure purposes. The carrying amounts and estimated fair values of financial instruments not recorded at fair value are as follows:

	September 28, 2019		December 29, 2018	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	(In millions)			
Short-term debt, net	\$ —	\$ —	\$ 136	\$ 136
Long-term debt, net ⁽¹⁾	\$ 872	\$ 2,977	\$ 1,114	\$ 2,428

⁽¹⁾ Carrying amounts of long-term debt are net of unamortized debt issuance costs of \$11 million as of September 28, 2019 and \$16 million as of December 29, 2018, and net of unamortized debt discount associated with the 2.125% Notes of \$205 million as of September 28, 2019 and \$262 million as of December 29, 2018.

The Company's long-term debt is classified within Level 2. The fair value of the debt was estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities. The Company's 2.125% Notes, included in Long-term debt, net above, were convertible at the option of the holder as of September 28, 2019. The estimated fair value of the 2.125% Notes take into account the value between the Company's stock price as of the end of the quarter and the equivalent initial conversion price of approximately \$8.00 per share of common stock.

The fair value of the Company's accounts receivable, accounts payable and other short-term obligations approximate their carrying value based on existing payment terms.

Hedging Transactions and Derivative Financial Instruments

Cash Flow Hedges and Foreign Currency Forward Contracts not Designated as Accounting Hedges

The following table shows the impact of losses resulting from cash flow hedges and foreign currency forward contracts not designated as accounting hedges on the respective condensed consolidated statement of operations line items:

	Three Months Ended					
	September 28, 2019			September 29, 2018		
	Research and development	Marketing, general and administrative	Other income (expense), net	Research and development	Marketing, general and administrative	Other income (expense), net
	(In millions)					
Amounts presented in the condensed consolidated statements of operations in which the effects of cash flow hedges were recorded	\$ 406	\$ 185	\$ (36)	\$ 363	\$ 148	\$ (6)
Foreign Currency Forward Contracts - losses						
Contracts designated as cash flow hedging instruments						
Losses reclassified from OCI into income	(1)	(1)	—	(4)	(1)	—
Contracts not designated as hedging instruments						
Losses recognized in income	—	—	(1)	—	—	—
Total losses	<u>\$ (1)</u>	<u>\$ (1)</u>	<u>\$ (1)</u>	<u>\$ (4)</u>	<u>\$ (1)</u>	<u>\$ —</u>

	Nine Months Ended					
	September 28, 2019			September 29, 2018		
	Research and development	Marketing, general and administrative	Other income (expense), net	Research and development	Marketing, general and administrative	Other income (expense), net
	(In millions)					
Amounts presented in the condensed consolidated statements of operations in which the effects of cash flow hedges were recorded	\$ 1,152	\$ 544	\$ (40)	\$ 1,063	\$ 424	\$ (4)
Foreign Currency Forward Contracts - losses						
Contracts designated as cash flow hedging instruments						
Losses reclassified from OCI into income	(5)	(1)	—	—	—	—
Contracts not designated as hedging instruments						
Losses recognized in income	—	—	(2)	—	—	(2)
Total losses	<u>\$ (5)</u>	<u>\$ (1)</u>	<u>\$ (2)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (2)</u>

For foreign currency contracts designated as cash flow hedges, the amounts excluded from the assessment of hedge effectiveness were immaterial.

The Company's foreign currency derivative contracts are classified within Level 2 because the valuation inputs are based on quoted prices and market observable data of similar instruments in active markets, such as currency spot and forward rates.

The following table shows the fair value amounts of the Company's foreign currency derivative contracts depending on whether the foreign currency forward contracts are in a gain or loss position. These amounts were recorded in the Company's condensed consolidated balance sheets in either Other current assets or Other current liabilities.

	September 28, 2019	December 29, 2018
(In millions)		
Foreign Currency Forward Contracts - gains (losses)		
Contracts designated as cash flow hedging instruments - gains	\$ 1	\$ 1
Contracts designated as cash flow hedging instruments - losses	\$ (7)	\$ (8)

As of September 28, 2019 and December 29, 2018, the notional values of the Company's outstanding foreign currency forward contracts were \$573 million and \$396 million, respectively. All the contracts mature within 12 months, and, upon maturity, the amounts recorded in Accumulated other comprehensive income (loss) are expected to be reclassified into earnings. The Company hedges its exposure to the variability in future cash flows for forecasted transactions over a maximum of 12 months.

NOTE 7. Accumulated Other Comprehensive Income (Loss)

The tables below summarize the changes in accumulated other comprehensive income (loss) by component:

	Three Months Ended		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
(In millions)				
Beginning balance	\$ —	\$ (10)	(8)	6
Unrealized losses on cash flow hedges	(9)	(5)	(5)	(16)
Losses reclassified into income	2	5	6	—
Total other comprehensive income (loss)	(7)	—	1	(16)
Ending balance	\$ (7)	\$ (10)	(7)	(10)

NOTE 8. Earnings Per Share

Basic earnings per share is computed based on the weighted average number of common shares outstanding.

Diluted earnings per share is computed based on the weighted average number of common shares outstanding plus potentially dilutive shares outstanding during the period. Potentially dilutive shares are determined by applying the treasury stock method to the assumed exercise of outstanding stock options, the assumed vesting of outstanding Restricted Stock Units (RSUs), the assumed issuance of common shares under the stock purchase plan, and the assumed exercise of the warrant under the Warrant Agreement with WCH prior to the exercise of the warrant on February 13, 2019. Potentially dilutive shares issuable upon conversion of the 2.125% Notes are calculated using the if-converted method.

The following table sets forth the components of basic and diluted earnings per share:

	Three Months Ended		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
(In millions, except per share amounts)				
Numerator				
Net income	\$ 120	\$ 102	\$ 171	\$ 299
Denominator				
Basic weighted-average shares	1,097	987	1,075	976
Effect of potentially dilutive shares:				
Employee equity incentive plans and warrants	20	89	32	82
Diluted weighted-average shares	1,117	1,076	1,107	1,058
Earnings per share:				
Basic	\$ 0.11	\$ 0.10	\$ 0.16	\$ 0.31
Diluted	\$ 0.11	\$ 0.09	\$ 0.15	\$ 0.28

Potential shares from employee equity incentive plans and the conversion of the 2.125% Notes totaling 101 million for the three months ended September 28, 2019 were not included in the earnings per share calculation because their inclusion would have been anti-dilutive. Potential shares from employee equity incentive plans and the conversion of the 2.125% Notes totaling 103 million for the three months ended September 29, 2018 were not included in the earnings per share calculation because their inclusion would have been anti-dilutive.

Potential shares from employee equity incentive plans and the conversion of the 2.125% Notes totaling 102 million for the nine months ended September 28, 2019 were not included in the earnings per share calculation because their inclusion would have been anti-dilutive. Potential shares from employee equity incentive plans and the conversion of the 2.125% Notes totaling 104 million for the nine months ended September 29, 2018 were not included in the earnings per share calculation because their inclusion would have been anti-dilutive.

NOTE 9. Stock-Based Incentive Compensation Plans

Stock Options

During the three and nine months ended September 28, 2019, the Company granted 0.6 million and 0.7 million shares of employee stock options, respectively, with weighted average grant date fair values per share of \$13.74 and \$13.31, respectively.

During the three and nine months ended September 29, 2018, the Company granted 1.0 million and 1.1 million shares of employee stock options, respectively, with weighted average grant date fair values per share of \$8.08 and \$7.62, respectively.

Restricted Stock Units (RSUs)

During the three and nine months ended September 28, 2019, the Company granted 5.8 million and 7.2 million shares of RSUs, respectively, with weighted average grant date fair values per share of \$34.02 and \$32.34, respectively.

During the three and nine months ended September 29, 2018, the Company granted 8.0 million and 11.0 million shares of RSUs, respectively, with weighted average grant date fair values per share of \$19.39 and \$17.47, respectively.

Performance-based Restricted Stock Units with Market Conditions

From time to time, the Company grants performance-based RSUs to its senior executives. The number of shares earned are dependent upon achievement of either market conditions, or performance and market conditions and are subject to requisite service conditions.

During the three and nine months ended September 28, 2019, the Company granted 1.5 million and 1.6 million shares of market-based RSUs, respectively, with weighted average grant date fair values per share of \$50.83 and \$50.00, respectively.

During the three and nine months ended September 29, 2018, the Company granted 0.8 million and 1.0 million shares of market-based RSUs, respectively, with weighted average grant date fair values per share of \$23.97 and \$21.67, respectively.

Employee Stock Purchase Plan (ESPP)

During the nine months ended September 28, 2019 and September 29, 2018, 1.8 million and 2.2 million shares of common stock were purchased under the ESPP at a purchase price of \$16.18 and \$9.57, respectively, resulting in cash proceeds of \$29 million and \$21 million, respectively. The fair values of stock purchase rights granted under the ESPP during the nine months ended September 28, 2019 and September 29, 2018 were \$9.52 and \$3.42 per share, respectively.

For the three and nine months ended September 28, 2019, the Company recorded stock-based compensation expense under employee equity incentive plans of \$54 million and \$140 million, respectively. For the three and nine months ended September 29, 2018, the Company recorded stock-based compensation expense under employee equity incentive plans of \$36 million and \$101 million, respectively.

NOTE 10. Income Taxes

For the three months ended September 28, 2019, the Company recorded an income tax provision of \$7 million, consisting primarily of \$4 million of withholding taxes and \$3 million of foreign income taxes in profitable locations. For the three months ended September 29, 2018, the Company recorded an income tax provision of \$12 million, consisting of \$7 million for withholding taxes and \$5 million for U.S. income taxes.

For the nine months ended September 28, 2019, the Company recorded an income tax benefit of \$4 million, consisting primarily of a \$13 million tax benefit as a result of the completion of an internal tax structuring, partially offset by \$5 million of withholding taxes and \$4 million of foreign income taxes in profitable locations. For the nine months ended September 29, 2018, the Company recorded an income tax provision of \$26 million, consisting of \$15 million for U.S. taxes, \$7 million for withholding taxes and \$4 million of foreign income taxes in profitable locations.

As of September 28, 2019, substantially all of the Company's U.S. and Canadian deferred tax assets, net of deferred tax liabilities, continue to be subject to a valuation allowance. The realization of these assets is dependent on substantial future taxable income which, as of September 28, 2019, in management's estimate, is not more likely than not to be achieved.

NOTE 11. Segment Reporting

Management, including the Chief Operating Decision Maker, who is the Company's Chief Executive Officer, reviews and assesses operating performance using segment net revenue and operating income before interest, other income (expense), net and income taxes. These performance measures include the allocation of expenses to the operating segments based on management's judgment. The Company has the following two reportable segments:

- the Computing and Graphics segment, which primarily includes desktop and notebook processors and chipsets, discrete and integrated graphics processing units (GPUs), datacenter and professional GPUs, and development services. The Company also licenses portions of its IP portfolio; and
- the Enterprise, Embedded and Semi-Custom segment, which primarily includes server and embedded processors, semi-custom System-on-Chip (SoC) products, development services, and technology for game consoles. The Company also licenses portions of its IP portfolio.

In addition to these reportable segments, the Company has an All Other category, which is not a reportable segment. This category primarily includes certain expenses and credits that are not allocated to any of the reportable segments because management does not consider these expenses and credits in evaluating the performance of the reportable segments. This category also includes employee stock-based compensation expense.

The following table provides a summary of net revenue and operating income by segment:

	Three Months Ended		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
	(In millions)			
Net revenue:				
Computing and Graphics	\$ 1,276	\$ 938	\$ 3,047	\$ 3,139
Enterprise, Embedded and Semi-Custom	525	715	1,557	1,917
Total net revenue	<u>\$ 1,801</u>	<u>\$ 1,653</u>	<u>\$ 4,604</u>	<u>\$ 5,056</u>
Operating income (loss):				
Computing and Graphics	\$ 179	\$ 100	\$ 217	\$ 355
Enterprise, Embedded and Semi-Custom	61	86	218	169
All Other ⁽¹⁾	(54)	(36)	(152)	(101)
Total operating income	<u>\$ 186</u>	<u>\$ 150</u>	<u>\$ 283</u>	<u>\$ 423</u>

⁽¹⁾ For all periods presented, All Other operating loss was related to stock-based compensation expense except for All Other operating loss of \$152 million for the nine months ended September 28, 2019, which consisted of \$140 million stock-based compensation expense and \$12 million contingent loss accrual on a legal matter.

NOTE 12. Leases

The Company has entered into operating and finance leases for its corporate offices, datacenters, research and development facilities and certain equipment. The leases expire at various dates through 2028, some of which include options to extend the lease for up to 5 years.

For the three and nine months ended September 28, 2019, the Company recorded \$13 million and \$39 million of operating lease expense, respectively. For the three and nine months ended September 28, 2019, the Company recorded \$6 million and \$19 million of variable lease expense, respectively. For the three and nine months ended September 28, 2019, cash paid for operating leases included in operating cash flows was \$14 million and \$36 million, respectively. The Company's finance leases and short-term leases are immaterial.

	September 28, 2019
Weighted-average remaining lease term – operating leases	6 years
Weighted-average discount rate – operating leases	6.11%

Future minimum lease payments under non-cancellable operating lease liabilities are as follows:

	September 28, 2019	
	(In millions)	
2019 (3 months remaining)	\$	13
2020		51
2021		46
2022		42
2023		37
Thereafter		103
Total minimum lease payments	\$	292
Less: interest		(53)
Present value of net minimum lease payments		239
Less: current portion		(38)
Total	\$	201

NOTE 13. Contingencies

Zeng Shareholder Derivative Lawsuit

On March 8, 2018, a purported shareholder derivative lawsuit captioned Zeng v. Su, et al., Case No. 18CIV01192 was filed against the Company (as a nominal defendant only) and certain of its directors and officers in the San Mateo County Superior Court of the State of California. The complaint purports to assert claims against the Company and certain individual directors and officers for breach of fiduciary duty, unjust enrichment, abuse of control, gross mismanagement and waste of corporate assets. The complaint seeks damages allegedly caused by alleged materially misleading statements and/or material omissions by the Company and the individual directors and officers regarding Spectre, which statements and omissions, the plaintiffs claim, allegedly operated to artificially inflate the price paid for AMD's common stock during the period. On April 26, 2018, the lawsuit was transferred to Santa Clara County and assigned a new case number, 18CV327692. On August 14, 2018, the Court stayed this lawsuit pending a decision on the motion to dismiss in Kim et al. v. AMD, et al., Case No. 3:18-cv-00321 filed against the Company in the United States District Court for the Northern District of California ("Securities Class Action"). As discussed above, on May 23, 2019, the court in the Securities Class Action granted a motion to dismiss filed by the Company and certain individual officers and thereafter entered final judgment dismissing the Securities Class Action with prejudice. On June 17, 2019, the court in this case entered a joint stipulation to extend the stay until October 7, 2019. On September 5, 2019, the court granted the parties' joint stipulation of dismissal.

Based upon information presently known to management, the Company believes that the potential liability, if any, will not have a material adverse effect on its financial condition, cash flows or results of operations.

In re Advanced Micro Devices, Inc. Shareholder Derivative Litigation

Two purported shareholder derivative lawsuits were filed against the Company (as a nominal defendant only) and certain of its directors and officers in the United States District Court, Northern District of California: (1) Jacqueline Dolby, derivatively on behalf of AMD, Inc. v. Su et al., Case No. 5:18-cv-03575, filed on June 14, 2018; and (2) Gusinsky Trust, derivatively on behalf of AMD, Inc. v. Su et al., Case No. 5:18-cv-03811, filed on June 26, 2018. The complaints purport to assert claims against the Company and certain individual directors and officers for violation of Section 14(a) of the Exchange Act and SEC Rule 14a-9, breach of fiduciary duty, waste of corporate assets, and unjust enrichment. The complaints seek damages purportedly caused by alleged materially misleading statements and/or material omissions by the Company and the individual directors and officers regarding Spectre. The plaintiffs allege that these statements and omissions operated to artificially inflate the price paid for AMD's common stock during the period. On July 12, 2018, the court consolidated the Dolby and Gusinsky Trust shareholder derivative lawsuits under the caption In re Advanced Micro Devices, Inc. Shareholder Derivative Litigation. On August 10, 2018, the Court stayed this lawsuit pending a decision on the motion to dismiss in Kim et al. v. AMD, et al., Case No. 3:18-cv-00321 filed against the Company in the United States District Court for the Northern District of California (Class Action). As discussed above, on May 23, 2019, the court in the Class Action granted a motion to dismiss filed by the Company and certain individual officers and thereafter entered final judgment dismissing the Class Action with prejudice. On June 12, 2019, the court in this case entered a joint stipulation to extend the stay until October 7, 2019. On August 1, 2019, the court granted the parties' voluntary dismissal.

Based upon information presently known to management, the Company believes that the potential liability, if any, will not have a material adverse effect on its financial condition, cash flows or results of operations.

MediaTek Litigation

MediaTek, Inc. v. Advanced Micro Devices, Inc., No. 19-cv-368 in the United States District Court for the District of Delaware. On February 21, 2019, MediaTek, Inc. filed suit against the Company, alleging infringement of six patents related to memory controllers and integrated circuit structures. On April 15, 2019, the Company filed a motion to dismiss portions of MediaTek's complaint. On April 29, 2019, MediaTek filed an amended complaint. On May 13, 2019, AMD filed a motion to dismiss part of MediaTek's amended complaint. Subsequently, the parties agreed to dismiss the lawsuit and the Court granted the parties' request on September 24, 2019.

On March 18, 2019, AMD Products (China) Co., Ltd. was provided with four complaints filed by MediaTek in the Intermediate People's Court of Shenzhen, China. Each complaint alleges infringement of one patent by certain AMD entities, identifies an exemplary product, and seeks injunctive and monetary relief. AMD subsequently initiated invalidity proceedings regarding each of the patents-in-suit. The parties are now in the process of mutually dismissing each of the infringement and invalidity proceedings as well.

Based upon information presently known to management, the Company believes that the resolution of these matters will not have a material adverse effect on its financial condition, cash flows or results of operations.

Dickey Litigation

On October 26, 2015, a putative class action complaint captioned Dickey et al. v. AMD, No. 15-cv-04922 was filed against the Company in the United States District Court for the Northern District of California. Plaintiffs allege that the Company misled consumers by using the term “eight cores” in connection with the marketing of certain AMD FX CPUs that are based on the Company’s “Bulldozer” core architecture. The plaintiffs allege these products cannot perform eight calculations simultaneously, without restriction. The plaintiffs seek to obtain damages under several causes of action for a nationwide class of consumers who allegedly were deceived into purchasing certain Bulldozer-based CPUs that were marketed as containing eight cores. The plaintiffs also seek attorneys’ fees. On December 21, 2015, the Company filed a motion to dismiss the complaint, which was granted on April 7, 2016. The plaintiffs then filed an amended complaint with a narrowed putative class definition, which the Court dismissed upon the Company’s motion on October 31, 2016. The plaintiffs subsequently filed a second amended complaint, and the Company filed a motion to dismiss the second amended complaint. On June 14, 2017, the Court issued an order granting in part and denying in part the Company’s motion to dismiss, and allowing the plaintiffs to move forward with a portion of their complaint. On March 27, 2018, plaintiffs filed their motion for class certification. On January 17, 2019, the Court granted plaintiffs’ motion for class certification. The class definition does not encompass the Company’s Ryzen™ or EPYC™ processors. On January 31, 2019, the Company filed a petition in the Ninth Circuit Court of Appeals seeking review of certain aspects of the January 17, 2019 class certification order. On May 9, 2019, the parties attended mediation and reached a tentative settlement. The tentative settlement is subject to a final executed agreement and court approval. On June 3, 2019, the Ninth Circuit Court of Appeals denied the Company’s petition seeking appellate review of the January 17, 2019 class certification order. On August 9, 2019, the parties executed a settlement agreement. On August 23, 2019, Plaintiffs filed their motion for preliminary approval of the settlement agreement. On October 4, 2019, the Court granted the motion for preliminary approval of the settlement agreement.

Based upon information presently known to management, the Company believes that the settlement will not have a material adverse effect on its financial condition, cash flows or results of operations.

Quarterhill Inc. Litigation

On July 2, 2018, three entities named Aquila Innovations, Inc. (Aquila), Collabo Innovations, Inc. (Collabo), and Polaris Innovations, Ltd. (Polaris), filed separate patent infringement complaints against the Company in the United States District Court for the Western District of Texas. Aquila alleges that the Company infringes two patents (6,239,614 and 6,895,519) relating to power management; Collabo alleges that the Company infringes one patent (7,930,575) related to power management; and Polaris alleges that the Company infringes two patents (6,728,144 and 8,117,526) relating to control or use of dynamic random-access memory, or DRAM. Each of the three complaints seeks unspecified monetary damages, interest, fees, expenses, and costs against the Company; Aquila and Collabo also seek enhanced damages. Aquila, Collabo, and Polaris each appear to be related to a patent assertion entity named Quarterhill Inc. (formerly WiLAN Inc.). On November 16, 2018, AMD filed answers in the Collabo and Aquila cases and filed a motion to dismiss in the Polaris case. On January 25, 2019, the Company filed amended answers and counterclaims in the Collabo and Aquila cases. On July 22, 2019, the Company’s motion to dismiss in the Polaris case was denied. On August 23, 2019, the Court held a claim construction hearing in each case.

Based upon information presently known to management, the Company believes that the potential liability, if any, will not have a material adverse effect on its financial condition, cash flows or results of operations.

Other Legal Matters

The Company is a defendant or plaintiff in various actions that arose in the normal course of business. With respect to these matters, the Company believes that the amount or range of reasonably possible loss, if any, will not, either individually or in the aggregate, have a material adverse effect on the Company’s business, financial condition, cash flows or results of operations.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The statements in this report include forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on current expectations and beliefs and involve numerous risks and uncertainties that could cause actual results to differ materially from expectations. These forward-looking statements speak only as of the date hereof or as of the dates indicated in the statements and should not be relied upon as predictions of future events, as we cannot assure you that the events or circumstances reflected in these statements will be achieved or will occur. You can identify forward-looking statements by the use of forward-looking terminology including "believes," "expects," "may," "will," "should," "seeks," "intends," "plans," "pro forma," "estimates," "anticipates," "designed," or the negative of these words and phrases, other variations of these words and phrases or comparable terminology. The forward-looking statements relate to, among other things: demand for AMD's products; the growth, change and competitive landscape of the markets in which AMD participates; expected seasonality trends; that unbilled accounts receivables are expected to be billed and collected within twelve months; the expected amounts to be received by AMD under the IP licensing agreement and AMD's expected royalty payments from future product sales of China JV's' products to be developed on the basis of such licensed IP; sales patterns of AMD's PC products and semi-custom System-on-Chip (SoC) products for game consoles; the level of international sales as compared to total sales; that AMD's cash, cash equivalents and marketable securities balances together with the availability under that certain revolving credit facility (Secured Revolving Facility) made available to AMD and certain of its subsidiaries under the Credit Agreement, will be sufficient to fund AMD's operations including capital expenditures over the next 12 months; AMD's ability to obtain sufficient external financing or external financing on favorable terms; AMD's expectation that based on the information presently known to management, the potential liability related to AMD's current litigation will not have a material adverse effect on its financial condition, cash flows or results of operations; ongoing and increase in costs related to IT network security; and a small number of customers will continue to account for a substantial part of AMD's revenue in the future. These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from current expectations. For a discussion of the factors that could cause actual results to differ materially from the forward-looking statements, see "Part II, Item 1A—Risk Factors" and such other risks and uncertainties as set forth below in this report or detailed in our other Securities and Exchange Commission (SEC) reports and filings. We assume no obligation to update forward-looking statements, except as may be required by law.

AMD, the AMD Arrow logo, ATI, and the ATI logo, Athlon, EPYC, Radeon, Ryzen and combinations thereof, are trademarks of Advanced Micro Devices, Inc. Microsoft and Xbox One are trademarks or registered trademarks of Microsoft Corporation in the United States and other jurisdictions. Other names are for informational purposes only and are used to identify companies and products and may be trademarks of their respective owners. "Zen" is a codename for an AMD architecture, and is not a product name.

The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements and related notes included in this report and our audited consolidated financial statements and related notes as of December 29, 2018 and December 30, 2017, and for each of the three years for the period ended December 29, 2018 as filed in our Annual Report on Form 10-K for the fiscal year ended December 29, 2018.

Overview

We are a global semiconductor company primarily offering:

- x86 microprocessors, as standalone devices or as incorporated into an accelerated processing unit (APU), chipsets, discrete and integrated graphics processing units (GPUs), datacenter and professional GPUs, and development services; and
 - server and embedded processors, semi-custom System-on-Chip (SoC) products, development services and technology for game consoles.
- We also license portions of our intellectual property (IP) portfolio.

In this section, we will describe the general financial condition and the results of operations of Advanced Micro Devices, Inc. and its wholly-owned subsidiaries (collectively, "us," "our" or "AMD"), including a discussion of our results of operations for the three and nine months ended September 28, 2019 compared to the prior year periods, an analysis of changes in our financial condition and a discussion of our contractual obligations.

Net revenue for the three months ended September 28, 2019 was \$1.8 billion, a 9% increase compared to the prior year period. The increase was primarily due to a 36% increase in Computing and Graphics net revenue, partially offset by a 27% decrease in Enterprise, Embedded and Semi-Custom net revenue. The increase in Computing and Graphics segment net revenue was primarily due to higher sales of our Ryzen™ processors. The decrease in Enterprise, Embedded and Semi-Custom net revenue was primarily due to lower semi-custom revenue, partially offset by higher EPYC™ server processor revenue. Our operating income for the three months ended September 28, 2019 was \$186 million compared to operating income of \$150 million for the prior year period. Our net income for the three months ended September 28, 2019 was \$120 million compared to net income of \$102 million for the prior year period.

During the third quarter of 2019, we continued to achieve our product milestones. In August, we launched our 2nd Gen EPYC™ processors based on our "Zen 2" core architecture. In September, we introduced AMD Ryzen™ Pro 3000 and AMD Athlon™ Pro desktop processors for commercial and small business consumers.

Cash, cash equivalents and marketable securities as of September 28, 2019 were \$1.21 billion, compared to \$1.16 billion as of December 29, 2018.

We intend the discussion of our financial condition and results of operations that follows to provide information that will assist you in understanding our financial statements, the changes in certain key items in those financial statements from year to year and quarter to quarter, the primary factors that resulted in those changes, and how certain accounting principles, policies and estimates affect our financial statements.

Results of Operations

We report our financial performance based on the following two reportable segments: the Computing and Graphics segment and the Enterprise, Embedded and Semi-Custom segment.

Additional information on our reportable segments is contained in Note 11: Segment Reporting of the Notes to Condensed Consolidated Financial Statements (Part I, Financial Information of this Form 10-Q).

Our operating results tend to vary seasonally. Historically, first quarter PC product sales have been generally lower than fourth quarter sales, and our semi-custom SoC products for game console sales pattern has reflected higher sales in the second and third quarters compared to the first and fourth quarters, although product transitions could impact these trends.

The following table provides a summary of net revenue and operating income (loss) by segment:

	Three Months Ended		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
	(In millions)			
Net revenue:				
Computing and Graphics	\$ 1,276	\$ 938	\$ 3,047	\$ 3,139
Enterprise, Embedded and Semi-Custom	525	715	1,557	1,917
Total net revenue	\$ 1,801	\$ 1,653	\$ 4,604	\$ 5,056
Operating income (loss):				
Computing and Graphics	\$ 179	\$ 100	\$ 217	\$ 355
Enterprise, Embedded and Semi-Custom	61	86	218	169
All Other	(54)	(36)	(152)	(101)
Total operating income	\$ 186	\$ 150	\$ 283	\$ 423

Computing and Graphics

Computing and Graphics net revenue of \$1.3 billion for the three months ended September 28, 2019 increased by 36%, compared to net revenue of \$938 million for the prior year period, primarily as a result of a 10% increase in unit shipments and a 40% increase in average selling price. The increase in unit shipments was primarily due to higher demand for our Ryzen processors, partially offset by a decrease in demand for our Radeon mobile products. The increase in average selling price was driven by higher demand for our Ryzen processors.

Computing and Graphics net revenue of \$3.0 billion for the nine months ended September 28, 2019 decreased by 3%, compared to net revenue of \$3.1 billion for the prior year period, primarily as a result of lower graphics channel memory sales due to the decline in blockchain-related demand, partially offset by a 16% increase in average selling price. Unit shipments were flat due to higher demand for our Ryzen processors, offset by lower demand for our Radeon channel products caused primarily by the decline in blockchain-related demand and lower sales of our Radeon mobile products. The increase in average selling price was driven by higher demand for our Ryzen processors and datacenter GPUs, partially offset by lower demand for our Radeon channel products.

Computing and Graphics operating income was \$179 million for the three months ended September 28, 2019, compared to operating income of \$100 million for the prior year period. The improvement in operating income was primarily driven by higher sales which more than offset higher operating expenses. Operating expenses increased for the reasons outlined under "Expenses" below.

Computing and Graphics operating income was \$217 million for the nine months ended September 28, 2019, compared to operating income of \$355 million for the prior year period. The decline in operating income was primarily driven by lower sales and higher operating expenses. Operating expenses increased for the reasons outlined under "Expenses" below.

Enterprise, Embedded and Semi-Custom

Enterprise, Embedded and Semi-Custom net revenue of \$525 million for the three months ended September 28, 2019 decreased by 27%, compared to net revenue of \$715 million for the prior year period, primarily as a result of lower semi-custom product revenue, partially offset by higher sales of our EPYC server processors.

Enterprise, Embedded and Semi-Custom net revenue of \$1.6 billion for the nine months ended September 28, 2019 decreased by 19%, compared to net revenue of \$1.9 billion for the prior year period, primarily as a result of lower semi-custom product revenue, partially offset by higher sales of our EPYC server processors.

Enterprise, Embedded and Semi-Custom operating income was \$61 million for the three months ended September 28, 2019 compared to operating income of \$86 million for the prior year period. The decline in operating income was primarily due to lower semi-custom product sales and higher operating expenses, partially offset by higher sales of our EPYC server processors. Operating expenses increased for the reasons outlined under “Expenses” below.

Enterprise, Embedded and Semi-Custom operating income was \$218 million for the nine months ended September 28, 2019 compared to operating income of \$169 million for the prior year period. The improvement in operating income was primarily due to higher EPYC server processor sales and a licensing gain of \$60 million recognized in the first quarter of 2019, partially offset by lower semi-custom product sales and higher operating expenses. Operating expenses increased for the reasons outlined under “Expenses” below.

All Other

All Other operating loss of \$54 million and \$36 million for the three months ended September 28, 2019 and prior year period, respectively, were related to stock-based compensation expense.

All Other operating loss of \$152 million for the nine months ended September 28, 2019 consisted of \$140 million of stock-based compensation expense and a \$12 million contingent loss accrual on a legal matter. All Other operating loss of \$101 million for the prior year period was related to stock-based compensation expense.

International Sales

International sales as a percentage of net revenue were 72% for the three months ended September 28, 2019 and 74% for the prior year period. The decrease in international sales as a percentage of net revenue for the three months ended September 28, 2019 compared to the prior year period was primarily driven by a higher proportion of revenue from domestic sales of our products within the Enterprise, Embedded and Semi-Custom segment.

International sales as a percentage of net revenue were 73% for the nine months ended September 28, 2019 and 79% for the prior year period. The decrease in international sales as a percentage of net revenue for the nine months ended September 28, 2019 compared to the prior year period was primarily driven by lower revenue from Taiwan-related sales of our products within the Computing and Graphics segment.

We expect that international sales will continue to be a significant portion of total sales in the foreseeable future. Substantially all of our sales transactions were denominated in U.S. dollars.

Comparison of Gross Margin, Expenses, Licensing Gain, Interest Expense, Other Expense, Net, Income Taxes and Equity Income (Loss) in investee

The following is a summary of certain condensed consolidated statement of operations data for the periods indicated:

	Three Months Ended		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
	(In millions except for percentages)			
Cost of sales	\$ 1,024	\$ 992	\$ 2,685	\$ 3,146
Gross profit	777	661	1,919	1,910
Gross margin percentage	43%	40%	42%	38%
Research and development	406	363	1,152	1,063
Marketing, general and administrative	185	148	544	424
Licensing gain	—	—	(60)	—
Interest expense	(24)	(30)	(76)	(92)
Other expense, net	(36)	(6)	(40)	(4)
Provision (benefit) for income taxes	7	12	(4)	26
Equity income (loss) in investee	1	—	—	(2)

Gross Margin

Gross margin as a percentage of net revenue was 43% for the three months ended September 28, 2019, compared to 40% for the prior year period. The improvement in gross margin was primarily driven by higher sales of Ryzen and EPYC processors with higher gross margin than the corporate average.

Gross margin as a percentage of net revenue was 42% for the nine months ended September 28, 2019, compared to 38% for the prior year period. The improvement in gross margin was primarily driven by higher sales of Ryzen and EPYC processors with higher gross margin than the corporate average.

Expenses

Research and Development Expenses

Research and development expenses of \$406 million for the three months ended September 28, 2019 increased by \$43 million, or 12%, compared to \$363 million for the prior year period, primarily due to an increase in product development costs in the Computing and Graphics segment as well as stock-based compensation expense.

Research and development expenses of \$1.2 billion for the nine months ended September 28, 2019 increased by \$89 million, or 8%, compared to \$1.1 billion for the prior year period, primarily due to an increase in product development costs in both the Computing and Graphics and Enterprise, Embedded and Semi-Custom segments as well as an increase in stock-based compensation expense.

Marketing, General and Administrative Expenses

Marketing, general and administrative expenses of \$185 million for the three months ended September 28, 2019 increased by \$37 million, or 25%, compared to \$148 million for the prior year period, primarily due to an increase in go to market activities in both the Computing and Graphics and Enterprise, Embedded and Semi-Custom segments.

Marketing, general and administrative expenses of \$544 million for the nine months ended September 28, 2019 increased by \$120 million, or 28%, compared to \$424 million for the prior year period, primarily due to an increase in go to market activities in both the Computing and Graphics and Enterprise, Embedded and Semi-Custom segments.

Interest Expense

Interest expense for the three months ended September 28, 2019 was \$24 million, compared to \$30 million for the prior year period. The decrease was primarily due to lower debt balances.

Interest expense for the nine months ended September 28, 2019 was \$76 million, compared to \$92 million for the prior year period. The decrease was primarily due to lower debt balances.

Other Income (Expense), Net

Other expense, net of \$36 million for the three months ended September 28, 2019 increased by \$30 million, compared to \$6 million of Other expense, net for the prior year period. The increase in expense was primarily due to \$40 million of loss on extinguishment of debt in the current period compared to \$6 million of loss on extinguishment of debt in the prior year period.

Other expense, net of \$40 million for the nine months ended September 28, 2019 increased by \$36 million, compared to \$4 million of Other expense, net for the prior year period. The increase in expense was primarily due to \$48 million of loss on extinguishment of debt in the current period compared to \$7 million of loss on extinguishment of debt in the prior year period.

Provision (Benefit) For Income Taxes

For the three months ended September 28, 2019, we recorded an income tax provision of \$7 million, consisting primarily of \$4 million of withholding taxes and \$3 million of foreign income taxes in profitable locations. For the three months ended September 29, 2018, we recorded an income tax provision of \$12 million, consisting of \$7 million for withholding taxes and \$5 million for U.S. income taxes.

For the nine months ended September 28, 2019, we recorded an income tax benefit of \$4 million, consisting primarily of a \$13 million tax benefit as a result of the completion of an internal tax structuring, partially offset by \$5 million of withholding taxes and \$4 million of foreign income taxes in profitable locations. For the nine months ended September 29, 2018, we recorded an income tax provision of \$26 million, consisting of \$15 million for U.S. income taxes, \$7 million for withholding taxes and \$4 million of foreign income taxes in profitable locations.

FINANCIAL CONDITION

Liquidity and Capital Resources

As of September 28, 2019, our cash, cash equivalents and marketable securities were \$1.21 billion, compared to \$1.16 billion as of December 29, 2018. The percentage of cash and cash equivalents held domestically was 95% as of September 28, 2019, compared to 88% as of December 29, 2018. Our operating, investing and financing activities for the nine months ended September 28, 2019 compared to the prior year period are as described below:

	Nine Months Ended	
	September 28, 2019	September 29, 2018
	(In millions)	
Net cash provided by (used in):		
Operating activities	\$ 51	\$ (86)
Investing activities	\$ (123)	\$ (82)
Financing activities	\$ 150	\$ 28

The aggregate principal amount of our outstanding debt obligations was \$1.1 billion and \$1.5 billion as of September 28, 2019 and December 29, 2018, respectively.

We believe our cash, cash equivalents and marketable securities balance along with our Secured Revolving Facility will be sufficient to fund operations, including capital expenditures, over the next 12 months. We believe we will be able to access the capital markets should we require additional funds. However, we cannot assure that such funds will be available on favorable terms, or at all.

Operating Activities

Net cash provided by operating activities was \$51 million for the nine months ended September 28, 2019 compared to net cash used in operating activities of \$86 million for the prior year period. This change was primarily due to changes in working capital, largely driven by higher cash collections, partially offset by accounts payable, payroll and wafer purchases.

Investing Activities

Net cash used in investing activities was \$123 million for the nine months ended September 28, 2019, which primarily consisted of \$284 million for purchases of available-for-sale debt securities and \$175 million for purchases of property and equipment, partially offset by \$309 million for maturities of available-for-sale debt securities.

Net cash used in investing activities was \$82 million for the nine months ended September 29, 2018, which primarily consisted of \$122 million for purchases of property and equipment.

Financing Activities

Net cash provided by financing activities was \$150 million for the nine months ended September 28, 2019, which primarily consisted of a cash inflow of \$449 million from the warrant exercised by West Coast Hitech L.P. (WCH) and \$38 million from the issuance of common stock under our stock-based compensation equity plans, partially offset by \$331 million used for the redemption of our 6.75% Senior Notes due 2019 (6.75% Notes), the conversion of some of our 2.125% Convertible Senior Notes due 2026 (2.125% Notes), the repurchase of some of our 7.50% Senior Notes due 2022 (7.50% Notes) and 7.00% Senior Notes due 2024 (7.00% Notes), and the repayment of our outstanding loan balance of \$70 million when we terminated our secured revolving line of credit under the Amended and Restated Loan and Security Agreement dated as of April 14, 2015.

Net cash provided by financing activities was \$28 million for the nine months ended September 29, 2018, which primarily consisted of a cash inflow of \$44 million from the issuance of common stock under our stock-based compensation equity plans, partially offset by a cash outflow of \$15 million for the repurchase of our 6.75% Notes and 7.00% Notes.

Contractual Obligations

The following table summarizes our consolidated principal contractual obligations as of September 28, 2019, and is supplemented by the discussion following the table:

(In millions)	Payments due by period as of September 28, 2019						
	Total	2019 (3 months remaining)	2020	2021	2022	2023	2024 and thereafter
Term Debt	\$ 1,087	\$ —	\$ —	\$ —	\$ 312	\$ —	\$ 775
Other long-term liabilities ⁽¹⁾	150	7	52	49	39	1	2
Aggregate interest obligation ⁽²⁾	204	11	46	46	37	22	42
Operating leases	292	13	51	46	42	37	103
Purchase obligations ⁽³⁾	2,589	1,036	956	588	7	2	—
Total contractual obligations ⁽⁴⁾	\$ 4,322	\$ 1,067	\$ 1,105	\$ 729	\$ 437	\$ 62	\$ 922

⁽¹⁾ Amounts primarily represent future fixed and non-cancellable cash payments associated with software technology and licenses and IP licenses, including payments due within the next 12 months.

⁽²⁾ Represents interest obligations, payable in cash, for our outstanding debt.

⁽³⁾ Represents purchase obligations for goods and services where payments are based, in part, on the volume or type of services we acquire. In those cases, we only include the minimum volume of purchase obligations in the table above. Purchase orders for goods and services that are cancellable upon notice and without significant penalties are not included in the amounts above.

⁽⁴⁾ Total amount excludes contractual obligations already recorded on our condensed consolidated balance sheets except for debt obligations, leases, and other liabilities related to software and technology licenses and IP licenses.

The expected timing of payments of the obligations in the preceding table is estimated based on current information. Timing of payments and actual amounts paid may be different, depending on the time of receipt of goods or services, or changes to agreed-upon amounts for some obligations.

Off-Balance Sheet Arrangements

As of September 28, 2019, we had no off-balance sheet arrangements.

Critical Accounting Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP). The preparation of our financial statements requires us to make estimates and judgments that affect the reported amounts in our condensed consolidated financial statements. We evaluate our estimates on an on-going basis, including those related to our net revenue, inventories, asset impairments and income taxes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of our assets and liabilities. Although actual results have historically been reasonably consistent with management's expectations, the actual results may differ from these estimates or our estimates may be affected by different assumptions or conditions.

Management believes there have been no significant changes for the three and nine months ended September 28, 2019 to the items that we disclosed as our critical accounting estimates in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of our Annual Report on Form 10-K for the fiscal year ended December 29, 2018.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Reference is made to “Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risk,” in our Annual Report on Form 10-K for the fiscal year ended December 29, 2018.

There have not been any material changes in market risk since December 29, 2018.

ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports made under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of September 28, 2019, the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

There was no change in our internal controls over financial reporting for our three months ended September 28, 2019 that materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Zeng Shareholder Derivative Lawsuit

On March 8, 2018, a purported shareholder derivative lawsuit captioned *Zeng v. Su, et al.*, Case No. 18CIV01192 was filed against us (as a nominal defendant only) and certain of our directors and officers in the San Mateo County Superior Court of the State of California. The complaint purports to assert claims against us and certain individual directors and officers for breach of fiduciary duty, unjust enrichment, abuse of control, gross mismanagement and waste of corporate assets. The complaint seeks damages allegedly caused by alleged materially misleading statements and/or material omissions by us and the individual directors and officers regarding Spectre, which statements and omissions, the plaintiffs claim, allegedly operated to artificially inflate the price paid for our common stock during the period. On April 26, 2018, the lawsuit was transferred to Santa Clara County and assigned a new case number, 18CV327692. On August 14, 2018, the Court stayed this lawsuit pending a decision on the motion to dismiss in *Kim et al. v. AMD, et al.*, Case No. 3:18-cv-00321 filed against us in the United States District Court for the Northern District of California (“Securities Class Action”). As discussed above, on May 23, 2019, the court in the Securities Class Action granted a motion to dismiss filed by us and certain individual officers and thereafter entered final judgment dismissing the Securities Class Action with prejudice. On June 17, 2019, the court in this case entered a joint stipulation to extend the stay until October 7, 2019. On September 5, 2019, the court granted the parties' joint stipulation of dismissal.

In re Advanced Micro Devices, Inc. Shareholder Derivative Litigation

Two purported shareholder derivative lawsuits were filed against us (as a nominal defendant only) and certain of our directors and officers in the United States District Court, Northern District of California: (1) *Jacqueline Dolby, derivatively on behalf of AMD, Inc. v. Su et al.*, Case No. 5:18-cv-03575, filed on June 14, 2018; and (2) *Gusinsky Trust, derivatively on behalf of AMD, Inc. v. Su et al.*, Case No. 5:18-cv-03811, filed on June 26, 2018. The complaints purport to assert claims against us and certain individual directors and officers for violation of Section 14(a) of the Exchange Act and SEC Rule 14a-9, breach of fiduciary duty, waste of corporate assets, and unjust enrichment. The complaints seek damages purportedly caused by alleged materially misleading statements and/or material omissions by us and the individual directors and officers regarding Spectre. The plaintiffs allege that these statements and omissions operated to artificially inflate the price paid for our common stock during the period. On July 12, 2018, the court consolidated the Dolby and Gusinsky Trust shareholder derivative lawsuits under the caption *In re Advanced Micro Devices, Inc. Shareholder Derivative Litigation*. On August 10, 2018, the Court stayed this lawsuit pending a decision on the motion to dismiss in *Kim et al. v. AMD, et al.*, Case No. 3:18-cv-00321 filed against us in the United States District Court for the Northern District of California (Class Action). As discussed above, on May 23, 2019, the court in the Class Action granted a motion to dismiss filed by us and certain individual officers and thereafter entered final judgment dismissing the Class Action with prejudice. On June 12, 2019, the court in this case entered a joint stipulation to extend the stay until October 7, 2019. On August 1, 2019, the court granted the parties' voluntary dismissal.

Quarterhill Inc. Litigation

On July 2, 2018, three entities named Aquila Innovations, Inc. (Aquila), Collabo Innovations, Inc. (Collabo), and Polaris Innovations, Ltd. (Polaris), filed separate patent infringement complaints against us in the United States District Court for the Western District of Texas. Aquila alleges that we infringe two patents (6,239,614 and 6,895,519) relating to power management; Collabo alleges that we infringe one patent (7,930,575) related to power management; and Polaris alleges that we infringe two patents (6,728,144 and 8,117,526) relating to control or use of dynamic random-access memory, or DRAM. Each of the three complaints seeks unspecified monetary damages, interest, fees, expenses, and costs against us; Aquila and Collabo also seek enhanced damages. Aquila, Collabo, and Polaris each appear to be related to a patent assertion entity named Quarterhill Inc. (formerly WiLAN Inc.). On November 16, 2018, we filed answers in the Collabo and Aquila cases and filed a motion to dismiss in the Polaris case. On January 25, 2019, we filed amended answers and counterclaims in the Collabo and Aquila cases. On July 22, 2019, our motion to dismiss in the Polaris case was denied. On August 23, 2019, the Court held a claim construction hearing in each case.

Based upon information presently known to management regarding the Zeng shareholder derivative lawsuit, *In re Advanced Micro Devices, Inc.* shareholder derivative litigation and Quarterhill Inc. litigation, we believe that the potential liability, if any, will not have a material adverse effect on our financial condition, cash flows or results of operations.

MediaTek Litigation

MediaTek, Inc. v. Advanced Micro Devices, Inc., No. 19-cv-368 in the United States District Court for the District of Delaware. On February 21, 2019, MediaTek, Inc. filed suit against us, alleging infringement of six patents related to memory controllers and integrated circuit structures. On April 15, 2019, we filed a motion to dismiss portions of MediaTek's complaint. On April 29, 2019, MediaTek filed an amended complaint. On May 13, 2019, we filed a motion to dismiss part of MediaTek's amended complaint. Subsequently, the parties agreed to dismiss the lawsuit and the Court granted the parties' request on September 24, 2019.

On March 18, 2019, AMD Products (China) Co., Ltd. was provided with four complaints filed by MediaTek in the Intermediate People's Court of Shenzhen, China. Each complaint alleges infringement of one patent by certain AMD entities, identifies an exemplary product, and seeks injunctive and monetary relief. We subsequently initiated invalidity proceedings regarding each of the patents-in-suit. The parties are now in the process of mutually dismissing each of the infringement and invalidity proceedings as well.

Based upon information presently known to management, we believe that the resolution of these matters will not have a material adverse effect on our financial condition, cash flows or results of operations.

Dickey Litigation

On October 26, 2015, a putative class action complaint captioned *Dickey et al. v. AMD*, No. 15-cv-04922 was filed against us in the United States District Court for the Northern District of California. Plaintiffs allege that we misled consumers by using the term "eight cores" in connection with the marketing of certain AMD FX CPUs that are based on our "Bulldozer" core architecture. The plaintiffs allege these products cannot perform eight calculations simultaneously, without restriction. The plaintiffs seek to obtain damages under several causes of action for a nationwide class of consumers who allegedly were deceived into purchasing certain Bulldozer-based CPUs that were marketed as containing eight cores. The plaintiffs also seek attorneys' fees. On December 21, 2015, we filed a motion to dismiss the complaint, which was granted on April 7, 2016. The plaintiffs then filed an amended complaint with a narrowed putative class definition, which the Court dismissed upon our motion on October 31, 2016. The plaintiffs subsequently filed a second amended complaint, and we filed a motion to dismiss the second amended complaint. On June 14, 2017, the Court issued an order granting in part and denying in part our motion to dismiss, and allowing the plaintiffs to move forward with a portion of their complaint. On March 27, 2018, plaintiffs filed their motion for class certification. On January 17, 2019, the Court granted plaintiffs' motion for class certification. The class definition does not encompass our Ryzen™ or EPYC™ processors. On January 31, 2019, we filed a petition in the Ninth Circuit Court of Appeals seeking review of certain aspects of the January 17, 2019 class certification order. On May 9, 2019, the parties attended mediation and reached a tentative settlement. The tentative settlement is subject to a final executed agreement and court approval. On June 3, 2019, the Ninth Circuit Court of Appeals denied our petition seeking appellate review of the January 17, 2019 class certification order. On August 9, 2019, the parties executed a settlement agreement. On August 23, 2019, Plaintiffs filed their motion for preliminary approval of the settlement agreement. On October 4, 2019, the Court granted the motion for preliminary approval of the settlement agreement. Based upon information presently known to management, we believe that the settlement will not have a material adverse effect on our financial condition, cash flows or results of operations.

ITEM 1A. RISK FACTORS

The risks and uncertainties described below are not the only ones we face. If any of the following risks actually occurs, our business, financial condition or results of operations could be materially adversely affected. In addition, you should consider the interrelationship and compounding effects of two or more risks occurring simultaneously.

Intel Corporation's dominance of the microprocessor market and its aggressive business practices may limit our ability to compete effectively.

Intel Corporation has been the market share leader for microprocessors for many years. Intel's market share, margins and significant financial resources enable it to market its products aggressively, to target our customers and our channel partners with special incentives and to influence customers who do business with us. These aggressive activities have in the past and are likely in the future to result in lower unit sales and a lower average selling price for many of our products and adversely affect our margins and profitability.

Intel exerts substantial influence over computer manufacturers and their channels of distribution through various brand and other marketing programs. As a result of Intel's position in the microprocessor market, Intel has been able to control x86 microprocessor and computer system standards and benchmarks and to dictate the type of products the microprocessor market requires of us. Intel also dominates the computer system platform, which includes core logic chipsets, graphics chips, networking devices (wired and wireless), non-volatile storage and other components necessary to assemble a computer system. Additionally, Intel is able to drive de facto standards and specifications for x86 microprocessors that could cause us and other companies to have delayed access to such standards.

Intel has substantially greater financial resources than we do and accordingly spends substantially greater amounts on marketing and research and development than we do. We expect Intel to maintain its market position and to continue to invest heavily in marketing, research and development, new manufacturing facilities and other technology companies. To the extent Intel manufactures a significantly larger portion of its microprocessor products using more advanced process technologies, or introduces competitive new products into the market before we do, we may be more vulnerable to Intel's aggressive marketing and pricing strategies for microprocessor products.

As long as Intel remains in this dominant position, we may be materially adversely affected by Intel's:

- business practices, including rebating and allocation strategies and pricing actions, designed to limit our market share and margins;
- product mix and introduction schedules;
- product bundling, marketing and merchandising strategies;
- exclusivity payments to its current and potential customers, retailers and channel partners;
- de facto control over industry standards, and heavy influence on PC manufacturers and other PC industry participants, including motherboard, memory, chipset and basic input/output system (BIOS) suppliers and software companies as well as the graphics interface for Intel platforms; and
- marketing and advertising expenditures in support of positioning the Intel brand over the brand of its original equipment manufacturer OEM customers and retailers.

Intel could also take actions that place our discrete GPUs at a competitive disadvantage, including giving one or more of our competitors in the graphics market, such as Nvidia Corporation, preferential access to its proprietary graphics interface or other useful information. Also, Intel recently announced that it is developing their own high-end discrete GPUs. Intel's position in the microprocessor market and integrated graphics chipset market, its introduction of competitive new products, its existing relationships with top-tier OEMs, and its aggressive marketing and pricing strategies could result in lower unit sales and a lower average selling price for our products, which could have a material adverse effect on us.

We rely on third parties to manufacture our products, and if they are unable to do so on a timely basis in sufficient quantities and using competitive technologies, our business could be materially adversely affected.

We rely on third-party wafer foundries to fabricate the silicon wafers for all of our products. We also rely on third-party manufacturers to assemble, test, mark and pack (ATMP) our products. It is important to have reliable relationships with all of these third-party manufacturing suppliers to ensure adequate product supply to respond to customer demand.

We cannot guarantee that these manufacturers or our other third-party manufacturing suppliers will be able to meet our near-term or long-term manufacturing requirements. If we experience supply constraints from our third-party manufacturing suppliers, we may be required to allocate the affected products amongst our customers, which could have a material adverse effect on our relationships with these customers and on our financial condition. In addition, if we are unable to meet customer demand due to fluctuating or late supply from our manufacturing suppliers, it could result in lost sales and have a material adverse effect on our business.

We do not have long-term commitment contracts with some of our third-party manufacturing suppliers. We obtain some of these manufacturing services on a purchase order basis and these manufacturers are not required to provide us with any specified minimum quantity of product beyond the quantities in an existing purchase order. Accordingly, we depend on these suppliers to allocate to us a portion of their manufacturing capacity sufficient to meet our needs, to produce products of acceptable quality and at acceptable manufacturing yields and to deliver those products to us on a timely basis and at acceptable prices. The manufacturers we use also fabricate wafers and ATMP products for other companies, including certain of our competitors. They could choose to prioritize capacity for other customers, increase the prices that they charge us on short notice or reduce or eliminate deliveries to us, which could have a material adverse effect on our business.

Other risks associated with our dependence on third-party manufacturers include limited control over delivery schedules and quality assurance, lack of capacity in periods of excess demand, misappropriation of our intellectual property, dependence on several small undercapitalized subcontractors and limited ability to manage inventory and parts. Moreover, if any of our third-party manufacturers suffer any damage to facilities, lose benefits under material agreements, experience power outages, lack sufficient capacity to manufacture our products, encounter financial difficulties, are unable to secure necessary raw materials from their suppliers or suffer any other disruption or reduction in efficiency, we may encounter supply delays or disruptions. If we are unable to secure sufficient or reliable supplies of products, our ability to meet customer demand may be adversely affected and this could materially affect our business.

If we transition the production of some of our products to new manufacturers, we may experience delayed product introductions, lower yields or poorer performance of our products. If we experience problems with product quality or are unable to secure sufficient capacity from a particular third-party manufacturer, or if we for other reasons cease utilizing one of those suppliers, we may be unable to secure an alternative supply for any specific product in a short time frame. We could experience significant delays in the shipment of our products if we are required to find alternative third-party manufacturers, which could have a material adverse effect on our business.

We are party to two ATMP joint ventures (collectively, the JVs) with Tongfu Fujitsu Microelectronics Co., Ltd. The majority of our ATMP services are provided by the JVs and there is no guarantee that the JVs will be able to fulfill our long-term ATMP requirements. If we are unable to meet customer demand due to fluctuating or late supply from the JVs, it could result in lost sales and have a material adverse effect on our business.

Failure to achieve expected manufacturing yields for our products could negatively impact our financial results.

Semiconductor manufacturing yields are a result of both product design and process technology, which is typically proprietary to the manufacturer, and low yields can result from design failures, process technology failures or a combination of both. Our third-party foundries are responsible for the process technologies used to fabricate silicon wafers. If our third-party foundries experience manufacturing inefficiencies or encounter disruptions, errors or difficulties during production, we may fail to achieve acceptable yields or experience product delivery delays. We cannot be certain that our third-party foundries will be able to develop, obtain or successfully implement leading-edge process technologies needed to manufacture future generations of our products profitably or on a timely basis or that our competitors will not develop new technologies, products or processes earlier. Moreover, during periods when foundries are implementing new process technologies, their manufacturing facilities may not be fully productive. A substantial delay in the technology transitions to smaller process technologies could have a material adverse effect on us, particularly if our competitors transition to more cost effective technologies before us. For example, we are presently focusing our 7nm product portfolio on Taiwan Semiconductor Co., Ltd.'s (TSMC) 7nm process. If TSMC is not able to manufacture our 7nm products in sufficient quantities to meet customer demand, it could have a material adverse effect on our business.

Any decrease in manufacturing yields could result in an increase in per unit costs, which would adversely impact our gross margin and/or force us to allocate our reduced product supply amongst our customers, which could harm our relationships and reputation with our customers and materially adversely affect our business.

We have a wafer supply agreement with GF with obligations to purchase all of our microprocessor and APU product requirements, and a certain portion of our GPU product requirements manufactured at process nodes larger than 7 nanometer from GF, with limited exceptions. If GF is not able to satisfy our manufacturing requirements, our business could be adversely impacted.

The wafer supply agreement (WSA) governs the terms by which we purchase products manufactured by GF and is in place until 2024. Pursuant to the WSA, we are required to purchase all of our microprocessor and APU product requirements, and a certain portion of our GPU product requirements from GF manufactured at process nodes larger than 7 nanometer (nm), with limited exceptions. If GF is unable to achieve anticipated manufacturing yields, manufacture our products on a timely basis at competitive prices or meet our capacity requirements, then we may experience supply shortages for certain products or increased costs and our business could be materially adversely affected.

Under the terms of the WSA, we have agreed to minimum annual wafer purchase targets through 2021. If we fail to meet the agreed wafer purchase target during a calendar year, we will be required to pay to GF a portion of the difference between our actual wafer purchases and the applicable annual purchase target. If our actual wafer requirements are less than the number of

wafers required to meet the applicable annual wafer purchase target, we could have excess inventory or higher inventory unit costs, both of which may adversely impact our gross margin and our results of operations.

In addition, GF has relied on Mubadala Technology Investments LLC (Mubadala Tech) for its funding needs. If Mubadala Tech fails to adequately fund GF on a timely basis, or at all, and if GF is not otherwise able to adequately fund its operations, GF's ability to manufacture products for us could be materially adversely affected.

The success of our business is dependent upon our ability to introduce products on a timely basis with features and performance levels that provide value to our customers while supporting and coinciding with significant industry transitions.

Our success depends to a significant extent on the development, qualification, implementation and acceptance of new product designs and improvements that provide value to our customers. Our ability to develop, qualify and distribute, and have manufactured, new products and related technologies to meet evolving industry requirements, at prices acceptable to our customers and on a timely basis are significant factors in determining our competitiveness in our target markets. As consumers have new product feature preferences or have different requirements than those consumers in the PC market, PC sales could be negatively impacted, which could adversely impact our business. Our product roadmap includes our next generation AMD Ryzen, AMD Radeon and AMD EPYC processors using 7 nm process technology. We cannot assure you that our efforts to execute our product roadmap will result in innovative products and technologies that provide value to our customers. If we fail to or are delayed in developing, qualifying or shipping new products or technologies that provide value to our customers and address these new trends or if we fail to predict which new form factors consumers will adopt and adjust our business accordingly, we may lose competitive positioning, which could cause us to lose market share and require us to discount the selling prices of our products. Although we make substantial investments in research and development, we cannot be certain that we will be able to develop, obtain or successfully implement new products and technologies on a timely basis or that they will be well-received by our customers. Moreover, our investments in new products and technologies involve certain risks and uncertainties and could disrupt our ongoing business. New investments may not generate sufficient revenue, may incur unanticipated liabilities and may divert our limited resources and distract management from our current operations. We cannot be certain that our ongoing investments in new products and technologies will be successful, will meet our expectations and will not adversely affect our reputation, financial condition and operating results.

Delays in developing, qualifying or shipping new products can also cause us to miss our customers' product design windows or, in some cases, breach contractual obligations or cause us to pay penalties. If our customers do not include our products in the initial design of their computer systems or products, they will typically not use our products in their systems or products until at least the next design configuration. The process of being qualified for inclusion in a customer's system or product can be lengthy and could cause us to further miss a cycle in the demand of end-users, which also could result in a loss of market share and harm our business. We also depend on the success and timing of our customers' platform launches. If our customers delay their product launches or if our customers do not effectively market their platforms with our products, it could result in a delay in bringing our products to market and cause us to miss a cycle in the demand of end-users, which could materially adversely affect our business. In addition, market demand requires that products incorporate new features and performance standards on an industry-wide basis. Over the life of a specific product, the sale price is typically reduced over time. The introduction of new products and enhancements to existing products is necessary to maintain the overall corporate average selling price. If we are unable to introduce new products with sufficiently high sale prices or to increase unit sales volumes capable of offsetting the reductions in the sale prices of existing products over time, our business could be materially adversely affected.

If we cannot generate sufficient revenue and operating cash flow or obtain external financing, we may face a cash shortfall and be unable to make all of our planned investments in research and development or other strategic investments.

Our ability to fund research and development expenditures depends on generating sufficient revenue and cash flow from operations and the availability of external financing, if necessary. Our research and development expenditures, together with ongoing operating expenses, will be a substantial drain on our cash flow and may decrease our cash balances. If new competitors, technological advances by existing competitors, or other competitive factors require us to invest significantly greater resources than anticipated in our research and development efforts, our operating expenses would increase. If we are required to invest significantly greater resources than anticipated in research and development efforts without an increase in revenue, our operating results could decline.

We regularly assess markets for external financing opportunities, including debt and equity financing. Additional debt or equity financing may not be available when needed or, if available, may not be available on satisfactory terms. The health of the credit markets may adversely impact our ability to obtain financing when needed. Any downgrades from credit rating agencies such as Moody's or Standard & Poor's may adversely impact our ability to obtain external financing or the terms of such financing. Credit agency downgrades or concerns regarding our credit worthiness may impact relationships with our suppliers, who may limit our credit lines. Our inability to obtain needed financing or to generate sufficient cash from operations may require us to abandon projects or curtail planned investments in research and development or other strategic initiatives. If we curtail planned investments in research and development or abandon projects, our products may fail to remain competitive and our business would be materially adversely affected.

The loss of a significant customer may have a material adverse effect on us.

We depend on a small number of customers for a substantial portion of our business and we expect that a small number of customers will continue to account for a significant part of our revenue in the future. If one of our key customers decides to stop buying our products, or if one of these customers materially reduces or reorganizes its operations or its demand for our products, our business would be materially adversely affected.

Our receipt of revenue from our semi-custom SoC products is dependent upon our technology being designed into third-party products and the success of those products.

The revenue that we receive from our semi-custom SoC products is in the form of non-recurring engineering fees charged to third parties for design and development services and revenue received in connection with sales of our semi-custom SoC products to these third parties. As a result, our ability to generate revenue from our semi-custom products depends on our ability to secure customers for our semi-custom design pipeline, our customers' desire to pursue the project, and our semi-custom SoC products being incorporated into those customer's products. Any revenue from sales of our semi-custom SoC products is directly related to sales of the third-party's products and reflective of their success in the market. Moreover, we have no control over the marketing efforts of these third parties, and we cannot make any assurances that sales of their products will be successful in current or future years. Consequently, the semi-custom SoC product revenue expected by us may not be fully realized and our operating results may be adversely affected.

Global economic and market uncertainty may adversely impact our business and operating results.

Uncertain global economic conditions have in the past and may in the future adversely impact our business, including, without limitation, a slowdown in the Chinese economy, one of the largest global markets for desktop and notebook PCs. Uncertainty in the worldwide economic environment may negatively impact consumer confidence and spending causing our customers to postpone purchases. In addition, during challenging economic times, our current or potential future customers may experience cash flow problems and as a result may modify, delay or cancel plans to purchase our products. Additionally, if our customers are not successful in generating sufficient revenue or are unable to secure financing, they may not be able to pay, or may delay payment of, accounts receivable that they owe us. The risk related to our customers' potentially defaulting on or delaying payments to us is increased because we expect that a small number of customers will continue to account for a substantial part of our revenue. Any inability of our current or potential future customers to pay us for our products may adversely affect our earnings and cash flow. Moreover, our key suppliers may reduce their output or become insolvent, thereby adversely impacting our ability to manufacture our products. In addition, uncertain economic conditions may make it more difficult for us to raise funds through borrowings or private or public sales of debt or equity securities.

Our worldwide operations are subject to political, legal and economic risks and natural disasters, which could have a material adverse effect on us.

We maintain operations around the world, including in the United States, Canada, Europe, Australia and Asia. We rely on third-party wafer foundries in the United States, Europe and Asia. Nearly all product assembly and final testing of our products is performed at manufacturing facilities, operated by third-party manufacturing facilities, in China, Malaysia and Taiwan. We also have international sales operations. International sales, as a percent of net revenue, were 72% for the three months ended September 28, 2019. We expect that international sales will continue to be a significant portion of total sales in the foreseeable future.

The political, legal and economic risks associated with our operations in foreign countries include, without limitation:

- expropriation;
- changes in a specific country's or region's political or economic conditions;
- changes in tax laws, trade protection measures and import or export licensing requirements;
- difficulties in protecting our intellectual property;
- difficulties in managing staffing and exposure to different employment practices and labor laws;
- changes in foreign currency exchange rates;
- restrictions on transfers of funds and other assets of our subsidiaries between jurisdictions;
- changes in freight and interest rates;
- disruption in air transportation between the United States and our overseas facilities;
- loss or modification of exemptions for taxes and tariffs; and
- compliance with U.S. laws and regulations related to international operations, including export control and economic sanctions laws and regulations and the Foreign Corrupt Practices Act.

In addition, our worldwide operations (or those of our business partners) could be subject to natural disasters such as earthquakes, tsunamis, flooding, typhoons and volcanic eruptions that disrupt manufacturing or other operations. For example, our Santa Clara operations are located near major earthquake fault lines in California. There may be conflict or uncertainty in the countries in which we operate, including public health issues (for example, an outbreak of a contagious disease such as avian influenza, measles or Ebola), safety issues, natural disasters, fire, disruptions of service from utilities, nuclear power plant accidents or general economic or political factors. For example, the United Kingdom's 2016 referendum, commonly referred to as "Brexit,"

has created economic and political uncertainty in the European Union. Also, the European Union's General Data Protection Regulation imposes significant new requirements on how we collect, process and transfer personal data, as well as significant fines for non-compliance. Any of the above risks, should they occur, could result in an increase in the cost of components, production delays, general business interruptions, delays from difficulties in obtaining export licenses for certain technology, tariffs and other barriers and restrictions, longer payment cycles, increased taxes, restrictions on the repatriation of funds and the burdens of complying with a variety of foreign laws, any of which could ultimately have a material adverse effect on our business.

Government actions and regulations such as export administration regulations, tariffs, and trade protection measures, may limit our ability to export our products to certain customers.

In June 2019, the United States Commerce Department's Bureau of Industry and Security (BIS) added certain Chinese entities to the Entity List, including THATIC and the THATIC JV. In October 2019, the BIS added additional Chinese entities to the Entity List. Also, the United States administration has called for changes to domestic and foreign policy. Specifically, United States-China trade relations remains uncertain. The United States administration has announced tariffs on certain products imported into the United States with China as the country of origin, and China has imposed tariffs in response to the actions of the United States. We are taking steps to mitigate the impact of these tariffs on our business and AMD processor-based products. There is also a possibility of future tariffs, trade protection measures, import or export regulations or other restrictions imposed on our products or on our customers by the United States, China or other countries that could have a material adverse effect on our business. A significant trade disruption or the establishment or increase of any tariffs, trade protection measures or restrictions could result in lost sales adversely impacting our reputation and business.

Our products may be subject to security vulnerabilities that could have a material adverse effect on us.

The products that we sell are complex and may be subject to security vulnerabilities that could result in, among other things, the loss, corruption, theft or misuse of confidential data or system performance issues. Our efforts to prevent and address security vulnerabilities may decrease performance, be only partially effective or not successful at all. We may also depend on third parties, such as customers, vendors and end users, to deploy our mitigations or create their own, and they may delay, decline or modify the implementation of such mitigations. Our relationships with our customers could be adversely affected as some of our customers may stop purchasing our products, reduce or delay future purchases of our products, or use competing products. Any of these actions by our customers could adversely affect our revenue. We also are subject to claims and litigation related to Spectre side-channel exploits and may face additional claims or litigation for future vulnerabilities. Actual or perceived security vulnerabilities of our products may subject us to adverse publicity, damage to our brand and reputation, and could materially harm our business or financial results.

IT outages, data loss, data breaches and cyber-attacks could compromise our intellectual property or other sensitive information, be costly to remediate or cause significant damage to our business, reputation and operations.

In the ordinary course of our business, we maintain sensitive data on our information technology (IT) assets, and also may maintain sensitive information on our business partners' and third party providers' IT assets, including our intellectual property and proprietary or confidential business information relating to our business and that of our customers and business partners. Maintaining the security of this information is important to our business and reputation. We believe that companies have been increasingly subject to a wide variety of security incidents, cyber-attacks, hacking and phishing attacks, and other attempts to gain unauthorized access. These threats can come from a variety of sources, all ranging in sophistication from an individual hacker or insider threat to a state-sponsored attack. Cyber threats may be generic, or they may be custom-crafted against our information systems. Cyber-attacks have become increasingly more prevalent and much harder to detect, defend against or prevent. Our network and storage applications, as well as those of our customers, business partners, and third-party providers, may be subject to unauthorized access by hackers or breached due to operator error, malfeasance or other system disruptions.

It is often difficult to anticipate or immediately detect such incidents and the damage caused by such incidents. These data breaches and any unauthorized access, misuse or disclosure of our information or intellectual property could compromise our intellectual property and expose sensitive business information. Cyber-attacks on us or our customers, business partners or third party providers could also cause us to incur significant remediation costs, result in product development delays, disrupt key business operations and divert attention of management and key information technology resources. These incidents could also subject us to liability, expose us to significant expense and cause significant harm to our reputation and business.

We also maintain confidential and personally identifiable information about our workers. The confidentiality and integrity of our worker and consumer data is important to our business and our workers and consumers have a high expectation that we adequately protect their personal information.

We anticipate ongoing and increasing costs related to:

- enhancing and implementing information security controls, including costs related to upgrading application, computer, and network security components;
- training workers to maintain and monitor our security controls;
- remediating any data security breach and addressing the related litigation;

- mitigating reputational harm; and
- compliance with external regulations, such as the European Union's General Data Protection Regulation and the California Consumer Privacy Act.

We often partner with third-party providers for certain worker services and we may provide certain limited worker information to such third parties based on the scope of the services provided to us. However, if these third parties fail to adopt or adhere to adequate data security practices, or in the event of a breach of their networks, our workers' data may be improperly accessed, used or disclosed.

A breach of data privacy may cause significant disruption of our business operations. Failure to adequately maintain and update our security systems could materially adversely affect our operations and our ability to maintain worker confidence. Failure to prevent unauthorized access to electronic and other confidential information, IT outages, data loss and data breaches could materially adversely affect our financial condition, our competitive position and operating results.

Our operating results are subject to quarterly and seasonal sales patterns.

The profile of our sales may be weighted differently during the year. A large portion of our quarterly sales have historically been made in the last month of the quarter. This uneven sales pattern makes prediction of revenue for each financial period difficult and increases the risk of unanticipated variations in quarterly results and financial condition. In addition, our operating results tend to vary seasonally with the markets in which our products are sold. For example, historically, first quarter PC product sales have been generally lower than fourth quarter sales, and our semi-custom SoC products for game console sales pattern has reflected higher sales in the second and third quarters compared to the first and fourth quarters, although product transitions could impact these trends. Many of the factors that create and affect quarterly and seasonal trends are beyond our control.

We may not be able to generate sufficient cash to service our debt obligations or meet our working capital requirements.

Our ability to make payments on and to refinance our debt will depend on our financial and operating performance, which may fluctuate significantly from quarter to quarter, and is subject to prevailing economic, financial and business conditions along with other factors, many of which are beyond our control. We cannot assure you that we will be able to generate cash flow or that we will be able to borrow funds, including under our secured revolving credit facility for a principal amount up to \$500 million (our Secured Revolving Facility), in amounts sufficient to enable us to service our debt or to meet our working capital requirements. If we are not able to generate sufficient cash flow from operations or to borrow sufficient funds to service our debt, we may be required to sell assets or equity, reduce expenditures, refinance all or a portion of our existing debt or obtain additional financing. We cannot assure you that we will be able to refinance our debt, sell assets or equity, borrow funds under our Secured Revolving Facility or borrow more funds on terms acceptable to us, if at all.

We have a large amount of indebtedness which could adversely affect our financial position and prevent us from implementing our strategy or fulfilling our contractual obligations.

Our total debt as of September 28, 2019 was \$0.9 billion, net of unamortized debt issuance costs and unamortized debt discount associated with the 2.125% Notes. Our large indebtedness may:

- make it difficult for us to satisfy our financial obligations, including making scheduled principal and interest payments;
- limit our ability to borrow additional funds for working capital, capital expenditures, acquisitions and general corporate and other purposes;
- limit our ability to use our cash flow or obtain additional financing for future working capital, capital expenditures, acquisitions or other general corporate purposes;
- require us to use a substantial portion of our cash flow from operations to make debt service payments;
- place us at a competitive disadvantage compared to our competitors with relatively less debt; and
- increase our vulnerability to the impact of adverse economic and industry conditions.

We enter into sale and factoring arrangements from time to time with respect to certain accounts receivables, which arrangements are non-recourse to us in the event that an account debtor fails to pay for credit-related reasons, and are not included in our indebtedness. We could become obligated to repurchase such accounts receivables or otherwise incur liability to the counterparties under these arrangements under certain circumstances, such as where a commercial dispute arises between us and an account debtor.

The agreements governing our notes and our Secured Revolving Facility impose restrictions on us that may adversely affect our ability to operate our business.

The indentures governing our 7.50% Senior Notes due 2022 (7.50% Notes) and 7.00% Senior Notes due 2024 (7.00% Notes) contain various covenants which limit our ability to, among other things:

- incur additional indebtedness;
- pay dividends and make other restricted payments;
- make certain investments, including investments in our unrestricted subsidiaries;

- create or permit certain liens;
- create or permit restrictions on the ability of certain restricted subsidiaries to pay dividends or make other distributions to us;
- use the proceeds from sales of assets;
- enter into certain types of transactions with affiliates; and
- consolidate or merge or sell our assets as an entirety or substantially as an entirety.

In addition, the Secured Revolving Facility's credit agreement (Credit Agreement) restricts our ability to make cash payments on the notes to the extent that (i) on the date of such payment, an event of default exists under the Credit Agreement or would result therefrom or (ii) if we would have, on a pro forma basis after giving effect to such payment, a consolidated total leverage ratio that exceeds 3.50x. Any of our future debt agreements may contain similar restrictions. If under certain circumstances we fail to make a cash payment on a series of notes when required by the applicable indenture, it would constitute an event of default under such indenture, which, in turn, could constitute an event of default under the agreements governing our other indebtedness.

Our Secured Revolving Facility also contains various covenants which limit our ability to, among other things, incur additional indebtedness and liens, make certain investments, merge or consolidate with other entities, make certain dispositions, create any encumbrance on the ability of a subsidiary to make any upstream payments, make payments with respect to subordinated debt or certain borrowed money prior to its due date; and enter into any non-arm's-length transaction with an affiliate (in each case, except for certain customary exceptions).

The agreements governing our notes and our Secured Revolving Facility contain cross-default provisions whereby a default under one agreement would likely result in cross defaults under agreements covering other indebtedness. For example, the occurrence of a default with respect to any indebtedness or any failure to repay indebtedness when due in an amount in excess of (i) \$50 million would cause a cross default under the indentures (to the extent such default would result in the acceleration of such indebtedness) governing our 7.50% Notes, 7.00% Notes and 2.125% Notes, and (ii) \$100 million would cause a cross default under the Secured Revolving Facility. The occurrence of a default under any of these borrowing arrangements would permit the applicable note holders or the lenders under our Secured Revolving Facility to declare all amounts outstanding under those borrowing arrangements to be immediately due and payable. If the note holders or the trustee under the indentures governing our 7.50% Notes, 7.00% Notes or 2.125% Notes or the lenders under our Secured Revolving Facility accelerate the repayment of borrowings, we cannot assure you that we will have sufficient assets to repay those borrowings.

The markets in which our products are sold are highly competitive.

The markets in which our products are sold are very competitive and delivering the latest and best products to market on a timely basis is critical to achieving revenue growth. We believe that the main factors that determine our product competitiveness are timely product introductions, product quality, product features and capabilities (including enabling state-of-the-art visual and virtual reality experiences), energy efficiency (including power consumption and battery life), reliability, processor clock speed, performance, size (or form factor), selling price, cost, adherence to industry standards (and the creation of open industry standards), level of integration, software and hardware compatibility, security and stability, brand recognition and availability.

We expect that competition will continue to be intense due to rapid technological changes, frequent product introductions by our competitors or new competitors of products that may provide better performance/experience or may include additional features that render our products comparatively less competitive. We may also face aggressive pricing by competitors, especially during challenging economic times. In addition, our competitors have significant marketing and sales resources which could increase the competitive environment in such a declining market, leading to lower prices and margins. Some competitors may have greater access or rights to complementary technologies, including interface, processor and memory technical information. For instance, with our APU products and other competing solutions with integrated graphics, we believe that demand for additional discrete graphics chips and cards may decrease in the future due to improvements in the quality and performance of integrated graphics. If competitors introduce competitive new products into the market before us, demand for our products could be adversely impacted and our business could be adversely affected. In addition, Intel Corporation has announced that it plans to expand its position in integrated graphics for the PC market with high-end discrete graphics solutions for a broad range of computing segments, which may negatively impact our ability to compete in these computing segments.

In addition, we are entering markets with current and new competitors who may be able to adapt more quickly to customer requirements and emerging technologies. We cannot assure you that we will be able to compete successfully against current or new competitors who may have stronger positions in these new markets or superior ability to anticipate customer requirements and emerging industry trends. We may face delays or disruptions in research and development efforts, or we may be required to invest significantly greater resources in research and development than anticipated. Also, the semiconductor industry has seen several mergers and acquisitions over the last number of years. Further consolidation could adversely impact our business due to there being fewer suppliers, customers and partners in the industry.

The conversion of the 2.125% Notes may dilute the ownership interest of our existing stockholders, or may otherwise depress the price of our common stock.

The conversion of some or all of the 2.125% Notes may dilute the ownership interests of our existing stockholders. The 2.125% Notes will mature on September 1, 2026, unless earlier redeemed or repurchased by us or converted. During the third quarter of 2019, the sale price for conversion was satisfied as of the end of September 30, 2019 and as a result, the 2.125% Notes are eligible for conversion during the fourth calendar quarter of 2019. Any sales in the public market of our common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. In addition, the existence of the 2.125% Notes may encourage short selling by market participants because the conversion thereof could be used to satisfy short positions, or the anticipated conversion of the 2.125% Notes into cash and/or shares of our common stock could depress the price of our common stock.

Uncertainties involving the ordering and shipment of our products could materially adversely affect us.

We typically sell our products pursuant to individual purchase orders. We generally do not have long-term supply arrangements with our customers or minimum purchase requirements except that orders generally must be for standard pack quantities. Generally, our customers may cancel orders for standard products more than 30 days prior to shipment without incurring significant fees. We base our inventory levels in part on customers' estimates of demand for their products, which may not accurately predict the quantity or type of our products that our customers will want in the future or ultimately end up purchasing. Our ability to forecast demand is even further complicated when our products are sold indirectly through downstream channel distributors and customers, as our forecasts for demand are then based on estimates provided by multiple parties throughout the downstream channel.

PC and consumer markets are characterized by short product lifecycles, which can lead to rapid obsolescence and price erosion. In addition, our customers may change their inventory practices on short notice for any reason. We may build inventories during periods of anticipated growth, and the cancellation or deferral of product orders or overproduction due to failure of anticipated orders to materialize, could result in excess or obsolete inventory, which could result in write-downs of inventory and an adverse effect on gross margins.

Factors that may result in excess or obsolete inventory, which could result in write-downs of the value of our inventory, a reduction in the average selling price or a reduction in our gross margin include:

- a sudden or significant decrease in demand for our products;
- a production or design defect in our products;
- a higher incidence of inventory obsolescence because of rapidly changing technology and customer requirements;
- a failure to accurately estimate customer demand for our products, including for our older products as our new products are introduced; or
- our competitors introducing new products or taking aggressive pricing actions.

The demand for our products depends in part on the market conditions in the industries into which they are sold. Fluctuations in demand for our products or a market decline in any of these industries could have a material adverse effect on our results of operations.

Industry-wide fluctuations in the computer marketplace have materially adversely affected us in the past and may materially adversely affect us in the future. A large portion of our Computing and Graphics revenue is focused on the consumer desktop PC and notebook segments, which have in the past experienced a decline driven by, among other factors, the adoption of smaller and other form factors, increased competition and changes in replacement cycles. The success of our semi-custom SoC products is dependent on securing customers for our semi-custom design pipeline and consumer market conditions, including the success of the Sony PlayStation[®]4, Sony PlayStation[®]4 Pro, Microsoft[®] Xbox One[™] S and Microsoft[®] Xbox One[™] X game console systems worldwide. In addition, the GPU market has at times seen elevated demand due to the application of GPU products to cryptocurrency mining. For example, our GPU revenue has been affected in part by the volatility of the cryptocurrency mining market. Demand for cryptocurrency has changed and is likely to continue to change quickly. For example, China and South Korea have instituted restrictions on cryptocurrency trading and the valuations of the currencies, and corresponding interest in mining of such currencies are subject to significant fluctuations. If we are unable to manage the risks related to the volatility of the cryptocurrency mining market, our GPU business could be materially adversely affected.

Our ability to design and introduce new products in a timely manner is dependent upon third-party intellectual property.

In the design and development of new and enhanced products, we rely on third-party intellectual property such as development and testing tools for software and hardware. Furthermore, certain product features may rely on intellectual property acquired from third parties. The design requirements necessary to meet customer demand for more features and greater functionality from semiconductor products may exceed the capabilities of the third-party intellectual property or development or testing tools available to us. If the third-party intellectual property that we use becomes unavailable, is not available with required functionality or performance in the time frame or price point needed for our new products or fails to produce designs that meet customer demands, our business could be materially adversely affected.

We depend on third-party companies for the design, manufacture and supply of motherboards, software and other computer platform components to support our business.

We depend on third-party companies for the design, manufacture and supply of motherboards, graphics cards, software (e.g. BIOS, operating systems, drivers) and other components that our customers utilize to support and/or use our microprocessor, GPU and APU offerings. We also rely on our add-in-board (AIB) partners to support our GPU and APU products. In addition, our microprocessors are not designed to function with motherboards and chipsets designed to work with Intel microprocessors. If the designers, manufacturers, AIBs and suppliers of motherboards, graphics cards, software and other components cease or reduce their design, manufacture or production of current or future products that are based on or support our products, our business could be materially adversely affected.

If we lose Microsoft Corporation's support for our products or other software vendors do not design and develop software to run on our products, our ability to sell our products could be materially adversely affected.

Our ability to innovate beyond the x86 instruction set controlled by Intel depends partially on Microsoft designing and developing its operating systems to run on or support our x86-based microprocessor products. With respect to our graphics products, we depend in part on Microsoft to design and develop its operating system to run on or support our graphics products. Similarly, the success of our products in the market, such as our APU products, is dependent on independent software providers designing and developing software to run on our products. If Microsoft does not continue to design and develop its operating systems so that they work with our x86 instruction sets or does not continue to develop and maintain their operating systems to support our graphics products, independent software providers may forego designing their software applications to take advantage of our innovations and customers may not purchase PCs with our products. In addition, some software drivers licensed for use with our products are certified by Microsoft. If Microsoft did not certify a driver, or if we otherwise fail to retain the support of Microsoft or other software vendors, our ability to market our products would be materially adversely affected.

Our reliance on third-party distributors and AIB partners subjects us to certain risks.

We market and sell our products directly and through third-party distributors and AIB partners pursuant to agreements that can generally be terminated for convenience by either party upon prior notice to the other party. These agreements are non-exclusive and permit both our distributors and AIB partners to offer our competitors' products. We are dependent on our distributors and AIB partners to supplement our direct marketing and sales efforts. If any significant distributor or AIB partner or a substantial number of our distributors or AIB partners terminated their relationship with us, decided to market our competitors' products over our products or decided not to market our products at all, our ability to bring our products to market would be impacted and we would be materially adversely affected. In addition, if we are unable to collect accounts receivable from our significant distributors and/or AIB partners, it could have a material adverse effect on our business. If we are unable to manage the risks related to the use of our third-party distributors and AIB partners or offer appropriate incentives to focus them on the sale of our products, our business could be materially adversely affected.

Additionally, distributors and AIB partners typically maintain an inventory of our products. In most instances, our agreements with distributors protect their inventory of our products against price reductions, as well as provide return rights for any product that we have removed from our price book and that is not more than 12 months older than the manufacturing date. Some agreements with our distributors also contain standard stock rotation provisions permitting limited levels of product returns. Our agreements with AIB partners protect their inventory of our products against price reductions. In the event of a significant decline in the price of our products, the price protection rights we offer would materially adversely affect us because our revenue and corresponding gross margin would decline.

We may incur future impairments of goodwill and technology license purchases.

We perform our annual goodwill impairment analysis as of the first day of the fourth quarter of each year. Subsequent to our annual goodwill impairment analysis, we monitor for any events or changes in circumstances, such as significant adverse changes in business climate or operating results, changes in management's business strategy, an inability to successfully introduce new products in the marketplace, an inability to successfully achieve internal forecasts or significant declines in our stock price, which may represent an indicator of impairment. The occurrence of any of these events may require us to record future goodwill impairment charges.

We license certain third-party technologies and tools for the design and production of our products. We report the value of those licenses as intangible assets on the balance sheet and we periodically evaluate the carrying value of those licenses based on their future economic benefit to us. Factors such as the life of the assets, changes in competing technologies, and changes to the business strategy may represent an indicator of impairment. The occurrence of any of these events may require us to record future technology license impairment charges. For example, during the fourth quarter of 2018, we recorded an impairment charge in Cost of sales of \$45 million on technology licenses related to products that were no longer being used.

Our inability to continue to attract and retain qualified personnel may hinder our business.

Much of our future success depends upon the continued service of numerous qualified engineering, marketing, sales and executive personnel. Competition for highly skilled employees and executives in the technology industry is intense and our competitors have targeted our employees that have desired skills. If we are not able to continue to attract, train and retain qualified personnel necessary for our business, the progress of our product development programs could be hindered, and we could be materially adversely affected. To help attract, retain and motivate qualified personnel, we use share-based incentive awards such as employee stock options and non-vested share units (restricted stock units). If the value of such stock awards does not appreciate as measured by the performance of the price of our common stock, or if our share-based compensation otherwise ceases to be viewed as a valuable benefit, our ability to attract, retain and motivate personnel could be weakened, which could harm our results of operations. Also, if the value of our stock awards increases substantially, this could potentially create great personal wealth for our employees and affect our ability to retain these employees. In addition, any future restructuring plans may adversely impact our ability to attract and retain key employees.

In the event of a change of control, we may not be able to repurchase our outstanding debt as required by the applicable indentures and our Secured Revolving Facility, which would result in a default under the indentures and our Secured Revolving Facility.

Upon a change of control, we will be required to offer to repurchase all of our 7.50% Notes, 7.00% Notes and 2.125% Notes then outstanding at 101% of the principal amount thereof, plus accrued and unpaid interest, if any, up to, but excluding, the repurchase date. In addition, a change of control would be an event of default under our Secured Revolving Facility. As of September 28, 2019, \$1.1 billion principal amount was outstanding under our notes. Future debt agreements may contain similar provisions. We may not have the financial resources to repurchase our outstanding notes and prepay all of our outstanding obligations under our Secured Revolving Facility.

The semiconductor industry is highly cyclical and has experienced severe downturns that have materially adversely affected, and may continue to materially adversely affect, our business in the future.

The semiconductor industry is highly cyclical and has experienced significant downturns, often in conjunction with constant and rapid technological change, wide fluctuations in supply and demand, continuous new product introductions, price erosion and declines in general economic conditions. We have incurred substantial losses in recent downturns, due to:

- substantial declines in average selling prices;
- the cyclical nature of supply and demand imbalances in the semiconductor industry;
- a decline in demand for end-user products (such as PCs) that incorporate our products; and
- excess inventory levels.

Industry-wide fluctuations in the computer marketplace have materially adversely affected us in the past and may materially adversely affect us in the future. Global economic uncertainty and weakness have in the past impacted the semiconductor market as consumers and businesses have deferred purchases, which negatively impacted demand for our products. Our financial performance has been, and may in the future be, negatively affected by these downturns.

The growth of our business is also dependent on continued demand for our products from high-growth adjacent emerging global markets. Our ability to be successful in such markets depends in part on our ability to establish adequate local infrastructure, as well as our ability to cultivate and maintain local relationships in these markets. If demand from these markets is below our expectations, sales of our products may decrease, which would have a material adverse effect on us.

Acquisitions, divestitures, joint ventures and/or investments could disrupt our business, and/or dilute or adversely affect the price of our common stock.

Our success will depend, in part, on our ability to expand our product offerings and grow our business in response to changing technologies, customer demands and competitive pressures. In some circumstances, we may pursue growth through the acquisition of complementary businesses, solutions or technologies or through divestitures, joint ventures or investments rather than through internal development. The identification of suitable acquisition or joint venture candidates can be difficult, time-consuming and costly, and we may not be able to successfully complete identified acquisitions or joint ventures. Moreover, if such acquisitions or joint ventures require us to seek additional debt or equity financing, we may not be able to obtain such financing on terms favorable to us or at all. Even if we successfully complete an acquisition or a joint venture, we may not be able to assimilate and integrate effectively or efficiently the acquired business, technologies, solutions, assets, personnel or operations, particularly if key personnel of the acquired company decide not to work for us. Acquisitions and joint ventures may also involve the entry into geographic or business markets in which we have little or no prior experience. Consequently, we may not achieve anticipated benefits of the acquisitions or joint ventures which could harm our operating results. In addition, to complete an acquisition, we may issue equity securities, which would dilute our stockholders' ownership and could adversely affect the price of our common stock, as well as incur debt, assume contingent liabilities or have amortization expenses and write-downs of acquired assets, which could adversely affect our results of operations. Acquisitions and joint ventures may also reduce our cash available for operations and other uses, which could harm our business. Also, any failure on our part to effectively evaluate and execute new business

initiatives could adversely affect our business. We may not adequately assess the risk of new business initiatives and subsequent events may arise that alter the risks that were initially considered.

Furthermore, we may not achieve the objectives and expectations with respect to future operations, products and services. The majority of our ATMP services are provided by the JVs, and there is no guarantee that the JVs will be able to fulfill our long-term ATMP requirements. If we are unable to meet customer demand due to fluctuating or late supply from the JVs, it could result in lost sales and have a material adverse effect on our business.

In addition, we may not realize the anticipated benefits from any new business initiatives. We have a joint venture with Higon Information Technology Co., Ltd. (THATIC), comprised of two separate legal entities, China JV1 and China JV2 (collectively, the THATIC JV). We may not realize the expected benefits from this joint venture, including the THATIC JV's expected future performance, the receipt of any future milestone payments and royalties from certain licensed intellectual property. In June 2019, the United States Commerce Department's Bureau of Industry and Security added certain Chinese entities to the Entity List, including THATIC and the THATIC JV. We are complying with U.S. law pertaining to the Entity List designation.

Our business is dependent upon the proper functioning of our internal business processes and information systems and modification or interruption of such systems may disrupt our business, processes and internal controls.

We rely upon a number of internal business processes and information systems to support key business functions, and the efficient operation of these processes and systems is critical to our business. Our business processes and information systems need to be sufficiently scalable to support the growth of our business and may require modifications or upgrades that expose us to a number of operational risks. As such, our information systems will continually evolve and adapt in order to meet our business needs. These changes may be costly and disruptive to our operations and could impose substantial demands on management time.

These changes may also require changes in our information systems, modification of internal control procedures and significant training of employees and third-party resources. We continuously work on simplifying our information systems and applications through consolidation and standardization efforts. There can be no assurance that our business and operations will not experience any disruption in connection with this transition. Our information technology systems, and those of third-party information technology providers or business partners, may also be vulnerable to damage or disruption caused by circumstances beyond our control including catastrophic events, power anomalies or outages, natural disasters, viruses or malware, cyber-attacks, data breaches and computer system or network failures, exposing us to significant cost, reputational harm and disruption or damage to our business.

In addition, as our IT environment continues to evolve, we are embracing new ways of communicating and sharing data internally and externally with customers and partners using methods such as mobility and the cloud that can promote business efficiency. However, these practices can also result in a more distributed IT environment, making it more difficult for us to maintain visibility and control over internal and external users, and meet scalability and administrative requirements. If our security controls cannot keep pace with the speed of these changes, or if we are not able to meet regulatory and compliance requirements, our business would be materially adversely affected.

If essential equipment, materials or manufacturing processes are not available to manufacture our products, we could be materially adversely affected.

We may purchase equipment and materials for use by our back-end manufacturing service providers from a number of suppliers and our operations depend upon obtaining deliveries of adequate supplies of equipment and materials on a timely basis. Our third-party suppliers also depend on the same timely delivery of adequate quantities of equipment and materials in the manufacture of our products. In addition, as many of our products increase in technical complexity, we rely on our third-party suppliers to update their processes in order to continue meeting our back-end manufacturing needs. Certain equipment and materials that are used in the manufacture of our products are available only from a limited number of suppliers, or in some cases, a sole supplier. We also depend on a limited number of suppliers to provide the majority of certain types of integrated circuit packages for our microprocessors, including our APU products. Similarly, certain non-proprietary materials or components such as memory, printed circuit boards (PCBs), interposers, substrates and capacitors used in the manufacture of our products are currently available from only a limited number of sources. Because some of the equipment and materials that we and our third-party manufacturing suppliers purchase are complex, it is sometimes difficult to substitute one supplier for another. From time to time, suppliers may extend lead times, limit supply or increase prices due to capacity constraints or other factors. Also, some of these materials and components may be subject to rapid changes in price and availability. Interruption of supply or increased demand in the industry could cause shortages and price increases in various essential materials. Dependence on a sole supplier or a limited number of suppliers exacerbates these risks. If we are unable to procure certain of these materials for our back-end manufacturing operations, or our third-party foundries or manufacturing suppliers are unable to procure materials for manufacturing our products, our business would be materially adversely affected.

If our products are not compatible with some or all industry-standard software and hardware, we could be materially adversely affected.

Our products may not be fully compatible with some or all industry-standard software and hardware. Further, we may be unsuccessful in correcting any such compatibility problems in a timely manner. If our customers are unable to achieve compatibility with software or hardware, we could be materially adversely affected. In addition, the mere announcement of an incompatibility problem relating to our products could have a material adverse effect on our business.

Costs related to defective products could have a material adverse effect on us.

Products as complex as those we offer may contain defects or failures when first introduced or when new versions or enhancements to existing products are released. We cannot assure you that, despite our testing procedures, errors will not be found in new products or releases after commencement of commercial shipments in the future, which could result in loss of or delay in market acceptance of our products, material recall and replacement costs, loss of revenue, writing down the inventory of defective products, the diversion of the attention of our engineering personnel from product development efforts, defending against litigation related to defective products or related liabilities, including property damage, personal injury, damage to our reputation in the industry and loss of data or intangible property, and could adversely affect our relationships with our customers. In addition, we may have difficulty identifying the end customers of the defective products in the field. As a result, we could incur substantial costs to implement modifications to correct defects. Any of these problems could materially adversely affect our business.

We could be subject to potential product liability claims if one of our products causes, or merely appears to have caused, an injury, whether tangible or intangible. Claims may be made by consumers or others selling our products, and we may be subject to claims against us even if an alleged injury is due to the actions of others. A product liability claim, recall or other claim with respect to uninsured liabilities or for amounts in excess of insured liabilities could have a material adverse effect on our business.

If we fail to maintain the efficiency of our supply chain as we respond to changes in customer demand for our products, our business could be materially adversely affected.

Our ability to meet customer demand for our products depends, in part, on our ability to deliver the products our customers want on a timely basis. Accordingly, we rely on our supply chain for the manufacturing, distribution and fulfillment of our products. As we continue to grow our business, expand to high-growth adjacent markets, acquire new customers and strengthen relationships with existing customers, the efficiency of our supply chain will become increasingly important because many of our customers tend to have specific requirements for particular products, and specific time-frames in which they require delivery of these products. If we are unable to consistently deliver the right products to our customers on a timely basis in the right locations, our customers may reduce the quantities they order from us, which could have a material adverse effect on our business.

We outsource to third parties certain supply-chain logistics functions, including portions of our product distribution, transportation management and information technology support services.

We rely on third-party providers to operate our regional product distribution centers and to manage the transportation of our work-in-process and finished products among our facilities, to our manufacturing suppliers and to our customers. In addition, we rely on third parties to provide certain information technology services to us, including help desk support, desktop application services, business and software support applications, server and storage administration, datacenter operations, database administration and voice, video and remote access. We cannot guarantee that these providers will fulfill their respective responsibilities in a timely manner in accordance with the contract terms, in which case our internal operations and the distribution of our products to our customers could be materially adversely affected. Also, we cannot guarantee that our contracts with these third-party providers will be renewed, in which case we would have to transition these functions in-house or secure new providers, which could have a material adverse effect on our business if the transition is not executed appropriately.

Our stock price is subject to volatility.

Our stock price has experienced price and volume fluctuations and could be subject to wide fluctuations in the future. The trading price of our stock may fluctuate widely due to various factors including, actual or anticipated fluctuations in our financial conditions and operating results, changes in financial estimates by us or financial estimates and ratings by securities analysts, changes in our capital structure, including issuance of additional debt or equity to the public, interest rate changes, news regarding our products or products of our competitors, and broad market and industry fluctuations. Stock price fluctuations could impact the value of our equity compensation, which could affect our ability to recruit and retain employees. In addition, volatility in our stock price could adversely affect our business and financing opportunities.

Worldwide political conditions may adversely affect demand for our products.

Worldwide political conditions may create uncertainties that could adversely affect our business. The United States has been and may continue to be involved in armed conflicts that could have a further impact on our sales and our supply chain. The consequences of armed conflict, political instability or civil or military unrest are unpredictable, and we may not be able to foresee events that could have a material adverse effect on us. Terrorist attacks or other hostile acts may negatively affect our operations, or adversely affect demand for our products, and such attacks or related armed conflicts may impact our physical facilities or those

of our suppliers or customers. Furthermore, these attacks or hostile acts may make travel and the transportation of our products more difficult and more expensive, which could materially adversely affect us. Any of these events could cause consumer spending to decrease or result in increased volatility in the United States economy and worldwide financial markets.

Unfavorable currency exchange rate fluctuations could adversely affect us.

We have costs, assets and liabilities that are denominated in foreign currencies. As a consequence, movements in exchange rates could cause our foreign currency denominated expenses to increase as a percentage of revenue, affecting our profitability and cash flows. Whenever we believe appropriate, we hedge a portion of our short-term foreign currency exposure to protect against fluctuations in currency exchange rates. We determine our total foreign currency exposure using projections of long-term expenditures for items such as payroll. We cannot assure you that these activities will be effective in reducing foreign exchange rate exposure. Failure to do so could have an adverse effect on our business, financial condition, results of operations and cash flow. In addition, the majority of our product sales are denominated in U.S. dollars. Fluctuations in the exchange rate between the U.S. dollar and the local currency can cause increases or decreases in the cost of our products in the local currency of such customers. An appreciation of the U.S. dollar relative to the local currency could reduce sales of our products.

Our inability to effectively control the sales of our products on the gray market could have a material adverse effect on us.

We market and sell our products directly to OEMs and through authorized third-party distributors. From time to time, our products are diverted from our authorized distribution channels and are sold on the “gray market.” Gray market products result in shadow inventory that is not visible to us, thus making it difficult to forecast demand accurately. Also, when gray market products enter the market, we and our distribution channels compete with these heavily discounted gray market products, which adversely affects demand for our products and negatively impact our margins. In addition, our inability to control gray market activities could result in customer satisfaction issues because any time products are purchased outside our authorized distribution channels there is a risk that our customers are buying counterfeit or substandard products, including products that may have been altered, mishandled or damaged, or are used products represented as new.

If we cannot adequately protect our technology or other intellectual property in the United States and abroad, through patents, copyrights, trade secrets, trademarks and other measures, we may lose a competitive advantage and incur significant expenses.

We rely on a combination of protections provided by contracts, including confidentiality and nondisclosure agreements, copyrights, patents, trademarks and common law rights, such as trade secrets, to protect our intellectual property. However, we cannot assure you that we will be able to adequately protect our technology or other intellectual property from third-party infringement or from misappropriation in the United States and abroad. Any patent licensed by us or issued to us could be challenged, invalidated or circumvented or rights granted there under may not provide a competitive advantage to us.

Furthermore, patent applications that we file may not result in issuance of a patent or, if a patent is issued, the patent may not be issued in a form that is advantageous to us. Despite our efforts to protect our intellectual property rights, others may independently develop similar products, duplicate our products or design around our patents and other rights. In addition, it is difficult to monitor compliance with, and enforce, our intellectual property on a worldwide basis in a cost-effective manner. In jurisdictions where foreign laws provide less intellectual property protection than afforded in the United States and abroad, our technology or other intellectual property may be compromised, and our business would be materially adversely affected.

We are party to litigation and may become a party to other claims or litigation that could cause us to incur substantial costs or pay substantial damages or prohibit us from selling our products.

From time to time, we are a defendant or plaintiff in various legal actions. For example, as described in Note 13 of our condensed consolidated financial statements, we have been subject to certain claims concerning federal securities laws and corporate governance. Our products are purchased by and/or used by consumers, which could increase our exposure to consumer actions such as product liability claims and consumer class action claims, including those described in Note 13 of our condensed consolidated financial statements. On occasion, we receive claims that individuals were allegedly exposed to substances used in our former semiconductor wafer manufacturing facilities and that this alleged exposure caused harm. Litigation can involve complex factual and legal questions, and its outcome is uncertain. It is possible that if a claim is successfully asserted against us, including the claims described in Note 13 of our condensed consolidated financial statements, it could result in the payment of damages that could be material to our business.

With respect to intellectual property litigation, from time to time, we have been notified of, or third parties may bring or have brought, actions against us and/or against our customers based on allegations that we are infringing the intellectual property rights of others, contributing to or inducing the infringement of the intellectual property rights of others, improperly claiming ownership of intellectual property or otherwise improperly using the intellectual property of others. If any such claims are asserted, we may seek to obtain a license under the third parties’ intellectual property rights. We cannot assure you that we will be able to obtain all of the necessary licenses on satisfactory terms, if at all. These parties may file lawsuits against us or our customers seeking damages (potentially up to and including treble damages) or an injunction against the sale of products that incorporate allegedly infringed

intellectual property or against the operation of our business as presently conducted, which could result in our having to stop the sale of some of our products or to increase the costs of selling some of our products or which could damage our reputation. The award of damages, including material royalty payments, or other types of damages, or the entry of an injunction against the manufacture and sale of some or all of our products could have a material adverse effect on us. We could decide, in the alternative, to redesign our products or to resort to litigation to challenge such claims. Such challenges could be extremely expensive and time-consuming regardless of their merit, could cause delays in product release or shipment and/or could have a material adverse effect on us. We cannot assure you that litigation related to our intellectual property rights or the intellectual property rights of others can always be avoided or successfully concluded.

Even if we were to prevail, any litigation could be costly and time-consuming and would divert the attention of our management and key personnel from our business operations, which could have a material adverse effect on us.

Our business is subject to potential tax liabilities.

We are subject to income tax, indirect tax or other tax claims by tax agencies in jurisdictions in which we conduct business. Significant judgment is required in determining our worldwide provision for income taxes. Tax laws are dynamic and subject to change as new laws are passed and new interpretations of the law are issued or applied. The United States federal government enacted significant tax reform, and certain provisions of the new law may adversely affect us. The Tax Cuts and Jobs Act of 2017 (the Tax Reform Act) has resulted in significant changes to the United States corporate income tax system. These changes include a federal statutory rate reduction from 35% to 21%, the elimination or reduction of certain domestic deductions and credits and limitations on the deductibility of interest expense. The Tax Reform Act also transitions international taxation from a worldwide system to a modified territorial system and includes base erosion prevention measures on non-U.S. earnings, which has the effect of subjecting certain earnings of our foreign subsidiaries to United States taxation. To determine the transition tax, the Tax Act requires complex computations not previously provided in U.S. tax law, including calculating and supporting with primary evidence U.S. tax attributes such as accumulated foreign earnings and profits, foreign taxes paid, and other tax components involved in foreign tax credit calculations since 1986. As additional regulatory guidance is issued by the applicable taxing authorities and as new accounting treatment is clarified, we may report additional adjustments in the period if new information becomes available. Additional adjustments may be material and could materially affect our tax obligations and effective tax rate.

In the ordinary course of our business, there are many transactions and calculations where the ultimate income tax, indirect tax, or other tax determination is uncertain. Although we believe our tax estimates are reasonable, we cannot assure that the final determination of any tax audits and litigation will not be materially different from that which is reflected in historical tax provisions and accruals. Should additional taxes be assessed as a result of an audit, assessment or litigation, there could be a material adverse effect on our cash, tax provisions and net income in the period or periods for which that determination is made.

We are subject to environmental laws, conflict minerals-related provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act as well as a variety of other laws or regulations that could result in additional costs and liabilities.

Our operations and properties have in the past been and continue to be subject to various United States and foreign laws and regulations, including those relating to materials used in our products and manufacturing processes, discharge of pollutants into the environment, the treatment, transport, storage and disposal of solid and hazardous wastes and remediation of contamination. These laws and regulations require our suppliers to obtain permits for operations making our products, including the discharge of air pollutants and wastewater. Although our management systems are designed to oversee our suppliers' compliance, we cannot assure you that our suppliers have been or will be at all times in complete compliance with such laws, regulations and permits. If our suppliers violate or fail to comply with any of them, a range of consequences could result, including fines, suspension of production, alteration of manufacturing processes, import/export restrictions, sales limitations, criminal and civil liabilities or other sanctions. Such non-compliance from our manufacturing suppliers could result in disruptions in supply, higher sourcing costs, and/or reputational damage for us.

Environmental laws are complex, change frequently and have tended to become more stringent over time. For example, the European Union (EU) and China are two among a growing number of jurisdictions that have enacted restrictions on the use of lead and other materials in electronic products. These regulations affect semiconductor devices and packaging. As regulations restricting materials in electronic products continue to increase around the world, there is a risk that the cost, quality and manufacturing yields of products that are subject to these restrictions may be less favorable compared to products that are not subject to such restrictions, or that the transition to compliant products may not meet customer roadmaps, or produce sudden changes in demand, which may result in excess inventory. A number of jurisdictions including the EU, Australia, California and China are developing or have finalized market entry or public procurement regulations for computers and servers based on ENERGY STAR specifications as well as additional energy consumption limits. There is the potential for certain of our products being excluded from some of these markets which could materially adversely affect us.

Certain environmental laws, including the United States Comprehensive, Environmental Response, Compensation and Liability Act of 1980, or the Superfund Act, impose strict or, under certain circumstances, joint and several liability on current and previous owners or operators of real property for the cost of removal or remediation of hazardous substances and impose liability for damages to natural resources. These laws often impose liability even if the owner or operator did not know of, or was not

responsible for, the release of such hazardous substances. These environmental laws also assess liability on persons who arrange for hazardous substances to be sent to disposal or treatment facilities when such facilities are found to be contaminated. Such persons can be responsible for cleanup costs even if they never owned or operated the contaminated facility. We have been named as a responsible party at three Superfund sites in Sunnyvale, California. Although we have not yet been, we could be named a potentially responsible party at other Superfund or contaminated sites in the future. In addition, contamination that has not yet been identified could exist at our other facilities.

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the SEC adopted disclosure and reporting requirements for companies that use “conflict” minerals originating from the Democratic Republic of Congo or adjoining countries. We continue to incur additional costs associated with complying with these requirements, such as costs related to developing internal controls for the due diligence process, determining the source of any conflict minerals used in our products, auditing the process and reporting to our customers and the SEC. In addition to the SEC regulation, the European Union, China and other jurisdictions are developing new policies focused on conflict minerals that may impact and increase the cost of our compliance program. Also, since our supply chain is complex, we may face reputational challenges if we are unable to sufficiently verify the origins of the subject minerals. Moreover, we are likely to encounter challenges to satisfy those customers who require that all of the components of our products are certified as “conflict free.” If we cannot satisfy these customers, they may choose a competitor’s products.

The United States federal government has issued new policies for federal procurement focused on eradicating the practice of forced labor and human trafficking. In addition, the United Kingdom, Australia and the State of California have issued laws that require us to disclose our policy and practices for identifying and eliminating forced labor and human trafficking in our supply chain. Several customers as well as the Responsible Business Alliance have also issued expectations to eliminate these practices that may impact us. While we have a policy and management systems to identify and avoid these practices in our supply chain, we cannot guarantee that our suppliers will always be in conformance to these laws and expectations. We may face enforcement liability and reputational challenges if we are unable to sufficiently meet these expectations. Moreover, we are likely to encounter challenges with customers if we cannot satisfy their forced and trafficked labor polices and they may choose a competitor’s product.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the nine months ended September 28, 2019, we settled \$2 million in aggregate principal amount of our 6.75% Notes with 87,364 treasury shares and \$5 million in aggregate principal amount of our 7.00% Notes with 234,701 treasury shares.

Please refer to Note 5 of the Notes to Condensed Consolidated Financial Statements for further discussion regarding the 6.75% Notes and 7.00% Notes.

We issued warrants dated September 19, 2019 and September 30, 2019 to purchase 235,163 and 21,750 shares, respectively, of our common stock to a commercial partner pursuant to a strategic arrangement with such partner. The warrants have an exercise price of \$25.4994 per share and expire on September 19, 2022 and September 30, 2022, respectively. The warrants were issued pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended.

ITEM 6. EXHIBITS

- *10.1 [Offer Letter between Advanced Micro Devices, Inc. and Rick Bergman dated August 1, 2019.](#)
- *10.2 [Sign-On Bonus Letter between Advanced Micro Devices, Inc. and Rick Bergman dated August 1, 2019.](#)
- *10.3 [Value Creation Performance-Based Restricted Stock Unit Grant Notice between Advanced Micro Devices, Inc. and Lisa T. Su, dated August 9, 2019.](#)
- *10.4 [Value Creation Performance-Based Restricted Stock Unit Grant Notice between Advanced Micro Devices, Inc. and Mark Papermaster, dated August 9, 2019.](#)
- *10.5 [Advanced Micro Devices, Inc. Outside Director Equity Compensation Policy, as amended and restated, dated August 21, 2019.](#)
- *10.6 [Amendment to Advanced Micro Devices, Inc. Executive Incentive Plan dated as of August 21, 2019.](#)
- *10.7 [2004 Equity Incentive Plan, as amended and restated, dated August 21, 2019.](#)
- 31.1 [Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 31.2 [Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 32.1 [Certification of the Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 32.2 [Certification of the Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 101.INS XBRL Instance Document.
- 101.SCH XBRL Taxonomy Extension Schema Document.
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document.
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document.
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document.
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document.

* Management contracts and compensatory plans or arrangements.

SIGNATURE

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

ADVANCED MICRO DEVICES, INC.

October 30, 2019

By: */s/Devinder Kumar*

Name: Devinder Kumar

Title: Senior Vice President, Chief Financial Officer and Treasurer

Signing on behalf of the Registrant as the Principal Financial Officer



August 1, 2019

Personal and Confidential

Dear Rick:

At Advanced Micro Devices, Inc. (AMD), we believe that a great company is made up of great people. In that spirit, we are pleased to extend to you this offer of employment to join our innovative company. The details of this offer are outlined below:

The Position

Your AMD job title will be that of **Executive Vice President, Computing and Graphics**, reporting to Dr. Lisa Su, President and Chief Executive Officer, and you will be located at either our Santa Clara, California or Austin, Texas locations at your discretion. If you select Austin as your job location, relocation support is available for 12 months, in line with AMD's policies, as needed.

Start Date

Your start date will be **August 5, 2019** or a date as may be mutually agreed by you and Dr. Su.

Compensation

Base Salary: You will be paid an annual salary of **\$600,000 USD**. All payments are subject to deductions and withholdings required by law.

Your base salary will be subject to regular review based on your performance. AMD pays on a bi-weekly basis on Thursday, with the exception of the first paycheck for exempt employees who begin work in a pay week, who will be paid on the next regularly scheduled payday. Our compensation plans are subject to annual review and may be modified based on business need, in accordance with local law.

Sign-On Bonus: You will also receive a one-time gross sign-on bonus of \$500,000 (subject to deductions and withholdings as required by law) to be paid within 30 days of your date of hire at AMD. Although you will receive this bonus within 30 days of your hire date, the bonus is only earned in its entirety when you have been employed at AMD for two years. If your AMD employment terminates prior to two years from the payment date, you must repay to AMD all or a prorated amount of the bonus according to the terms and conditions of the enclosed Sign-on Bonus Agreement. You must sign and date the enclosed Sign-on Bonus Agreement, and return the original of the agreement along with the original of this executed offer and acceptance letter.

Sign-On Grant: The Compensation and Leadership Resources Committee of AMD's Board of Directors (Compensation Committee), has approved the following grant to you, contingent on your accepting this offer and joining AMD by the planned start date:

- An award of **\$4,000,000 USD** in value granted in Advanced Micro Devices, Inc. Restricted Stock Units (RSUs) The number of RSUs granted will generally be determined by dividing your award value by the 30-trading day average closing stock price prior to and including the grant date. RSUs will be granted on August 9th following your start date.
- 1/3rd of the RSUs will vest on the first, second, and third anniversary of the grant date, subject to continued active service through each applicable vesting date.
- These RSUs will be granted by Advanced Micro Devices, Inc. and are separate from your regular compensation, with rights and obligations governed by the applicable grant and equity plan documents.

New Hire Grant: Subject to approval by the Compensation Committee, you will be granted the following:

- An award of **\$2,500,000 USD** in value granted in Advanced Micro Devices, Inc. shares, to be granted as 50% (\$1,250,000) in value of Performance Restricted Stock Units (PRSUs), 25% (\$625,000) in value of Stock Options, and 25% (\$625,000) in value of RSUs;
- The number of PRSUs and RSUs granted will generally be determined by dividing your award value by the 30-trading day average closing stock price prior to and including the grant date. Your Option award value will be further determined using a binomial factor in accordance with the Company's stock option valuation practices.

- PRSUs, RSUs and Options will be granted on August 9th following your start date.
- 1/3 of these RSUs and Options will vest on the first, second, and third anniversary of the grant date, subject to continued active service through each applicable vesting date.
- Stock Options will have an exercise price equal to 100% of the fair market value of the Company's common stock on the grant date.
- Earned and vested PRSUs will generally be settled on the later of August 15, 2022, or the date following the Committee's certification of performance.
- These PRSUs, Options, and RSUs will be granted by Advanced Micro Devices, Inc. and are separate from your regular compensation, with rights and obligations governed by the applicable grant and equity plan documents.

Executive Incentive Plan: Subject to approval by the Compensation Committee, for each year of your employment, you will be eligible to participate in AMD Inc.'s Executive Incentive Plan (Bonus Plan), in accordance with the terms and conditions of the Bonus Plan document. Your initial target bonus opportunity will be **100%** of your Base Salary, and this target will be prorated for 2019 based on your start date. All Bonus Plan payments are at the discretion of AMD management and may be adjusted based on job performance, business conditions and/or employment. All Bonus Plan payments are subject to deductions and withholdings required by law.

Benefits

AMD provides market-competitive benefits that provide financial protection to employees and their families, wellness resources to live a healthy lifestyle, and programs to encourage work/life balance. These benefit programs are subject to change by AMD from time to time, and you will receive additional details about these benefits, including eligibility terms, in the near future.

These benefits include:

- 401(k) and Roth 401(k) Retirement Savings Plan with Company Match
- Medical, Dental and Vision Plans
- Healthcare and Dependent Care Reimbursement Accounts
- In your situation, we are offering you 20 days of vacation minimum, subject to our typical vacation accrual policies. In addition, AMD offers its employees paid sick leave and at least 11 paid holidays each year (8 fixed days and 3 'floating' days). These paid time away offerings are governed by the terms of AMD's policies for your work location.

As an AMD executive, the following benefits are also offered:

Deferred Income Account Plan (DIA)

This plan allows you to defer a portion of your compensation on a pre-tax basis above the IRS-imposed limits on 401(k) plans.

Executive Salary Continuation and Disability Plans

AMD executives are eligible for 100% salary continuation for up to 90 days in the event you are unable to work due to an illness or injury. For longer term disability coverage, AMD automatically enrolls you in the Executive Disability Plan which pays 66 2/3% of your salary (up to \$15,000/month).

Executive Life Insurance Plan

This company-paid benefit pays your beneficiary three times your annual salary (maximum coverage of \$2 million, or \$3 million with Evidence of Insurability) in the event of your death.

Executive Physical

AMD has arrangements with the Heart Hospital of Austin and the Palo Alto Medical Foundation to provide a comprehensive annual exam at no cost to you for executives at your level (Directors and above). Executives not located



in Austin or California may schedule an appointment with either provider when traveling to these locations on company business.

Change in Control

You will be offered a Change in Control Agreement with the terms and in the form approved by the Compensation Committee for executives at your level.

Background Check and Export License Requirement

This offer is contingent upon you successfully passing a background investigation to be performed by AMD's Security Investigations Department. As lawfully permitted, this background investigation includes an investigation of criminal records, previous employment history and mutually agreed references, and educational background. Please protect your current employment until the background check processes are complete.

If applicable, this offer of employment is contingent on AMD successfully obtaining an export license for you in accordance with government regulations.

Proof of Employment Eligibility

In accordance with the requirements of the Immigration Reform and Control Act of 1986, you will be required to provide AMD with documents to verify your identity and your legal right to work in the United States. You must present this document on your first day of employment.

AMD Agreement and Acknowledgements

This offer is contingent upon your signing and returning this offer letter, the AMD Agreement (which includes AMD's standard non-solicitation clause) and completing all new employee orientation requirements. You agree to observe and abide by AMD's written policies and rules including AMD's Worldwide Standards of Business Conduct, as amended from time to time by AMD, as well as any other written policies and rules issued in the future by AMD.

The working hours shall be in accordance with the standard working hours applicable to your department or section, or as otherwise mutually agreed upon between you and the Chief Executive Officer.

Your employment with AMD is "at-will," which means that you or AMD may terminate it at any time, with or without cause or notice, in accordance with local laws and regulations.

If the terms of this offer are acceptable to you, complete this DocuSign packet. This offer will remain open until **August 2, 2019**. If you have any questions, please feel free to contact me or Robert Gama. We look forward to you joining the AMD team.

Sincerely,

Dr. Lisa Su
President & Chief Executive Officer, AMD

I am pleased to accept AMD's offer of employment as outlined above:

Signature /s/Rick Bergman

Date August 1, 2019

Start Date* 05/08/2019

*If a start date has not yet been determined, please leave this item blank and contact Robert Gama, Chief Human Resources Officer [Number] after returning your signed offer letter to align on a mutually acceptable date. Please note that all new AMD employees start on a Monday.



SIGN-ON BONUS AGREEMENT

This Sign-On Bonus Agreement (the "Agreement") is entered into by and between Advanced Micro Devices, Inc. (including its affiliated companies) ("AMD") and Rick Bergman ("Employee") (collectively, the "Parties"). Employee may not amend or revise anything in this Agreement without express written consent and agreement of AMD.

1. Sign-On Bonus. AMD agrees to pay Employee a one-time Sign-On Bonus of \$500,000 USD ("Bonus"), within thirty (30) days of Employee's first day of work for AMD ("Hire Date") and subject to all required taxes and withholdings. **The Parties agree that the Bonus is an unvested wage advance upon receipt that Employee will earn in its entirety by remaining employed by AMD for 24 months following the Bonus payment date.**
2. Repayment of Bonus. Employee agrees to repay to AMD all or a prorated amount of the Bonus, according to the following terms:
 - a. Repayment Due to Termination of Employment. If Employee's employment with AMD terminates less than 13 full months after the Bonus payment date, Employee agrees to repay one hundred percent (100%) of the Bonus. If Employee's employment with AMD terminates at least 13 full months after the Bonus payment date, but less than 24 full months after the Bonus payment date, Candidate agrees to repay the full amount of the Bonus, **less eight point thirty-three percent (8.33%) for each full month of employment completed after the twelfth month of employment.** Employee agrees that repayment obligations under this Agreement are not reduced by completion of partial months of employment other than as stated in this paragraph. Employee further agrees that Employee will repay the Bonus by no later than the effective date of the employment termination, and that any outstanding balance on such repayment obligation is delinquent and immediately collectable the day following the effective date of termination, or on the date notice of resignation is provided, whichever is earlier.
 - b. Repayment Forgiveness. AMD agrees to forgive any repayment due AMD under this Agreement where AMD terminates Employee's employment due to a company- or department-wide reduction-in-force. AMD may also, in its sole discretion, forgive any repayment due AMD under this Agreement under circumstances of an extraordinary or unavoidable nature. **The Parties agree that Employee's voluntary termination of his/her employment, or AMD's termination of Employee's employment for any reason other than those stated in this section 2(b), are not conditions requiring forgiveness of any repayment due AMD under this Agreement.**
3. No Guarantee of Continued Employment. Nothing in this Agreement guarantees employment for any period of time.
4. Consent to Offset. Employee agrees that any repayment due AMD under this Agreement may be deducted to the extent permitted by law from any amounts due Employee from AMD at the time of employment termination, including wages, accrued vacation pay, incentive compensation payments, bonuses and commissions, and hereby expressly authorizes such deduction(s).
5. Acknowledgements and Integration. Employee understands he has the right to discuss this Agreement with any individual, and that to the extent desired, he has availed himself of this opportunity. Employee further acknowledges that he has carefully read and fully understands the provisions of this Agreement, and that he is voluntarily entering into it without any duress or pressure from AMD. Employee also understands and acknowledges that this Agreement is the entire agreement between him and AMD with respect to this subject matter, and Employee acknowledges that AMD has not made any other statements, promises or commitments of any kind (written or oral) to cause Employee to agree to the terms of this Agreement.
6. Severability. The Parties agree that should any provision of this Agreement be declared or determined by any court to be illegal, invalid or unenforceable, the remainder of the Agreement shall nonetheless remain binding and enforceable and the illegal, invalid or unenforceable provision(s) shall be modified only so much as necessary to comply with applicable law.

Signature /s/Rick Bergman

Date August 1, 2019

VALUE CREATION PERFORMANCE-BASED RESTRICTED STOCK UNIT GRANT NOTICE
ADVANCED MICRO DEVICES, INC. 2004 EQUITY INCENTIVE PLAN

Advanced Micro Devices, Inc., a Delaware corporation (the “*Company*” or “*AMD*”), pursuant to its 2004 Equity Incentive Plan (as amended and restated, the “*Plan*”), hereby grants to the holder listed below (“*Participant*”), this award (“*Award*”) of performance-based restricted stock units set forth below (the “*RSUs*”). This Award is subject to all of the terms and conditions set forth herein and in the Terms and Conditions to the RSUs (the “*Terms and Conditions*”), including any applicable country-specific terms set forth in the appendix thereto (the “*Appendix*”) and in the Plan, each of which is incorporated herein by reference. Unless otherwise defined, the terms in this Performance-Based Restricted Stock Unit Grant Notice (this “*Grant Notice*”) and the Terms and Conditions shall have the same defined meanings assigned to them in the Plan.

Participant: Lisa T. Su
Employee ID: [number]
Grant Date: August 9, 2019
Target Number of RSUs: 775,193
Performance Period: August 9, 2019 through August 9, 2024 or, if earlier, the date on which occurs a Change of Control
Vesting Schedule: See Exhibit A attached hereto.
Intended Award Value: \$25,000,000
Settlement Date: As soon as reasonably practicable after the underlying RSU vests.

Performance Vesting Conditions: See Exhibit A attached hereto.

By his or her signature below or by electronic acceptance or authentication in a form authorized by the Company, Participant hereby: (a) agrees to be bound by the terms and conditions of the Plan, the Terms and Conditions, the Appendix and this Grant Notice; (b) acknowledges and agrees that Participant has reviewed the Plan, the Terms and Conditions, the Appendix and this Grant Notice in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Grant Notice and fully understands all provisions of the Plan, the Terms and Conditions, the Appendix and this Grant Notice; and (c) agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan, the Terms and Conditions, the Appendix or this Grant Notice (including any exhibit attached hereto).

ADVANCED MICRO DEVICES, INC.

By: /s/ Harry A. Wolin
Print Name: Harry A. Wolin
Title: Senior Vice President, General Counsel and Corporate Secretary

PARTICIPANT

By: /s/Lisa T. Su
Print Name: Lisa T. Su

VALUE CREATION PERFORMANCE-BASED RESTRICTED STOCK UNIT AWARD
TERMS AND CONDITIONS
ADVANCED MICRO DEVICES, INC. 2004 EQUITY INCENTIVE PLAN

These Terms and Conditions, collectively with the accompanying Performance-Based Restricted Stock Unit Grant Notice (the “*Grant Notice*”) and any country-specific terms and conditions contained in the Appendix hereto, as applicable (the “*Appendix*”), comprise your agreement (the “*Agreement*”) with the Company, regarding performance-based restricted stock units (the “*PRsUs*”) awarded under the Advanced Micro Devices, Inc. 2004 Equity Incentive Plan (as amended and restated, the “*Plan*”). Capitalized terms not specifically defined herein have the same meanings assigned to them in the Plan.

1. **Vesting of Performance-Based Restricted Stock Units.** The PRsUs will vest on the vesting date(s) shown or referred to on the Grant Notice, provided that (a) the performance condition(s) for the vesting of such PRsUs have been met, specifically including any required certifications of such performance condition(s), and (b) you satisfy the service vesting conditions shown or referred to on the Grant Notice. Without limiting the foregoing, the vesting of any PRsUs is conditioned on your performing the duties assigned to you by the Company’s management or Board, as applicable, in a manner and with results satisfactory to the Company’s management or Board, as applicable.
2. **Settlement of Vested PRsUs; Issuance of Shares.** Subject to Sections 4 and 10 of these Terms and Conditions, and further subject to any applicable country-specific terms and conditions set forth in the Appendix, the shares (“*Shares*”) of Company common stock issuable to you in settlement of your vested PRsUs will be issued in your name on the settlement date(s) shown or referred to in the Grant Notice, or if no settlement date is set forth in the Grant Notice, as soon as reasonably practicable after the underlying PRsUs vest. Until the Shares are actually issued to you in settlement of your vested PRsUs, the PRsUs represent an unfunded, unsecured obligation of the Company.
3. **Nontransferability of PRsUs.** Unless determined otherwise by the Administrator, the PRsUs may not be pledged, assigned, sold or otherwise transferred.
4. **Forfeiture of PRsUs.** Except as otherwise provided in the Grant Notice or Section 6(d) of these Terms and Conditions, if your status as a Service Provider in a Covered Position (as defined in the Grant Notice) terminates for any reason before the vesting date(s) shown on the Grant Notice, your unvested PRsUs will be cancelled and forfeited without consideration.

For purposes of this Award, your status as an active Service Provider will be considered terminated (regardless of the reason for termination and whether or not the termination is in breach of Applicable Laws) effective as of the date you are no longer actively employed by or providing services to the Company or an Affiliate, and will not be extended by any notice period mandated under Applicable Laws (e.g., active employment or service would not include a period of “garden leave” or similar period pursuant to Applicable Law). The Administrator will have the exclusive discretion to determine when your status as an active Service Provider terminates for purposes of this Award (including whether you may still be considered to be employed by or providing services to the Company or an Affiliate while on a leave of absence).

5. **Responsibility for Taxes.** Regardless of any action the Company or, if different, your employer (the “*Employer*”) takes with respect to any or all income tax, social insurance, payroll tax, fringe benefit tax, payment on account or other tax-related items related to your participation in the Plan and legally applicable to you (“*Tax-Related Items*”), you acknowledge that the ultimate liability for all Tax-Related Items is and remains your responsibility and may exceed the amount actually withheld by the Company or the Employer. You further acknowledge that the Company and/or the Employer: (a) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the PRsUs, including, but not limited to, the grant, vesting or settlement of the PRsUs, the issuance of Shares upon settlement of the PRsUs, the subsequent sale of Shares acquired pursuant to such issuance and the receipt of any dividends and/or any dividend equivalents; and (b) do not commit to and are under no obligation to structure the terms of the Award or any aspect of the PRsUs to reduce or eliminate your liability for Tax-Related Items or achieve any particular tax result. Further, if you are subject to tax in more than one jurisdiction, you acknowledge that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable or tax withholding event, as applicable, you will pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items (including hypothetical withholding tax amounts if you are covered under a Company tax equalization policy). In this regard, you authorize the Company, the Employer, and their respective agents, at their discretion, to satisfy any applicable withholding obligations with regard to all Tax-Related Items by one or a combination of the following:

- (a) withholding from your wages or other cash compensation paid to you by the Company and/or the Employer;
- (b) withholding from proceeds of the sale of Shares issuable to you upon vesting and/or settlement of the PRSUs either through a voluntary sale or through a mandatory sale arranged by the Company (on your behalf pursuant to this authorization without your further consent or authorization);
- (c) withholding in Shares to be issued upon vesting and/or settlement of the PRSUs; or
- (d) requiring you to make a payment in cash by certified check or wire transfer.

Depending on the withholding method, the Company may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding rates or other applicable withholding rates, including maximum applicable rates, in which case you will receive a refund of any over-withheld amount in cash and will have no entitlement to the equivalent amount in Shares. If the obligation for Tax-Related Items is satisfied by withholding in Shares, you are deemed for tax purposes to have been issued the full number of Shares subject to the vested PRSUs, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of your participation in the Plan.

If you are covered by a Company or Employer tax equalization policy, you agree to pay to the Company or Employer any additional hypothetical tax obligation calculated and paid under the terms of such tax equalization policy. Finally, you must pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of your participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue or deliver the Shares or the proceeds of the sale of Shares, if you fail to comply with your obligations in connection with the Tax-Related Items.

6. Other Terms and Conditions.

(a) The Plan. The Agreement is further subject to the terms and provisions of the Plan. Only certain provisions of the Plan are described in the Agreement. As a condition to your receipt of the PRSUs and any Shares issuable in settlement of vested PRSUs, you acknowledge and agree to the terms and conditions of the Agreement and the terms and provisions of the Plan.

(b) Stockholder Rights. Until the Shares are issued, you have no right to vote or receive dividends or any other rights as a stockholder with respect to the PRSUs.

(c) Employment Relationship. Nothing in the Agreement will confer on you any right to continue in the employ of the Company or the Employer or interfere with or restrict rights of the Company or the Employer, which are hereby expressly reserved, to discharge you at any time.

(d) Change of Control. In the event that the Company experiences a Change of Control (as defined in the Plan), then any unvested PRSUs outstanding as of immediately prior to the time of the Change of Control for which the performance vesting condition has been satisfied will convert automatically into an equal number of time-based restricted stock units ("*CoC RSUs*"). All remaining unearned PRSUs will be automatically forfeited without consideration. The CoC RSUs will vest on, and be settled within thirty (30) days following, their originally scheduled vesting date(s) set forth in the Grant Notice; *provided*, in each case, that you remain a Service Provider of the Company through such date(s). Notwithstanding the immediately preceding sentence, if your employment or service is terminated by the Company for any reason other than for Misconduct or, if applicable, terminated by you as a Constructive Termination, then the CoC RSUs will become fully vested upon the date of such termination of employment or service and such vested CoC RSUs shall be settled within thirty (30) days following your "separation from service" within the meaning of Section 409A of the Code and the regulations thereunder. Solely for purposes of this Section 6(d), the

“Company” includes any successor to the Company due to a Change of Control and any employer that is an Affiliate of such successor.

(e) **Declination of PRSUs.** If you wish to decline your PRSUs, you must complete and file the Declination of Grant form with Corporate Compensation and Benefits by the deadline for such declination. Your declination is non-revocable, and you will not receive a grant of stock options or any other compensation as replacement for the declined PRSUs. Your decision to not timely file the Declination of Grant form will constitute your acceptance of the Award on the terms on which it is offered, as set forth in this Agreement and the Plan.

(f) **Recovery in the Event of a Financial Restatement; Claw-Back Policy.** In the event the Company is required to prepare an accounting restatement due to material noncompliance of the Company with any financial reporting requirement under applicable securities laws, the Administrator will review all equity-based compensation (including the PRSUs) awarded to employees at the Senior Vice President level and above. If the Administrator (in its sole discretion) determines that you were directly involved with fraud, misconduct or gross negligence that contributed to or resulted in such accounting restatement, the Administrator may, to the extent permitted by Applicable Laws, recover for the benefit of the Company all or a portion of the equity-based compensation awarded to you, including (without limitation) by cancellation, forfeiture, repayment and disgorgement of profits realized from the sale of securities of the Company; *provided, however*, the Administrator will not have the authority to recover any equity-based compensation awarded more than 18 months prior to the date of the first public issuance or filing with the U.S. Securities and Exchange Commission (the “SEC”) (whichever first occurs) of the financial document embodying such financial reporting requirement. In determining whether to seek recovery, the Administrator may take into account any considerations it deems appropriate, including Applicable Laws and whether the assertion of a recovery claim may prejudice the interests of the Company in any related proceeding or investigation. Further, and notwithstanding the foregoing, the PRSUs (including any proceeds, gains or other economic benefit actually or constructively received by you upon any receipt of the PRSUs or upon the receipt or resale of any Shares underlying the PRSUs) shall be subject to the provisions of any claw-back policy implemented by the Company, including, without limitation, any claw-back policy adopted to comply with the requirements of Applicable Laws, including without limitation, the Dodd-Frank Wall Street Reform and Consumer Protection Act and any rules or regulations promulgated thereunder, to the extent set forth in such claw-back policy.

7. **Nature of Grant.** In accepting this Award, you acknowledge, understand and agree that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time;

(b) the grant of the PRSUs is exceptional, voluntary and occasional and does not create any contractual or other right to receive future grants of PRSUs, or benefits in lieu of PRSUs, even if PRSUs have been granted in the past;

(c) all decisions with respect to future PRSU grants, if any, will be at the sole discretion of the Company;

(d) you are voluntarily participating in the Plan;

(e) the PRSUs and the Shares subject to the PRSUs, and the value and income of such PRSUs and Shares, are not intended to replace any pension rights, retirement benefits or other compensation;

(f) the PRSUs and the Shares subject to the PRSUs, and the value and income of such PRSUs and Shares, are not part of normal or expected compensation or salary for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments;

(g) the PRSU grant and your participation in the Plan will not be interpreted to form an employment contract or other service relationship with the Company, the Employer or any of their respective Parents, Subsidiaries or Affiliates;

(h) the future value of the underlying Shares is unknown and cannot be predicted with certainty;

(i) no claim or entitlement to compensation or damages will arise from forfeiture of the PRSUs resulting from termination of your status as a Service Provider in a Covered Position (as defined in the Grant Notice) (for any reason whatsoever and whether or not in breach of Applicable Laws), and in consideration of the grant of the PRSUs to which you are otherwise not entitled, you irrevocably agree to (i) never institute any such claim against the Company, the Employer, or any of their respective Affiliates, (ii) waive your ability, if any, to bring any such claim against the Company, the Employer or any of their respective Parents, Subsidiaries or Affiliates, (iii) forever release the Company, the Employer or any of their respective Affiliates from any such claim, and (iv) execute any and all documents necessary, or reasonably requested by the Company, to request dismissal or withdrawal of any such claim that is allowed by a court of competent jurisdiction, in each case to the maximum extent permitted by Applicable Laws;

(j) the PRSUs and the benefits under the Plan, if any, will not automatically transfer to another company in the case of a merger of the Company with or into another company or the sale of substantially all of the assets of the Company; and

(k) if you are providing services outside the United States:

(i) the PRSUs and the Shares subject to the PRSUs, and the value of and income from such PRSUs, are not part of normal or expected compensation or salary for any purpose, including, without limitation, for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, holiday pay, bonuses, long-service awards, leave-related payments, pension benefits, retirement benefits, welfare benefits or similar mandatory payments; and

(ii) none of the Company, the Employer, or any of their respective Affiliates will be liable for any foreign exchange rate fluctuation between any local currency and the U.S. Dollar that may affect the value of the PRSUs, any amounts due to you pursuant to the settlement of the PRSUs or the subsequent sale of any Shares acquired upon settlement.

8. **No Advice Regarding Grant.** The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding your participation in the Plan, or your acquisition or sale of the underlying Shares. You are hereby advised to consult with your own personal tax, legal and financial advisors regarding your participation in the Plan before taking any action related to the Plan.

9. **Data Privacy.** *You understand that the Company and the Employer shall hold certain personal information about you, including, but not limited to, your name, home address, email address, and telephone number, date of birth, social insurance number, passport number or other identification number, salary, nationality, job title, any Shares or directorships held in the Company, details of all RSUs or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in your favor, for the exclusive purpose of implementing, administering and managing the Plan (your "Data").*

You understand that it will be necessary for your Data to be collected, used and transferred, in electronic or other form, as described in the Agreement and any other Award Documentation by and among, as applicable, the Employer, the Company and their respective Parents, Subsidiaries and Affiliates. Such processing will be for the exclusive purpose of implementing, administering and managing your participation in the Plan, and therefore for the performance of the Agreement. The provision of your Data is a contractual requirement. Without the provision of your Data, it will not be possible to for the Company and/ or the Employer to perform their obligations under the Agreement.

You understand that, in performing the Agreement, it will be necessary for:

- *your Data to be transferred to a Company-designated Plan broker, or such other stock plan service provider as may be selected by the Company in the future, which is assisting the Company with the implementation, administration and management of the Plan;*
- *the Company, its Plan broker and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan, to receive, possess, use, retain and transfer your Data, in electronic or other form, for the sole purpose of implementing, administering and managing your participation in the Plan; and*

- *your Data to be held only as long as is necessary to implement, administer and manage your participation in the Plan.*

If you are located in the European Union, you understand that the recipients of your Data may be located in countries outside of the European Union, including the United States, and that the recipients' country may not have privacy laws and protections that are equivalent to those of the European Union member state in which you are based. You understand that if you reside in the European Union, you can request a list with the names and addresses of any recipients of your Data by contacting your local human resources representative.

You understand that if you reside in the European Union, you may, at any time and free of charge, request access to your Data, object to the processing of your Data, request to have access to it restricted, request additional information about the storage and processing of your Data, require any necessary amendments to your Data or ask for it to be erased by contacting your local human resources representative in writing. You may also have the right to receive a copy of your Data in a machine-readable format, and the right to not to be subject to any decision that significantly affects you being taken solely by automated processing, including profiling. We will process any request in line with applicable laws and our policies and procedures. You also have the right to lodge a complaint with a local supervisory authority.

10. Compliance with Laws and Regulations. The issuance and transfer of the Shares will be subject to and conditioned upon compliance by the Company and you with all applicable state, federal and foreign laws and regulations and with all applicable requirements of any stock exchange or automated quotation system on which the Shares may be listed or quoted at the time of such issuance or transfer; and, you understand that the Company shall not be required to issue or deliver any Shares prior to fulfillment of all of the following conditions: (a) the admission of such Shares to listing on all stock exchanges on which the Company's common stock is then listed; (b) the completion of any registration or other qualification of such Shares under any state or federal law or under rulings or regulations of the SEC or of any other governmental regulatory body, which the Administrator shall, in its absolute discretion, deem necessary or advisable; (c) the obtaining of any approval or other clearance from any state or federal governmental agency which the Administrator shall, in its absolute discretion, determine to be necessary or advisable; and (d) the lapse of such reasonable period of time following the vesting or settlement as the Administrator may from time to time establish for reasons of administrative convenience. The Shares shall be fully paid and nonassessable. You understand that the Company is under no obligation to register or qualify the Shares with the SEC or any state or foreign securities commission or to seek approval or clearance from any governmental authority for the issuance or sale of the Shares. Further, you agree that the Company has unilateral authority to amend the Plan and the Agreement without your consent to the extent necessary or advisable to comply with securities or other laws applicable to issuance of Shares.

11. Successors and Assigns. The Company may assign any of its rights under the Agreement. The Agreement will be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer contained herein, the Agreement will be binding upon you and your heirs, executors, administrators, legal representatives, successors and assigns.

12. Governing Law; Jurisdiction; Severability. The Agreement is to be governed by and construed in accordance with the internal laws of the State of Delaware, U.S.A., as such laws are applied to agreements between Delaware residents entered into and to be performed entirely within Delaware, excluding that body of laws pertaining to conflict of laws. For purposes of litigating any dispute that arises directly or indirectly from the relationship of the Company and you evidenced by this grant or the Agreement, the Company and you hereby submit to and consent to the exclusive jurisdiction of the State of Delaware and agree that such litigation will be conducted only in the courts of New Castle County, Delaware, or the federal courts for the United States for the District of Delaware, and no other courts, where this grant is made and/or to be performed. If any provision of the Agreement is determined by a court of law to be illegal or unenforceable, in whole or in part, that provision will be enforced to the maximum extent possible and the other provisions will remain fully effective and enforceable.

13. Further Instruments. You agree to execute further instruments and to take further actions as may be reasonably necessary to carry out the purposes and intent of the Agreement.

14. Administrator Authority. The Administrator has the power to interpret the Plan and the Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any PRSUs have vested). All actions taken and all interpretations and determinations made by the Administrator will be final and binding upon you, the Company and all other interested persons. The Administrator will not be personally liable for any action, determination or interpretation made with respect to the Plan or the Agreement.

15. Language. You acknowledge that you are sufficiently proficient in English to understand the terms and conditions of the Agreement. Furthermore, if you have received the Agreement or any other Award Documentation translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

16. Electronic Delivery. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

17. Imposition of Other Requirements. The Company reserves the right to impose other requirements on your participation in the Plan, on the PRSUs and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with Applicable Laws or facilitate the administration of the Plan, and to require you to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

18. Headings. The captions and headings of the Agreement are included for ease of reference only and will be disregarded in interpreting or construing the Agreement. All references herein to Sections will refer to Sections of these Terms and Conditions, unless otherwise noted.

19. Appendix. Notwithstanding any provisions in the Award Documentation, the PRSU grant will be subject to any special terms and conditions for your country set forth in an Appendix to these Terms and Conditions. Moreover, if you relocate to one of the countries included in the Appendix, the special terms and conditions for such country will apply to you, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Company reserves the right to require you to sign any additional agreements that may be necessary to accomplish the foregoing. The Appendix constitutes part of the Agreement.

20. Waiver. You acknowledge that a waiver by the Company of breach of any provision of the Agreement will not operate or be construed as a waiver of any other provision of the Agreement, or of any subsequent breach by you or any other Participant.

21. Entire Agreement. The Plan, these Terms and Conditions, the Appendix and the Grant Notice, including Exhibit A thereto, constitute the entire agreement and understanding of the parties with respect to the subject matter of the Agreement, and supersede all prior understandings and agreements, whether oral or written, between the parties with respect to the specific subject matter hereof.

22. Insider Trading Restrictions/Market Abuse Laws. You acknowledge that, depending on your or your broker's country of residence or where the Shares are listed, you may be subject to insider trading restrictions and/or market abuse laws, which may affect your ability to accept, acquire, sell or otherwise dispose of Shares or rights to Shares (or rights linked to Shares) under the Plan (e.g., PRSUs) during such times as you are considered to have "inside information" regarding the Company (as defined by the laws or regulations in your country). Local insider trading laws and regulations may prohibit the cancellation or amendment of orders you placed before you possessed insider information. Furthermore, you could be prohibited from (a) disclosing the inside information to any third party (other than on a "need to know" basis) and (b) "tipping" third parties (including employees and other service providers) or causing them otherwise to buy or sell Company securities. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Company insider trading policy. You acknowledge that it is your responsibility to comply with any applicable restrictions, and you should speak to your personal advisor on this matter.

23. Notices. Any notice to be given under the terms of the Agreement to the Company shall be addressed to the Company in care of the Secretary of the Company at the Company's principal office, and any notice to be given to you shall be addressed to you at your last residential or email address reflected on the Company's records. By a notice given pursuant to this Section 23, either party may hereafter designate a different address for notices to be given to that party. Any notice which is required to be given to you shall, if you are then deceased, be given to your legal representative. Any notice shall be deemed duly given to you (or, if applicable, your legal representative), (a) if it is delivered by email, upon confirmation of receipt (with an automatic "read receipt" constituting acknowledgment of receipt for purposes of this Section 23(a)); and (b) if sent by certified mail (return receipt requested), on the second business day following deposit (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service or similar local service in jurisdictions outside of the United States.

24. Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan or the Agreement, if you are subject to Section 16 of the Exchange Act, the Plan, the PRSUs and the Agreement shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by Applicable Laws, the Agreement shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

25. Section 409A. The PRSUs are not intended to constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code (together with any U.S. Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the date hereof, "**Section 409A**"). However, notwithstanding any other provision of the Plan or the Agreement, if at any time the Administrator determines that the PRSUs (or any portion thereof) may be subject to Section 409A, the Administrator shall have the right in its sole discretion (without any obligation to do so or to indemnify you or any other person for failure to do so) to adopt such amendments to the Plan or the Agreement, or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, as the Administrator determines are necessary or appropriate either for the PRSUs to be exempt from the application of Section 409A or to comply with the requirements of Section 409A.

26. Limitation on Participant's Rights. Participation in the Plan confers no rights or interests other than as herein provided. The Agreement creates only a contractual obligation on the part of the Company as to amounts payable and shall not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. You shall have only the rights of a general unsecured creditor of the Company with respect to amounts credited and benefits payable, if any, with respect to the PRSUs, and rights no greater than the right to receive the Shares as a general unsecured creditor with respect to PRSUs, as and when vested or settled pursuant to the terms hereof.

27. Termination, Rescission and Recapture. The PRSUs are intended to align your long-term interests with the long-term interests of the Company. If you engage in certain activities discussed below, either during employment with the Company or after such employment terminates for any reason, the Company may terminate any outstanding, unexpired or unpaid PRSUs ("**Termination**"), rescind any payment or delivery pursuant to the PRSUs ("**Rescission**") or recapture any cash or any Shares or proceeds from your sale of Shares acquired pursuant to the PRSUs ("**Recapture**"), as more fully described below and to the extent permitted by Applicable Laws. For purposes of this Section 27, Competitive Organization or Business is defined as those corporations, institutions, individuals, or other entities identified by the Company as competitive or working to become competitive in the Company's most recently filed annual report on Form 10-K.

(a) You are acting contrary to the long-term interests of the Company if you at any time fail to comply with any agreement or undertaking regarding inventions, intellectual property rights, and/or proprietary or confidential information or material that you signed or otherwise agreed to in favor of the Company.

(b) You are acting contrary to the long-term interests of the Company if you, while employed by the Company: (i) materially breach the AMD Agreement or any Company (or Affiliate) policy applicable to you, or any written agreement between you and the Company (or Affiliate); (ii) violate the Company's Worldwide Standards of Business Conduct or commit any other act of misconduct, or violate state or federal law relating to the workplace (including laws related to sexual harassment or age, sex or other prohibited discrimination); (iii) commit any act or

omission resulting in your being charged with a criminal offense involving moral turpitude, dishonesty, or breach of trust; or (iv) engage in conduct that constitutes a felony, or enter a plea of guilty or nolo contendere with respect to a felony under applicable law. Whether you are acting contrary to the long-term interests of the Company for any of the reasons set forth in clauses (i) through (iv) above shall be determined by the Administrator in its sole discretion.

(c) You are acting contrary to the long-term interests of the Company if, during the restricted period set forth below, you engage in any of following activities in, or directed into, any State, possession or territory of the United States of America or any country in which the Company operates, sells products or does business:

(i) while employed by the Company, you render services to or otherwise directly or indirectly engage in or assist, any Competitive Organization or Business;

(ii) while employed by the Company or at any time thereafter, without the prior written consent of the Compensation and Leadership Resources Committee of the Board (the "**CLRC**"), you (A) use any confidential information or trade secrets of the Company to render services to or otherwise engage in or assist any Competitive Organization or Business or (B) solicit away or attempt to solicit away any customer or supplier of the Company if in doing so, you use or disclose any of the Company's confidential information or trade secrets;

(iii) while employed by the Company or during a period of twelve (12) months thereafter, without the prior written consent of the Board, you carry on any business or activity (whether directly or indirectly, as a partner, shareholder, principal, agent, director, affiliate, employee or consultant) that is a direct material Competitive Organization or Business (as conducted now or during the term of this Agreement);

(iv) while employed by the Company or during the period of twelve (12) months thereafter, without the prior written consent of the Board, you solicit away or influence or attempt to influence or solicit away any client, customer or other person either directly or indirectly to direct his/her or its purchase of the Company's products and/or services to any Competitive Organization or Business; or

(v) while employed by the Company or during a period of twelve months (12) months thereafter, without the prior written consent of the Board, you solicit or influence or attempt to influence or solicit any person employed by the Company or any consultant then retained by the Company to terminate or otherwise cease his/her employment or consulting relationship with the Company or become an employee of or perform services for any outside organization or business.

The activities described in this Section 27(b) are collectively referred to as "**Activities Against the Company's Interest.**"

(d) If the Company determines, in its sole and absolute discretion, that: (i) you have violated any of the requirements set forth in Section 27(a) above or (b) above or (ii) you have engaged in any Activities Against the Company's Interest (the date on which such violation or activity first occurred being referred to as the "**Trigger Date**"), then the Company will, in its sole and absolute discretion, impose a Termination, Rescission and/or Recapture of any or all of the PRSUs or the proceeds you received therefrom, provided, that such Termination, Rescission and/or Recapture shall not apply to the PRSUs to the extent that such PRSUs vested earlier than one year prior to the Trigger Date. Within ten days after receiving notice from the Company that Rescission or Recapture is being imposed on any PRSU, you shall deliver to the Company the Shares acquired pursuant to the PRSUs, or, if you have sold such Shares, the gain realized, or payment received as a result of the rescinded payment or delivery. Any payment by you to the Company pursuant to this Section 27(d) shall be made either in cash or by returning to the Company the number of Shares that you received in connection with the rescinded payment or delivery. It shall not be a basis for Termination, Rescission or Recapture if after your termination of employment, you purchase, as an investment or otherwise, stock or other securities of a Competitive Organization or Business, so long as (i) such stock or other securities are listed upon a recognized securities exchange or traded over-the-counter, and (ii) such investment does not represent more than a five percent equity interest in the organization or business.

(e) Upon payment or delivery of Shares pursuant to the PRSUs, you shall, if requested by the Company, certify on a form acceptable to the Company that you are in compliance with the terms and conditions of this Agreement and, if your termination of employment has occurred, shall state the name and address of your then-current employer or any entity for which you perform business services and your title, and shall identify any organization or business in which you own a greater-than-five-percent equity interest.

(f) Notwithstanding the foregoing provisions of this Section 27, in exceptional cases, the Company has sole and absolute discretion not to require Termination, Rescission and/or Recapture, and its determination not to require Termination, Rescission and/or Recapture with respect to any particular act by you or the PRSUs shall not in any way reduce or eliminate the Company's authority to require Termination, Rescission and/or Recapture with respect to any other act by you or other equity awards.

(g) Nothing in this Section 27 shall be construed to impose obligations on you to refrain from engaging in lawful competition with the Company after the termination of employment. For the avoidance of doubt, you acknowledge that this Section 27(g) shall not limit or supersede any other agreement between you and the Company concerning restrictive covenants.

(h) All administrative and discretionary authority given to the Company under this Section 27 shall be exercised by the CLRC of the Board, or an executive officer of the Company as such CLRC may designate from time to time.

(i) Notwithstanding any provision of this Section 27, if any provision of this Section 27 is determined to be unenforceable or invalid under any Applicable Laws, such provision will be applied to the maximum extent permitted by Applicable Laws, and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to any limitations required under Applicable Laws. Furthermore, if any provision of this Section 27 is illegal under any Applicable Laws, such provision shall be null and void to the extent necessary to comply with Applicable Laws.

(j) Notwithstanding the foregoing, this Section 27 shall not be applicable to you from and after your termination of employment if such termination of employment occurs after a Change of Control.

28. **Foreign Asset/Account Reporting; Exchange Control Requirements.** Certain applicable foreign asset and/or foreign account reporting requirements and exchange controls may affect your ability to acquire or hold Shares acquired under the Plan or cash received from participating in the Plan (including any dividends paid on Shares acquired under the Plan) in a brokerage or bank account outside your country. You may be required to report such accounts, assets or transactions to the tax or other authorities in your country. You may also be required to repatriate sale proceeds or other funds received as a result of your participation in the Plan to your country through a designated bank or broker and/or within a certain time after receipt. You acknowledge that you are responsible for complying with any applicable regulations, and that you should speak to your personal legal advisor for any details.

By signing the Grant Notice or otherwise accepting the PRSU grant and the Shares issued upon vesting of the PRSUs, you agree to be bound by terms of the Agreement and the Plan.

APPENDIX

Terms and Conditions
Performance-Based Restricted Stock Unit Award
Advanced Micro Devices, Inc. 2004 Equity Incentive Plan

Not applicable.

2019 CEO PRSU Agreement – Appendix

VALUE CREATION PERFORMANCE-BASED RESTRICTED STOCK UNIT GRANT NOTICE
ADVANCED MICRO DEVICES, INC.
2004 EQUITY INCENTIVE PLAN

Advanced Micro Devices, Inc., a Delaware corporation (the “*Company*” or “*AMD*”), pursuant to its 2004 Equity Incentive Plan (as amended and restated, the “*Plan*”), hereby grants to the holder listed below (“*Participant*”), this award (“*Award*”) of performance-based restricted stock units set forth below (the “*PRSU*s”). This Award is subject to all of the terms and conditions set forth herein and in the Terms and Conditions to the PRSUs (the “*Terms and Conditions*”), including any applicable country-specific terms set forth in the appendix thereto (the “*Appendix*”) and in the Plan, each of which is incorporated herein by reference. Unless otherwise defined, the terms in this Performance-Based Restricted Stock Unit Grant Notice (this “*Grant Notice*”) and the Terms and Conditions shall have the same defined meanings assigned to them in the Plan.

Participant:	Mark Papermaster
Employee ID:	[number]
Grant Date:	August 9, 2019
Target Number of PRSUs:	217,054
Performance Period:	August 9, 2019 through August 9, 2024 or, if earlier, the date on which occurs a Change of Control
Vesting Schedule:	See <u>Exhibit A</u> attached hereto.
Intended Award Value:	\$7,000,000
Settlement Date:	As soon as reasonably practicable after the underlying PRSU vests..

Performance Vesting Conditions: See Exhibit A attached hereto.

By his or her signature below or by electronic acceptance or authentication in a form authorized by the Company, Participant hereby: (a) agrees to be bound by the terms and conditions of the Plan, the Terms and Conditions, the Appendix and this Grant Notice; (b) acknowledges and agrees that Participant has reviewed the Plan, the Terms and Conditions, the Appendix and this Grant Notice in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Grant Notice and fully understands all provisions of the Plan, the Terms and Conditions, the Appendix and this Grant Notice; and (c) agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan, the Terms and Conditions, the Appendix or this Grant Notice (including any exhibit attached hereto).

ADVANCED MICRO DEVICES, INC.

By: /s/ Harry A. Wolin
Print Name: Harry A. Wolin

Title: Senior Vice President, General Counsel and Corporate Secretary

PARTICIPANT

By: /s/ Mark Papermaster
Print Name: Mark Papermaster

VALUE CREATION PERFORMANCE-BASED RESTRICTED STOCK UNIT AWARD
TERMS AND CONDITIONS
ADVANCED MICRO DEVICES, INC. 2004 EQUITY INCENTIVE PLAN

These Terms and Conditions, collectively with the accompanying Performance-Based Restricted Stock Unit Grant Notice (the “*Grant Notice*”) and any country-specific terms and conditions contained in the Appendix hereto, as applicable (the “*Appendix*”), comprise your agreement (the “*Agreement*”) with the Company, regarding performance-based restricted stock units (the “*PRSU*s”) awarded under the Advanced Micro Devices, Inc. 2004 Equity Incentive Plan (as amended and restated, the “*Plan*”). Capitalized terms not specifically defined herein have the same meanings assigned to them in the Plan.

1. **Vesting of Performance-Based Restricted Stock Units.** The PRSUs will vest on the vesting date(s) shown or referred to on the Grant Notice, provided that (a) the performance condition(s) for the vesting of such PRSUs have been met, specifically including any required certifications of such performance condition(s), and (b) you satisfy the service vesting conditions shown or referred to on the Grant Notice. Without limiting the foregoing, the vesting of any PRSUs is conditioned on your performing the duties assigned to you by the Company’s management or Board, as applicable, in a manner and with results satisfactory to the Company’s management or Board, as applicable.
2. **Settlement of Vested PRSUs; Issuance of Shares.** Subject to Sections 4 and 10 of these Terms and Conditions, and further subject to any applicable country-specific terms and conditions set forth in the Appendix, the shares (“*Shares*”) of Company common stock issuable to you in settlement of your vested PRSUs will be issued in your name on the settlement date(s) shown or referred to in the Grant Notice, or if no settlement date is set forth in the Grant Notice, as soon as reasonably practicable after the underlying PRSUs vest. Until the Shares are actually issued to you in settlement of your vested PRSUs, the PRSUs represent an unfunded, unsecured obligation of the Company.
3. **Nontransferability of PRSUs.** Unless determined otherwise by the Administrator, the PRSUs may not be pledged, assigned, sold or otherwise transferred.
4. **Forfeiture of PRSUs.** Except as otherwise provided in Section 6(d) of these Terms and Conditions, if for any reason you cease to be an active Employee employed as an Executive Vice President of the Company (or a more senior position) before the vesting date(s) shown on the Grant Notice, your unvested PRSUs will be cancelled and forfeited without consideration.

For purposes of this Award, your status as an active Employee will be considered terminated (regardless of the reason for termination and whether or not the termination is in breach of Applicable Laws) effective as of the date you are no longer actively employed by the Company or an Affiliate, and will not be extended by any notice period mandated under Applicable Laws (e.g., active employment or service would not include a period of “garden leave” or similar period pursuant to Applicable Law). The Administrator will have the exclusive discretion to determine when your status as an active Employee terminates for purposes of this Award (including whether you may still be considered to be employed by the Company or an Affiliate while on a leave of absence).

5. **Responsibility for Taxes.** Regardless of any action the Company or, if different, your employer (the “*Employer*”) takes with respect to any or all income tax, social insurance, payroll tax, fringe benefit tax, payment on account or other tax-related items related to your participation in the Plan and legally applicable to you (“*Tax-Related Items*”), you acknowledge that the ultimate liability for all Tax-Related Items is and remains your responsibility and may exceed the amount actually withheld by the Company or the Employer. You further acknowledge that the Company and/or the Employer: (a) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the PRSUs, including, but not limited to, the grant, vesting or settlement of the PRSUs, the issuance of Shares upon settlement of the PRSUs, the subsequent sale of Shares acquired pursuant to such issuance and the receipt of any dividends and/or any dividend equivalents; and (b) do not commit to and are under no obligation to structure the terms of the Award or any aspect of the PRSUs to reduce or eliminate your liability for Tax-Related Items or achieve any particular tax result. Further, if you are subject to tax in more than one jurisdiction, you acknowledge that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable or tax withholding event, as applicable, you will pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items (including hypothetical)

withholding tax amounts if you are covered under a Company tax equalization policy). In this regard, you authorize the Company, the Employer, and their respective agents, at their discretion, to satisfy any applicable withholding obligations with regard to all Tax-Related Items by one or a combination of the following:

- (a) withholding from your wages or other cash compensation paid to you by the Company and/or the Employer;
- (b) withholding from proceeds of the sale of Shares issuable to you upon vesting and/or settlement of the PRSUs either through a voluntary sale or through a mandatory sale arranged by the Company (on your behalf pursuant to this authorization without your further consent or authorization);
- (c) withholding in Shares to be issued upon vesting and/or settlement of the PRSUs; or
- (d) requiring you to make a payment in cash by certified check or wire transfer.

Depending on the withholding method, the Company may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding rates or other applicable withholding rates, including maximum applicable rates, in which case you will receive a refund of any over-withheld amount in cash and will have no entitlement to the equivalent amount in Shares. If the obligation for Tax-Related Items is satisfied by withholding in Shares, you are deemed for tax purposes to have been issued the full number of Shares subject to the vested PRSUs, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of your participation in the Plan.

If you are covered by a Company or Employer tax equalization policy, you agree to pay to the Company or Employer any additional hypothetical tax obligation calculated and paid under the terms of such tax equalization policy. Finally, you must pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of your participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue or deliver the Shares or the proceeds of the sale of Shares, if you fail to comply with your obligations in connection with the Tax-Related Items.

6. **Other Terms and Conditions.**

(a) **The Plan.** The Agreement is further subject to the terms and provisions of the Plan. Only certain provisions of the Plan are described in the Agreement. As a condition to your receipt of the PRSUs and any Shares issuable in settlement of vested PRSUs, you acknowledge and agree to the terms and conditions of the Agreement and the terms and provisions of the Plan.

(b) **Stockholder Rights.** Until the Shares are issued, you have no right to vote or receive dividends or any other rights as a stockholder with respect to the PRSUs.

(c) **Employment Relationship.** Nothing in the Agreement will confer on you any right to continue in the employ of the Company or the Employer or interfere with or restrict rights of the Company or the Employer, which are hereby expressly reserved, to discharge you at any time.

(d) **Change of Control.** In the event that the Company experiences a Change of Control (as defined in the Plan), then any unvested PRSUs outstanding as of immediately prior to the time of the Change of Control for which the performance vesting condition has been satisfied at the time of the Change of Control will convert automatically into an equal number of time-based restricted stock units ("***CoC RSUs***"). All remaining unearned PRSUs will be automatically forfeited without consideration. The CoC RSUs will vest on, and be settled within thirty (30) days following, their originally scheduled vesting date(s) set forth in the Grant Notice; *provided*, in each case, that you remain a Service Provider of the Company through such date(s). Notwithstanding the immediately preceding sentence, if your employment or service is terminated by the Company for any reason other than for Misconduct or, if applicable, terminated by you as a Constructive Termination, then the CoC RSUs will become fully vested upon the date of such termination of employment or service and such vested CoC RSUs shall be settled within thirty (30) days following your "separation from service" within the meaning of Section 409A of the Code and the regulations thereunder. Solely for purposes of this Section 6(d), the "Company" includes any successor to the Company due to a Change of Control and any employer that is an Affiliate of such successor.

(e) Declination of PRSUs. If you wish to decline your PRSUs, you must complete and file the Declination of Grant form with Corporate Compensation and Benefits by the deadline for such declination. Your declination is non-revocable, and you will not receive a grant of stock options or any other compensation as replacement for the declined PRSUs. Your decision to not timely file the Declination of Grant form will constitute your acceptance of the Award on the terms on which it is offered, as set forth in this Agreement and the Plan.

(f) Recovery in the Event of a Financial Restatement; Claw-Back Policy. In the event the Company is required to prepare an accounting restatement due to material noncompliance of the Company with any financial reporting requirement under applicable securities laws, the Administrator will review all equity-based compensation (including the PRSUs) awarded to employees at the Senior Vice President level and above. If the Administrator (in its sole discretion) determines that you were directly involved with fraud, misconduct or gross negligence that contributed to or resulted in such accounting restatement, the Administrator may, to the extent permitted by Applicable Laws, recover for the benefit of the Company all or a portion of the equity-based compensation awarded to you, including (without limitation) by cancellation, forfeiture, repayment and disgorgement of profits realized from the sale of securities of the Company; *provided, however*, the Administrator will not have the authority to recover any equity-based compensation awarded more than 18 months prior to the date of the first public issuance or filing with the U.S. Securities and Exchange Commission (the “SEC”) (whichever first occurs) of the financial document embodying such financial reporting requirement. In determining whether to seek recovery, the Administrator may take into account any considerations it deems appropriate, including Applicable Laws and whether the assertion of a recovery claim may prejudice the interests of the Company in any related proceeding or investigation. Further, and notwithstanding the foregoing, the PRSUs (including any proceeds, gains or other economic benefit actually or constructively received by you upon any receipt of the PRSUs or upon the receipt or resale of any Shares underlying the PRSUs) shall be subject to the provisions of any claw-back policy implemented by the Company, including, without limitation, any claw-back policy adopted to comply with the requirements of Applicable Laws, including without limitation, the Dodd-Frank Wall Street Reform and Consumer Protection Act and any rules or regulations promulgated thereunder, to the extent set forth in such claw-back policy.

7. Nature of Grant. In accepting this Award, you acknowledge, understand and agree that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time;

(b) the grant of the PRSUs is exceptional, voluntary and occasional and does not create any contractual or other right to receive future grants of PRSUs, or benefits in lieu of PRSUs, even if PRSUs have been granted in the past;

(c) all decisions with respect to future PRSU grants, if any, will be at the sole discretion of the Company;

(d) you are voluntarily participating in the Plan;

(e) the PRSUs and the Shares subject to the PRSUs, and the value and income of such PRSUs and Shares, are not intended to replace any pension rights, retirement benefits or other compensation;

(f) the PRSUs and the Shares subject to the PRSUs, and the value and income of such PRSUs and Shares, are not part of normal or expected compensation or salary for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments;

(g) the PRSU grant and your participation in the Plan will not be interpreted to form an employment contract or other service relationship with the Company, the Employer or any of their respective Parents, Subsidiaries or Affiliates;

(h) the future value of the underlying Shares is unknown and cannot be predicted with certainty;

(i) no claim or entitlement to compensation or damages will arise from forfeiture of the PRSUs resulting from termination of your status as an Employee or Executive Vice President (or more senior position) (for any reason whatsoever and whether or not in breach of Applicable Laws), and in consideration of the grant of the PRSUs to which you are otherwise not entitled, you irrevocably agree to (i) never institute any such claim against the Company, the

Employer, or any of their respective Affiliates, (ii) waive your ability, if any, to bring any such claim against the Company, the Employer or any of their respective Parents, Subsidiaries or Affiliates, (iii) forever release the Company, the Employer or any of their respective Affiliates from any such claim, and (iv) execute any and all documents necessary, or reasonably requested by the Company, to request dismissal or withdrawal of any such claim that is allowed by a court of competent jurisdiction, in each case to the maximum extent permitted by Applicable Laws;

(j) the PRSUs and the benefits under the Plan, if any, will not automatically transfer to another company in the case of a merger of the Company with or into another company or the sale of substantially all of the assets of the Company; and

(k) if you are providing services outside the United States:

(i) the PRSUs and the Shares subject to the PRSUs, and the value of and income from such PRSUs, are not part of normal or expected compensation or salary for any purpose, including, without limitation, for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, holiday pay, bonuses, long-service awards, leave-related payments, pension benefits, retirement benefits, welfare benefits or similar mandatory payments; and

(ii) none of the Company, the Employer, or any of their respective Affiliates will be liable for any foreign exchange rate fluctuation between any local currency and the U.S. Dollar that may affect the value of the PRSUs, any amounts due to you pursuant to the settlement of the PRSUs or the subsequent sale of any Shares acquired upon settlement.

8. **No Advice Regarding Grant.** The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding your participation in the Plan, or your acquisition or sale of the underlying Shares. You are hereby advised to consult with your own personal tax, legal and financial advisors regarding your participation in the Plan before taking any action related to the Plan.

9. **Data Privacy.** *You understand that the Company and the Employer shall hold certain personal information about you, including, but not limited to, your name, home address, email address, and telephone number, date of birth, social insurance number, passport number or other identification number, salary, nationality, job title, any Shares or directorships held in the Company, details of all RSUs or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in your favor, for the exclusive purpose of implementing, administering and managing the Plan (your "Data").*

You understand that it will be necessary for your Data to be collected, used and transferred, in electronic or other form, as described in the Agreement and any other Award Documentation by and among, as applicable, the Employer, the Company and their respective Parents, Subsidiaries and Affiliates. Such processing will be for the exclusive purpose of implementing, administering and managing your participation in the Plan, and therefore for the performance of the Agreement. The provision of your Data is a contractual requirement. Without the provision of your Data, it will not be possible for the Company and/ or the Employer to perform their obligations under the Agreement.

You understand that, in performing the Agreement, it will be necessary for:

- *your Data to be transferred to a Company-designated Plan broker, or such other stock plan service provider as may be selected by the Company in the future, which is assisting the Company with the implementation, administration and management of the Plan;*
- *the Company, its Plan broker and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan, to receive, possess, use, retain and transfer your Data, in electronic or other form, for the sole purpose of implementing, administering and managing your participation in the Plan; and*
- *your Data to be held only as long as is necessary to implement, administer and manage your participation in the Plan.*

If you are located in the European Union, you understand that the recipients of your Data may be located in countries outside of the European Union, including the United States, and that the recipients' country may not have privacy laws and protections that are equivalent to those of the European Union member state in which you are based. You understand that if you reside in the European Union, you can request a list with the names and addresses of any recipients of your Data by contacting your local human resources representative.

You understand that if you reside in the European Union, you may, at any time and free of charge, request access to your Data, object to the processing of your Data, request to have access to it restricted, request additional information about the storage and processing of your Data, require any necessary amendments to your Data or ask for it to be erased by contacting your local human resources representative in writing. You may also have the right to receive a copy of your Data in a machine-readable format, and the right to not to be subject to any decision that significantly affects you being taken solely by automated processing, including profiling. We will process any request in line with applicable laws and our policies and procedures. You also have the right to lodge a complaint with a local supervisory authority.

10. Compliance with Laws and Regulations. The issuance and transfer of the Shares will be subject to and conditioned upon compliance by the Company and you with all applicable state, federal and foreign laws and regulations and with all applicable requirements of any stock exchange or automated quotation system on which the Shares may be listed or quoted at the time of such issuance or transfer; and, you understand that the Company shall not be required to issue or deliver any Shares prior to fulfillment of all of the following conditions: (a) the admission of such Shares to listing on all stock exchanges on which the Company's common stock is then listed; (b) the completion of any registration or other qualification of such Shares under any state or federal law or under rulings or regulations of the SEC or of any other governmental regulatory body, which the Administrator shall, in its absolute discretion, deem necessary or advisable; (c) the obtaining of any approval or other clearance from any state or federal governmental agency which the Administrator shall, in its absolute discretion, determine to be necessary or advisable; and (d) the lapse of such reasonable period of time following the vesting or settlement as the Administrator may from time to time establish for reasons of administrative convenience. The Shares shall be fully paid and nonassessable. You understand that the Company is under no obligation to register or qualify the Shares with the SEC or any state or foreign securities commission or to seek approval or clearance from any governmental authority for the issuance or sale of the Shares. Further, you agree that the Company has unilateral authority to amend the Plan and the Agreement without your consent to the extent necessary or advisable to comply with securities or other laws applicable to issuance of Shares.

11. Successors and Assigns. The Company may assign any of its rights under the Agreement. The Agreement will be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer contained herein, the Agreement will be binding upon you and your heirs, executors, administrators, legal representatives, successors and assigns.

12. Governing Law; Jurisdiction; Severability. The Agreement is to be governed by and construed in accordance with the internal laws of the State of Delaware, U.S.A., as such laws are applied to agreements between Delaware residents entered into and to be performed entirely within Delaware, excluding that body of laws pertaining to conflict of laws. For purposes of litigating any dispute that arises directly or indirectly from the relationship of the Company and you evidenced by this grant or the Agreement, the Company and you hereby submit to and consent to the exclusive jurisdiction of the State of Delaware and agree that such litigation will be conducted only in the courts of New Castle County, Delaware, or the federal courts for the United States for the District of Delaware, and no other courts, where this grant is made and/or to be performed. If any provision of the Agreement is determined by a court of law to be illegal or unenforceable, in whole or in part, that provision will be enforced to the maximum extent possible and the other provisions will remain fully effective and enforceable.

13. Further Instruments. You agree to execute further instruments and to take further actions as may be reasonably necessary to carry out the purposes and intent of the Agreement.

14. Administrator Authority. The Administrator has the power to interpret the Plan and the Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any PRSUs have vested). All actions taken and all interpretations and determinations made by the Administrator will be final and binding

upon you, the Company and all other interested persons. The Administrator will not be personally liable for any action, determination or interpretation made with respect to the Plan or the Agreement.

15. Language. You acknowledge that you are sufficiently proficient in English to understand the terms and conditions of the Agreement. Furthermore, if you have received the Agreement or any other Award Documentation translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

16. Electronic Delivery. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

17. Imposition of Other Requirements. The Company reserves the right to impose other requirements on your participation in the Plan, on the PRSUs and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with Applicable Laws or facilitate the administration of the Plan, and to require you to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

18. Headings. The captions and headings of the Agreement are included for ease of reference only and will be disregarded in interpreting or construing the Agreement. All references herein to Sections will refer to Sections of these Terms and Conditions, unless otherwise noted.

19. Appendix. Notwithstanding any provisions in the Award Documentation, the PRSU grant will be subject to any special terms and conditions for your country set forth in an Appendix to these Terms and Conditions. Moreover, if you relocate to one of the countries included in the Appendix, the special terms and conditions for such country will apply to you, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Company reserves the right to require you to sign any additional agreements that may be necessary to accomplish the foregoing. The Appendix constitutes part of the Agreement.

20. Waiver. You acknowledge that a waiver by the Company of breach of any provision of the Agreement will not operate or be construed as a waiver of any other provision of the Agreement, or of any subsequent breach by you or any other Participant.

21. Entire Agreement. The Plan, these Terms and Conditions, the Appendix and the Grant Notice, including Exhibit A thereto, constitute the entire agreement and understanding of the parties with respect to the subject matter of the Agreement, and supersede all prior understandings and agreements, whether oral or written, between the parties with respect to the specific subject matter hereof.

22. Insider Trading Restrictions/Market Abuse Laws. You acknowledge that, depending on your or your broker's country of residence or where the Shares are listed, you may be subject to insider trading restrictions and/or market abuse laws, which may affect your ability to accept, acquire, sell or otherwise dispose of Shares or rights to Shares (or rights linked to Shares) under the Plan (e.g., PRSUs) during such times as you are considered to have "inside information" regarding the Company (as defined by the laws or regulations in your country). Local insider trading laws and regulations may prohibit the cancellation or amendment of orders you placed before you possessed insider information. Furthermore, you could be prohibited from (a) disclosing the inside information to any third party (other than on a "need to know" basis) and (b) "tipping" third parties (including employees and other service providers) or causing them otherwise to buy or sell Company securities.. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Company insider trading policy. You acknowledge that it is your responsibility to comply with any applicable restrictions, and you should speak to your personal advisor on this matter.

23. Notices. Any notice to be given under the terms of the Agreement to the Company shall be addressed to the Company in care of the Secretary of the Company at the Company's principal office, and any notice to be given to you shall be addressed to you at your last residential or email address reflected on the Company's records. By a notice given pursuant to this Section 23, either party may hereafter designate a different address for notices to be given to that

party. Any notice which is required to be given to you shall, if you are then deceased, be given to your legal representative. Any notice shall be deemed duly given to you (or, if applicable, your legal representative), (a) if it is delivered by email, upon confirmation of receipt (with an automatic “read receipt” constituting acknowledgment of receipt for purposes of this Section 23(a)); and (b) if sent by certified mail (return receipt requested), on the second business day following deposit (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service or similar local service in jurisdictions outside of the United States.

24. Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan or the Agreement, if you are subject to Section 16 of the Exchange Act, the Plan, the PRSUs and the Agreement shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by Applicable Laws, the Agreement shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

25. Section 409A. The PRSUs are not intended to constitute “nonqualified deferred compensation” within the meaning of Section 409A of the Code (together with any U.S. Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the date hereof, “**Section 409A**”). However, notwithstanding any other provision of the Plan or the Agreement, if at any time the Administrator determines that the PRSUs (or any portion thereof) may be subject to Section 409A, the Administrator shall have the right in its sole discretion (without any obligation to do so or to indemnify you or any other person for failure to do so) to adopt such amendments to the Plan or the Agreement, or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, as the Administrator determines are necessary or appropriate either for the PRSUs to be exempt from the application of Section 409A or to comply with the requirements of Section 409A.

26. Limitation on Participant’s Rights. Participation in the Plan confers no rights or interests other than as herein provided. The Agreement creates only a contractual obligation on the part of the Company as to amounts payable and shall not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. You shall have only the rights of a general unsecured creditor of the Company with respect to amounts credited and benefits payable, if any, with respect to the PRSUs, and rights no greater than the right to receive the Shares as a general unsecured creditor with respect to PRSUs, as and when vested or settled pursuant to the terms hereof.

27. Termination, Rescission and Recapture. The PRSUs are intended to align your long-term interests with the long-term interests of the Company. If you engage in certain activities discussed below, either during employment with the Company or after such employment terminates for any reason, the Company may terminate any outstanding, unexpired or unpaid PRSUs (“**Termination**”), rescind any payment or delivery pursuant to the PRSUs (“**Rescission**”) or recapture any cash or any Shares or proceeds from your sale of Shares acquired pursuant to the PRSUs (“**Recapture**”), as more fully described below and to the extent permitted by Applicable Laws. For purposes of this Section 27, Competitive Organization or Business is defined as those corporations, institutions, individuals, or other entities identified by the Company as competitive or working to become competitive in the Company’s most recently filed annual report on Form 10-K.

(a) You are acting contrary to the long-term interests of the Company if you at any time fail to comply with any agreement or undertaking regarding inventions, intellectual property rights, and/or proprietary or confidential information or material that you signed or otherwise agreed to in favor of the Company.

(b) You are acting contrary to the long-term interests of the Company if you, while employed by the Company: (i) materially breach the AMD Agreement or any Company (or Affiliate) policy applicable to you, or any written agreement between you and the Company (or Affiliate); (ii) violate the Company’s Worldwide Standards of Business Conduct or commit any other act of misconduct, or violate state or federal law relating to the workplace (including laws related to sexual harassment or age, sex or other prohibited discrimination); (iii) commit any act or omission resulting in your being charged with a criminal offense involving moral turpitude, dishonesty, or breach of trust; or (iv) engage in conduct that constitutes a felony, or enter a plea of guilty or nolo contendere with respect to a felony under applicable law. Whether you are acting contrary to the long-term interests of the Company for any of the reasons set forth in clauses (i) through (iv) above shall be determined by the Administrator in its sole discretion.

(c) You are acting contrary to the long-term interests of the Company if, during the restricted period set forth below, you engage in any of following activities in, or directed into, any State, possession or territory of the United States of America or any country in which the Company operates, sells products or does business:

(i) while employed by the Company, you render services to or otherwise directly or indirectly engage in or assist, any Competitive Organization or Business;

(ii) while employed by the Company or at any time thereafter, without the prior written consent of the Compensation and Leadership Resources Committee of the Board (the "**CLRC**"), you (A) use any confidential information or trade secrets of the Company to render services to or otherwise engage in or assist any Competitive Organization or Business or (B) solicit away or attempt to solicit away any customer or supplier of the Company if in doing so, you use or disclose any of the Company's confidential information or trade secrets;

(iii) while employed by the Company or during a period of twelve (12) months thereafter, without the prior written consent of the Board, you carry on any business or activity (whether directly or indirectly, as a partner, shareholder, principal, agent, director, affiliate, employee or consultant) that is a direct material Competitive Organization or Business (as conducted now or during the term of this Agreement);

(iv) while employed by the Company or during the period of twelve (12) months thereafter, without the prior written consent of the Board, you solicit away or influence or attempt to influence or solicit away any client, customer or other person either directly or indirectly to direct his/her or its purchase of the Company's products and/or services to any Competitive Organization or Business; or

(v) while employed by the Company or during a period of twelve months (12) months thereafter, without the prior written consent of the Board, you solicit or influence or attempt to influence or solicit any person employed by the Company or any consultant then retained by the Company to terminate or otherwise cease his/her employment or consulting relationship with the Company or become an employee of or perform services for any outside organization or business.

The activities described in this Section 27(b) are collectively referred to as "*Activities Against the Company's Interest.*"

(d) If the Company determines, in its sole and absolute discretion, that: (i) you have violated any of the requirements set forth in Section 27(a) above or (b) above or (ii) you have engaged in any Activities Against the Company's Interest (the date on which such violation or activity first occurred being referred to as the "**Trigger Date**"), then the Company will, in its sole and absolute discretion, impose a Termination, Rescission and/or Recapture of any or all of the PRSUs or the proceeds you received therefrom, provided, that such Termination, Rescission and/or Recapture shall not apply to the PRSUs to the extent that such PRSUs vested earlier than one year prior to the Trigger Date. Within ten days after receiving notice from the Company that Rescission or Recapture is being imposed on any PRSU, you shall deliver to the Company the Shares acquired pursuant to the PRSUs, or, if you have sold such Shares, the gain realized, or payment received as a result of the rescinded payment or delivery. Any payment by you to the Company pursuant to this Section 27(d) shall be made either in cash or by returning to the Company the number of Shares that you received in connection with the rescinded payment or delivery. It shall not be a basis for Termination, Rescission or Recapture if after your termination of employment, you purchase, as an investment or otherwise, stock or other securities of a Competitive Organization or Business, so long as (i) such stock or other securities are listed upon a recognized securities exchange or traded over-the-counter, and (ii) such investment does not represent more than a five percent equity interest in the organization or business.

(e) Upon payment or delivery of Shares pursuant to the PRSUs, you shall, if requested by the Company, certify on a form acceptable to the Company that you are in compliance with the terms and conditions of this Agreement and, if your termination of employment has occurred, shall state the name and address of your then-current employer or any entity for which you perform business services and your title, and shall identify any organization or business in which you own a greater-than-five-percent equity interest.

(f) Notwithstanding the foregoing provisions of this Section 27, in exceptional cases, the Company has sole and absolute discretion not to require Termination, Rescission and/or Recapture, and its determination not to require Termination, Rescission and/or Recapture with respect to any particular act by you or the PRSUs shall not in any way reduce or eliminate the Company's authority to require Termination, Rescission and/or Recapture with respect to any other act by you or other equity awards.

(g) Nothing in this Section 27 shall be construed to impose obligations on you to refrain from engaging in lawful competition with the Company after the termination of employment. For the avoidance of doubt, you acknowledge that this Section 27(g) shall not limit or supersede any other agreement between you and the Company concerning restrictive covenants.

(h) All administrative and discretionary authority given to the Company under this Section 27 shall be exercised by the CLRC of the Board, or an executive officer of the Company as such CLRC may designate from time to time.

(i) Notwithstanding any provision of this Section 27, if any provision of this Section 27 is determined to be unenforceable or invalid under any Applicable Laws, such provision will be applied to the maximum extent permitted by Applicable Laws, and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to any limitations required under Applicable Laws. Furthermore, if any provision of this Section 27 is illegal under any Applicable Laws, such provision shall be null and void to the extent necessary to comply with Applicable Laws.

(j) Notwithstanding the foregoing, this Section 27 shall not be applicable to you from and after your termination of employment if such termination of employment occurs after a Change of Control.

28. **Foreign Asset/Account Reporting; Exchange Control Requirements.** Certain applicable foreign asset and/or foreign account reporting requirements and exchange controls may affect your ability to acquire or hold Shares acquired under the Plan or cash received from participating in the Plan (including any dividends paid on Shares acquired under the Plan) in a brokerage or bank account outside your country. You may be required to report such accounts, assets or transactions to the tax or other authorities in your country. You may also be required to repatriate sale proceeds or other funds received as a result of your participation in the Plan to your country through a designated bank or broker and/or within a certain time after receipt. You acknowledge that you are responsible for complying with any applicable regulations, and that you should speak to your personal legal advisor for any details.

By signing the Grant Notice or otherwise accepting the PRSU grant and the Shares issued upon vesting of the PRSUs, you agree to be bound by terms of the Agreement and the Plan.

APPENDIX

Terms and Conditions
Performance-Based Restricted Stock Unit Award
Advanced Micro Devices, Inc. 2004 Equity Incentive Plan

Not applicable.

2019 CTO PRSU Agreement – Appendix

ADVANCED MICRO DEVICES, INC.

Outside Director Equity Compensation Policy
Amended and Restated as of October 20, 2011
Amended and Restated as of May 8, 2014
Amended and Restated as of April 26, 2017
Amended and Restated as of November 1, 2017
Amended and Restated as of August 21, 2019

1. **General.** This Outside Director Equity Compensation Policy (the “Policy”) is adopted by the Board of Directors (the “Board”) in accordance with Section 12 of the Advanced Micro Devices, Inc. 2004 Equity Incentive Plan (the “Plan”). Capitalized but undefined terms used herein shall have the meanings provided for in the Plan.

2. **Board Authority.** Pursuant to Section 12 of the Plan, the Board is responsible for adopting a policy for the grant of Awards under the Plan to Outside Directors (as defined therein), which policy is to include a written, non-discretionary formula and also specify, with respect to any such awards, the conditions on which such awards shall be granted, become exercisable and/or payable, and expire, and such other terms and conditions as the Board determines in its discretion.

3. **Equity Grants to Directors.**

(i) **“Off-Cycle” Initial Grant.** On the date of an Outside Director’s initial appointment to the Board that occurs other than on the date of an annual meeting of the Company’s stockholders at which Outside Directors are elected, such Outside Director shall be granted, automatically and without necessity of any action by the Board or any committee thereof, the number of Restricted Stock Units, or RSUs equal to the quotient of (i) \$185,000 divided by (ii) the Average Fair Market Value of a Share as of the date that such Outside Director is elected or appointed to the Board (rounded down to the nearest whole number) (the “Initial RSU Grant”).

(ii) Annual Grant. The Board's practice is to provide annual equity compensation awards to its members the value of which is competitive with the value of equity compensation awards provided to the members of board of directors of AMD's peer group companies. Based on analysis of competitive equity compensation grant practices that the Board has reviewed, Outside Directors are currently eligible to receive annual grants having a value equal to \$185,000, as follows: Provided that he or she has served as a member of the Board continuously prior to such date (and pro-rated if he or she has served less than twelve months prior to such date, see below for additional details on the pro-rata calculation), each Outside Director, except for the Chairman of the Board, shall be granted, automatically and without necessity of any action by the Board or any committee thereof, the number of RSUs, equal to the quotient of (i) \$185,000 divided by (ii) the Average Fair Market Value of a Share on the date of grant (rounded down to the nearest whole number) under the Plan on the date of the annual meeting of the Company's stockholders where such Outside Director is elected (the "Annual RSU Grant," together with the Initial RSU Grants, the "RSU Grants").

Annual RSU Grants to Outside Directors who have not served as a member of the Board continuously for twelve months prior to the month of the Annual RSU Grant are pro-rated based on (i) the number of months of service divided by 12, multiplied by (ii) the Annual RSU Grant. For purposes of the pro-rata calculation, service during any portion of a calendar month shall count as a full month of service. As an example, if the annual meeting of the Company's stockholders is held in May, then an Outside Director starting on any date in August of the prior year would be considered to have one full month of service counted for August and one month of service for each month through May for a total of ten months of service. Therefore, such Outside Director would receive 83.333% of the Annual RSU Grant.

(iii) Annual Grant to Chairman of the Board. If an Outside Director serves as the Chairman of the Board, he/she shall be granted, automatically and without necessity of any action by the Board, or any committee thereof, the number of RSUs equal to 1.5 times the Annual RSU Grant.

(iv) Average Fair Market Value. For purposes of this Policy, "Average Fair Market Value" means the average of the closing stock prices for the Shares for the 30 trading-day period immediately preceding and ending with the date of grant of an Initial RSU Grant or Annual RSU Grant.

(v) Maximum Amount. The aggregate grant date fair value for financial reporting purposes of equity compensation awards granted during a calendar year to an Outside Director as compensation for his or her services as an Outside Director, taken together with the cash fees paid during the calendar year to the Outside Director as compensation for his or her services as an Outside Director, shall not exceed (a) \$500,000 in total value in the case of an Outside Director other than the Chairman of the Board, and (b) \$1,000,000 in total value in the case of the Chairman of the Board.

4. Insufficient Shares. Further, if there are insufficient Shares available under the Plan for each Outside Director who is eligible to receive an RSU Grant (as adjusted) in any year, the number of Shares subject to each RSU Grant in such year shall equal the total

number of available Shares then remaining under the Plan divided by the number of Outside Directors who are eligible to receive an RSU Grant on such date, as rounded down to avoid fractional Shares.

5. Vesting. Each RSU Grant shall vest as to 100% and become fully exercisable on the anniversary of the date of grant.

6. Deferral. Each RSU represents the right to receive one Share upon vesting of such RSU. Receipt of the Shares issuable upon vesting of RSUs may be deferred at the Outside Director's election; **provided**, that such deferral election is (i) in compliance with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and the Department of Treasury final regulations and guidance thereunder and (ii) pursuant to such terms and conditions as the Board may determine in its discretion.

7. Termination of Service as an Outside Director.

(i) If an Outside Director's tenure on the Board is terminated for any reason other than Misconduct, then the Outside Director or the Outside Director's estate, as the case may be, shall have the right for a period of twenty-four (24) months following the date such tenure is terminated to exercise previously granted Options held by such Outside Director to the extent the Outside Director was entitled to exercise such Option on the date the Outside Director's tenure terminated; **provided** the actual date of exercise is in no event after the expiration of the original term of the Option. An Outside Director's "estate" shall mean the Outside Director's legal representative or any person who acquires the right to exercise an Option by reason of the Outside Director's death or Disability.

(ii) If an Outside Director's tenure on the Board is terminated due to death, Disability, or retirement from service to the Board (other than for Misconduct or due to disagreement with the Board), Awards granted pursuant to this Policy shall become fully vested and/or exercisable automatically and without necessity of any action by the Board or any committee thereof; **provided**, that such Outside Director shall have served as a member of the Board for at least three years prior to the date of such termination and currently satisfies the Company's equity ownership guidelines.

8. Effect of Change of Control. Upon a Change of Control, all Awards held by an Outside Director shall become fully vested and/or exercisable, irrespective of any other provisions of the Outside Director's Award Documentation.

9. Effect of Other Plan Provisions. The other provisions of the Plan shall apply to the Awards granted automatically pursuant to this Policy, except to the extent such other provisions are inconsistent with this Policy.

10. Treatment of Awards Previously Issued Under the Plan; Continued Grants under Prior Policy. The Company has issued Awards to Outside Directors under prior

versions of this Policy. Those grants will continue to be governed by the terms of this Policy in effect as of their date of grant.

11. Incorporation of the Plan. All applicable terms of the Plan apply to this Policy as if fully set forth herein, and all grants of Awards hereby are subject in all respect to the terms of such Plan.

12. Written Grant Agreement. The grant of any Award under this Policy shall be made solely by and subject to the terms set forth herein and may be further documented in a written agreement in a form to be approved by the Board and duly executed by an executive officer of the Company.

13. Policy Subject to Amendment, Modification and Termination. This Policy may be amended, modified or terminated by the Board in the future at its sole discretion. No Outside Director shall have any rights hereunder unless and until an Award is actually granted. Without limiting the generality of the foregoing, the Board hereby expressly reserves the authority to terminate this Policy during any year up and until the election of directors at a given annual meeting of stockholders.

14. Section 409A. Notwithstanding any provision to the contrary in the Policy, if an Outside Director has elected to defer the receipt of Shares issuable upon vesting pursuant to Section 6 hereof and at the time of such Director’s “separation from service” with the Company (as such term is defined in the Treasury Regulations issued under Section 409A of the Code) he or she is deemed by the Company to be a “specified employee” for purposes of Section 409A(a)(2)(B)(i) of the Code, to the extent delayed issuance of any portion of the Shares subject to an RSU to which he or she is entitled under the terms of such RSU or deferral election agreement is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, such portion of such Outside Director’s Shares shall not be issued prior to the earlier of (a) the expiration of the six-month period measured from the date of his or her separation from service with the Company or (b) the date of his or her death. Upon the expiration of the applicable Code Section 409A(a)(2)(B)(i) period, all Shares deferred pursuant to this Section 14 shall be issued.

15. Effectiveness. This policy as amended and restated shall become effective as of August 21, 2019.

* * * * *

Advanced Micro Devices, Inc.
Executive Incentive Plan

(Amendment and Restatement Approved by the Board of Directors on February 12, 2016)

(Approved by the Stockholders on May 12, 2016)

(Amendment Approved by the Board of Directors on February 8, 2018)

(Amendment and Restatement Approved by the Board of Directors on August 21, 2019)

1. Purposes.

The purposes of the Advanced Micro Devices, Inc. ("AMD") Executive Incentive Plan are to motivate the Company's key employees to improve stockholder value by linking a portion of their cash compensation to the Company's financial performance, reward key employees for improving the Company's financial performance, and help attract and retain key employees.

2. Definitions.

Wherever the following terms are used in the Plan they shall have the meanings specified below, unless the context clearly indicates otherwise.

- A. "Award" means, with respect to each Participant, any cash incentive payment made under the Plan for a Performance Period.
- B. "Code" means the Internal Revenue Code of 1986, as amended.
- C. "Committee" means the Compensation and Leadership Resources Committee of AMD's Board of Directors, or such other committee designated by that Board of Directors, which is authorized to administer the Plan under Section 3 hereof.
- D. "Company" means AMD and any corporation or other business entity of which AMD (i) directly or indirectly has an ownership interest of 50% or more, or (ii) has a right to elect or appoint 50% or more of the board of directors or other governing body.
- E. "Key Employee" means any employee of the Company whose performance the Committee determines can have a significant effect on the success of the Company.
- F. "Participant" means any Key Employee to whom an Award is granted under the Plan.
- G. "Performance Period" means any fiscal year of the Company or such other period as determined by the Committee.
- H. "Plan" means this Plan, which shall be known as the AMD Executive Incentive Plan.
- I. "Misconduct" means, as determined in the sole discretion of the Committee, a Participant's: (a) violation of his or her obligations regarding confidentiality, or the protection of sensitive, confidential, or proprietary information and trade secrets; (b) act or omission resulting in Participant being charged with a criminal offense involving moral turpitude, dishonesty, or breach of trust; (c) engaging in conduct which constitutes a felony (or state law equivalent), or plea of guilty or nolo

contendere with respect to a felony (or state law equivalent) under applicable law; (d) engaging in conduct that constitutes gross neglect; (e) insubordination or refusal to implement directives of Participant's manager; (f) chronic absenteeism other than an approved leave of absence per the Company's policies; (g) failure to cooperate with any internal investigation of the Company; (h) violation of AMD's Worldwide Standards of Business Conduct or commission any other act of misconduct, or violation of any state or federal law relating to the workplace (including laws related to sexual harassment or age, sex or other prohibited discrimination); (i) material breach of the AMD Agreement, any Company policy, or any written agreement between Participant and the Company; (j) failure to substantially perform his or her job duties with the Company; or (k) poor performance of his or her job duties.

3. Administration.

- A. The Plan shall be administered by the Committee. The Committee shall have the authority to:
- (i) interpret and determine all questions of policy and expediency pertaining to the Plan;
 - (ii) adopt such rules, regulations, agreements and instruments as it deems necessary for its proper administration;
 - (iii) select Key Employees to receive Awards;
 - (iv) determine the terms of Awards;
 - (v) determine amounts subject to Awards (within the limits prescribed in the Plan);
 - (vi) determine whether Awards will be granted in replacement of or as alternatives to any other incentive or compensation plan of the Company or an acquired business unit;
 - (vii) grant waivers of Plan or Award conditions;
 - (viii) accelerate the payment of Awards;
 - (ix) correct any defect, supply any omission, or reconcile any inconsistency in the Plan, any Award or any Award notice;
 - (x) take any and all other actions it deems necessary or advisable for the proper administration of the Plan;
 - (xi) adopt such Plan procedures, regulations, subplans and the like as it deems are necessary to enable Key Employees to receive Awards; and
 - (xii) amend the Plan at any time and from time to time.

B. The Committee may delegate its authority to grant and administer Awards to a separate committee.

4. Eligibility.

Only Key Employees as designated by the Committee are eligible to become Participants in the Plan. No person shall be automatically entitled to participate in the Plan.

5. Performance Goals.

A. The Committee shall set forth in writing objectively determinable performance goals ("Performance Goals") applicable to a Participant for a Performance Period prior to the commencement of such Performance Period, provided, however, that such goals may be established after the start of the Performance Period.

B. Each Performance Goal shall relate to one or more of the following criteria:

- Net income
- Operating income
- Earnings before interest and taxes
- Earnings before interest, taxes, depreciation and amortization
- Earnings per share
- Return on investment
- Return on capital
- Return on invested capital
- Return on capital compared to cost of capital
- Return on capital employed
- Return on equity
- Return on assets
- Return on net assets
- Total stockholder return
- Stockholder return
- Cash return on capitalization
- Revenue

- Revenue ratios (per employee or per customer)
- Stock price
- Market share
- Stockholder value
- Net cash flow
- Cash flow
- Cash flow from operations
- Cash balance
- Cash conversion cycle
- Cost reductions and cost ratios (per employee or per customer)
- New product releases
- Strategic positioning programs, including the achievement of specified milestones or the completion of specified projects
- Performance and/or potential of the individual Participant
- Any other criteria as determined by the Committee in its sole discretion.

C. A Performance Goal applicable to an Award may provide for a targeted level or levels of achievement measured on a GAAP or non-GAAP basis, as determined by the Committee. A Performance Goal also may (but is not required to) be based solely by reference to the performance of the individual, the Company as a whole or any subsidiary, division, business segment or business unit of the Company, or any combination thereof or based upon the relative performance of other companies or upon comparisons of any of the indicators of performance relative to a peer group of other companies. Unless otherwise stated, such a Performance Goal need not be based upon an increase or positive result under a particular business criterion and could include, for example, maintaining the status quo or limiting economic losses (measured, in each case, by reference to specific business criteria). The Committee, in its sole discretion, may provide that one or more objectively determinable adjustments shall be made to one or more of the Performance Goals applicable to an Award. Such adjustments may include one or more of the following: (a) items related to a change in accounting principle; (b) items relating to financing activities; (c) expenses for restructuring or productivity initiatives; (d) other non-operating items; (e) items related to acquisitions; (f) items attributable to the business operations of any entity acquired by the Company during the applicable performance period; (g) items related to the disposal of a business or segment of a business; (h) items related to discontinued operations that do not qualify as a segment of a business under applicable accounting standards; (i) items attributable to any stock

dividend, stock split, combination or exchange of stock occurring during the applicable performance period; (j) any other items of significant income or expense which are determined to be appropriate adjustments; (k) items relating to unusual or extraordinary corporate transactions, events or developments, (l) items related to amortization of acquired intangible assets; (m) items that are outside the scope of the Company's core, on-going business activities; (n) items related to acquired in-process research and development; (o) items relating to changes in tax laws; (p) items relating to major licensing or partnership arrangements; (q) items relating to asset impairment charges; (r) items relating to gains or losses for litigation, arbitration and contractual settlements; or (s) items relating to any other unusual or nonrecurring events or changes in applicable law, accounting principles or business conditions.

- D. The Committee shall establish in writing a bonus formula specifying the target level and/or other level(s) of performance that must be achieved with respect to each criterion that is identified in a Performance Goal in order for an Award to be payable and shall, for each Participant, establish in writing a target (and/or other level(s)) Award payable under the Plan for the Performance Period upon attainment of the Performance Goals.
- E. In the event Performance Goals are based on more than one criterion, the Committee may determine to make Awards upon attainment of the Performance Goal relating to any one or more of such criteria, provided the Performance Goals, when established, are stated as alternatives to one another at the time the Performance Goal is established.

6. Awards.

- A. During any fiscal year of the Company, no Participant shall receive an Award of more than \$10,000,000.
- B. No Award shall be paid to a Participant unless and until the Committee makes a certification in writing with respect to the attainment of the Performance Goals. The Committee may in its sole discretion eliminate, reduce or increase an Award payable to a Participant pursuant to the applicable bonus formula.
- C. Unless otherwise directed by the Committee, each Award shall be paid on the March 15 immediately following the end of the Performance Period to which such Award relates.
- D. The payment of an Award requires that the Participant be on the Company's payroll as of the date of payment of the Award; provided, however, that if the Participant's employment ends prior to the date of payment of the Award other than due to such Participant's involuntary employment termination for Misconduct, the Committee, in its sole discretion, may pay an Award to the Participant for the portion of the Performance Period that the Participant was employed by the Company, computed as determined by the Committee. For added clarity, unless applicable legislation mandates otherwise, no notice period, whether given by a Participant as notice of resignation or given by the Company (or which a court or tribunal determines ought

to have been given by the Company) as notice of termination shall operate to extend a Participant's eligibility to participate in the Plan or to receive payment of any Award (partial, pro-rated or otherwise), even if a Participant's employment is involuntarily terminated for any reason other than for Misconduct, unless the Committee decides otherwise. The payment to a Participant of any portion of his or her Award pursuant to this Section 6.D. may, in the sole discretion of the Committee, be conditioned on the Participant's timely execution and non-revocation of a written release in such form as may be determined by the Committee in its sole discretion.

- E. The Company shall withhold all applicable federal, state, local and foreign taxes required by law to be paid or withheld relating to the receipt or payment of any Award.
- F. At the discretion of the Committee, payment of an Award or any portion thereof may be deferred under a nonqualified deferred compensation plan maintained by the Committee until a time established by the Committee and in accordance with the terms of such plan.
- G. If a Participant is determined by the Committee, in its discretion, to have committed Misconduct, then, unless otherwise provided in the Participant's employment or other written agreement between the Participant and the Company that expressly refers to the Plan, the Participant shall immediately and irrevocably forfeit his or her right to receive any payments under the Plan.

7. General.

- A. Any rights of a Participant under the Plan shall not be assignable by such Participant, by operation of law or otherwise, except by will or the laws of descent and distribution. No Participant may create a lien on any funds or rights to which he or she may have an interest under the Plan, or which is held by the Company for the account of the Participant under the Plan.
- B. Participation in the Plan shall not give any Key Employee any right to remain in the employ of the Company. Further, the adoption of this Plan shall not be deemed to give any Key Employee or other individual the right to be selected as a Participant or to be granted an Award.
- C. The Plan shall constitute an unfunded, unsecured obligation of the Company to make bonus payments from its general assets in accordance with the provisions of the Plan. To the extent any person acquires a right to receive payments from the Company under this Plan, such rights shall be no greater than the rights of an unsecured creditor of the Company.
- D. The Plan shall be governed by and construed in accordance with the laws of the State of Delaware.
- E. The Board may amend or terminate the Plan at any time and for any reason.

**ADVANCED MICRO DEVICES, INC.
2004 EQUITY INCENTIVE PLAN**

- (Amendment and Restatement Adopted by the Board of Directors on March 22, 2006)
(Approved by the Stockholders on May 5, 2006)
- (Amendment Adopted by the Board of Directors on October 13, 2006)
- (Second Amendment and Restatement Adopted by the Board of Directors on February 26, 2009)
(Approved by Stockholders on May 7, 2009)
- (Third Amendment and Restatement Adopted by the Board of Directors on March 5, 2010)
(Approved by Stockholders on April 29, 2010)
- (Fourth Amendment and Restatement Adopted by the Board of Directors on March 14, 2012)
(Approved by Stockholders on May 10, 2012)
- (Fifth Amendment and Restatement Adopted by the Board of Directors on March 16, 2013)
(Approved by Stockholders on July 12, 2013)
- (Sixth Amendment and Restatement Adopted by the Board of Directors on March 19, 2014)
(Approved by Stockholders on May 8, 2014)
- (Seventh Amendment and Restatement Adopted by the Board of Directors on February 12, 2015)
(Approved by Stockholders on April 29, 2015)
- (Eighth Amendment and Restatement Adopted by the Board of Directors on February 12, 2016)
(Approved by Stockholders on May 12, 2016)
- (Ninth Amendment and Restatement Adopted by the Board of Directors on February 17, 2017)
(Approved by Stockholders on April 26, 2017)
- (Tenth Amendment and Restatement Adopted by the Board of Directors on March 8, 2019)
(Approved by Stockholders on May 15, 2019)
- (Eleventh Amendment and Restatement Adopted by the Board of Directors on August 21, 2019)

1. *Purposes of the Plan.* The purposes of this 2004 Equity Incentive Plan (the "Plan") are:

- to attract and retain the best available personnel,
- to compete effectively for the best personnel, and
- to promote the success of the Company's business by motivating Employees, Directors and Consultants to superior performance.

Awards granted under the Plan may be Nonstatutory Stock Options (NSOs), Incentive Stock Options (ISOs), Stock Appreciation Rights (SARs), Restricted Stock, or Restricted Stock Units (RSUs), as determined by the Administrator at the time of grant.

2. *Definitions.* As used herein, the following definitions shall apply:

- (a) "*Administrator*" means the Board or any of its delegates, including committees, administering the Plan, in accordance with Section 4 of the Plan.
- (b) "*Affiliate*" means any corporation, partnership, joint venture or other entity in which the Company holds an equity, profit or voting interest of thirty percent (30%) or more; provided, however, that with respect to Awards granted on or after May 5, 2006 "*Affiliate*" shall mean any corporation, partnership, joint venture or other entity in which the Company holds an equity, profit or voting interest of more than fifty percent (50%).
- (c) "*Applicable Laws*" means the requirements relating to the administration of equity compensation plans under U.S. state corporate laws, U.S. federal and state securities laws, the Code, any stock exchange or quotation system on which the Common Stock is listed or quoted and the applicable laws of any foreign country or jurisdiction where Awards are, or will be, granted under the Plan.
- (d) "*Award*" means, individually or collectively, a grant under the Plan of NSOs, ISOs, SARs, Restricted Stock, or RSUs.
- (e) "*Award Documentation*" means any written agreement or documentation published by the Company setting forth the terms and provisions applicable to each Award granted under the Plan. The Award Documentation is subject to the terms and conditions of the Plan.
- (f) "*Awarded Stock*" means the Common Stock subject to an Award.
- (g) "*Board*" means the Board of Directors of the Company or its delegate.
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- (h) *“Change of Control”* Unless otherwise defined in Award Documentation or a Participant’s employment agreement, the term *“Change of Control”* shall mean any of the following events:
- (i) any “person” (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company (not including the securities beneficially owned by such person any securities acquired directly from the Company or any of its Affiliates) representing more than 20% of either the then outstanding shares of the Common Stock of the Company or the combined voting power of the Company’s then outstanding voting securities;
 - (ii) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board and any new director (other than a director designated by a person who has entered into an agreement or arrangement with the Company to effect a transaction described in clause (i) or (ii) of this sentence) whose appointment, election, or nomination for election by the Company’s stockholders, was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose appointment, election or nomination for election was previously so approved, cease for any reason to constitute a majority of the Board;
 - (iii) there is consummated a merger or consolidation of the Company or subsidiary thereof with or into any other corporation, other than a merger or consolidation which would result in the holders of the voting securities of the Company outstanding immediately prior thereto holding securities which represent immediately after such merger or consolidation more than 50% of the combined voting power of the voting securities of either the Company or the other entity which survives such merger or consolidation or the parent of the entity which survives such merger or consolidation; or
 - (iv) the stockholders of the Company approve a plan of complete liquidation of the Company and such plan of complete liquidation of the Company is consummated or there is consummated the sale or disposition by the Company of all or substantially all of the Company’s assets, other than a sale or disposition by the Company of all or substantially all of the Company’s assets to an entity, at least 80% of the combined voting power of the voting securities of which are owned by persons in substantially the same proportions as their ownership of the Company immediately prior to such sale.

Notwithstanding the foregoing: (y) unless otherwise provided in a Participant’s employment agreement, no *“Change of Control”* shall be deemed to have occurred if there is consummated any transaction or series of integrated transactions immediately following which the record holders of the Common Stock of the Company immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of the Company immediately prior to such transaction or series of transactions and (z) unless otherwise provided in a Participant’s employment agreement, *“Change of Control”* shall exclude the acquisition of securities representing more than 20% of either the then outstanding shares of the Common Stock of the Company or the combined voting power of the Company’s then outstanding voting securities by the Company or any of its wholly owned subsidiaries, or any trustee or other fiduciary holding securities of the Company under an employee benefit plan now or hereafter established by the Company.

- (i) *“Code”* means the Internal Revenue Code of 1986, as amended.
 - (j) *“Committee”* means a committee of Directors appointed by the Board in accordance with Section 4 of the Plan.
 - (k) *“Common Stock”* means the common stock of the Company.
 - (l) *“Company”* means Advanced Micro Devices, Inc., a Delaware corporation.
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- (m) “*Constructive Termination*” shall mean a resignation by a Participant who has been selected by the Board as a corporate officer of the Company due to diminution or adverse change in the circumstances of such Participant’s service as such a corporate officer, as determined in good faith by the Participant; including, without limitation, reporting relationships, job description, duties, responsibilities, compensation, perquisites, office or location of employment. Constructive Termination shall be communicated by written notice to the Company (or successor to the Company), and such termination shall be deemed to occur on the date such notice is so delivered.
 - (n) “*Consultant*” means any natural person, including an advisor, engaged by the Company or Affiliate to render services to such entity.
 - (o) “*Director*” means a member of the Board of Directors of Advanced Micro Devices, Inc.
 - (p) “*Disability*” means total and permanent disability as defined in Section 22(e)(3) of the Code.
 - (q) “*Employee*” means any person, including Officers and Directors, who is an employee of the Company or any Affiliate. An Employee shall not cease to be treated as an Employee in the case of (i) any leave of absence approved by the Company or (ii) transfers between locations of the Company or between the Company, any Affiliate, or any successor corporation. Neither service as a Director nor payment of a director’s fee by the Company or any Affiliate shall be sufficient to constitute status as an Employee.
 - (r) “*Exchange Act*” means the Securities Exchange Act of 1934, as amended.
 - (s) “*Fair Market Value*” means, as of any date, the value of Common Stock determined as follows:
 - (i) If the Common Stock is listed on any established stock exchange, including without limitation the New York Stock Exchange, its Fair Market Value shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange (or the exchange with the greatest volume of trading in the Common Stock) for such date, or if no bids or sales were reported for such date, then the closing sales price (or the closing bid, if no sales were reported) on the trading date immediately prior to such date during which a bid or sale occurred, in each case, as reported by Bloomberg.com or such other source as the Administrator deems reliable;
 - (ii) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, its Fair Market Value shall be the mean between the high bid and low asked prices for the Common Stock for such date, or if no bid or asked prices were reported for such date, then the bid and asked prices on the date immediately prior to such date during which bid and asked prices were reported; or
 - (iii) In the absence of an established market for the Common Stock, its Fair Market Value shall be determined in good faith by the Administrator.
 - (t) “*Grandfathered Qualified Performance-Based Award*” means an Award granted on or before November 2, 2017, to a “covered employee” (within the meaning of Prior Section 162(m) of the Code) that the Administrator intends to qualify as, and which satisfies all requirements to qualify as, “performance-based compensation” (within the meaning of Prior Section 162(m) of the Code).
 - (u) “*Incentive Stock Option*” or “*ISO*” means an option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.
 - (v) “*Independent Director*” means a Director of the Company who is not also an Employee of the Company and who qualifies as a “Non-Employee Director” for purposes of Section 16(b) of the Exchange Act.
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- (w) "*Misconduct*" means, for Awards granted on or after May 14, 2019, a Participant is determined by the Administrator in its sole discretion to have:
- (i) violated his or her obligations to the Company (or Affiliate) regarding confidentiality, or the protection of sensitive, confidential, or proprietary information and trade secrets,
 - (ii) committed any act or omission resulting in the Participant being charged with a criminal offense involving moral turpitude, dishonesty, or breach of trust,
 - (iii) engaged in conduct that constitutes a felony, or entered a plea of guilty (or state law equivalent) or nolo contendere with respect to a felony (or state law equivalent) under applicable law,
 - (iv) engaged in conduct that constitutes gross neglect,
 - (v) acted insubordinately or refused to implement the lawful directives of his or her manager,
 - (vi) been chronically absent other than pursuant to an approved leave of absence per the Company's (or Affiliate's) policies, or
 - (vii) failed to cooperate with any internal investigation of the Company (or Affiliate),
 - (viii) violated the Company's Worldwide Standards of Business Conduct or committed other acts of misconduct, or violated any state or federal law relating to the workplace (including laws related to sexual harassment or age, sex or other prohibited discrimination),
 - (ix) materially breached the AMD Agreement or any Company (or Affiliate) policy applicable to Participant, or any written agreement between the Participant and Company (or Affiliate),
 - (x) failed to substantially and satisfactorily perform his or her job duties with the Company (or Affiliate).

For Awards granted before May 14, 2019, "Misconduct" has the meaning given in the Tenth Amendment and Restatement of the Plan.

- (x) "*Nonstatutory Stock Option*" or "NSO" means an Option not intended to qualify as an Incentive Stock Option.
 - (y) "*Notice of Grant*" means a written or electronic notice evidencing certain terms and conditions of an individual Award. The Notice of Grant is part of the Award Documentation.
 - (z) "*Officer*" means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.
 - (aa) "*Option*" means an NSO or ISO granted pursuant to Section 8 of the Plan.
 - (bb) "*Option Agreement*" means an agreement between the Company and a Participant evidencing the terms and conditions of an individual Option grant. The Option Agreement is subject to the terms and conditions of the Plan.
 - (cc) "*Parent*" means a "parent corporation," whether now or hereafter existing, as defined in Section 424(e) of the Code.
 - (dd) "*Participant*" means the holder of an outstanding Award granted under the Plan.
 - (ee) "*Performance Goals*" means the goal(s) (or combined goal(s)) determined by the Administrator (in its discretion) to be applicable to a Participant with respect to an Award. As determined by the Administrator, the Performance Goals applicable to an Award may provide for a targeted level or levels of achievement, measured on a generally accepted accounting principles (GAAP) or non-GAAP basis, relating to net income, operating income, earnings before interest and taxes, earnings before interest, taxes, depreciation and amortization, earnings per share, return on investment, return on capital, return on invested capital, return on capital compared to cost of capital, return on
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capital employed, return on equity, return on assets, return on net assets, total shareholder return, cash return on capitalization, revenue, revenue ratios (per employee or per customer), stock price, market share, shareholder value, net cash flow, cash flow, cash flow from operations, cash balance, cash conversion cycle, cost reductions and cost ratios (per employee or per customer), new product releases and strategic positioning programs, including the achievement of specified milestones or the completion of specified projects, or any other criteria determined by the Administrator in its sole discretion. The Performance Goals may differ from Participant to Participant and from Award to Award. Such Performance Goals also may (but is not required to) be based solely by reference to the performance of the individual, the Company as a whole or any subsidiary, division, business segment or business unit of the Company, or any combination thereof or based upon the relative performance of other companies or upon comparisons of any of the indicators of performance relative to a peer group of other companies. Unless otherwise stated, such a Performance Goal need not be based upon an increase or positive result under a particular business criterion and could include, for example, maintaining the status quo or limiting economic losses (measured, in each case, by reference to specific business criteria). The Administrator, in its sole discretion, may provide that one or more objectively determinable adjustments shall be made to one or more of the Performance Goals. Such adjustments may include one or more of the following: (i) items related to a change in accounting principle; (ii) items relating to financing activities; (iii) expenses for restructuring or productivity initiatives; (iv) other non-operating items; (v) items related to acquisitions; (vi) items attributable to the business operations of any entity acquired by the Company during the applicable performance period; (vii) items related to the disposal of a business or segment of a business; (viii) items related to discontinued operations that do not qualify as a segment of a business under applicable accounting standards; (ix) items attributable to any stock dividend, stock split, combination or exchange of stock occurring during the applicable performance period; (x) any other items of significant income or expense which are determined to be appropriate adjustments; (xi) items relating to unusual or extraordinary corporate transactions, events or developments, (xii) items related to amortization of acquired intangible assets; (xiii) items that are outside the scope of the Company's core, on-going business activities; (xiv) items related to acquired in-process research and development; (xv) items relating to changes in tax laws; (xvi) items relating to major licensing or partnership arrangements; (xvii) items relating to asset impairment charges; (xviii) items relating to gains or losses for litigation, arbitration and contractual settlements; or (xix) items relating to any other unusual or nonrecurring events or changes in applicable law, accounting principles or business conditions. To the extent that the Administrator determines it to be desirable to qualify a Grandfathered Qualified Performance-Based Award as "performance-based compensation" within the meaning of Prior Section 162(m) of the Code, any such adjustment(s) to the Performance Goals(s) and/or written certification of achievement of the Performance Goal(s) applicable to such Grandfathered Qualified Performance-Based Award shall comply with the requirements of Prior Section 162(m) of the Code. (ff) "Plan" means this Advanced Micro Devices, Inc. 2004 Equity Incentive Plan, as amended and restated.

- (gg) "*Prior Section 162(m) of the Code*" means Section 162(m) of the Code as in effect immediately prior to the amendments made to Section 162(m) of the Code by Section 13601 of the Tax Cuts and Jobs Act of 2017, and the regulations and other guidance promulgated thereunder.
 - (hh) "*Restricted Stock*" means shares of Common Stock granted pursuant to Section 10 of the Plan that are subject to vesting, if any, based on continuing as a Service Provider and/or based on Performance Goals.
 - (ii) "*Restricted Stock Unit*" or "*RSU*" means an Award, granted pursuant to Section 11 of the Plan.
 - (jj) "*Rule 16b-3*" means Rule 16b-3 of the Exchange Act or any successor to Rule 16b-3, as in effect when discretion is being exercised with respect to the Plan.
 - (kk) "*Stock Appreciation Right*" or "*SAR*" means an Award, granted alone or in connection with a related Option that is granted pursuant to Section 9 of the Plan.
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- (ll) "*Section 16(b)*" means Section 16(b) of the Exchange Act.
- (mm) "*Service Provider*" means an Employee, Director or Consultant; subject to the limitations in Section 12 of the Plan with regard to Awards granted to Outside Directors.
- (nn) "*Share*" means each share of Common Stock reserved under the Plan or subject to an Award, and as adjusted in accordance with Section 15(a) of the Plan.
- (oo) "*Subsidiary*" means a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Code.

3. Stock Subject to the Plan.

- (a) Reserve. Subject to the provisions of Section 15(a) of the Plan, the maximum aggregate number of Shares that may be issued under the Plan is 283,150,000 Shares plus: (i) the number of shares of Common Stock reserved under the Company's the 1995 Stock Plan of NexGen, Inc., 1996 Stock Incentive Plan, the 1998 Stock Incentive Plan and the 2000 Stock Incentive Plan (the "Prior Plans") that are not subject to outstanding awards under the Prior Plans on April 29, 2004 (the "Effective Date"), and (ii) the number of shares of Common Stock that are released from, or reacquired by the Company from, awards outstanding under the Prior Plans at the Effective Date. Shares reserved under this Plan that correspond to shares of Common Stock covered by part (ii) of the immediately preceding sentence shall not be available for grant and issuance pursuant to this Plan except as such shares of Common Stock cease to be subject to such outstanding awards, or are repurchased at the original issue price by the Company, or are forfeited. The Shares may be authorized, but unissued, or reacquired Common Stock.
- (b) Reissuance. If Shares are: (i) subject to an Award that terminates without such Shares being issued, or (ii) issued pursuant to an Award, but are repurchased at the original issue price by the Company, or (iii) forfeited; then such Shares will again be available for grant and issuance under this Plan. At all times the Company will reserve and keep available the number of Shares necessary to satisfy the requirements of all Awards then vested and outstanding under this Plan. To the extent an Award under the Plan is paid out in cash rather than stock, such cash payment shall not result in reducing the number of Shares available for issuance under the Plan. Notwithstanding the provisions of this Section 3(b), no Shares may again be optioned, granted or awarded if such action would cause an ISO to fail to qualify as an incentive stock option under Section 422 of the Code.
- (c) Non-Reissuance. Notwithstanding anything to the contrary contained herein, the following Shares shall not be added back to the Shares authorized for grant under this Section 3: (i) Shares tendered by the Participant or withheld by the Company in payment of the exercise price of an Option, (ii) Shares tendered by the Participant or withheld by the Company to satisfy any tax withholding obligation with respect to an Award and (iii) Shares that were subject to a stock-settled SAR and were not issued upon the net settlement or net exercise of such SAR.

4. Administration of the Plan.

- (a) Procedure.
 - (i) Section 162(m). To the extent that the Administrator determines it to be desirable to continue to qualify a Grandfathered Qualified Performance-Based Award as "performance-based compensation" within the meaning of Prior Section 162(m) of the Code, the transactions contemplated hereunder shall be structured to satisfy the requirements for exemption of "performance-based compensation" under Prior Section 162(m) of the Code. Notwithstanding any other provision in the Plan, the Plan is not intended to modify in any material respect any Grandfathered Qualified Performance-Based Award.
 - (ii) Rule 16b-3. To the extent that the Administrator determines it to be desirable to qualify transactions hereunder as exempt under Rule 16b-3, the transactions contemplated hereunder shall be structured to satisfy the requirements for exemption under Rule 16b-3.
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- (iii) Other Administration. Other than as provided above, the Plan shall be administered by the Administrator in a manner to satisfy Applicable Laws.
- (b) Powers of the Administrator. Subject to the provisions of the Plan, including, without limitation Section 17, and in the case of a Board delegate, subject to the specific duties delegated by the Board to such Board delegate, the Administrator shall have the authority, in its discretion:
- (i) to determine the Fair Market Value as defined above;
 - (ii) to select the Service Providers to whom Awards may be granted hereunder;
 - (iii) to determine the number of shares of Common Stock to be covered by each Award granted hereunder;
 - (iv) to approve forms of agreement and documentation for use under the Plan;
 - (v) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any Award granted hereunder. Such terms and conditions include, but are not limited to, the exercise price, the time or times when Options or SARs may be exercised (which may be based on performance criteria), transferability, any vesting acceleration or waiver of forfeiture or repurchase restrictions, and any restriction or limitation regarding any Award or the shares of Common Stock relating thereto, based in each case on such factors as the Administrator, in its sole discretion, shall determine;
 - (vi) to construe and interpret the terms of the Plan and Awards granted pursuant to the Plan;
 - (vii) to prescribe, amend and rescind rules and regulations relating to the Plan, including rules and regulations relating to sub-plans established for the purpose of qualifying for preferred tax treatment under foreign tax laws;
 - (viii) to modify or amend each Award (subject to Section 17 of the Plan), including the discretionary authority to extend the post-termination exercisability period of Options or SARs;
 - (ix) to allow Participants to satisfy withholding tax obligations by electing to have the Company withhold from the Shares or cash to be issued upon exercise or vesting of an Award that number of Shares or cash having a Fair Market Value equal to the amount required to be withheld. The Fair Market Value of any Shares to be withheld shall be determined on the date that the amount of tax to be withheld is to be determined. All elections by a Participant to have Shares or cash withheld for this purpose shall be made in such form and under such conditions as the Administrator may deem necessary or advisable;
 - (x) to authorize any person to execute on behalf of the Company any instrument required to effect the grant of an Award previously granted by the Administrator;
 - (xi) to ensure that all Awards granted pursuant to the Plan comply with or are exempt from the provisions of Section 409A of the Code; and
 - (xii) to make all other determinations deemed necessary or advisable for administering the Plan.
- (c) Effect of Administrator's Decision. The Administrator's decisions, determinations and interpretations shall be final and binding on all Participants.
5. Eligibility. Nonstatutory Stock Options, Restricted Stock, Restricted Stock Units, and Stock Appreciation Rights may be granted to Service Providers. Incentive Stock Options may only be granted to employees of the Company and any Parent or Subsidiary of the Company.
6. Limitations on Awards.
- (a) No Rights as a Service Provider. Neither the Plan nor any Award shall confer upon a Participant any right with respect to continuing their relationship as a Service Provider, nor shall they interfere in any way with
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the right of the Participant or the right of the Company or any Affiliate to terminate such relationship at any time, with or without cause or to adjust the compensation of any Participant.

(b) Vesting; Exercise; Rights as a Stockholder; Effect of Exercise.

- (i) Any Award granted hereunder shall be exercisable or vest according to the terms of the Plan and at such times and under such conditions as determined by the Administrator and set forth in the Award Documentation, including, without limitation, Participant's continuous status as a Service Provider and/or Participant's satisfaction of Performance Goals. Notwithstanding any other provision of the Plan to the contrary, Awards of Options, SARs, Restricted Stock Units and Restricted Stock granted after April 29, 2015, shall not vest earlier than the date that is one year following the date the Award is made; *provided, however*, that, notwithstanding the foregoing, (A) the Administrator may provide that such vesting restrictions may lapse or be waived upon the Participant's death, Disability or termination of service, or upon a Change of Control, and (B) Awards of Options, SARs, Restricted Stock Units and Restricted Stock granted after April 29, 2015, that result in the issuance of an aggregate of up to five percent (5%) of the Shares that may be authorized for grant under Section 3(a) of the Plan (as such authorized number of Shares may be adjusted as provided under the terms of the Plan) may be granted to any one or more Participants without respect to such minimum vesting provision. The vesting schedule shall be set forth in the Award Agreement.
- (ii) An Award may not be exercised for a fraction of a Share. An Award shall be deemed exercised when the Company receives written or electronic notice of exercise (in accordance with the Award Documentation) from the person entitled to exercise the Award. The Participant must remit to the Company full payment for the Shares with respect to which the Award is exercised. Full payment may consist of any consideration and method of payment authorized by the Administrator and permitted by the Award Documentation and the Plan. Shares issued upon exercise of an Award shall be issued in the name of the Participant or, if requested by the Participant, in the name of the Participant and Participant's spouse, or after the death of the Participant in the name of the Participant's beneficiaries or heirs or as directed by the executor of Participant's estate under Applicable Laws.
- (iii) Until the Shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to the Awarded Stock, notwithstanding the exercise of the Award. The Company shall issue (or cause to be issued) such Shares promptly after the Award is exercised or vests. No adjustment of an Award will be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 15(a) of the Plan or specified in such Award's Award Documentation.
- (iv) Exercising an Award in any manner that results in the issuance of Shares shall decrease the number of Shares thereafter available, both for purposes of the Plan and for issuance under the Award, by the number of Shares as to which the Award is exercised.

- (c) Misconduct. If a Participant is determined by the Administrator to have committed Misconduct then, unless otherwise provided in a Participant's agreement for services as a Service Provider, neither the Participant, the Participant's estate nor such other person who may then hold any Award granted to the Participant shall be entitled to exercise any such Award with respect to any Shares, after termination of status as a Service Provider, whether or not the Participant may receive from the Company (or Affiliate) payment for: vacation pay, services rendered prior to termination, services rendered for the day on which termination occurs, salary in lieu of notice, or any other benefits. In making such determination, the Administrator shall give the Participant an opportunity to present evidence to the Administrator. Unless otherwise provided in a Participant's agreement for services as a Service Provider, termination of status as a Service Provider shall be deemed to occur on the date when the Company (or Affiliate) dispatches notice or advice to the Participant that status as a Service Provider is terminated.
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- (d) Annual Award Limits.
- (i) Except in connection with his or her initial service, no Service Provider shall be granted, in any calendar year, Awards covering in the aggregate more than 10,000,000 Shares.
 - (ii) In connection with his or her initial service, a Service Provider may be granted Awards covering in the aggregate up to 15,000,000 Shares in the first twelve (12) months of such Service Provider's service, rather than the limit set forth in subsection (i) above.
 - (iii) The foregoing limitations shall be adjusted proportionately in connection with any change in the Company's capitalization as described in Section 15(a).
 - (iv) If an Award is cancelled in the same fiscal year of the Company in which it was granted (other than in connection with a transaction described in Section 15(b)), the cancelled Award will be counted against the limits set forth in subsections (i) and (ii) above.
- (e) Tax Withholding.
- (i) Where, in the opinion of counsel to the Company, the Company has or will have an obligation to withhold foreign, federal, state or local taxes relating to the exercise of any Award, the Administrator may in its discretion require that such tax obligation be satisfied in a manner satisfactory to the Company. With respect to the exercise of an Award, the Company may require the payment of such taxes before Shares deliverable pursuant to such exercise are transferred to the holder of the Award.
 - (ii) With respect to the exercise of an Award, a Participant may elect (a "Withholding Election") to pay the minimum statutory withholding tax obligation by the withholding of Shares from the total number of Shares deliverable pursuant to the exercise of such Award, or by delivering to the Company a sufficient number of previously acquired shares of Common Stock, and may elect to have additional taxes paid by the delivery of previously acquired shares of Common Stock, in each case in accordance with rules and procedures established by the Administrator. Previously owned shares of Common Stock delivered in payment for such additional taxes may be subject to conditions as the Administrator may require. The value of each Share withheld, or share of Common Stock delivered, shall be the Fair Market Value per share of Elections are subject to the approval of the Administrator and must be made in compliance with rules and procedures established by the Administrator.
- (f) Dividends and Dividend Equivalents. The Administrator may provide that any Award (other than Options and Stock Appreciation Rights) that relates to shares of Common Stock shall earn dividends or dividend equivalents; provided that, notwithstanding anything in the Plan to the contrary, the Administrator may not provide for the current payment of dividends or dividend equivalents with respect to any shares of Common Stock subject to an outstanding Award (or portion thereof) that has not vested. For any such Award, the Committee may provide only for the accrual of dividends or dividend equivalents that will not be payable to the Participant unless and until, and only to the extent that, the Award vests. No dividends or dividend equivalents shall be paid on Options or Stock Appreciation Rights.
7. Term of Plan. The Plan shall continue in effect until July 31, 2024, unless terminated earlier under Section 17 of the Plan.
8. Options.
- (a) Term of Options. The term of each Option shall be not greater than ten (10) years from the date it was granted.
 - (b) Option Exercise Price and Consideration.
 - (i) Exercise Price. The per share exercise price for the Shares to be issued pursuant to exercise of an Option shall be determined by the Administrator, subject to the following:
 - (1) In the case of an ISO granted to any Employee who, at the time the ISO is granted owns stock representing more than ten percent (10%) of the voting power of all classes of
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stock of the Company or any Affiliate, the per Share exercise price shall be no less than 110% of the Fair Market Value per Share on the date of grant.

- (2) In the case of an ISO granted to any Employee other than an Employee described in subsection (ii) immediately above, the per Share price shall be no less than 100% of the Fair Market Value per Share on the date of the grant.
- (3) In the case of a NSO, the per Share exercise price shall be no less than 100% of the Fair Market Value per Share on the date of grant.
- (4) The exercise price for the Shares to be issued pursuant to an already granted Option may not be changed without the consent of the Company's stockholders. This shall include, without limitation, a repricing of the Option as well as an option exchange program whereby the Participant agrees to cancel an existing Option in exchange for an Option, SAR or other Award.

(ii) Form of Consideration. The Administrator shall determine the acceptable form of consideration for exercising an Option, including the method of payment. In the case of an Incentive Stock Option, the Administrator shall determine the acceptable form of consideration at the time of grant. Such consideration, to the extent permitted by Applicable Laws, may consist entirely of:

- (1) Check;
- (2) other Shares which have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Option shall be exercised;
- (3) broker-assisted cashless exercise; or
- (4) any combination of the foregoing methods of payment; or
- (5) such other consideration and method of payment for the issuance of Shares to the extent permitted by Applicable Laws.

(c) Termination of Relationship as Service Provider. When a Participant's status as a Service Provider terminates, other than from Misconduct, death or Disability, the Participant's Option may be exercised within the period of time specified in the Option Agreement to the extent that the Option is vested on the date of termination or such longer period of time determined by the Administrator (which may so specify after the date of the termination but before expiration of the Option) not to exceed five (5) years (but in no event later than the expiration of the term of such Option as set forth in the Option Agreement). In the absence of a specified period of time in the Plan or the Award Documentation, the Option shall remain exercisable for three (3) months following the date Participant ceased to be a Service Provider. If, on the date of termination, such Participant's Option is not fully vested, then the unvested Shares shall revert to the Plan. If, after termination, the Participant's Option is not fully exercised within the time specified, then the unexercised Shares covered by such Option shall revert to the Plan and such Option shall terminate.

(d) Death or Disability of Participant. If a Participant's status as a Service Provider terminates from death or Disability, then the Participant or the Participant's estate, or such other person as may hold the Option, as the case may be, shall have the right for a period of twelve (12) months following the date of death or termination of status as a Service Provider for Disability, or for such other period as the Administrator may fix, to exercise the Option to the extent the Participant was entitled to exercise such Option on the date of death or termination of status as a Service Provider for Disability, or to such extent as may otherwise be specified by the Administrator (which may so specify after the date of death or Disability but before expiration of the Option), provided the actual date of exercise is in no event after the expiration of the term of the Option. A Participant's estate shall mean his legal representative or any person who acquires the right to exercise an Option by reason of the Participant's death or Disability.

(e) Events Not Deemed Terminations. Unless otherwise provided in a Participant's agreement for services as a Service Provider, such Participant's status as a Service Provider shall not be considered

interrupted in the case of (i) a leave of absence (approved by the Administrator) by a Participant who intends throughout such leave to return to providing services as a Director, Employee, or Consultant; (ii) sick leave; (iii) military leave; (iv) any other leave of absence approved by the Administrator, provided such leave is for a period of not more than ninety (90) days, unless reemployment upon the expiration of such leave is guaranteed by contract or statute, or unless provided otherwise pursuant to formal policy adopted from time to time by the Company and issued and promulgated to employees in writing; or (v) in the case of transfer between locations of the Company or among the Company and its Affiliates. In the case of any Participant on an approved leave of absence, the Administrator may make such provisions respecting suspension of vesting of the Option while on a leave described in subparts (i) through (v) above and/or resumption of vesting on return from such leave as it may deem appropriate, except that in no event shall an Option be exercised after the expiration of the term set forth in the Option.

- (f) ISO Rules. The Option Agreement for each ISO shall contain a statement that the Option it documents is an ISO. However, notwithstanding such designation, to the extent that the aggregate Fair Market Value of the Shares with respect to which all ISOs held by a Participant are exercisable for the first time by such Participant during any calendar year exceeds \$100,000, such excess Shares shall be treated as Shares subject to an NSO. For purposes of this Section 8(f), ISOs shall be taken into account in the order in which they were granted. The Fair Market Value of the Shares subject to an ISO shall be determined as of the time the ISO with respect to such Shares is granted.
- (g) Buyout Provisions. Subject to Section 8(b)(i)(4), the Administrator may offer to buy out for a payment in cash or Shares an Option previously granted based on such terms and conditions as the Administrator shall establish and communicate to the Participant at the time that such offer is made; provided that the Administrator shall not make such offer without the consent of the Company's stockholders with respect to an Option with a per share exercise price that is greater than Fair Market Value on the date of such offer.

9. *Stock Appreciation Rights.*

- (a) Grant of SARs. Subject to the terms and conditions of the Plan, SARs may be granted to Service Providers discretion. The Administrator shall have complete discretion to determine the number of SARs granted to any Participant.
 - (b) Exercise Price and other Terms. The Administrator, subject to the provisions of the Plan, shall have complete discretion to determine the terms and conditions of SARs granted under the Plan; provided, however, that no SAR may have a term of more than ten (10) years from the date of grant. In the case of an SAR, the per Share exercise price shall be no less than 100% of the Fair Market Value per Share on the date of grant. The exercise price for the Shares or cash to be issued pursuant to an already granted SAR may not be changed without the consent of the Company's stockholders. This shall include, without limitation, a repricing of the SAR as well as an SAR exchange program whereby the Participant agrees to cancel an existing SAR in exchange for an Option, SAR or other Award.
 - (c) Payment of SAR Amount. Upon exercise of an SAR, a Participant shall be entitled to receive payment from the Company in an amount determined by multiplying:
 - (i) the difference between the Fair Market Value of a Share on the date of exercise over the exercise price; times
 - (ii) the number of Shares with respect to which the SAR is exercised.
 - (d) Payment upon Exercise of SAR. At the discretion of the Administrator, payment for an SAR may be in cash, Shares or a combination thereof.
 - (e) SAR Agreement. Each SAR grant shall be evidenced by Award Documentation (a "SAR Agreement") that shall specify the exercise price, the term of the SAR, the conditions of exercise, and such other terms and conditions as the Administrator, in its sole discretion, shall determine.
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- (f) Expiration of SARs. An SAR granted under the Plan shall expire upon the date determined by the Administrator, in its sole discretion, and set forth in the Award Documentation.
 - (g) Termination of Relationship as Service Provider. When a Participant's status as a Service Provider terminates, other than from Misconduct, death or Disability, the Participant's SAR may be exercised within the period of time specified in the SAR Agreement to the extent that the SAR is vested on the date of termination or such longer period of time determined by the Administrator (which may so specify after the date of the termination but before expiration of the SAR) not to exceed five (5) years (but in no event later than the expiration of the term of such SAR as set forth in the SAR Agreement). In the absence of a specified period of time in the Plan or the SAR Agreement, the SAR shall remain exercisable for three (3) months following the date Participant ceased to be a Service Provider. If, on the date of termination, such Participant's SAR is not fully vested, then the unvested Shares shall revert to the Plan. If, after termination, the Participant's SAR is not fully exercised within the time specified, then the unexercised Shares covered by such SAR shall revert to the Plan and such SAR shall terminate.
 - (h) Death or Disability of Participant. If a Participant's status as a Service Provider terminates from death or Disability, then the Participant or the Participant's estate, or such other person as may hold the SAR, as the case may be, shall have the right for a period of twelve (12) months following the date of death or termination of status as a Service Provider for Disability, or for such other period as the Administrator may fix, to exercise the SAR to the extent the Participant was entitled to exercise such SAR on the date of death or termination of status as a Service Provider for Disability, or to such extent as may otherwise be specified by the Administrator (which may so specify after the date of death or Disability but before expiration of the SAR), provided the actual date of exercise is in no event after the expiration of the term of the SAR. A Participant's estate shall mean his legal representative or any person who acquires the right to exercise an SAR by reason of the Participant's death or Disability.
 - (i) Events Not Deemed Terminations. Unless otherwise provided in a Participant's agreement for
- considered interrupted in the case of (i) a leave of absence (approved by the Administrator) by a Participant who intends throughout such leave to return to providing services as a Director, Employee, or Consultant; (ii) sick leave; (iii) military leave; (iv) any other leave of absence approved by the Administrator, provided such leave is for a period of not more than ninety (90) days, unless reemployment upon the expiration of such leave is guaranteed by contract or statute, or unless provided otherwise pursuant to formal policy adopted from time to time by the Company and issued and promulgated to employees in writing; or (v) in the case of transfer between locations of the Company or among the Company and its Affiliates. In the case of any Participant on an approved leave of absence, the Administrator may make such provisions respecting suspension of vesting of the SAR while on a leave described in subparts (i) through (v) above and/or resumption of vesting on return from such leave as it may deem appropriate, except that in no event shall a SAR be exercised after the expiration of the term set forth in the SAR.
- (j) Buyout Provisions. Subject to Section 9(b), the Administrator may offer to buy out for a payment in cash or Shares an SAR previously granted based on such terms and conditions as the Administrator shall establish and communicate to the Participant at the time that such offer is made; provided that the Administrator shall not make such offer without the consent of the Company's stockholders with respect to an SAR with a per share exercise price that is greater than Fair Market Value on the date of such offer.

10. *Restricted Stock.*

- (a) Grant of Restricted Stock. Subject to the terms and conditions of the Plan, Restricted Stock may be granted to Service Providers at any time and from time to time as shall be determined by the Administrator, in its sole discretion. The Administrator shall have complete discretion to determine (i) the number of Shares subject to a Restricted Stock Award granted to any Participant, and (ii) the conditions that must be satisfied, the vesting of which typically will be based on continued provision of services and/or satisfaction of Performance Goals. Once the Shares are issued, voting, dividend and other rights as a stockholder shall exist with respect to Restricted Stock.
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- (b) Other Terms. The Administrator, subject to the provisions of the Plan, shall have complete discretion to determine the terms and conditions, including the purchase price, if any, of Restricted Stock granted under the Plan. Restricted Stock grants shall be subject to the terms, conditions, and restrictions determined by the Administrator at the time the Restricted Stock is granted. Any certificates representing the Restricted Stock shall bear such legends as shall be determined by the Administrator.
- (c) Restricted Stock Award Documentation. Each Restricted Stock grant shall be evidenced by Award Documentation (a "Restricted Stock Award Documentation") that shall specify the purchase price (if any) and such other terms conditions, and restrictions as the Administrator, in its sole discretion, shall determine.

11. *Restricted Stock Units.*

- (a) Grant of Restricted Stock Units. Subject to the terms and conditions of the Plan, Restricted Stock Units may be granted to Service Providers at any time and from time to time as shall be determined by the Administrator, in its sole discretion. The Administrator shall have complete discretion to determine (i) the number of Shares subject to each Restricted Stock Units Award, and (ii) the conditions that must be satisfied, the vesting of which typically will be based on continued provision of services and/or satisfaction of Performance Goals. Until the Shares are issued, no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to Restricted Stock Units.
- (b) Other Terms. The Administrator, subject to the provisions of the Plan, shall have complete discretion to determine the terms and conditions, including the purchase price, if any, of Restricted Stock Units granted under the Plan. Restricted Stock Units Awards shall be subject to the terms, conditions, and restrictions determined by the Administrator at the time the Restricted Stock Units Award is granted. Restricted Stock Units shall be denominated in units with each unit equivalent to one Share for purposes of determining the number of Shares subject to any Restricted Stock Units Award.
- (c) Restricted Stock Units Agreement. Each Restricted Stock Units grant shall be evidenced by Award Documentation (a "Restricted Stock Units Agreement") that shall specify the purchase price, if any, and such other terms conditions, and restrictions as the Administrator, in its sole discretion, shall determine. Each Restricted Stock Units Agreement shall be subject to all applicable terms of the Plan and may be subject to any other terms that are not inconsistent with the Plan. A Restricted Stock Units Agreement may provide for dividend equivalent units.
- (d) Settlement. Settlement of vested Restricted Stock Units may be made in the form of (i) cash, (ii) Shares or (iii) any combination, as determined by the Administrator and may be settled in a lump sum or in installments. Distribution to a Participant of an amount (or amounts) from settlement of vested Restricted Stock Units may be deferred to a date after settlement as determined by the Administrator and in such manner as shall comply with Section 409A of the Code. The amount of a deferred distribution may be increased by an interest factor or by dividend equivalents. Until an Award of Restricted Stock Units is settled, the number of such Restricted Stock Units shall be subject to adjustment pursuant to the Plan. Notwithstanding the foregoing, settlement of vested Restricted Stock Units held by Participants who are residents of Canada or employed in Canada may be made only in the form of Shares.

12. *Awards to Outside Directors.* Notwithstanding anything herein to the contrary, the grant of any Award to a Director who is not also an Employee (an "Outside Director") shall be made by the Board pursuant to a written non-discretionary formula established by the Board (the "Outside Director Equity Compensation Policy"). The Outside Director Equity Compensation Policy shall set forth the type of Award(s) to be granted to Outside Directors, the number of shares of Common Stock to be subject to Outside Director Awards, the conditions on which such Awards shall be granted, become exercisable and/or payable and expire, and such other terms and conditions as the Board determines in its discretion. Notwithstanding the terms of the Outside Director Equity Compensation Policy, the aggregate grant date fair value for financial reporting purposes of Awards granted during a calendar year to an Outside Director as compensation for his or her services as a

Director, taken together with the cash fees paid during the calendar year to the Outside Director as compensation for his or her services as a Director, shall not exceed (a) \$500,000 in total value in the case of an Outside Director other than the Chairman of the Board, and (b) \$1,000,000 in total value in the case of the Chairman of the Board. For the avoidance of doubt, Awards granted to Outside Directors shall be subject to all of the other limitations set forth in the Plan.

13. *Non-Transferability of Awards.* Unless determined otherwise by the Administrator, an Award may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the recipient, only by the recipient. Notwithstanding the foregoing, in no event may an Award be sold, pledged, assigned, hypothecated, transferred, or disposed of for consideration absent stockholder approval. If the Administrator makes an Award transferable in accordance with this Section 13, the Award Documentation for such Award shall contain such additional terms and conditions as the Administrator deems appropriate.

14. *Reserved.*

15. *Adjustments Upon Changes in Capitalization, Dissolution, Merger or Asset Sale.*

- (a) Adjustments Upon Changes in Capitalization. Subject to any required action by the stockholders of the Company, the number of shares of Common Stock covered by each outstanding Award, the number of shares of Common Stock which have been authorized for issuance under the Plan but as to which no Awards have yet been granted or which have been returned to the Plan upon cancellation or expiration of an Award, in each case as set forth in Section 3, as well as the price per share of Common Stock covered by each such outstanding Award and the annual award limits under Section 6(d) shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of issued shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Compensation Committee, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an Award.
- (b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Administrator shall notify each Participant as soon as practicable prior to the effective date of such proposed transaction. The Administrator in its discretion may provide for a Participant to have the right to exercise his or her Award until ten (10) days prior to such transaction as to all of the Awarded Stock covered thereby, including Shares as to which the Award would not otherwise be exercisable. In addition, the Administrator may provide that any Company repurchase option or forfeiture rights applicable to any Award shall lapse 100%, and that any Award vesting shall accelerate 100%, provided the proposed dissolution or liquidation takes place at the time and in the manner contemplated. To the extent it has not been previously exercised or vested an Award will terminate immediately prior to the consummation of such proposed action.
- (c) Merger or Asset Sale. In the event of a merger of the Company with or into another corporation (as such merger is described in Section 2(h) herein), or the sale of substantially all of the assets of the Company (as such sale is described in Section 2(h) herein), each outstanding Award shall be assumed or an equivalent Award substituted by the successor corporation or related corporation. In the event that the successor corporation refuses to assume or substitute for the Award, the Participant shall fully vest in and have the right to fully exercise the Awards and all forfeiture restrictions on any or all of such Awards shall lapse, including Shares as to which it would not otherwise be vested or exercisable. If an Award becomes fully vested and exercisable in lieu of assumption or substitution in the event of such a merger or sale of assets, the Administrator shall notify the Participant in writing or electronically that the Award shall be fully vested and exercisable for a period
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of fifteen (15) days from the date of such notice, and the Award shall terminate upon the expiration of such period. For the purposes of this subsection, the Award shall be considered assumed if, following such merger or sale of assets, the Award confers the right to purchase or receive, for each Share of Awarded Stock subject to the Award immediately prior to such merger or sale of assets, the consideration (whether stock, cash, or other securities or property) received in such merger or sale of assets by holders of Common Stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in such merger or sale of assets is not solely common stock of the successor corporation or related corporation, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of the Award, for each Share of Awarded Stock subject to the Award, to be solely common stock of the successor corporation or related corporation equal in fair market value to the per share consideration received by holders of Common Stock in such merger or sale of assets.

- (d) Change of Control. Unless otherwise provided in a Participant's agreement for services as an employee of the Company, if, within one year after a Change of Control has occurred, such Participant's status as an employee of the Company is terminated by the Company (including for this purpose any successor to the Company due to such Change of Control and any employer that is an Affiliate of such successor) for any reason other than for Misconduct or, if applicable, terminated by such Participant as a Constructive Termination, then all Awards held by such Participant shall become fully vested for exercise upon the date of termination of such status, irrespective of the vesting provisions of such Participant's Award Documentations.
- (e) Other Terms.
- (i) The Administrator may, in its sole discretion, include such further provisions and limitations in any Award, agreement or certificate, as it may deem equitable and in the best interests of the Company that are not inconsistent with the provisions of the Plan.
 - (i) With respect to a Grandfathered Qualified Performance-Based Award, no adjustment or action described in this Section 15 or in any other provision of the Plan shall be authorized to the extent that such adjustment or action would cause such Award to fail to so qualify as "performance-based compensation" (within the meaning of Prior Section 162(m) of the Code), unless the Administrator determines that the Award should not so qualify. No adjustment or action described in this Section 15 or in any other provision of the Plan shall be authorized to the extent that such adjustment or action would cause the Plan to violate Section 422(b)(1) of the Code. Furthermore, no such adjustment or action shall be authorized to the extent such adjustment or action would result in short-swing profits liability under Section 16(b) or violate the exemptive conditions of Rule 16b-3 unless the Administrator determines that the Award is not to comply with such exemptive conditions.
 - (ii) The existence of the Plan, the Award Documentation and the Awards granted hereunder shall not affect or restrict in any way the right or power of the Company or the stockholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, any merger or consolidation of the Company, any issue of stock or of options, warrants or rights to purchase stock or of bonds, debentures, preferred or prior preference stocks whose rights are superior to or affect the Common Stock or the rights thereof or which are convertible into or exchangeable for Common Stock, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.
 - (iii) No action shall be taken under this Section 15 which shall cause an Award to fail to comply with Section 409A of the Code or the Treasury Regulations thereunder, to the extent applicable to such Award.
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16. *Date of Grant.* The date of grant of an Award shall be, for all purposes, the date on which the Administrator makes the determination granting such Award, or such other later date as is determined by the Administrator. Notice of the determination shall be provided to each recipient within a reasonable time after the date of such grant. The date of grant of an Option or SAR shall be the date the Company completes the corporate action constituting an offer of stock for sale to a Participant under the terms and conditions of the Option or SAR; provided that such corporate action shall not be considered complete until the date on which the maximum number of shares that can be purchased under the Option and the minimum Option price are fixed or determinable.

17. *Amendment and Termination of the Plan.*

- (a) Amendment and Termination. The Board may at any time amend, alter, suspend or terminate the Plan.
- (b) Stockholder Approval. The Company shall obtain stockholder approval of any Plan amendment to the extent necessary and desirable to comply with Applicable Laws and shall obtain stockholder approval for any amendment to the Plan to increase the number of shares available under the Plan, to change the class of employees eligible to participate in the Plan, to permit the Administrator to grant Options and SARs with an exercise price that is below Fair Market Value on the date of grant, to permit the Administrator to extend the exercise period for an Option or SAR beyond ten years from the date of grant, or to provide for additional material benefits under the Plan.
- (c) Effect of Amendment or Termination. No amendment, alteration, suspension or termination of the Plan shall impair the rights of any Participant, unless mutually agreed otherwise between the Participant and the Administrator, which agreement must be in writing and signed by the Participant and the Company. Termination of the Plan shall not affect the Administrator's ability to exercise the powers granted to it hereunder with respect to Awards granted under the Plan prior to the date of such termination.

18. *Conditions Upon Issuance of Shares.*

- (a) Legal Compliance. Shares shall not be issued pursuant to the exercise of an Award unless the exercise of the Award or the issuance and delivery of such Shares (or the cash equivalent thereof) shall comply with Applicable Laws and shall be further subject to the approval of counsel for the Company with respect to such compliance. Notwithstanding any other provision in this Plan, the Company will have no obligation to issue or deliver certificates for Shares under this Plan prior to: (a) obtaining any approvals from governmental agencies that the Company determines are necessary or advisable; and/or (b) completion of any registration or other qualification of such Shares under Applicable Laws. The Company will be under no obligation to register the Shares with the United States Securities and Exchange Commission or to effect compliance with the registration, qualification or listing requirements of any state securities laws, stock exchange or automated quotation system, and the Company will have no liability for any inability or failure to do so.
- (b) Investment Representations. As a condition to the exercise or receipt of an Award, the Company may require the person exercising or receiving such Award to represent and warrant at the time of any such exercise or receipt that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required.

19. *Inability to Obtain Authority.* The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder (or the cash equivalent thereof), shall relieve the Company of any liability in respect of the failure to issue or sell such Shares (or the cash equivalent thereof) as to which such requisite authority shall not have been obtained.

20. *Reservation of Shares.* The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

21. *Stockholder Approval.* This Plan shall be subject to approval by the stockholders of the Company within twelve (12) months after the date of adoption by the Board. Such stockholder approval shall be obtained in the manner and to the degree required under Applicable Laws.

22. *Section 409A.* To the extent that the Administrator determines that any Award granted under the Plan is subject to Section 409A of the Code, the Award Documentation evidencing such Award shall incorporate the terms and conditions required by Section 409A of the Code. To the extent applicable, the Plan and Award Documentations shall be interpreted in accordance with Section 409A of the Code and Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the Effective Date. Accordingly, with respect to an Award that the Administrator determines is subject to Section 409A of the Code, (a) termination of services as a Service Provider shall be determined based on the principles under Section 409A of the Code regarding a separation from service, (b) if the Change of Control definition contained in the Award Documentation does not comport with the definition of "change of control" for purposes of a distribution under Section 409A of the Code, then any payment due under such Award shall be delayed until the earliest time that such payment would be permitted under Section 409A of the Code and (c) if the Administrator determines that the Participant granted such Award is a "specified employee" as defined under Section 409A of the Code, then any payment due under such Award upon the Participant's separation from service shall not be paid until the first business day following the date that is 6 months following the date of the Participant's separation from service. Notwithstanding any provision of the Plan to the contrary, in the event that following the Effective Date the Administrator determines that any Award may be subject to Section 409A of the Code and related Department of Treasury guidance (including such Department of Treasury guidance as may be issued after the Effective Date), the Administrator may adopt such amendments to the Plan and the applicable Award Documentation or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Administrator determines are necessary or appropriate to (a) exempt the Award from Section 409A of the Code and/or preserve the intended tax treatment of the benefits provided with respect to the Award, or (b) comply with the requirements of Section 409A of the Code and related Department of Treasury guidance and thereby avoid the application of any penalty taxes under such Section.

Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Lisa T. Su, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Advanced Micro Devices, Inc. (the “Company”);
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
 4. The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the Company’s most recent fiscal quarter (the Company’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
 5. The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent functions):
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- a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: October 30, 2019

/s/Lisa T. Su

Lisa T. Su
President and Chief Executive Officer
(Principal Executive Officer)

**Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Devinder Kumar, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Advanced Micro Devices, Inc. (the "Company");
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
 4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
 5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
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- a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: October 30, 2019

/s/Devinder Kumar

Devinder Kumar
Senior Vice President,
Chief Financial Officer and Treasurer
(Principal Financial Officer)

Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Advanced Micro Devices, Inc. (the "Company") hereby certifies, to such officer's knowledge, that:

- (i.) the Quarterly Report on Form 10-Q of the Company for the period ended September 28, 2019 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii.) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 30, 2019

/s/Lisa T. Su

Lisa T. Su
President and Chief Executive Officer
(Principal Executive Officer)

Certification of Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Advanced Micro Devices, Inc. (the "Company") hereby certifies, to such officer's knowledge, that:

- (i.) the Quarterly Report on Form 10-Q of the Company for the period ended September 28, 2019 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii.) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 30, 2019

/s/Devinder Kumar

Devinder Kumar
Senior Vice President,
Chief Financial Officer and Treasurer
(Principal Financial Officer)