

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

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**Form 10-Q**

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(Mark One)

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

For the quarterly period ended September 24, 2016

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

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**ADVANCED MICRO DEVICES, INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**94-1692300**

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

**One AMD Place**

**Sunnyvale, California**

(Address of principal executive offices)

**94085**

(Zip Code)

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

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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 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post 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" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

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 21, 2016: 926,868,716

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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 24, 2016	September 26, 2015	September 24, 2016	September 26, 2015
	(In millions, except per share amounts)			
Net revenue	\$ 1,307	\$ 1,061	\$ 3,166	\$ 3,033
Cost of sales	1,248	822	2,519	2,236
Gross margin	59	239	647	797
Research and development	259	241	744	718
Marketing, general and administrative	117	108	339	373
Amortization of acquired intangible assets	—	—	—	3
Restructuring and other special charges, net	—	48	(10)	135
Licensing gain	(24)	—	(57)	—
Operating loss	(293)	(158)	(369)	(432)
Interest expense	(41)	(39)	(122)	(119)
Other income (expense), net	(63)	—	87	(3)
Loss before equity loss and income taxes	(397)	(197)	(404)	(554)
Provision for income taxes	4	—	34	4
Equity in income (loss) of ATMP JV	(5)	—	(8)	—
Net loss	\$ (406)	\$ (197)	\$ (446)	\$ (558)
Net loss per share				
Basic	\$ (0.50)	\$ (0.25)	\$ (0.56)	\$ (0.72)
Diluted	\$ (0.50)	\$ (0.25)	\$ (0.56)	\$ (0.72)
Shares used in per share calculation				
Basic	815	785	801	780
Diluted	815	785	801	780

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended		Nine Months Ended	
	September 24, 2016	September 26, 2015	September 24, 2016	September 26, 2015
	(In millions)			
Net loss	\$ (406)	\$ (197)	\$ (446)	\$ (558)
Other comprehensive income (loss):				
Unrealized gains (losses) on available-for-sale securities:				
Unrealized gains (losses) arising during the period, net of tax effects of \$0, \$0, \$1 and \$0	1	(3)	—	(3)
Unrealized gains (losses) on cash flow hedges:				
Unrealized gains (losses) arising during the period, net of tax effects of \$0, \$0, \$3 and \$0	—	(13)	4	(21)
Reclassification adjustment for (gains) losses realized and included in net income (loss), net of tax effects of \$0, \$0, \$0 and \$0	(1)	6	1	14
Total other comprehensive income (loss)	—	(10)	5	(10)
Total comprehensive loss	\$ (406)	\$ (207)	\$ (441)	\$ (568)

See accompanying notes to condensed consolidated financial statements.

**Advanced Micro Devices, Inc.**  
**Condensed Consolidated Balance Sheets** <sup>(1) (2)</sup>  
**(Unaudited)**

	September 24, 2016	December 26, 2015
(In millions, except par value amounts)		
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 1,258	\$ 785
Accounts receivable, net of allowances of \$0 and \$0	640	533
Inventories, net	772	678
Prepayment and other - GLOBALFOUNDRIES	13	33
Prepaid expenses	63	43
Other current assets	78	248
<b>Total current assets</b>	<b>2,824</b>	<b>2,320</b>
Property, plant and equipment, net	161	188
Goodwill	289	278
Investment in ATMP JV	60	—
Other assets	282	298
<b>Total assets</b>	<b>\$ 3,616</b>	<b>\$ 3,084</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
<b>Current liabilities:</b>		
Short-term debt	\$ —	\$ 230
Accounts payable	582	279
Payable to GLOBALFOUNDRIES	284	245
Payable to ATMP JV	144	—
Accrued liabilities	384	472
Other current liabilities	25	124
Deferred income on shipments to distributors	54	53
<b>Total current liabilities</b>	<b>1,473</b>	<b>1,403</b>
Long-term debt, net	1,632	2,007
Other long-term liabilities	126	86
Commitments and contingencies (See Note 13)		
<b>Stockholders' equity (deficit):</b>		
<b>Capital stock:</b>		
Common stock, par value \$0.01; 1,500 shares authorized on September 24, 2016 and December 26, 2015; shares issued: 941 shares on September 24, 2016 and 806 shares on December 26, 2015; shares outstanding: 926 shares on September 24, 2016 and 792 shares on December 26, 2015	9	8
Additional paid-in capital	8,258	7,017
Treasury stock, at cost (15 shares on September 24, 2016 and 14 shares on December 26, 2015)	(127)	(123)
Accumulated deficit	(7,752)	(7,306)
Accumulated other comprehensive loss	(3)	(8)
<b>Total stockholders' equity (deficit)</b>	<b>385</b>	<b>(412)</b>
<b>Total liabilities and stockholders' equity (deficit)</b>	<b>\$ 3,616</b>	<b>\$ 3,084</b>

(1) Amounts reflected adoption of FASB ASU 2015-17, Balance Sheet Classification of Deferred Taxes beginning in the first quarter of 2016.

(2) Amounts reflected adoption of FASB ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs beginning in the first quarter of 2016.

See accompanying notes to condensed consolidated financial statements.

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

	Nine Months Ended	
	September 24, 2016	September 26, 2015
	(In millions)	
<b>Cash flows from operating activities:</b>		
Net Loss	\$ (446)	\$ (558)
<b>Adjustments to reconcile net loss to net cash used in operating activities:</b>		
Net gain on sale of equity interests in ATMP JV	(146)	—
Equity in loss of ATMP JV	1	—
Depreciation and amortization	99	133
Provision for deferred income taxes	11	—
Stock-based compensation expense	57	47
Non-cash interest expense	11	8
Restructuring and other special charges, net	—	83
Loss on debt redemption	61	—
Fair value of warrant issued related to sixth amendment to the WSA	240	—
Other	(5)	12
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable	(107)	164
Inventories	(94)	(93)
Prepayment and other - GLOBALFOUNDRIES	20	97
Prepaid expenses and other assets	(134)	(113)
Payable to ATMP JV	144	—
Payable to GLOBALFOUNDRIES	39	9
Accounts payable, accrued liabilities and other	151	(74)
Net cash used in operating activities	\$ (98)	\$ (285)
<b>Cash flows from investing activities:</b>		
Net proceeds from sale of equity interests in ATMP JV	346	—
Purchases of available-for-sale securities	—	(227)
Purchases of property, plant and equipment	(56)	(64)
Proceeds from maturities of available-for-sale securities	—	462
Proceeds from sale of property, plant and equipment	—	8
Other	3	—
Net cash provided by investing activities	\$ 293	\$ 179
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of common stock, net of issuance costs	668	—
Proceeds from issuance of convertible senior notes, net of issuance costs	681	—
Proceeds from issuance of common stock under stock-based compensation equity plans	12	1
Proceeds from (repayments of) borrowings, net	(230)	100
Repayments of long-term debt	(848)	(44)
Other	(5)	(1)
Net cash provided by financing activities	\$ 278	\$ 56
Net increase (decrease) in cash and cash equivalents	473	(50)
Cash and cash equivalents at beginning of period	785	805
Cash and cash equivalents at end of period	\$ 1,258	\$ 755

See accompanying notes to condensed consolidated financial statements.

**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 quarter and nine months ended September 24, 2016 shown in this report are not necessarily indicative of results to be expected for the full year ending December 31, 2016. 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 and cash flows. 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 year ended December 26, 2015.

The Company uses a 52 or 53 week fiscal year ending on the last Saturday in December. The quarters and nine months ended September 24, 2016 and September 26, 2015 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. Upon consolidation, all significant inter-company accounts and transactions are eliminated.

*Recently Issued Accounting Standards*

*Income Tax.* In November 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-17, *Balance Sheet Classification of Deferred Taxes* (ASU 2015-17), which simplifies the presentation of deferred income taxes by requiring that all deferred tax assets and liabilities be classified as non-current on the consolidated balance sheet. The Company adopted ASU 2015-17 prospectively in the first quarter of 2016. As a result, the Company netted \$31 million of deferred tax assets and deferred tax liabilities, respectively, and reclassified \$8 million current deferred tax assets and \$6 million current deferred tax liabilities to non-current deferred tax assets and liabilities, respectively, on its condensed consolidated balance sheet as of March 26, 2016. The prior period information was not retrospectively adjusted.

*Interest—Imputation of Interest.* In April 2015, the FASB issued ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03), which requires an entity to present such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs will continue to be reported as interest expense. ASU 2015-03 is effective for fiscal years beginning after December 15, 2015 and interim periods within those fiscal years, with early adoption permitted. The new guidance will be applied retrospectively to each prior period presented. In August 2015, the FASB issued ASU 2015-15 to amend ASU 2015-03 and address debt issuance costs related to line-of-credit arrangements. ASU 2015-15 allows an entity to present debt issuance costs related to a line-of-credit as an asset and subsequently amortize the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the arrangement. This accounting standard update did not impact the effective date of the previously issued guidance. The Company retrospectively adopted ASU 2015-03 and 2015-15 in the first quarter of 2016. As a result, the Company reclassified the debt issuance costs from long-term assets to long-term debt by \$23 million and \$25 million as of March 26, 2016 and December 26, 2015, respectively, on its consolidated balance sheets.

*Inventory.* In July 2015, the FASB issued ASU No. 2015-11, *Simplifying the Measurement of Inventory* (ASU 2015-11), which simplifies the measurement of inventory by requiring certain inventory to be measured at the lower of cost or net realizable value. The amendments in this ASU are effective for fiscal years beginning after December 15, 2016 and for interim periods therein, with early adoption permitted. The Company is currently evaluating the impact from its adoption of ASU 2015-11 on its consolidated financial statements.

*Disclosure of Going Concern Uncertainties.* In August 2014, the FASB issued ASU No. 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* (ASU 2014-15), which provides guidance on management's responsibility in evaluating whether there is substantial doubt about a company's ability to continue as a going concern and to provide related footnote disclosures. ASU 2014-15 is effective for fiscal years ending after December 15, 2016 and for interim and annual periods therein with early adoption permitted. The Company is not expecting any material impact of its pending adoption of ASU 2014-15 on its consolidated financial statements.

*Revenue Recognition.* In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers: Topic 606* (ASU 2014-09), which creates a single source of revenue guidance under U.S. GAAP for all companies in all industries. The core principle of ASU 2014-09 is that revenue should be recognized in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those

goods or services. ASU 2014-09 defines a five-step process in order to achieve this core principle, which may require the use of judgment and estimates. ASU 2014-09 also requires expanded qualitative and quantitative disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers, including significant judgments and estimates used. In July 2015, FASB announced a decision to defer the effective date for this ASU. ASU 2014-09 is effective for the Company in the first quarter of 2018 with early adoption permitted (for annual reporting periods beginning after December 15, 2016). The Company may adopt ASU 2014-09 either by using a full retrospective approach for all periods presented in the period of adoption or a modified retrospective approach. The Company is currently evaluating the impact of its pending adoption of ASU 2014-09 on its consolidated financial statements and has not yet determined which approach it will apply.

*Financial Instruments.* In January 2016, FASB issued ASU No. 2016-01, *Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities* (ASU 2016-01), which provides guidance related to accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. In addition, FASB clarified guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale debt securities. ASU 2016-01 is effective for fiscal years beginning after December 15, 2017, including interim periods within that reporting period. The Company is currently evaluating the impact of its pending adoption of ASU 2016-01 on its consolidated financial statements.

*Leases.* In February 2016, the FASB issued ASU No. 2016-02, *Leases* (ASU 2016-02), which increases transparency and comparability among organizations by recognizing all lease transactions (with terms in excess of 12 months) on the balance sheet as a lease liability and a right-of-use asset (as defined). ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with early application permitted. Upon adoption, the lessee will apply the new standard retrospectively to all periods presented or retrospectively using a cumulative effect adjustment in the year of adoption. The Company is currently evaluating the impact of its pending adoption of ASU 2016-02 on its consolidated financial statements.

*Investments.* In March 2016, the FASB issued ASU No. 2016-07, *Investments – Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting* (ASU 2016-07), which requires the equity method investor to add the cost of acquiring the additional interest in the investee to the current basis of the investor's previously held interest and adopt the equity method of accounting as of the date the investment qualifies for equity method accounting. ASU 2016-07 is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years with early application permitted. The Company is not expecting any material impact from its adoption of ASU 2016-07 on its consolidated financial statements.

*Stock Compensation.* In March 2016, the FASB issued ASU No. 2016-09, *Stock Compensation* (ASU 2016-09), which is intended to simplify several aspects of the accounting for share-based payment award transactions. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, including interim periods. The Company is not expecting any material impact from its adoption of ASU 2016-09 on its consolidated financial statements.

*Statement of Cash Flows.* In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* (ASU 2016-15), which addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. ASU 2016-15 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years with early adoption permitted, including adoption in an interim period. The Company is currently evaluating the impact of its pending adoption of ASU 2016-15 on its consolidated financial statements.

Although there are several other new accounting pronouncements issued or proposed by the FASB, which the Company has adopted or will adopt, as applicable, the Company does not believe any of these accounting pronouncements has had or will have a material impact on its consolidated financial position or operating results.

## **NOTE 2. GLOBALFOUNDRIES**

*Wafer Supply Agreement.* The Wafer Supply Agreement (WSA) governs the terms by which the Company purchases products manufactured by GLOBALFOUNDRIES Inc. (GF).

*Fifth Amendment to Wafer Supply Agreement.* On April 16, 2015, the Company entered into a fifth amendment to the WSA (the Fifth Amendment). The primary effect of the fifth amendment was to establish volume purchase commitments and fixed pricing for the 2015 calendar year as well as to modify certain other terms of the WSA applicable to wafers for some of the Company's microprocessor unit, graphics processor unit and semi-custom products to be delivered by GF to the Company during the 2015 calendar year.



*Sixth Amendment to Wafer Supply Agreement.* On August 30, 2016, the Company entered into a sixth amendment (the Sixth Amendment) to the WSA. The Sixth Amendment modifies certain terms of the WSA applicable to wafers for the Company's microprocessor, graphics processor and semi-custom products for a five-year period from January 1, 2016 to December 31, 2020. The Company and GF agreed to establish a comprehensive framework for technology collaboration for the 7nm technology node.

The Sixth Amendment also provides the Company a limited waiver with rights to contract with another wafer foundry with respect to certain products in the 14nm and 7nm technology nodes and gives the Company greater flexibility in sourcing foundry services across its product portfolio. In consideration for these rights, the Company will pay GF \$100 million, which will be paid in installments starting in the fourth fiscal quarter of 2016 through the third fiscal quarter of 2017. Starting in 2017 and continuing through 2020, the Company also agreed to make quarterly payments to GF based on the volume of certain wafers purchased from another wafer foundry.

Further, for each calendar year during the term of the Sixth Amendment, the Company and GF agreed to annual wafer purchase targets that increase from 2016 through 2020. If the Company does not meet the annual wafer purchase target for any calendar year, the Company will be required to pay to GF a portion of the difference between the Company's actual wafer purchases and the wafer purchase target for that year. The annual targets were established based on the Company's current business and market expectations and take into account the limited waiver it has received for certain products.

The Company and GF also agreed on fixed pricing for wafers purchased during 2016 and established a framework to agree on annual wafer pricing for the years 2017 to 2020.

The Company's total purchases from GF related to wafer manufacturing and research and development activities for the quarters ended September 24, 2016 and September 26, 2015 were \$186 million and \$288 million, respectively. The Company's total purchases from GF related to wafer manufacturing and research and development activities for the nine months ended September 24, 2016 and September 26, 2015 were \$479 million and \$704 million, respectively.

The Company's currently expected purchases from GF for wafer manufacturing and research and development activities are approximately \$257 million for the remainder of fiscal 2016. The Company expects that its future purchases from GF under the WSA, which is in place until 2024, will continue to be material.

*Warrant Agreement.* Also on August 30, 2016, in consideration for the limited waiver and rights under the 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 are entitled to purchase 75 million shares of the Company's common stock (the Warrant Shares) at a purchase price of \$5.98 per share. The warrant under the Warrant Agreement is exercisable in whole or in part until February 29, 2020, provided that the maximum number of Warrant Shares that may be exercised under the one-year anniversary of the Warrant Agreement shall not exceed 50 million. Notwithstanding the foregoing, the Warrant Agreement will only be exercisable to the extent that Mubadala does not beneficially own, either directly through any other entities directly and indirectly owned by Mubadala or its subsidiaries, an aggregate of more than 19.99% of the Company's outstanding capital stock after any such exercise.

During the quarter and nine months ended September 24, 2016, the Company recorded a charge of \$340 million, consisting of the \$100 million payment under the Sixth Amendment and the \$240 million value of the warrant under the Warrant Agreement issued in consideration of the Sixth Amendment. The warrant, which was recorded as additional paid-in capital, was valued using the Black-Scholes Model, which considers the assumptions of 47.1% implied volatility and 0.99% risk-free rate based on the 3.5-year warrant term, the Company's stock price of \$7.49 per share on August 30, 2016 and the \$5.98 strike price.

GF continues to be a related party of the Company because Mubadala and Mubadala Technology Investments LLC (Mubadala Tech) are affiliated with WCH, the Company's largest stockholder. GF, WCH and Mubadala Tech are wholly-owned subsidiaries of Mubadala.

### **NOTE 3. Debt**

#### ***2.125% Convertible Senior Notes Due 2026***

On September 14, 2016, the Company issued \$700 million in aggregate principal amount of 2.125% Convertible Senior Notes due 2026 (2.125% Notes). The 2.125% Notes are general unsecured senior obligations of the Company and will mature on September 1, 2026, unless earlier repurchased or converted. Interest is payable in arrears on March 1 and September 1 of each year beginning on March 1, 2017. The 2.125% Notes are governed by the terms of a base indenture and a supplemental indenture (together the 2.125% Indentures) dated September 14, 2016 between the Company and Wells Fargo Bank, N.A., as trustee.

Holder may convert their notes at their option at any time prior to the close of business on the business day immediately preceding June 1, 2026 only under 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; (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, as the case may be, 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 Company may not redeem the notes prior to the maturity date, and no sinking fund is provided for the notes.

The conversion rate will initially be 125.0031 shares of common stock per \$1,000 principal amount of notes (equivalent to an initial conversion price of approximately \$8.00 per share of common stock). The conversion rate will be subject to adjustment in some events but will not be adjusted for any accrued and unpaid interest. In addition, following certain corporate events that occur prior to the maturity date, the Company will increase the conversion rate for a holder who elects to convert its notes in connection with such a corporate event in certain circumstances.

If the Company undergoes a fundamental change prior to the maturity date of the notes, holders may require the Company to repurchase for cash all or any portion of their notes at a fundamental change repurchase price equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

In accounting for the issuance of the 2.125% Notes, the Company separated the 2.125% Notes into liability and equity components. The carrying amounts of the liability component was calculated by measuring the fair value of a similar liability that does not have associated convertible features. The carrying amount of the equity component representing the conversion option was determined by deducting the fair value of the liability component from the par value of the 2.125% Notes as a whole. The excess of the principal amount of the liability component over its book value (debt discount) is accreted to interest expense over the term of the 2.125% Notes. The equity component is not remeasured as long as it continues to meet the conditions for equity classification.

In accounting for the issuance costs related to the 2.125% Notes, the Company allocated the total amount of issuance costs incurred to the liability and equity components based on their relative fair values. Issuance costs attributable to the liability component are being amortized to interest expense over the term of the 2.125% Notes, and the issuance costs attributable to the equity component are netted against the equity component in additional paid-in capital. The Company recorded liability issuance costs of \$12 million and equity issuance costs of \$8 million.

The 2.125% Notes consisted of the following:

	September 24, 2016	
	(In millions)	
Principal amounts:		
Principal	\$	700
Unamortized debt discount <sup>(1)</sup>		(273)
Unamortized debt issuance costs		(12)
Net carrying amount	\$	415
Carrying amount of the equity component <sup>(2)</sup>	\$	266

<sup>(1)</sup> Included in the consolidated balance sheets within Long-term debt, net and amortized over the remaining life of the notes on the straight-line basis as it approximates the effective interest rate method.

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

As of September 24, 2016, the remaining life of the 2.125% Notes is approximately 120 months.

Based on the closing price of the Company's common stock of \$6.55 on September 23, 2016, the last business day of the third fiscal quarter, the if-converted value of the 2.125% Notes was less than the principal amount thereof.

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 convertible features. The following table sets forth total interest expense recognized related to the 2.125% Notes for the three months ended September 24, 2016:

	September 24, 2016	
	(In millions)	
Contractual interest expense	\$	—
Interest cost related to amortization of debt issuance costs		—
Interest cost related to amortization of the debt discount	\$	1

The Company also granted an option to the underwriters to purchase an additional \$105 million aggregate principal amount of the 2.125% Notes. On September 28, 2016, this option was exercised in full and the Company issued an additional \$105 million aggregate principal amount of the 2.125% Notes.

#### **6.75% Senior Notes Due 2019**

During the third quarter of 2016, the Company repurchased \$404 million in aggregate principal amount of its 6.75% Senior Notes Due 2019 (6.75% Notes) pursuant to a partial tender offer for \$442 million, which included payment of accrued and unpaid interest of \$2 million. The Company incurred a total loss of \$41 million in connection with the foregoing repurchase of the 6.75% Notes. As of September 24, 2016, the outstanding aggregate principal amount of the 6.75% Notes was \$196 million.

#### **7.75% Senior Notes Due 2020**

During the third quarter of 2016, the Company repurchased \$242 million in aggregate principal amount of its 7.75% Senior Notes Due 2020 (7.75% Notes) pursuant to a partial tender offer for \$251 million, which included payment of accrued and unpaid interest of \$3 million. The Company incurred a total loss of \$9 million in connection with the foregoing repurchase of the 7.75% Notes. As of September 24, 2016, the outstanding aggregate principal amount of the 7.75% Notes was \$208 million.

On September 28, 2016, the Company redeemed the remaining \$208 million in aggregate principal amount of the 7.75% Notes.

#### **7.50% Senior Notes Due 2022**

During the third quarter of 2016, the Company repurchased \$125 million in aggregate principal amount of its 7.50% Senior Notes Due 2022 (7.50% Notes) pursuant to a partial tender offer for \$135 million, which included payment of accrued and unpaid interest of \$1 million. The Company incurred a total loss of \$10 million in connection with the foregoing repurchase of the 7.50% Notes. As of September 24, 2016, the outstanding aggregate principal amount of the 7.50% Notes was \$350 million.

#### **7.00% Senior Notes Due 2024**

During the third quarter of 2016, the Company repurchased \$25 million in aggregate principal amount of its 7.00% Senior Notes Due 2024 (7.00% Notes) pursuant to a partial tender offer for \$26 million, which included payment of accrued and unpaid interest that was less than \$1 million. The Company incurred a total loss of \$1 million in connection with the foregoing repurchase of the 7.00% Notes. As of September 24, 2016, the outstanding aggregate principal amount of the 7.00% Notes was \$475 million.

### **NOTE 4. Supplemental Balance Sheet Information**

#### ***Inventories***

	September 24, 2016	December 26, 2015
	(In millions)	
Raw materials	\$ 15	\$ 16
Work in process	533	482
Finished goods	224	180
Total inventories, net	<u>\$ 772</u>	<u>\$ 678</u>

***Other Current Assets***

	September 24, 2016	December 26, 2015
	(In millions)	
Assets held-for-sale	\$ —	\$ 183
Other current assets	78	65
Total other current assets	<u>\$ 78</u>	<u>\$ 248</u>

***Property, Plant and Equipment***

	September 24, 2016	December 26, 2015
	(In millions)	
Leasehold improvements	\$ 148	\$ 146
Equipment	741	821
Construction in progress	10	17
Property, plant and equipment, gross	899	984
Accumulated depreciation and amortization	(738)	(796)
Total property, plant and equipment, net	<u>\$ 161</u>	<u>\$ 188</u>

***Other Assets***

	September 24, 2016	December 26, 2015
	(In millions)	
Software and technology licenses, net	\$ 235	\$ 189
Other	47	109
Total other assets	<u>\$ 282</u>	<u>\$ 298</u>

***Accrued Liabilities***

	September 24, 2016	December 26, 2015
	(In millions)	
Accrued compensation and benefits	\$ 131	\$ 95
Marketing programs and advertising expenses	97	109
Software and technology licenses payable	43	50
Other	113	218
Total accrued liabilities	<u>\$ 384</u>	<u>\$ 472</u>

***Other Current Liabilities***

	September 24, 2016	(In millions)		December 26, 2015
Liabilities related to assets held-for-sale	\$	—	\$	79
Other current liabilities		25		45
Total other current liabilities	\$	25	\$	124

#### NOTE 5. Equity Interest Purchase Agreement - ATMP Joint Venture

On April 29, 2016, the Company and certain of its subsidiaries completed the sale of a majority of the equity interests in Suzhou TF-AMD Semiconductor Co., Ltd., formerly AMD Technologies (China) Co., Ltd., and TF AMD Microelectronics (Penang) Sdn. Bhd., formerly Advanced Micro Devices Export Sdn. Bhd., to affiliates of Nantong Fujitsu Microelectronics Co., Ltd., a Chinese joint stock company (NFME), to form two joint ventures (collectively, the ATMP JV). As a result of the sale, NFME's affiliates own 85% of the equity interests in each ATMP JV while certain of the Company's subsidiaries own the remaining 15%. The Company has no obligations to fund the ATMP JV.

As the result of the transaction, the Company received approximately \$346 million, including purchase price adjustments, in net cash proceeds for selling 85% of the equity interest in each of Suzhou TF-AMD Semiconductor Co., Ltd. and TF AMD Microelectronics (Penang) Sdn. Bhd. These proceeds, net of certain transaction costs, were included in investing activities on the Company's condensed consolidated statements of cash flows for the nine months ended September 24, 2016.

As a result of certain purchase price adjustments, the Company recognized a charge of \$4 million in the third quarter of 2016, which resulted in a cumulative pre-tax gain on the sale of its 85% equity interest in ATMP JV of \$146 million for the nine months ended September 24, 2016, which was recognized within Other income (expense), net on the Company's condensed consolidated statements of operations. The net pre-tax gain reflects the excess of the sum of net cash proceeds and fair value of the Company's retained 15% equity interests in the ATMP JV over the sum of the net book values of the Company's former subsidiaries and other closing costs directly attributed to the divestiture. The above gain includes \$11 million of excess of fair value of the Company's retained interest over the corresponding net book values.

In determining the fair value of the Company's retained 15% equity interests in the ATMP JV, the Company used quoted prices from comparable bids for this transaction. The Company also considered other factors including the control premium and the amount of consideration received for the portion sold.

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. As of September 24, 2016, the carrying value of the Company's investment in the ATMP JV was approximately \$60 million.

Following the deconsolidation, the ATMP JV is a related party of the Company. The ATMP JV provides assembly, test, mark and pack (ATMP) services to the Company. The Company currently pays the ATMP JV for ATMP services on a cost-plus basis. The Company's total purchases from the ATMP JV during the quarter and nine months ended September 24, 2016 amounted to approximately \$107 million and \$173 million, respectively. The Company's payable to the ATMP JV, as of September 24, 2016 was \$144 million.

During the quarter and nine months ended September 24, 2016, the Company recorded \$5 million and \$8 million, respectively, of loss in Equity in income (loss) of ATMP JV on its condensed consolidated statements of operations, which includes certain expenses incurred by the Company on behalf of the ATMP JV.

#### NOTE 6. Equity Joint Venture - Intellectual Property Licensing Agreement

In February 2016, the Company and Tianjin Haiguang Advanced Technology Investment 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 China JVs). 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 China JVs' operations. The Company has no obligations to fund the China JVs. The China JVs' primary purpose is to support the Company's expansion into the server and workstation product market in China. The Company licensed certain of its intellectual property (Licensed IP) to the China JVs for a total of approximately \$293 million in license fees payable over several years contingent upon achievement of certain milestones. The Company also expects to receive a royalty based on the sales of the China JVs' products to be developed on the basis of such Licensed IP. The Company will also provide certain engineering and technical support to the China JVs in connection with the product development.

The Company concluded the China JV1 and China JV2 are not operating joint ventures and are variable interest entities due to their reliance on on-going financing by JV Partner. The Company determined that it is not the primary beneficiary of either China JV1 or China JV2 and will not consolidate either of these entities. The Company accounts for its investments in the China JVs under the equity method of accounting.

Income related to the Licensed IP will be recognized over the period commencing upon delivery of the first Licensed IP milestone through the date of the milestone that requires the Company's continuing involvement in the product development process, and thereafter, together with royalty payments, will be recognized in income once earned. The Company will classify Licensed IP income and royalty income as other operating income. During the quarter and nine months ended September 24, 2016, the Company recognized \$24 million and \$57 million, respectively, of operating income related to the Licensed IP.

The Company's total exposure to losses through its investment into the China JVs is limited to the Company's investments in the China JVs, which was zero as of September 24, 2016. The Company's share in the net losses of the China JVs for the quarter and nine months ended September 24, 2016 was not material and is not recorded in the Company's condensed consolidated statement of operations since the Company is not obligated to fund the China JVs losses in excess of the Company's investment in the China JVs.

As of September 24, 2016, the total assets and liabilities of the China JVs were not material.

#### NOTE 7. Net Loss Per Share

Basic net loss per share is computed based on the weighted average number of shares outstanding.

Diluted net loss per share is computed based on the weighted average number of shares outstanding plus any potentially dilutive shares outstanding. Potentially dilutive shares include stock options and restricted stock units and potentially dilutive shares issuable upon conversion of the 2.125% Notes and the exercise of the warrant under the Warrant Agreement.

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

	Three Months Ended		Nine Months Ended	
	September 24, 2016	September 26, 2015	September 24, 2016	September 26, 2015
(In millions, except per share amounts)				
Numerator – Net loss:				
Numerator for basic and diluted net loss per share	\$ (406)	\$ (197)	\$ (446)	\$ (558)
Denominator – Weighted average shares				
Denominator for basic and diluted net loss per share	815	785	801	780
Net loss per share:				
Basic	\$ (0.50)	\$ (0.25)	\$ (0.56)	\$ (0.72)
Diluted	\$ (0.50)	\$ (0.25)	\$ (0.56)	\$ (0.72)

Potential shares from stock options, restricted stock units and the 2.125% Notes totaling 144 million for the third quarter of 2016 and potential shares from stock options and restricted stock units totaling 64 million for the third quarter of 2015 were not included in the net loss per share calculations, because their inclusion would have been anti-dilutive.

Potential shares from employee stock options, restricted stock units, the 2.125% Notes and the warrant under the Warrant Agreement totaling 217 million for the nine months ended September 24, 2016 and potential shares from stock options and restricted stock units totaling 61 million for the nine months ended September 26, 2015 were not included in the net loss per share calculation, because their inclusion would have been anti-dilutive.

#### NOTE 8. Financial Instruments

##### Cash and Cash Equivalents

Cash and financial instruments measured and recorded at fair value on a recurring basis as of September 24, 2016 and December 26, 2015 are summarized below:

	September 24, 2016		December 26, 2015	
	(In millions)			
<b>Cash and cash equivalents</b>				
Cash	\$	306	\$	409
Level 2 <sup>(1)(2)</sup>				
Commercial paper		952		376
Total level 2		952		376
Total	\$	1,258	\$	785

<sup>(1)</sup> The Company did not have any transfers between Level 1 and Level 2 of the fair value hierarchy during the quarter and nine months ended September 24, 2016 or the year ended December 26, 2015.

<sup>(2)</sup> The Company's Level 2 short-term investments are valued using broker reports that utilize quoted market prices for identical or comparable instruments. 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.

Available-for-sale securities held by the Company as of September 24, 2016 and December 26, 2015 consisted of commercial paper. The amortized cost of available-for-sale securities approximated the fair value for all periods presented.

In addition to those amounts presented above, as of September 24, 2016 and December 26, 2015, the Company had approximately \$3 million and \$1 million, respectively, of available-for-sale investments in money market funds, used as collateral for letters of credit deposits, which were included in Other current assets and Other assets, respectively, on the Company's condensed consolidated balance sheets. These money market funds are classified within Level 1 because they are valued using quoted prices for identical instruments in active markets. Their amortized costs are the same as the fair value for all periods presented. The Company is restricted from accessing these deposits.

Also in addition to those amounts presented above, as of September 24, 2016 and December 26, 2015, the Company had approximately \$14 million and \$15 million, respectively, of available-for-sale 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 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 24, 2016		December 26, 2015	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	(In millions)			
Short-term debt	\$	—	\$	—
Long-term debt <sup>(1)</sup>	\$	1,630	\$	1,990
			\$	2,000
			\$	1,372

<sup>(1)</sup> Carrying amounts of long-term debt are net of unamortized debt issuance costs of \$26 million as of September 24, 2016 and \$25 million as of December 26, 2015, based on the adoption of ASU 2015-03 and net of \$273 million unamortized debt discount associated with the 2.125% Notes as of September 24, 2016.

The Company's short-term and long-term debt are 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 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***

The following table shows the amount of gain (loss) included in accumulated other comprehensive income (loss), the amount of gain (loss) reclassified from accumulated other comprehensive income (loss) and included in earnings related to the foreign

currency forward contracts designated as cash flow hedges and the amount of gain (loss) included in other income (expense), net, related to contracts not designated as hedging instruments, which was allocated in the condensed consolidated statements of operations:

	Three Months Ended		Nine Months Ended	
	September 24, 2016	September 26, 2015	September 24, 2016	September 26, 2015
(In millions)				
<b>Foreign Currency Forward Contracts - gains (losses)</b>				
Contracts designated as cash flow hedging instruments				
Other comprehensive income (loss)	\$ (1)	\$ (7)	\$ 7	\$ (7)
Cost of sales	—	(1)	—	(2)
Research and development	1	(3)	—	(7)
Marketing, general and administrative	—	(2)	—	(5)
Contracts not designated as hedging instruments				
Other income (expense), net	\$ —	\$ (2)	\$ 2	\$ (3)

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 included in Other current assets should the foreign currency forward contracts be in a gain position or included in Other current liabilities should these contracts be in a loss position. These amounts were recorded in the Company's condensed consolidated balance sheets as follows:

	September 24, 2016	December 26, 2015
	(In millions)	
<b>Foreign Currency Forward Contracts - gains (losses)</b>		
Contracts designated as cash flow hedging instruments	\$ 1	\$ (6)

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

As of September 24, 2016 and December 26, 2015, the notional values of the Company's outstanding foreign currency forward contracts were \$152 million and \$156 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.

#### **Fair Value Hedges**

The Company's fair value hedge 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.

The following table shows the fair value amounts included in Other assets should the fair value hedge derivative contracts be in a gain position or included in Other long-term liabilities should these contracts be in a loss position. These amounts were recorded in the Company's condensed consolidated balance sheets as follows:

	September 24, 2016	December 26, 2015
	(In millions)	
<b>Interest Rate Swap Contracts - gains (losses)</b>		
Contracts designated as fair value hedging instruments	\$ 2	\$ 7

#### **NOTE 9. Income Taxes**

In the third quarter of 2016, the Company recorded an income tax provision of \$4 million, consisting of \$1 million of foreign taxes in profitable locations and \$3 million for withholding taxes applicable to license fee revenue from foreign locations.

For the nine months ended September 24, 2016, the Company recorded an income tax provision of \$34 million, including



\$6 million of foreign taxes in profitable locations, \$5 million for withholding taxes applicable to license fee revenue from foreign locations and \$4 million of tax benefits arising from other comprehensive income and Canadian tax credits. In addition, the Company recorded the tax effect of completion of the sale of a majority equity interest in two subsidiaries comprising \$21 million of income tax expense in China and \$6 million of withholding tax expense associated with a future repatriation of the gain generated in China by the Chinese portion of that transaction (see Note 5. Equity Interest Purchase Agreement - ATMP Joint Venture).

The Company now applies the equity method of accounting to its 15% investment in the two former subsidiaries. The Company's share of applicable tax expense will be netted with the equity share of future profits or losses. In 2015, the Company recorded an income tax provision of \$2 million related to the activities of the two former subsidiaries.

The Company has not recognized the tax benefit of future foreign tax credits associated with the withholding tax expense as the size and age profile of existing tax attributes does not allow it to satisfy the "more likely than not" criterion for the recognition of deferred tax assets.

In the third quarter of 2015 the Company did not record any income tax provision. For the nine months ended September 26, 2015, the Company recorded an income tax provision of \$4 million due to foreign taxes in profitable locations.

As of September 24, 2016, 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 24, 2016, in management's estimate, is not more likely than not to be achieved.

The Company's total gross unrecognized tax benefits as of September 24, 2016 were \$41 million. The Company does not believe it is reasonably possible that unrecognized tax benefits will materially change in the next 12 months. However, the settlement, resolution or closure of tax audits are highly uncertain.

#### NOTE 10. 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 (loss) 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 graphics processing units (GPUs) and professional graphics; and
- the Enterprise, Embedded and Semi-Custom segment, which primarily includes server and embedded processors, semi-custom System-on-Chip (SoC) products, development services, technology for game consoles and licensing portions of its intellectual property 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. Also included in this category are, employee stock-based compensation expense, restructuring and other special charges, net, charge related to the Sixth Amendment to the WSA with GF and amortization of acquired intangible assets.

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

	Three Months Ended		Nine Months Ended	
	September 24, 2016	September 26, 2015	September 24, 2016	September 26, 2015
	(In millions)			
Net revenue:				
Computing and Graphics	\$ 472	\$ 424	\$ 1,367	\$ 1,335
Enterprise, Embedded and Semi-Custom	835	637	1,799	1,698
Total net revenue	\$ 1,307	\$ 1,061	\$ 3,166	\$ 3,033
Operating income (loss):				
Computing and Graphics	\$ (66)	\$ (181)	\$ (217)	\$ (403)
Enterprise, Embedded and Semi-Custom	136	84	236	156
All Other	(363)	(61)	(388)	(185)
Total operating loss	\$ (293)	\$ (158)	\$ (369)	\$ (432)

The following table provides major items included in All Other category:

	Three Months Ended		Nine Months Ended	
	September 24, 2016	September 26, 2015	September 24, 2016	September 26, 2015
	(In millions)			
Operating loss:				
Stock-based compensation expense	\$ (23)	\$ (13)	\$ (57)	\$ (47)
Restructuring and other special charges, net	—	(48)	10	(135)
Charge related to the Sixth Amendment to the WSA with GF	(340)	—	(340)	—
Other	—	—	(1)	(3)
Total operating loss	<u>\$ (363)</u>	<u>\$ (61)</u>	<u>\$ (388)</u>	<u>\$ (185)</u>

## NOTE 11. Public Offering of Common Stock

On September 14, 2016, the Company completed its registered underwritten public offering of 100 million shares of the Company's common stock, par value \$0.01 per share, at a public offering price of \$6.00 per share, pursuant to an underwriting agreement with J.P. Morgan Securities LLC, Barclays Capital Inc. and Credit Suisse Securities (USA) LLC, as representatives of the several underwriters named therein.

The Company also granted to the underwriters a 30-day option to purchase up to 15 million additional shares of common stock.

As of September 24, 2016, the resulting aggregate net proceeds to the Company from the common stock offering including the sale of the additional shares to the underwriters pursuant to the option described above, were approximately \$668 million, after deducting underwriting discounts and offering expenses totaling approximately \$22 million.

## NOTE 12. Stock-Based Incentive Compensation Plans

The following table summarizes stock-based compensation expense related to employee stock options and restricted stock units, which is allocated within the Company's condensed consolidated statements of operations as follows:

	Three Months Ended		Nine Months Ended	
	September 24, 2016	September 26, 2015	September 24, 2016	September 26, 2015
	(In millions)			
Cost of sales	\$ —	\$ —	\$ 1	\$ 2
Research and development	15	7	34	27
Marketing, general and administrative	8	6	22	18
Stock-based compensation expense, net of tax of \$0	<u>\$ 23</u>	<u>\$ 13</u>	<u>\$ 57</u>	<u>\$ 47</u>

For all periods presented, the Company did not realize any excess tax benefit related to stock-based compensation and therefore did not record any related financing cash flows.

### Stock Options

The weighted average assumptions applied in the lattice-binomial model that the Company uses to estimate the fair value of employee stock options are as follows:

	Three Months Ended		Nine Months Ended	
	September 24, 2016	September 26, 2015	September 24, 2016	September 26, 2015
Expected volatility	59.85%	71.71%	59.85%	60.19%
Risk-free interest rate	1.00%	1.32%	1.00%	1.24%
Expected dividends	0.00%	0.00%	0.00%	0.00%
Expected life	3.98 years	3.91 years	3.98 years	3.91 years

In the third quarter of 2016 and 2015, the Company granted 2.2 million and 5.2 million shares of employee stock options, respectively, with weighted average grant date fair value per share of \$3.10 and \$0.94, respectively. For the nine months ended September 24, 2016 and September 26, 2015, the Company granted 2.2 million and 5.9 million employee stock options, respectively, with weighted average grant date fair value per share of \$3.10 and \$0.96, respectively.

### Restricted Stock Units

In the third quarter of 2016, the Company granted 19.5 million shares of restricted stock units including 2.0 million performance-based restricted stock units (PRSUs) with market conditions referenced below, and in the third quarter of 2015, the Company granted 25.0 million shares of restricted stock units including 3.3 million PRSUs with market conditions referenced below with a weighted average grant date fair value per share of \$5.10 and \$1.79, respectively.

For the nine months ended September 24, 2016, the Company granted 26.0 million shares of restricted stock units including 2.0 million PRSUs with market conditions referenced below, with weighted average grant date fair values per share of \$4.55. For

the nine months ended September 26, 2015, the Company granted 33.9 million shares of restricted stock units including 3.3 million PRSUs with market conditions referenced below and 0.8 million PRSUs, with a weighted average grant date fair value per share of \$1.96.

**Performance-based Restricted Stock Units with Market Conditions**

During the third quarter of 2016, the Company granted restricted stock units with both a market condition and a service condition (market-based restricted stock units) to the Company’s senior executives. The number of shares that may be earned is based on three-year compounded annual growth rate milestones related to the Company’s closing stock price that may be attained within the three-year performance period, with the potential payout levels of shares at 50%, 100%, 150%, 200% and 250% of the target number of shares granted. Any shares earned pursuant to the attainment of a performance level shall vest 50% upon the compensation committee's certification of the attainment of the performance level (provided, however, that no shares may be earned or vest prior to the first anniversary of the grant date) and the remaining 50% shall vest at the end of the performance period, subject to the recipient’s continuous employment or service through each such vesting date.

The Company estimated the fair value of the market-based restricted stock units using a Monte Carlo simulation model on the date of grant. As of September 24, 2016, there were 2.0 million market-based restricted stock units with the potential payout level at 100% with a grant date fair value per share of \$4.50.

During the third quarter of 2015, the Company granted restricted stock units with both a market condition and a service condition (market-based restricted stock units) to the Company’s senior executives. The number of shares that may be earned is based on three-year compounded annual growth rate milestones related to the Company’s closing stock price that may be attained within the three-year performance period, with the potential payout levels of shares at 50%, 100%, 200% and 250% of the target number of shares granted. Any shares earned pursuant to the attainment of a performance level shall vest 50% upon the compensation committee's certification of the attainment of the performance level (provided, however, that no shares may be earned or vest prior to the first anniversary of the grant date) and the remaining 50% shall vest at the end of the Performance Period, subject to the recipient’s continuous employment or service through each such vesting date.

The Company estimated the fair value of the market-based restricted stock units using a Monte Carlo simulation model on the date of grant. As of September 26, 2015, there were 3.3 million market-based restricted stock units with the potential payout level at 100% with a grant date fair value per share of \$1.44. As of September 24, 2016, all the 2015 market-based restricted stock units achieved the 250% payout level.

**NOTE 13. Commitments and Contingencies**

**Warranties and Indemnities**

The Company generally warrants that its products sold to its customers will conform to the Company’s approved specifications and be free from defects in material and workmanship under normal use and service for one year. Subject to certain exceptions, the Company also offers a three-year limited warranty to end users for only those central processing unit (CPU) and AMD accelerated processing unit (APU) products that are commonly referred to as “processors in a box” and for certain server CPU products. The Company also offers extended limited warranties to certain customers of “tray” microprocessor products and/or professional graphics products who have written agreements with the Company and target their computer systems at the commercial and/or embedded markets.

Changes in the Company’s estimated liability for product warranty were as follows:

	Three Months Ended		Nine Months Ended	
	September 24, 2016	September 26, 2015	September 24, 2016	September 26, 2015
	(In millions)			
Beginning balance	\$ 11	\$ 17	\$ 15	\$ 19
New warranties issued	5	7	15	21
Settlements	(5)	(5)	(13)	(20)
Changes in liability for pre-existing warranties, including expirations	—	(4)	(6)	(5)
Ending balance	\$ 11	\$ 15	\$ 11	\$ 15

In addition to product warranties, the Company, from time to time in its normal course of business, indemnifies other parties, with whom it enters into contractual relationships, including customers, lessors and parties to other transactions with the Company, with respect to certain matters. In these limited matters, the Company has agreed to hold certain third parties harmless against

specific types of claims or losses, such as those arising from a breach of representations or covenants, third-party claims that the Company's products when used for their intended purpose(s) and under specific conditions infringe the intellectual property rights of a third party, or other specified claims made against the indemnified party. It is not possible to determine the maximum potential amount of liability under these indemnification obligations due to the unique facts and circumstances that are likely to be involved in each particular claim and indemnification provision. Historically, payments made by the Company under these obligations have not been material.

### **Contingencies**

#### **Securities Class Action**

On January 15, 2014, a class action lawsuit captioned *Hatamian v. AMD, et al.*, C.A. No. 3:14-cv-00226 (the Hatamian Lawsuit) was filed against the Company in the United States District Court for the Northern District of California. The complaint purports to assert claims against the Company and certain individual officers for alleged violations of Section 10(b) of the Securities Exchange Act of 1934, as amended (the Exchange Act), and Rule 10b-5 of the Exchange Act. The plaintiffs seek to represent a proposed class of all persons who purchased or otherwise acquired the Company's common stock during the period April 4, 2011 through October 18, 2012. The complaint seeks damages allegedly caused by alleged materially misleading statements and/or material omissions by the Company and the individual officers regarding the Company's 32nm technology and "Llano" product, which statements and omissions, the plaintiffs claim, allegedly operated to artificially inflate the price paid for the Company's common stock during the period. The complaint seeks unspecified compensatory damages, attorneys' fees and costs. On July 7, 2014, the Company filed a motion to dismiss plaintiffs' claims. On March 31, 2015, the Court denied the motion to dismiss. On May 14, 2015, the Company filed its answer to plaintiffs' corrected amended complaint. On September 4, 2015, plaintiffs filed their motion for class certification, and on March 16, 2016, the Court granted plaintiffs' motion. A court-ordered mediation held in January 2016 did not result in a settlement of the lawsuit. The discovery process is ongoing.

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.

#### **Shareholder Derivative Lawsuits**

On March 20, 2014, a purported shareholder derivative lawsuit captioned *Wessels v. Read, et al.*, Case No. 1:14 cv-262486 (Wessels) was filed against the Company (as a nominal defendant only) and certain of its directors and officers in the Santa Clara 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, waste of corporate assets and unjust enrichment. 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 its 32nm technology and "Llano" product, which statements and omissions, the plaintiffs claim, allegedly operated to artificially inflate the price paid for the Company's common stock during the period. On April 27, 2015, a similar purported shareholder derivative lawsuit captioned *Christopher Hamilton and David Hamilton v. Barnes, et al.*, Case No. 5:15-cv-01890 (Hamilton) was filed against the Company (as a nominal defendant only) and certain of its directors and officers in the United States District Court for the Northern District of California. The case was transferred to the judge handling the Hatamian Lawsuit and is now Case No. 4:15-cv-01890.

On September 29, 2015, a similar purported shareholder derivative lawsuit captioned *Jake Ha v Caldwell, et al.*, Case No. 3:15-cv-04485 (Ha) was filed against the Company (as a nominal defendant only) and certain of its directors and officers in the United States District Court for the Northern District of California. The lawsuit also seeks a court order voiding the stockholder vote on the Company's 2015 proxy. The case was transferred to the judge handling the Hatamian Lawsuit and is now Case No. 4:15-cv-04485. The Wessels, Hamilton and Ha shareholder derivative lawsuits are currently stayed.

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, based on the management's current knowledge, 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 position, results of operations or cash flows.

#### **NOTE 14. Restructuring and Other Special Charges, Net**

### 2015 Restructuring Plan

In the third quarter of 2015, the Company implemented a restructuring plan (the 2015 Restructuring Plan) focused on its ongoing efforts to simplify its business and better align resources around its priorities and business outlook. The 2015 Restructuring Plan largely involved a reduction of global headcount by approximately 5% and includes organizational actions such as outsourcing certain IT services and application development. In the first nine months of 2015, the Company recorded a \$41 million restructuring charge, which consisted of \$31 million for severance and benefit costs, \$1 million for facilities-related costs and \$9 million of intangible-asset-related charges. The actions associated with the 2015 Restructuring Plan are expected to be substantially completed by the end of the fourth quarter of 2016.

The following table provides a summary of the restructuring activities in the first nine months of 2016 and the related liabilities recorded in Other current liabilities and Other long-term liabilities on the Company's condensed consolidated balance sheets as of September 24, 2016:

	Severance and related benefits		Other exit related costs		Total
	(In millions)				
Balance as of December 26, 2015	\$	14	\$	—	\$ 14
Charges (reversals), net		(1)		—	(1)
Cash payments		(8)		—	(8)
Balance as of September 24, 2016	\$	5	\$	—	\$ 5

### 2014 Restructuring Plan

In the fourth quarter of 2014, the Company implemented a restructuring plan (the 2014 Restructuring Plan) designed to improve operating efficiencies. The 2014 Restructuring Plan involved a reduction of global headcount by approximately 6% and an alignment of its real estate footprint with its reduced headcount. In the first nine months of 2015, the Company recorded an \$18 million restructuring charge, which consisted of a \$5 million non-cash charge related to asset impairments, \$4 million for severance and benefit costs and \$9 million for facilities related costs. The 2014 Restructuring Plan was largely completed by the end of the third quarter of 2015. During the first nine months of 2016, the Company recorded a restructuring charge reversal of \$7 million, of which \$5 million related to facilities costs associated with a lease amendment which reduced a lease liability previously accrued under this plan.

The following table provides a summary of the restructuring activities in the first nine months of 2016 and the related liabilities recorded in Other current liabilities and Other long-term liabilities on the Company's condensed consolidated balance sheets as of September 24, 2016:

	Severance and related benefits		Other exit related costs		Total
	(In millions)				
Balance as of December 26, 2015	\$	5	\$	15	\$ 20
Charges (reversals), net		(2)		(7)	(9)
Cash payments		(1)		(5)	(6)
Balance as of September 24, 2016	\$	2	\$	3	\$ 5

### Dense Server Systems Business Exit

As a part of the Company's strategy to simplify and sharpen its investment focus, the Company exited the dense server systems business, formerly SeaMicro, in the first quarter of 2015. As a result, the Company recorded a charge of \$76 million in Restructuring and other special charges, net on the Company's condensed consolidated statements of operations in the first nine months of 2015. This charge included an impairment charge of \$62 million related to the acquired intangible assets. The Company concluded that the carrying value of the acquired intangible assets associated with its dense server systems business was fully impaired as the Company did not have plans to utilize the related freedom fabric technology in any of its future products nor did it have any plans at that time to monetize the associated intellectual property. In addition, the exit charge consisted of a \$7 million

non-cash charge related to asset impairments, \$4 million of severance and related benefits and \$3 million for contract or program termination costs. The Company substantially completed this exit activity during the second quarter of 2016.

**NOTE 15. Accumulated Other Comprehensive Income (Loss)**

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

	Three Months Ended					
	September 24, 2016			September 26, 2015		
	Unrealized gains (losses) on available-for-sale securities	Unrealized gains (losses) on cash flow hedges	Total	Unrealized gains (losses) on available-for-sale securities	Unrealized gains (losses) on cash flow hedges	Total
	(In millions)					
Beginning balance	\$ (2)	\$ (1)	\$ (3)	\$ 1	\$ (6)	\$ (5)
Unrealized gains (losses) arising during the period	1	—	1	(3)	(13)	(16)
Reclassification adjustment for (gains) losses realized and included in net income (loss)	—	(1)	(1)	—	6	6
Tax effect	—	—	—	—	—	—
Total other comprehensive income (loss)	1	(1)	—	(3)	(7)	(10)
Ending balance	\$ (1)	\$ (2)	\$ (3)	\$ (2)	\$ (13)	\$ (15)

	Nine Months Ended					
	September 24, 2016			September 26, 2015		
	Unrealized gains (losses) on available-for-sale securities	Unrealized gains (losses) on cash flow hedges	Total	Unrealized gains (losses) on available-for-sale securities	Unrealized gains (losses) on cash flow hedges	Total
	(In millions)					
Beginning balance	\$ (1)	\$ (7)	\$ (8)	\$ 1	\$ (6)	\$ (5)
Unrealized gains (losses) arising during the period	(1)	7	6	(3)	(21)	(24)
Reclassification adjustment for (gains) losses realized and included in net income (loss)	—	1	1	—	14	14
Tax effect	1	(3)	(2)	—	—	—
Total other comprehensive income (loss)	—	5	5	(3)	(7)	(10)
Ending balance	\$ (1)	\$ (2)	\$ (3)	\$ (2)	\$ (13)	\$ (15)

**NOTE 16. Secured Revolving Line of Credit**

*Amended and Restated Loan and Security Agreement*

On April 14, 2015, AMD and its subsidiaries, AMD International Sales & Service, Ltd. and ATI Technologies ULC (collectively, the Loan Parties), entered into an amended and restated loan and security agreement (the Amended and Restated Loan Agreement) by and among the Loan Parties, the financial institutions party thereto from time to time as lenders (the Lenders) and Bank of America, N.A., acting as agent for the Lenders (the Agent).

The Amended and Restated Loan Agreement provides for a Secured Revolving Line of Credit for a principal amount up to \$500 million with up to \$75 million available for issuance of letters of credit, which remained unchanged from the loan and security agreement dated November 12, 2013, as amended on December 11, 2014. Borrowings under the Secured Revolving Line of Credit are limited to up to 85% of eligible accounts receivable (90% for certain qualified eligible accounts receivable), minus specified reserves. The size of the commitments under the Secured Revolving Line of Credit may be increased by up to an aggregate amount of \$200 million.

The Secured Revolving Line of Credit matures on April 14, 2020 and is secured by a first priority security interest in the Loan Parties' accounts receivable, inventory, deposit accounts maintained with the Agent and other specified assets, including books and records.

During the third quarter of 2016, the Company repaid the \$226 million outstanding balance. As of September 24, 2016, the Company did not have any borrowings outstanding under the Secured Revolving line of Credit. At December 26, 2015, the Secured Revolving Line of Credit had an outstanding loan balance of \$230 million, at an interest rate of 4.00%. At September 24, 2016, the Secured Revolving Line of Credit had \$21 million related to outstanding letters of credit and up to \$395 million available for future borrowings. The Company reports its intra-period changes in its revolving credit balance on a net basis in its condensed consolidated statement of cash flows as the Company intends the period of the borrowings to be brief, repaying borrowed amounts within 90 days. As of September 24, 2016, the Company was in compliance with all required covenants stated in the Amended and Restated Loan Agreement.

***First Amendment to the Amended and Restated Loan and Security Agreement***

On June 10, 2015, the Loan Parties entered into a first amendment to the Amended and Restated Loan and Security Agreement (the First Amendment) by and among the Loan Parties, the Lenders and the Agent, which modifies the Amended and Restated Loan and Security Agreement. Amendments to the Amended and Restated Loan Agreement effected by the First Amendment included the addition of exceptions to the liens and asset sale covenants to permit the Loan Parties to enter into certain supply chain finance arrangements, as well as the addition of certain definitions related thereto.

***Second Amendment to the Amended and Restated Loan and Security Agreement***

On April 29, 2016, the Loan Parties entered into a second amendment to the Amended and Restated Loan and Security Agreement (the Second Amendment) by and among the Loan Parties, the Lenders and the Agent, which modifies the Amended and Restated Loan and Security Agreement. The primary amendment to the Amended and Restated Loan Agreement effected by the Second Amendment related to the expansion of the definition of permitted asset dispositions to include the sale or transfer of inventory to the ATMP JV pursuant to the Equity Interest Purchase Agreement between AMD and NFME.

***Third Amendment to the Amended and Restated Loan and Security Agreement***

On June 21, 2016, the Loan Parties entered into a third amendment to the Amended and Restated Loan and Security Agreement (the Third Amendment) by and among the Loan Parties, the Lenders and the Agent, which modifies the Amended and Restated Loan and Security Agreement. Amendments to the Amended and Restated Loan Agreement effected by the Third Amendment included the further expansion of the asset sale covenants to permit the Loan Parties to enter into certain supply chain finance arrangements.

***Fourth Amendment to the Amended and Restated Loan and Security Agreement***

On September 7, 2016, the Loan Parties entered into a fourth amendment to the Amended and Restated Loan and Security Agreement (the Fourth Amendment) by and among the Loan Parties, the Lenders and the Agent, which modifies the Amended and Restated Loan and Security Agreement. The primary amendment to the Amended and Restated Loan agreement effected by the Fourth Amendment was to increase the dollar limit as set forth in the definition related to certain supply chain finance arrangements.



## 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," 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; future restructuring activities; the nature and extent of AMD's future payments to GLOBALFOUNDRIES Inc. (GF) and the materiality of these payments; the materiality of AMD's future purchases from GF; AMD's expected \$100 million payment to GF and the expected timing of such payment; AMD's quarterly payments to GF beginning in 2017 based on volume of certain wafers purchased from another wafer foundry; final net cash proceeds from the joint venture transaction between AMD and Nantong Fujitsu Microelectronics Co., Ltd.; 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 JVs' 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; AMD's expected completion of its restructuring plan announced in October 2015 (the 2015 Restructuring Plan); that other unrecognized tax benefits will not materially change in the next 12 months; that AMD's cash and cash equivalents balances together with the availability under that certain secured revolving line of credit (Secured Revolving Line of Credit) made available to AMD and certain of its subsidiaries under the Amended and Restated Loan 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 on favorable terms, or at all; AMD's expectation that based on the information presently known to management, the securities class action and the shareholder derivative suit will not have a material adverse effect on its financial condition, cash flows or results of operations; and AMD does not expect to pay dividends in the future. Material factors that could cause actual results to differ materially from current expectations include, without limitation, the following: Intel Corporation's dominance of the microprocessor market and its aggressive business practices may limit AMD's ability to compete effectively; We are party to a wafer supply agreement with GF with obligations to manufacture products at GF with certain exceptions. If GF is not able to satisfy AMD's manufacturing requirements, its business could be adversely impacted; AMD relies on third parties to manufacture its products, and if they are unable to do so on a timely basis in sufficient quantities and using competitive technologies, AMD's business could be materially adversely affected; failure to achieve expected manufacturing yields for AMD's products could negatively impact its financial results; the success of AMD's business is dependent upon its ability to introduce products on a timely basis with features and performance levels that provide value to its customers while supporting and coinciding with significant industry transitions; if AMD cannot generate sufficient revenue and operating cash flow or obtain external financing, it may face a cash shortfall and be unable to make all of its planned investments in research and development or other strategic investments; the loss of a significant customer may have a material adverse effect on AMD; AMD's receipt of revenue from its semi-custom SoC products is dependent upon its technology being designed into third-party products and the success of those products; global economic uncertainty may adversely impact AMD's business and operating results; the markets in which AMD's products are sold are highly competitive; AMD may not be able to generate sufficient cash to service its debt obligations or meet its working capital requirements; AMD has a substantial amount of indebtedness which could adversely affect its financial position and prevent it from implementing its strategy or fulfilling its contractual obligations; the agreements governing AMD's notes and the Secured Revolving Line of Credit impose restrictions on AMD that may adversely affect its ability to operate its business; uncertainties involving the ordering and shipment of AMD's products could materially adversely affect it; the demand for AMD's products depends in part on the market conditions in the industries into which they are sold. Fluctuations in demand for AMD's products or a market decline in any of these industries could have a material adverse effect on its results of operations; AMD's ability to design and introduce new products in a timely manner is dependent upon third-party intellectual property; AMD depends on third-party companies for the design, manufacture and supply of motherboards, software and other computer platform components to support its business; if AMD loses Microsoft Corporation's support for its products or other software vendors do not design and develop software to run on AMD's products, its ability to sell its products could be materially adversely affected; AMD's reliance on third-party distributors and AIB partners subjects it to certain risks; AMD's inability to continue to attract and retain qualified personnel may hinder its product development programs; our issuance to West Coast Hitech L.P. (WCH) of warrants to purchase 75 million shares of our common stock, if and when exercised, will dilute the ownership interests of our existing stockholders, and 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; in the event of a change of control, AMD may not be able to repurchase its outstanding debt as required by the applicable indentures and its Secured Revolving Line of Credit, which would result in a default under the indentures and its Secured Revolving Line of Credit; the semiconductor industry is highly cyclical and has experienced severe downturns that*

*have materially adversely affected, and may continue to materially adversely affect its business in the future; acquisitions, divestitures and/or joint ventures could disrupt its business, harm its financial condition and operating results or dilute, or adversely affect the price of, its common stock; AMD's business is dependent upon the proper functioning of its internal business processes and information systems and modification or interruption of such systems may disrupt its business, processes and internal controls; data breaches and cyber-attacks could compromise AMD's intellectual property or other sensitive information, be costly to remediate and cause significant damage to its business and reputation; AMD's operating results are subject to quarterly and seasonal sales patterns; if essential equipment, materials or manufacturing processes are not available to manufacture its products, AMD could be materially adversely affected; if AMD's products are not compatible with some or all industry-standard software and hardware, it could be materially adversely affected; costs related to defective products could have a material adverse effect on AMD; if AMD fails to maintain the efficiency of its supply chain as it responds to changes in customer demand for its products, its business could be materially adversely affected; AMD outsources to third parties certain supply-chain logistics functions, including portions of its product distribution, transportation management and information technology support services; the completion and impact of the 2015 Restructuring Plan, its transformation initiatives and any future restructuring actions could adversely affect it; AMD may incur future impairments of goodwill; AMD's worldwide operations are subject to political, legal and economic risks and natural disasters, which could have a material adverse effect on it; worldwide political conditions may adversely affect demand for AMD's products; unfavorable currency exchange rate fluctuations could adversely affect AMD; AMD's inability to effectively control the sales of its products on the gray market could have a material adverse effect on it; if AMD cannot adequately protect its technology or other intellectual property in the United States and abroad, through patents, copyrights, trade secrets, trademarks and other measures, it may lose a competitive advantage and incur significant expenses; AMD is a party to litigation and may become a party to other claims or litigation that could cause it to incur substantial costs or pay substantial damages or prohibit it from selling its products; AMD's business is subject to potential tax liabilities; and AMD is 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.*

*For a discussion of factors that could cause actual results to differ materially from the forward-looking statements, see "Part II, Item 1A—Risk Factors" beginning on page 43 and "Financial Condition" beginning on page 35 and other risks and uncertainties 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.*

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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 26, 2015 and December 27, 2014, and for each of the three years in the period ended December 26, 2015 as filed in our Annual Report on Form 10-K for the year ended December 26, 2015.

### **Overview**

We are a global semiconductor company with facilities around the world. Within the global semiconductor industry, we offer primarily:

- x86 microprocessors, as standalone devices or as incorporated as an accelerated processing unit (APU), chipsets, discrete graphics processing units (GPUs) and professional graphics; and
- server and embedded processors, semi-custom System-on-Chip (SoC) products and technology for game consoles. We also license portions of our intellectual property 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 quarter and nine months ended September 24, 2016 compared to the quarter and nine months ended September 26, 2015, an analysis of changes in our financial condition and a discussion of our contractual obligations.

Net revenue in the third quarter of 2016 was \$1.3 billion, a 23% increase compared to the third quarter of 2015. The year over year increase was primarily due to a 11% increase in Computing and Graphics net revenue and a 31% increase 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 notebook microprocessors and GPU products, partially offset by lower sales of our desktop microprocessors and chipset products. The increase in Enterprise, Embedded and Semi-Custom segment net revenue was primarily driven by higher sales of our semi-custom SoCs. During the third quarter, we also continued to focus on achieving our product milestones.

In August 2016, we expanded our family of Polaris GPUs with the launch of two new Radeon RX graphics cards. The Radeon RX 460 includes a number of new features to mainstream GPUs and has been designed for full HD eSports gaming, while the Radeon RX 470 brings leadership gaming performance and premium VR experiences to mainstream price points.

Cash and cash equivalents as of September 24, 2016 were \$1.3 billion, compared to \$957 million as of June 25, 2016. Total debt as of the end of the third quarter of 2016 was \$1.6 billion, a decrease from \$2.2 billion as of the end of the second quarter of 2016. During the third quarter of 2016, we issued \$690 million of common stock and \$700 million aggregate principal amount of 2.125% Convertible Senior Notes due 2026 (2.125% Notes). The \$690 million of common stock included \$90 million from the exercise of an underwriters' option to purchase 15 million additional shares of common stock. We used the net proceeds from the issuance of our common stock and the 2.125% Notes to pay \$226 million of our secured revolving line of credit and repurchase an aggregate principal amount of \$796 million of our outstanding 6.75% Senior Notes due 2019 (6.75% Notes), 7.75% Senior Notes due 2020 (7.75% Notes), 7.50% Senior Notes due 2022 (7.75% Notes) and 7.00% Senior Notes due 2024 (7.00% Notes). Early in the fourth quarter of 2016, we redeemed the remaining \$208 million in aggregate principal amount of our 7.75% Notes and as a result, we no longer have any 7.75% Notes outstanding. Also early in the fourth quarter of 2016, the underwriters exercised an option to purchase \$105 million principal amount of 2.125% Notes.

During the third quarter of 2016, we entered into a sixth amendment (the Sixth Amendment) to the Wafer Supply Agreement (the WSA) with GlobalFoundries Inc. (GF). The Sixth Amendment modifies certain terms of the WSA applicable to wafers for our microprocessor, graphics processor and semi-custom products for a five-year period from January 1, 2016 to December 31, 2020. Also, in connection with and in consideration for the limited waiver and rights under the Sixth Amendment, we 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) pursuant to which WCH received the right to purchase up to 75 million shares of our common stock.

### **GLOBALFOUNDRIES**

*Wafer Supply Agreement.* The Wafer Supply Agreement (WSA) governs the terms by which we purchase products manufactured by GLOBALFOUNDRIES Inc. (GF).

*Fifth Amendment to Wafer Supply Agreement.* On April 16, 2015, we entered into a fifth amendment to the WSA (the Fifth Amendment). The primary effect of the Fifth Amendment was to establish volume purchase commitments and fixed pricing for the 2015 calendar year as well as to modify certain other terms of the WSA applicable to wafers for some of our microprocessor unit, graphics processor unit and semi-custom products to be delivered by GF to us during the 2015 calendar year.

*Sixth Amendment to Wafer Supply Agreement.* On August 30, 2016, we entered into a sixth amendment (the Sixth Amendment) to the WSA. The Sixth Amendment modifies certain terms of the WSA applicable to wafers for our microprocessor, graphics processor and semi-custom products for a five-year period from January 1, 2016 to December 31, 2020. AMD and GF agreed to establish a comprehensive framework for technology collaboration for the 7nm technology node.

The Sixth Amendment also provides us a limited waiver with rights to contract with another wafer foundry with respect to certain products in the 14nm and 7nm technology nodes and gives us greater flexibility in sourcing foundry services across our product portfolio. In consideration for these rights, we will pay GF \$100 million, which will be paid in installments starting in the fourth fiscal quarter of 2016 through the third fiscal quarter of 2017. Starting in 2017 and continuing through 2020, we also agreed to make quarterly payments to GF based on the volume of certain wafers purchased from another wafer foundry.

Further, for each calendar year during the term of the Sixth Amendment, AMD and GF agreed to annual wafer purchase targets that increase from 2016 through 2020. If we do not meet the annual wafer purchase target for any calendar year, we will be required to pay to GF a portion of the difference between the our actual wafer purchases and the wafer purchase target for that year. The annual targets were established based on our current business and market expectations and take into account the limited waiver we have received for certain products.

AMD and GF also agreed on fixed pricing for wafers purchased during 2016 and established a framework to agree on annual wafer pricing for the years 2017 to 2020.

Our total purchases from GF related to wafer manufacturing and research and development activities for the quarters ended September 24, 2016 and September 26, 2015 were \$186 million and \$288 million, respectively. Our total purchases from GF related to wafer manufacturing and research and development activities for the nine months ended September 24, 2016 and September 26, 2015 were \$479 million and \$704 million, respectively.

Our currently expected purchases from GF for wafer manufacturing and research and development activities are approximately \$257 million for the remainder of fiscal 2016. We expect that our future purchases from GF under the WSA, which is in place until 2024, will continue to be material.

*Warrant Agreement.* Also on August 30, 2016, in consideration for the limited waiver and rights under the Sixth Amendment, we 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 are entitled to purchase 75 million shares of our common stock (the Warrant Shares) at a purchase price of \$5.98 per share. The warrant under the Warrant Agreement is exercisable in whole or in part until February 29, 2020, provided that the maximum number of Warrant Shares that may be exercised under the one-year anniversary of the Warrant Agreement shall not exceed 50 million. Notwithstanding the foregoing, the Warrant Agreement will only be exercisable to the extent that Mubadala does not beneficially own, either directly through any other entities directly and indirectly owned by Mubadala or its subsidiaries, an aggregate of more than 19.99% of our outstanding capital stock after any such exercise.

During the quarter and nine months ended September 24, 2016, we recorded a charge of \$340 million, consisting of the \$100 million payment under the Sixth Amendment and the \$240 million value of the warrant under the Warrant Agreement issued in consideration of the Sixth Amendment.

GF continues to be a related party of AMD because Mubadala and Mubadala Technology Investments LLC (Mubadala Tech) are affiliated with WCH, our largest stockholder. GF, WCH and Mubadala Tech are wholly-owned subsidiaries of Mubadala.

#### ***Equity Interest Purchase Agreement - ATMP Joint Venture***

On April 29, 2016, we and certain of our subsidiaries completed the sale of a majority of the equity interests in Suzhou TF-AMD Semiconductor Co., Ltd., formerly AMD Technologies (China) Co., Ltd., and TF AMD Microelectronics (Penang) Sdn. Bhd., formerly Advanced Micro Devices Export Sdn. Bhd., to affiliates of Nantong Fujitsu Microelectronics Co., Ltd., a Chinese joint stock company (NFME), to form two joint ventures (collectively, the ATMP JV). As a result of the sale, NFME's affiliates

own 85% of the equity interests in each ATMP JV while certain of our subsidiaries own the remaining 15%. We have no obligations to fund the ATMP JV.

As a result of the transaction, we received approximately \$346 million, including purchase price adjustments, in net cash proceeds for selling 85% of the equity interest in each of Suzhou TF-AMD Semiconductor Co., Ltd. and TF AMD Microelectronics (Penang) Sdn. Bhd. These proceeds, net of certain transaction costs, were included in investing activities on our condensed consolidated statements of cash flows for the nine months ended September 24, 2016.

As a result of certain purchase price adjustments, we recognized a charge of \$4 million in the third quarter of 2016, which resulted in our cumulative pre-tax gain on sale of the 85% equity interest in ATMP JV of \$146 million for the nine months ended September 24, 2016, which was recognized within Other income (expense), net on our condensed consolidated statements of operations. The net pre-tax gain reflects the excess of the sum of net cash proceeds and fair value of our retained 15% equity interests in the ATMP JV over the sum of the net book values of our former subsidiaries and other closing costs directly attributed to the divestiture. The above gain includes \$11 million in excess of fair value of our retained interest over the corresponding net book values.

In determining the fair value of our retained 15% equity interests in the ATMP JV, we used quoted prices from comparable bids for this transaction. We also considered other factors including the control premium and the amount of consideration received for the portion sold.

We account for our equity interests in the ATMP JV under the equity method of accounting due to our significant influence over the ATMP JV. As of September 24, 2016, the carrying value of our investment in the ATMP JV was approximately \$60 million.

Following the deconsolidation, the ATMP JV is our related party. The ATMP JV provides assembly, test, mark and pack (ATMP) services to us. We currently pay the ATMP JV for ATMP services on a cost-plus basis. Our total purchases from the ATMP JV during the quarter and nine months ended September 24, 2016 amounted to approximately \$107 million and \$173 million, respectively. Our payable to the ATMP JV, as of September 24, 2016, was \$144 million.

During the quarter and nine months ended September 24, 2016, we recorded \$5 million and \$8 million, respectively, of loss in Equity in income (loss) of ATMP JV on our condensed consolidated statements of operations, which includes certain expenses incurred by us on behalf of the ATMP JV.

#### ***Equity Joint Venture - Intellectual Property Licensing Agreement***

In February 2016, we and Tianjin Haiguang Advanced Technology Investment 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 China JVs). Our equity share in China JV1 and China JV2 is a majority and minority interest, respectively, funded by our contribution of certain of our patents. The JV Partner is responsible for the initial and on-going financing of the China JVs' operations. We have no obligations to fund the China JVs. The China JVs' primary purpose is to support our expansion into the server and workstation product market in China. We licensed certain of our intellectual property (Licensed IP) to the China JVs for a total of approximately \$293 million in license fees payable over several years contingent upon achievement of certain milestones. We also expect to receive a royalty based on the sales of the China JVs' products to be developed on the basis of such Licensed IP. We will also provide certain engineering and technical support to the China JVs in connection with the product development.

We concluded the China JV1 and China JV2 are not operating joint ventures and are variable interest entities due to their reliance on on-going financing by JV Partner. We determined that we are not the primary beneficiary of either China JV1 or China JV2 and we will not consolidate either of these entities. We account for our investments in the China JVs under the equity method of accounting.

Income related to the Licensed IP will be recognized over the period commencing upon delivery of the first Licensed IP milestone through the date of the milestone that requires our continuing involvement in the product development process, and thereafter, together with royalty payments, will recognize income once earned. We will classify Licensed IP income and royalty income as other operating income. During the quarter and nine months ended September 24, 2016, we recognized \$24 million and \$57 million, respectively, of operating income related to the Licensed IP.

Our total exposure to losses through our investment into the China JVs is limited to our investments in the China JVs, which was zero as of September 24, 2016. Our share in the net losses of the China JVs for the quarter and nine months ended September

24, 2016 was not material and is not recorded in our condensed consolidated statement of operations since we are not obligated to fund the China JVs losses in excess of our investment in the China JVs.

As of September 24, 2016, the total assets and liabilities of the China JVs were not material.

#### ***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 during the quarter and nine months ended September 24, 2016 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 year ended December 26, 2015.

We will perform an annual goodwill impairment analysis as of the first day of the fourth quarter of 2016 pursuant to our accounting policy. However, we will also test for goodwill impairment at any time during the year if there are indicators of impairment present. If there are declines in our market capitalization, business climate or operating results, we may incur impairment charges that could be material.

## Results of Operations

Management, including the Chief Operating Decision Maker, who is our Chief Executive Officer, reviews and assesses our operating performance using segment net revenue and operating income (loss) 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. We have the following two reportable segments:

- the Computing and Graphics segment, which primarily includes desktop and notebook processors and chipsets, discrete GPUs and professional graphics; and
- the Enterprise, Embedded and Semi-Custom segment, which primarily includes server and embedded processors, semi-custom SoC products, development services, technology for game consoles and licensing portions of our intellectual property portfolio.

In addition to these reportable segments, we have 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. Also included in this category are, employee stock-based compensation expense, restructuring and other special charges, net, charge related to the Sixth Amendment to the WSA with GF and amortization of acquired intangible assets.

We use a 52 or 53 week fiscal year ending on the last Saturday in December. The quarters ended September 24, 2016 and September 26, 2015 each consisted of 13 weeks. The nine months ended September 24, 2016 and September 26, 2015 each consisted of 39 weeks.

Our operating results tend to vary seasonally with the markets in which our products are sold. For example, historically, first quarter PC product sales are generally lower than fourth quarter sales. In addition, with respect to our semi-custom SoC products for game consoles, we expect sales patterns to follow the seasonal trends of a consumer business with sales in the first half of the year being lower than sales in the second half of the year.

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

	Three Months Ended		Nine Months Ended	
	September 24, 2016	September 26, 2015	September 24, 2016	September 26, 2015
	(In millions)			
Net revenue:				
Computing and Graphics	\$ 472	\$ 424	\$ 1,367	\$ 1,335
Enterprise, Embedded and Semi-Custom	835	637	1,799	1,698
Total net revenue	\$ 1,307	\$ 1,061	\$ 3,166	\$ 3,033
Operating income (loss):				
Computing and Graphics	\$ (66)	\$ (181)	\$ (217)	\$ (403)
Enterprise, Embedded and Semi-Custom	136	84	236	156
All Other	(363)	(61)	(388)	(185)
Total operating loss	\$ (293)	\$ (158)	\$ (369)	\$ (432)

### Computing and Graphics

Computing and Graphics net revenue of \$472 million in the third quarter of 2016 increased by 11%, compared to net revenue of \$424 million in the third quarter of 2015, primarily as a result of an 8% increase in unit shipments and a 2% increase in average selling price. The increase in unit shipments was primarily attributable to higher unit shipments of our notebook microprocessor products and GPU products, partially offset by lower unit shipments of our desktop microprocessor products and chipset products. Unit shipments of our notebook microprocessor products increased primarily due to higher demand for our 6th Generation and 7th Generation A-Series notebook processors. The increase of unit shipments of our GPU products was primarily driven by demand for our Polaris architecture-based GPU products. The increase in average selling price was primarily attributable to an increase in average selling price of our notebook microprocessor products and GPU products, partially offset by a decrease in average selling price of our desktop microprocessor products and our chipset products due to a shift in our product mix. Average selling price of our notebook products increased due to a higher mix of sales of our 7th Generation A-Series notebook processors. Average selling price of our GPU products primarily increased due a higher mix of sales of our higher priced Polaris architecture-based GPU products.

Computing and Graphics net revenue of \$1,367 million in the first nine months of 2016 increased by 2%, compared to \$1,335 million in the first nine months of 2015, as a result of a 3% increase in unit shipments, partially offset by a 2% decrease in average selling price. The increase in unit shipments was primarily attributable to higher unit shipments of our GPU products and notebook microprocessor products, partially offset by lower unit shipment of our desktop microprocessor and chipset products. The increase of unit shipments of our GPU products was primarily driven by demand for our Polaris architecture-based GPU products. Unit shipments of our notebook microprocessor products increased primarily due to higher demand for our 7th Generation A-Series notebook processors. The decrease in average selling price was primarily attributable to a decrease in average selling price of our chipset products due to an unfavorable shift in our product mix, partially offset by an increase in average selling price of our AIB products primarily due to strong demand for our Polaris architecture-based GPU products.

Computing and Graphics operating loss was \$66 million in the third quarter of 2016 compared to an operating loss of \$181 million in the third quarter of 2015. The improvement in operating results was primarily due to the increase in net revenue referenced above and a decrease in cost of sales and operating expenses. Cost of sales decreased primarily due to lower manufacturing cost in the third quarter of 2016 compared to the third quarter of 2015 and an inventory write-down of \$52 million as a result of lower than anticipated demand for primarily older-generation APU products in the third quarter of 2015. Operating expenses decreased for the reasons set forth under "Expenses" below.

Computing and Graphics operating loss was \$217 million in the first nine months of 2016 compared to operating loss of \$403 million in the first nine months of 2015. The improvement in operating results was primarily due to the increase in net revenue referenced above and a decrease in operating expenses and in cost of sales. Cost of sales decreased primarily due to lower manufacturing cost in the first nine months of 2016 compared to the first nine months of 2015 and an inventory write-down of \$52 million as a result of lower than anticipated demand for primarily older-generation APU products in the first nine months of 2015. Operating expenses decreased for the reasons set forth under "Expenses" below.

#### ***Enterprise, Embedded and Semi-Custom***

Enterprise, Embedded and Semi-Custom net revenue of \$835 million in the third quarter of 2016 increased by 31% compared to net revenue of \$637 million in the third quarter of 2015. The increase in net revenue was primarily due to higher unit shipments of our semi-custom SoC products. The increase in unit shipments was primarily driven by our customers' new product introductions.

Enterprise, Embedded and Semi-Custom net revenue of \$1,799 million in the first nine months of 2016 increased by 6% compared to net revenue of \$1,698 million in the first nine months of 2015. The increase in net revenue was primarily due to an increase in unit shipments of our semi-custom SoC products and an increase in our NRE revenue. The increase in unit shipments was primarily driven by our customers' new product introductions.

Enterprise, Embedded and Semi-Custom operating income was \$136 million in the third quarter of 2016 compared to operating income of \$84 million in the third quarter of 2015. The improvement in operating results was primarily due to the increase in net revenue referenced above and a \$24 million IP licensing gain related to the Licensed IP to the China JVs, partially offset by an increase in cost of sales and operating expenses. Cost of sales increased primarily due to higher unit shipments in the third quarter of 2016 compared to the third quarter of 2015, partially offset by an inventory write-down of \$13 million in the third quarter of 2015. Operating expenses increased for the reasons set forth under "Expenses" below.

Enterprise, Embedded and Semi-Custom operating income was \$236 million in the first nine months of 2016 compared to operating income of \$156 million in the first nine months of 2015. The improvement in operating results was primarily due to the increase in net revenue referenced above, a \$57 million IP licensing gain recorded in the first nine months of 2016 related to the Licensed IP to the China JVs, and a decrease in cost of sales, in part due to the absence of a technology node transition charge of \$33 million recorded in the first nine months of 2015, partially offset by an increase in operating expenses. Operating expenses increased for the reasons set forth under "Expenses" below.

#### ***All Other***

All Other operating loss of \$363 million in the third quarter of 2016 included a charge of \$340 million consisting of the \$100 million payment under the Sixth Amendment and the \$240 million value of the warrant under the Warrant Agreement and stock-based compensation expense of \$23 million. All Other operating loss of \$61 million in the third quarter of 2015 included restructuring and other special charges, net of \$48 million and stock-based compensation expense of \$13 million.

All Other operating loss of \$388 million in the first nine months of 2016 primarily included a charge of \$340 million comprised of the \$100 million payment under the Sixth Amendment and the \$240 million value of the warrant under the Warrant Agreement and stock-based compensation expense of \$57 million, partially offset by restructuring reversals of \$10 million. All Other operating loss of \$185 million in the first nine months of 2015 included restructuring and other special charges, net of \$135



million, stock-based compensation expense of \$47 million and \$3 million related to amortization of acquired intangible assets. Restructuring and other special charges, net of \$135 million included \$76 million related to our decision to exit from the dense server systems business, \$41 million related to our 2015 Restructuring Plan and \$18 million related to our 2014 Restructuring Plan.

### **International Sales**

International sales as a percentage of net revenue were 73% in the third quarter of 2016 and 75% in the third quarter of 2015. The decrease in international sales as a percentage of net revenue in the third quarter of 2016 compared to the third quarter of 2015 was primarily driven by a higher proportion of revenue from domestic sales of our semi-custom SoC products.

International sales as a percentage of net revenue were 78% in the first nine months of 2016 and 75% in the first nine months of 2015. The increase in international sales as percentage of net revenue was primarily driven by higher proportion of revenue from international sales of our semi-custom SoC products.

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, Interest Expense, Other Income (Expense), Net, Income Taxes and Equity in Income (Loss) of ATMP JV**

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

	Three Months Ended		Nine Months Ended	
	September 24, 2016	September 26, 2015	September 24, 2016	September 26, 2015
	(In millions except for percentages)			
Cost of sales	\$ 1,248	\$ 822	\$ 2,519	\$ 2,236
Gross margin	59	239	647	797
Gross margin percentage	5%	23%	20%	26%
Research and development	259	241	744	718
Marketing, general and administrative	117	108	339	373
Amortization of acquired intangible assets	—	—	—	3
Restructuring and other special charges, net	—	48	(10)	135
Licensing gain	(24)	—	(57)	—
Interest expense	(41)	(39)	(122)	(119)
Other income (expense), net	(63)	—	87	(3)
Loss before equity loss and income taxes	(397)	(197)	(404)	(554)
Provision for income taxes	4	—	34	4
Equity in income (loss) of ATMP JV	\$ (5)	\$ —	\$ (8)	\$ —

### **Gross Margin**

Gross margin as a percentage of net revenue was 5% in the third quarter of 2016 compared to 23% in the third quarter of 2015. Gross margin in the third quarter of 2016 was adversely impacted by a charge of \$340 million consisting of a \$100 million payment under the Sixth Amendment and the value of the warrant of \$240 million under the Warrant Agreement. The impact of the charge accounted for 26 gross margin percentage points. Gross margin in the third quarter of 2015 was adversely impacted by an inventory write-down of \$65 million, which was primarily the result of lower anticipated demand for older-generation APUs. The impact of the write-down accounted for six gross margin percentage points. In the absence of these charges in 2016 and 2015, gross margin would have increased by two percentage points, primarily driven by improved average selling price of our notebook microprocessor products.

Gross margin as a percentage of net revenue was 20% in the first nine months of 2016 compared to 26% in the first nine months of 2015. Gross margin in the first nine months of 2016 was adversely impacted by a charge of \$340 million comprised of a 100 million payment under the Sixth Amendment and the value of the warrant of \$240 million under the Warrant Agreement. The impact of the charge accounted for 11 gross margin percentage points. Gross margin in the first nine months of 2015 was adversely impacted by an inventory write-down of \$65 million, which was primarily the result of lower anticipated demand for older-generation APUs and a technology node transition charge of \$33 million. The impact of the write-down accounted for two gross margin percentage points and the technology node transition charge accounted for one gross margin percentage point. In

the absence of these charges, the gross margin would have increased by two percentage points, primarily driven by improved mix of semi-custom SoC products.

## **Expenses**

### **Research and Development Expenses**

Research and development expenses of \$259 million in the third quarter of 2016 increased by \$18 million, or 7%, compared to \$241 million in the third quarter of 2015. The increase was primarily due to a \$40 million increase in research and development expenses attributable to our Enterprise, Embedded and Semi-Custom segment and an \$8 million increase attributable to our All Other category, partially offset by a \$30 million decrease in research and development expenses attributable to our Computing and Graphics segment. Research and development expenses attributable to our Enterprise, Embedded and Semi-Custom segment increased primarily due to a \$38 million increase in product engineering and design costs. Research and development expenses attributable to our All Other category increased primarily due to an \$8 million increase in stock-based compensation expense. Research and development expenses attributable to our Computing and Graphics segment decreased primarily due to a \$29 million decrease in product engineering and design costs.

Research and development expenses of \$744 million in the first nine months of 2016 increased by \$26 million, or 4%, compared to \$718 million in the first nine months of 2015. The increase was primarily due to a \$93 million increase in research and development expenses attributable to our Enterprise, Embedded and Semi-Custom segment and a \$7 million increase attributable to our All Other category, partially offset by a \$74 million decrease in research and development expenses attributable to our Computing and Graphics segment. Research and development expenses attributable to our Enterprise, Embedded and Semi-Custom segment increased primarily due to an \$85 million increase in product engineering and design costs and an \$8 million increase in employee compensation and benefit expenses. Research and development expenses attributable to our All Other category increased primarily due to a \$7 million increase in stock-based compensation expense. Research and development expenses attributable to our Computing and Graphics segment decreased primarily due to an \$82 million decrease in product engineering and design costs, partially offset by an \$8 million increase in employee compensation and benefit expenses.

### **Marketing, General and Administrative Expenses**

Marketing, general and administrative expenses of \$117 million in the third quarter of 2016 increased by \$9 million, or 8%, compared to \$108 million in the third quarter of 2015. The increase was primarily due to a \$6 million increase in marketing, general and administrative expenses attributable to our Enterprise, Embedded and Semi-Custom segment and a \$2 million increase attributable to our All Other category. Marketing, general and administrative expenses increased attributable to our Enterprise, Embedded and Semi-Custom segment primarily due to a \$3 million increase in sales and marketing activities and a \$3 million increase in other general and administrative expenses. Marketing, general and administrative expenses increased attributable to our All Other category primarily due to a \$2 million increase in stock-based compensation expense.

Marketing, general and administrative expenses of \$339 million in the first nine months of 2016 decreased by \$34 million, or 9%, compared to \$373 million in the first nine months of 2015. The decrease was primarily due to a \$41 million decrease in marketing, general and administrative expenses attributable to our Computing and Graphics segment primarily due to a \$23 million decrease in sales and marketing activities and a \$17 million decrease in other general and administrative expenses, partially offset by a \$6 million increase attributable to our All Other category primarily due to a \$4 million increase in stock-based compensation expense.

### **Restructuring and Other Special Charges, Net**

#### **2015 Restructuring Plan**

In the third quarter of 2015, we implemented a restructuring plan (the 2015 Restructuring Plan) focused on our ongoing efforts to simplify our business and better align resources around our priorities and business outlook. The 2015 Restructuring Plan involved a reduction of global headcount by approximately 5% and includes organizational actions such as outsourcing certain IT services and application development. In the first nine months of 2015, we recorded a \$41 million restructuring charge, which consisted of \$31 million for severance and benefit costs, \$1 million for facilities-related costs and \$9 million intangible-asset related-charges. The actions associated with the 2015 Restructuring Plan are expected to be substantially completed by the end of the fourth quarter 2016.

The following table provides a summary of the restructuring activities in the first nine months of 2016 and the related liabilities recorded in Other current liabilities and Other long-term liabilities on our condensed consolidated balance sheets as of September 24, 2016:

	Severance and related benefits	Other exit related costs	Total
	(In millions)		
Balance as of December 26, 2015	\$ 14	\$ —	\$ 14
Charges (reversals), net	(1)	—	(1)
Cash payments	(8)	—	(8)
Balance as of September 24, 2016	<u>\$ 5</u>	<u>\$ —</u>	<u>\$ 5</u>

#### **2014 Restructuring Plan**

In the fourth quarter of 2014, we implemented a restructuring plan (the 2014 Restructuring Plan) designed to improve operating efficiencies. The 2014 Restructuring Plan involved a reduction of global headcount by approximately 6% and an alignment of our real estate footprint with our reduced headcount. In the first nine months of 2015, we recorded an \$18 million restructuring charge, which consisted of \$5 million non-cash charge related to asset impairments, \$4 million for severance and benefit costs and \$9 million for facilities related costs. The 2014 Restructuring Plan was largely completed by the end of the third quarter of 2015. During the first nine months of 2016, we recorded a restructuring charge reversal of \$7 million, of which \$5 million related to facilities costs associated with a lease amendment which reduced a lease liability previously accrued under this plan.

The following table provides a summary of the restructuring activities in the first nine months of 2016 and the related liabilities recorded in Other current liabilities and Other long-term liabilities on our condensed consolidated balance sheets as of September 24, 2016:

	Severance and related benefits	Other exit related costs	Total
	(In millions)		
Balance as of December 26, 2015	\$ 5	\$ 15	\$ 20
Charges (reversals), net	(2)	(7)	(9)
Cash payments	(1)	(5)	(6)
Non-cash charges	—	—	—
Balance as of September 24, 2016	<u>\$ 2</u>	<u>\$ 3</u>	<u>\$ 5</u>

#### **Dense Server Systems Business Exit**

As a part of our strategy to simplify and sharpen our investment focus, we exited the dense server systems business, formerly SeaMicro, in the first quarter of 2015. As a result, we recorded a charge of \$76 million in Restructuring and other special charges, net on our condensed consolidated statements of operations in the first nine months of 2015. This charge included an impairment charge of \$62 million related to the acquired intangible assets. We concluded that the carrying value of the acquired intangible assets associated with our dense server systems business was fully impaired as we did not have plans to utilize the related freedom fabric technology in any of our future products nor did we have any plans at that time to monetize the associated intellectual property. In addition, the exit charge consisted of a \$7 million non-cash charge related to asset impairments, \$4 million of severance and related benefits and \$3 million for contract or program termination costs. We substantially completed this exit activity during the first quarter of 2016.

#### **Interest Expense**

Interest expense of \$41 million in the third quarter of 2016 was flat compared to the third quarter of 2015.

Interest expense of \$122 million in the first nine months of 2016 was flat compared to the first nine months of 2015.

#### **Other Income (Expense), Net**

Other expense, net of \$63 million in the third quarter of 2016 increased by \$63 million compared to \$0 in the third quarter of 2015 primarily due to the \$61 million total loss on debt repurchases and the \$4 million adjustment to the gain on sale of equity interests in ATMP JV.

Other income, net of \$87 million in the first nine months of 2016 increased by \$90 million compared to \$3 million Other expense, net in the first nine months of 2015 primarily due to the net gain on sale of equity interests in ATMP JV of \$146 million, partially offset by the \$61 million total loss on debt repurchases.

## Income Taxes

In the third quarter of 2016, we recorded an income tax provision of \$4 million, consisting of \$1 million of foreign taxes in profitable locations and \$3 million for withholding taxes applicable to license fee revenue from foreign locations.

For the nine months ended September 24, 2016, we recorded an income tax provision of \$34 million, including \$6 million of foreign taxes in profitable locations, \$5 million for withholding taxes applicable to license fee revenue from foreign locations and \$4 million of tax benefits arising from other comprehensive income and Canadian tax credits. In addition, we recorded the tax effect of completion of the sale of a majority equity interest in two subsidiaries comprising \$21 million of income tax expense in China and \$6 million of withholding tax expense associated with a future repatriation of the gain generated in China by the Chinese portion of that transaction (see Note 5. Equity Interest Purchase Agreement - ATMP Joint Venture).

We now apply the equity method of accounting to our 15% investment in the two former subsidiaries. Our share of applicable tax expense will be netted with the equity share of future profits or losses. In 2015, we recorded an income tax provision of \$2 million related to the activities of the two former subsidiaries.

We have not recognized the tax benefit of future foreign tax credits associated with the withholding tax expense as the size and age profile of existing tax attributes does not allow us to satisfy the “more likely than not” criterion for the recognition of deferred tax assets.

In the third quarter of 2015, we did not record any income tax provision. For the nine months ended September 26, 2015, we recorded an income tax provision of \$4 million due to foreign taxes in profitable locations.

As of September 24, 2016, substantially all of our 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 24, 2016, in our estimate, is not more likely than not to be achieved.

Our gross unrecognized tax benefits as of September 24, 2016 were \$41 million. We do not believe it is reasonably possible that unrecognized tax benefits will materially change in the next 12 months. However, the settlement, resolution or closure of our tax audits are highly uncertain.

## Stock-Based Compensation Expense

The following table summarizes stock-based compensation expense related to employee stock options and restricted stock units, which we allocated in our condensed consolidated statements of operations as follows:

	Three Months Ended		Nine Months Ended	
	September 24, 2016	September 26, 2015	September 24, 2016	September 26, 2015
	(In millions)			
Cost of sales	\$ —	\$ —	\$ 1	\$ 2
Research and development	15	7	34	27
Marketing, general and administrative	8	6	22	18
Stock-based compensation expense, net of tax of \$0	<u>\$ 23</u>	<u>\$ 13</u>	<u>\$ 57</u>	<u>\$ 47</u>

For all periods presented, we did not realize any excess tax benefit related to stock-based compensation and therefore did not record any related financing cash flows.

Stock-based compensation expense of \$23 million in the third quarter of 2016 increased by \$10 million compared to \$13 million in the third quarter of 2015. The increase was primarily due to a higher weighted average grant date fair value in the third quarter of 2016 compared to the third quarter of 2015.

Stock-based compensation expense of \$57 million in the first nine months of 2016 increased by \$10 million compared to \$47 million in the first nine months of 2015. The increase was primarily due to a higher weighted average grant date fair value in the first nine months of 2016 compared to the first nine months of 2015.

## FINANCIAL CONDITION

### Liquidity and Capital Resources

As of September 24, 2016, our cash and cash equivalents were \$1.3 billion compared to \$785 million as of December 26, 2015. The increase during the first nine months of 2016 was primarily due to the \$681 million net proceeds from the newly issued 2.215% Notes, the \$668 million net proceeds from selling 115 million shares of our common stock, the \$346 million net proceeds from sale of equity interests in the ATMP JV, the \$52 million associated with the licensing agreement with the China JVs and

timing of accounts payable payments. The increase of the cash was partially offset by the repurchases of an aggregate principal amount of \$796 million of our outstanding 6.75% Notes, 7.75% Notes, 7.50% Notes and 7.00% Notes for \$848 million in cash, the repayments in aggregate of \$230 million of our Secured Revolving Line of Credit, debt interest payments of \$148 million and \$56 million used for purchases of property, plant and equipment in the first nine months of 2016. The percentage of cash and cash equivalents held domestically was 97% as of September 24, 2016, compared to 88% at December 26, 2015.

Our debt obligations of \$1.6 billion net of unamortized debt issuance costs and unamortized debt discount associated with the 2.125% Notes as of September 24, 2016 decreased compared to \$2.2 billion at December 26, 2015.

We believe our cash and cash equivalents balance along with our Secured Revolving Line of Credit will be sufficient to fund operations, including capital expenditures, over the next 12 months. We believe that in the event we decide to obtain external funding, we may be able to access the capital markets on terms and in amounts adequate to meet our objectives.

Should we require additional funding, such as to meet payment obligations of our long-term debt when due, we may need to raise the required funds through borrowings or public or private sales of debt or equity securities, which may be issued from time to time under an effective registration statement, through the issuance of securities in a transaction exempt from registration under the Securities Act of 1933 or a combination of one or more of the foregoing. Uncertain global economic conditions have in the past adversely impacted, and may in the future adversely impact, our business. If market conditions deteriorate, we may be limited in our ability to access the capital markets to meet liquidity needs on favorable terms or at all, which could adversely affect our liquidity and financial condition, including our ability to refinance maturing liabilities.

### ***Operating Activities***

Net cash used in operating activities was \$98 million in the first nine months of 2016 compared to \$285 million in the first nine months of 2015. The improvement in operating activities was primarily due to lower operating expenses including lower labor costs, as a result of restructuring actions and receipt of \$52 million associated with the licensing agreement with the China JVs, partially offset by timing of accounts payable payments and lower cash collections during the first nine months of 2016 compared to the first nine months of 2015 mainly due to timing.

### ***Investing Activities***

Net cash provided by investing activities was \$293 million in the first nine months of 2016, which consisted of net cash inflow of \$346 million from sale of equity interests in the ATMP JV, partially offset by a cash outflow of \$56 million for purchases of property, plant and equipment.

Net cash provided by investing activities was \$179 million in the first nine months of 2015, which consisted of net cash inflow of \$235 million from purchases, sales and maturity of available for sale securities and \$8 million of proceeds from sale of our building in Markham, Canada, partially offset by a cash outflow of \$64 million for purchases of property, plant and equipment.

### ***Financing Activities***

Net cash provided by financing activities was \$278 million in the first nine months of 2016 primarily due to the \$681 million net proceeds from the new issued 2.215% Notes, the \$668 million net proceeds from selling 115 million shares of our common stock and the \$12 million proceeds from issuance of common stock under stock-based compensation equity plans, partially offset by the repurchases of an aggregate principal amount of \$796 million of our outstanding 6.75% Notes, 7.75% Notes, 7.50% Notes and 7.00% Notes for \$848 million in cash and repayments in aggregate of \$230 million of our Secured Revolving Line of Credit.

Net cash provided by financing activities was \$56 million in the first nine months of 2015, primarily due to \$100 million net proceeds from our Secured Revolving Line of Credit borrowings, of which \$42 million was used to repay the remaining aggregate principal amount of our 6.00% Notes during the second quarter of 2015.

During the first nine months of 2016 and 2015, we did not realize any excess tax benefit related to stock-based compensation. Therefore, we did not record any effects relating to financing cash flows for these periods.

### ***Contractual Obligations***

The following table summarizes our consolidated principal contractual obligations, as of September 24, 2016, and is supplemented by the discussion following the table:

Payments due by period as of September 24, 2016

(In millions)	Total	Remainder of 2016	2017	2018	2019	2020	2021 and thereafter
6.75% Notes	\$ 196	\$ —	\$ —	\$ —	\$ 196	\$ —	\$ —
7.75% Notes	208	—	—	—	—	208	—
7.50% Notes	350	—	—	—	—	—	350
7.00% Notes	475	—	—	—	—	—	475
2.125% Notes	700	—	—	—	—	—	700
Other long-term liabilities	97	—	9	45	35	6	2
Aggregate interest obligation <sup>(1)</sup>	702	26	106	106	99	91	274
Operating leases	393	13	46	47	44	43	200
Purchase obligations <sup>(2)</sup>	344	202	92	35	13	2	—
Obligations to GF <sup>(3)</sup>	3,199	257	650	748	764	780	—
Total contractual obligations <sup>(4)</sup>	\$ 6,664	\$ 498	\$ 903	\$ 981	\$ 1,151	\$ 1,130	\$ 2,001

<sup>(1)</sup> Represents estimated aggregate interest obligations for our outstanding debt obligations that are payable in cash, excluding non-cash amortization of debt issuance costs and the impacts of the interest rate swap agreements.

<sup>(2)</sup> We have 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 included the minimum volume of purchase obligations in the table above. Purchase orders for goods and services that are cancelable upon notice and without significant penalties are not included in the amounts above. In addition, we have included in the table above obligations for software technology and licenses and IP licenses where payments are fixed and non-cancelable.

<sup>(3)</sup> Includes our currently expected purchases from GF for the remainder of 2016 for wafer manufacturing and research and development activities and minimum purchase obligations for wafer purchases for years 2017 through 2020. We cannot meaningfully quantify or estimate our future purchase obligations to GF beyond 2020 but expect that our future purchases from GF will continue to be material.

<sup>(4)</sup> Total amount excludes contractual obligations already recorded on our condensed consolidated balance sheets except for debt obligations and other long-term liabilities.

### **6.75% Senior Notes Due 2019**

On February 26, 2014, we issued \$600 million of our 6.75% Notes. Our 6.75% Notes are our general unsecured senior obligations. Interest is payable on March 1 and September 1 of each year beginning September 1, 2014 until the maturity date of March 1, 2019. Our 6.75% Notes are governed by the terms of an indenture (the 6.75% Indenture) dated February 26, 2014 between us and Wells Fargo Bank, N.A., as trustee.

At any time before March 1, 2019, we may redeem some or all of our 6.75% Notes at a price equal to 100% of the principal amount, plus accrued and unpaid interest and a “make whole” premium (as set forth in the 6.75% Indenture).

During the third quarter of 2016, we repurchased \$404 million in aggregate principal amount of our 6.75% Notes. As of September 24, 2016, the outstanding aggregate principal amount of our 6.75% Notes was \$196 million.

### **7.75% Senior Notes Due 2020**

On August 4, 2010, we issued \$500 million of our 7.75% Notes. Our 7.75% Notes are our general unsecured senior obligations. Interest is payable on February 1 and August 1 of each year beginning February 1, 2011 until the maturity date of August 1, 2020. Our 7.75% Notes are governed by the terms of an indenture (the 7.75% Indenture) dated August 4, 2010 between us and Wells Fargo Bank, N.A., as trustee.

During the third quarter of 2016, we repurchased \$242 million in aggregate principal amount of our 7.75% Notes. As of September 24, 2016, the outstanding aggregate principal amount of our 7.75% Notes was \$208 million.

On September 28, 2016, we redeemed the remaining \$208 million in aggregate principal amount of our 7.75% Notes.

### **7.50% Senior Notes Due 2022**

On August 15, 2012, we issued \$500 million of our 7.50% Notes. Our 7.50% Notes are our general unsecured senior obligations. Interest is payable on February 15 and August 15 of each year beginning February 15, 2013 until the maturity date of August 15, 2022. Our 7.50% Notes are governed by the terms of an indenture (the 7.50% Indenture) dated August 15, 2012 between us and Wells Fargo Bank, N.A., as trustee.

Prior to August 15, 2022, we may redeem some or all of our 7.50% Notes at a price equal to 100% of the principal amount, plus accrued and unpaid interest and a “make whole” premium (as set forth in the 7.50% Indenture).

During the third quarter of 2016, we repurchased \$125 million in aggregate principal amount of our 7.50% Notes. As of September 24, 2016, the outstanding aggregate principal amount of our 7.50% Notes was \$350 million.

### **7.00% Senior Notes Due 2024**

On June 16, 2014, we issued \$500 million of our 7.00% Notes. The 7.00% Notes are our general unsecured senior obligations. Interest is payable on January 1 and July 1 of each year beginning January 1, 2015 until the maturity date of July 1, 2024. The 7.00% Notes are governed by the terms of an indenture (the 7.00% Indenture) dated June 16, 2014 between us and Wells Fargo Bank, N.A., as trustee.

At any time before July 1, 2017, we may redeem up to 35% of the aggregate principal amount of the 7.00% Notes within 90 days of the closing of an equity offering with the net proceeds thereof at a redemption price equal to 107.000% of the principal amount thereof, together with accrued and unpaid interest to but excluding the date of redemption. Prior to July 1, 2019, we may redeem some or all of the 7.00% Notes at a price equal to 100% of the principal amount, plus accrued and unpaid interest and a “make whole” premium (as set forth in the 7.00% Indenture).

Starting July 1, 2019, we may redeem our 7.00% Notes for cash at the following specified prices plus accrued and unpaid interest:

<b>Period</b>	<b>Price as Percentage of Principal Amount</b>
Beginning on July 1, 2019 through June 30, 2020	103.500%
Beginning on July 1, 2020 through June 30, 2021	102.333%
Beginning on July 1, 2021 through June 30, 2022	101.167%
On July 1, 2022 and thereafter	100.000%

During the third quarter of 2016, we repurchased \$25 million in aggregate principal amount of our 7.00% Notes. As of September 24, 2016, the outstanding aggregate principal amount of our 7.00% Notes was \$475 million.

#### ***2.125% Convertible Senior Notes Due 2026***

On September 14, 2016, we issued \$700 million in the aggregate principal amount of 2.125% Convertible Senior Notes due 2026 (2.125% Notes). Our 2.125% Notes are our general unsecured senior obligations and will mature on September 1, 2026, unless earlier repurchased or converted. Interest is payable in arrears on March 1 and September 1 of each year beginning on March 1, 2017. Our 2.125% Notes are governed by the terms of a base indenture and a supplemental indenture (together the 2.125% Indentures) dated September 14, 2016 between us and Wells Fargo Bank, N.A., as trustee.

Holder may convert their notes at their option at any time prior to the close of business on the business day immediately preceding June 1, 2026 only under 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 our 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; (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 our 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, we will pay or deliver, as the case may be, cash, shares of our common stock or a combination of cash and shares of our common stock, at our election.

We may not redeem the notes prior to the maturity date, and no sinking fund is provided for the notes.

The conversion rate will initially be 125.0031 shares of common stock per \$1,000 principal amount of notes (equivalent to an initial conversion price of approximately \$8.00 per share of common stock). The conversion rate will be subject to adjustment in some events but will not be adjusted for any accrued and unpaid interest. In addition, following certain corporate events that occur prior to the maturity date, we will increase the conversion rate for a holder who elects to convert its notes in connection with such a corporate event in certain circumstances.

If we undergo a fundamental change prior to the maturity date of the notes, holders may require us to repurchase for cash all or any portion of their notes at a fundamental change repurchase price equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

As of September 24, 2016, the outstanding aggregate principal amount of our 2.125% Notes was \$700 million.

We also granted an option to the underwriters to purchase up an additional \$105 million aggregate principal amount of the 2.125% Notes. On September 28, 2016, this option was exercised, and we issued an additional \$105 million aggregate principal amount of the 2.125% Notes on September 28, 2016.

#### ***Potential Repurchase of Outstanding Notes***

We may elect to purchase or otherwise retire all or a portion of our 2.125% Notes, 6.75% Notes, 7.50% Notes and 7.00% Notes with cash, stock or other assets from time to time in open market or privately negotiated transactions, either directly or through intermediaries, or by tender offer when we believe the market conditions are favorable to do so.

#### ***Secured Revolving Line of Credit***

##### ***Amended and Restated Loan and Security Agreement***

On April 14, 2015, AMD and its subsidiaries, AMD International Sales & Service, Ltd. and ATI Technologies ULC (collectively, the Loan Parties), entered into an amended and restated loan and security agreement (the Amended and Restated Loan Agreement) by and among the Loan Parties, the financial institutions party thereto from time to time as lenders (the Lenders) and Bank of America, N.A., acting as agent for the Lenders (the Agent).

The Amended and Restated Loan Agreement provides for a Secured Revolving Line of Credit for a principal amount up to \$500 million with up to \$75 million available for issuance of letters of credit, which remained unchanged from the loan and security agreement dated November 12, 2013, as amended on December 11, 2014. Borrowings under the Secured Revolving Line of Credit are limited to up to 85% of eligible accounts receivable (90% for certain qualified eligible accounts receivable), minus specified



reserves. The size of the commitments under the Secured Revolving Line of Credit may be increased by up to an aggregate amount of \$200 million.

The Secured Revolving Line of Credit matures on April 14, 2020 and is secured by a first priority security interest in the Loan Parties' accounts receivable, inventory, deposit accounts maintained with the Agent and other specified assets, including books and records.

During the third quarter of 2016, we repaid the \$226 million outstanding balance. As of September 24, 2016, we did not have any borrowings outstanding under the Secured Revolving Line of Credit. At December 26, 2015, the Secured Revolving Line of Credit had an outstanding loan balance of \$230 million, at an interest rate of 4.00%. At September 24, 2016, the Secured Revolving Line of Credit had \$21 million related to outstanding letters of credit and up to \$395 million available for future borrowings. We report our intra-period changes in our revolving credit balance on a net basis in our condensed consolidated statement of cash flows as we intend the period of the borrowings to be brief, repaying borrowed amounts within 90 days. As of September 24, 2016, we were in compliance with all required covenants stated in the Amended and Restated Loan Agreement.

The agreements governing our 6.75% Notes, 7.50% Notes, 7.00% Notes, 2.125% Notes and our Secured Revolving Line of Credit contain cross-default provisions whereby a default under one agreement would likely result in cross defaults under agreements covering other borrowings. The occurrence of a default under any of these borrowing arrangements would permit the applicable note holders or the lenders under the Secured Revolving Line of Credit to declare all amounts outstanding under those borrowing arrangements to be immediately due and payable.

#### ***First Amendment to the Amended and Restated Loan and Security Agreement***

On June 10, 2015, the Loan Parties entered into a first amendment to the Amended and Restated Loan and Security Agreement (the First Amendment) by and among the Loan Parties, the Lenders and the Agent, which modifies the Amended and Restated Loan and Security Agreement. Amendments to the Amended and Restated Loan Agreement effected by the First Amendment included the addition of exceptions to the liens and asset sale covenants to permit the Loan Parties to enter into certain supply chain finance arrangements, as well as the addition of certain definitions related thereto.

#### ***Second Amendment to the Amended and Restated Loan and Security Agreement***

On April 29, 2016, the Loan Parties entered into a second amendment to the Amended and Restated Loan and Security Agreement (the Second Amendment) by and among the Loan Parties, the Lenders and the Agent, which modifies the Amended and Restated Loan and Security Agreement. The primary amendment to the Amended and Restated Loan Agreement effected by the Second Amendment related to the expansion of the definition of permitted asset dispositions to include the sale or transfer of inventory to the ATMP JV pursuant to the Equity Interest Purchase Agreement between AMD and NFME.

#### ***Third Amendment to the Amended and Restated Loan and Security Agreement***

On June 21, 2016, the Loan Parties entered into a third amendment to the Amended and Restated Loan and Security Agreement (the Third Amendment) by and among the Loan Parties, the Lenders and the Agent, which modifies the Amended and Restated Loan and Security Agreement. Amendments to the Amended and Restated Loan Agreement effected by the Third Amendment included the further expansion of the asset sale covenants to permit the Loan Parties to enter into certain supply chain finance arrangements.

#### ***Fourth Amendment to the Amended and Restated Loan and Security Agreement***

On September 7, 2016, the Loan Parties entered into a fourth amendment to the Amended and Restated Loan and Security Agreement (the Fourth Amendment) by and among the Loan Parties, the Lenders and the Agent, which modifies the Amended and Restated Loan and Security Agreement. The primary amendment to the Amended and Restated Loan agreement effected by the Fourth Amendment was to increase the dollar limit as set forth the definition related to certain supply chain finance arrangements.

#### ***Other Long-Term Liabilities***

Other long-term liabilities in the contractual obligations table above primarily consists of \$95 million of payments due under certain software and technology licenses that will be paid through 2020.

Other long-term liabilities in the contractual obligations table above exclude amounts recorded on our condensed consolidated balance sheet that do not require us to make cash payments, which, as of September 24, 2016, primarily consisted of \$14 million

of deferred gains resulting from certain real estate transactions that occurred in Sunnyvale, California in 1998, in Markham, Ontario, Canada in 2015 and 2008 and in Singapore in 2013 and \$12 million interest accretion for future payments related to software and technology licenses. Operating lease accruals of \$5 million and deferred rent related to our facilities in Sunnyvale, California of \$3 million are excluded from other long-term liabilities in the contractual obligations table above as they are included in the operating leases obligations. Also excluded from other long-term liabilities in the contractual obligations table above are \$11 million deferred tax liabilities, \$3 million non-current unrecognized tax benefits and \$3 million of environmental reserves, which represent potential cash payments that could be payable by us upon settlements with the related authorities. We have not included these amounts in the contractual obligations table above because we cannot make reasonably reliable estimates regarding the timing of the settlements with the related authorities, if any.

#### ***Operating Leases***

We lease certain of our facilities and, in some jurisdictions, we lease the land on which our facilities are built under non-cancelable lease agreements that expire at various dates through 2028. We lease certain office equipment for terms ranging from one to five years. Total future non-cancelable lease obligations as of September 24, 2016 were \$393 million, including \$338 million of future lease payments and estimated operating costs related to the real estate transactions that occurred in Austin, Texas, Sunnyvale and Santa Clara, California, Markham, Canada, and Singapore. During the second quarter of 2016, we signed an amendment to the lease agreement associated with our headquarters in Sunnyvale, California so that the lease expires in December 2017. In connection with the amendment, the lease payments were reduced for 2017. During the third quarter of 2016, we entered into a 10 year operating lease to occupy 220,000 square feet of new office space in Santa Clara. Base rent obligation is estimated to commence in August 2017 and the total estimate base rent payments over the life of the lease are approximately \$125 million. In addition to the base rent payments we will be obligated to pay certain customary amounts for our share of operating expenses and tax obligation. We will also incur costs for capital projects on the new office space. We have the option to extend the term of the lease for an additional 2 five-year periods.

#### ***Purchase Obligations***

Our purchase obligations primarily include our obligations to purchase wafers and substrates from third parties, excluding our wafer purchase commitments to GF under the WSA. As of September 24, 2016, total non-cancelable purchase obligations were \$344 million.

#### ***Obligations to GF***

Our currently expected purchases from GF for the remainder of 2016 for wafer and research and development activities, and minimum purchase obligations for wafer purchases for years 2017 through 2020 are approximately \$3.2 billion. We are not able to meaningfully quantify or estimate our future purchase obligations to GF beyond this amount but expect that our future purchases from GF will continue to be material.

#### ***Off-Balance Sheet Arrangements***

As of September 24, 2016, we had no off-balance sheet arrangements.

**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 year ended December 26, 2015.

There have not been any material changes in market risk since December 26, 2015.

**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 the SEC’s 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 24, 2016, 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 during our third quarter of 2016 that materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

## PART II. OTHER INFORMATION

### 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, motherboards and other components necessary to assemble a computer system. OEMs that purchase microprocessors for computer systems are highly dependent on Intel, less innovative on their own and, to a large extent, are distributors of Intel technology. 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.

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 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, or 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.

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. For example, Intel has introduced microprocessors for low-cost notebooks, similar to products that we offer for low-cost notebooks.

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.

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 have a wafer supply agreement with GF with obligations to manufacture products at GF with certain exceptions. If GF is not able to satisfy our manufacturing requirements, our business could be adversely impacted.***

The WSA governs the terms by which we purchase products manufactured by GF. The WSA is in place until 2024. Pursuant to the WSA, we are required to purchase all of our microprocessor and APU product requirements, and a portion of our GPU product requirements from GF with specific mutually agreed exceptions. If GF is unable to achieve anticipated manufacturing yields, remain competitive using or implementing advanced leading-edge process technologies needed to manufacture future generations of our products, manufacture our products on a timely basis at competitive prices or meet our capacity requirements, then we may experience delays in product launches, supply shortages for certain products or increased costs and our business could be materially adversely affected. Moreover, if GF is unable to satisfy our manufacturing requirements and we are unable to secure from GF additional exceptions allowing us to contract with another wafer foundry to satisfy those requirements, then our business could be materially adversely affected.

Additionally, we recently entered into the sixth amendment to the WSA pursuant to which we agreed to certain annual wafer purchase targets through 2020, and 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, GF's ability to manufacture products for us could be materially adversely affected.

***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 assemble, test and package 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.

In April 2016, we consummated a transaction with Nantong Fujitsu Microelectronics Co., Ltd. (JV Party), under which we sold to JV Party 85% of the equity interests in our ATMP facilities consisting of Suzhou TF-AMD Semiconductor Co., Ltd., formerly AMD Technologies (China) Co., Ltd., and TF-AMD Microelectronics (Penang) Sdn. Bhd., formerly Advanced Micro Devices Export Sdn. Bhd., thereby forming two joint ventures (collectively, the JVs). Going forward, the majority of our ATMP services will be provided by the JVs and there is no guarantee that the JVs will be able to adequately fulfill our ATMP requirements as we transition operations to the JV Party, nor is there any 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, including GF, 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. 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.

***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. For example, a large portion of our Computing and Graphics revenue is focused on consumer desktop PC and notebook segments, which have experienced and continue to experience a decline driven by, among other factors, the adoption of smaller form factors, increased competition and changes in replacement cycles. As consumers adopt new form factors, 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 a new x86 processor core codenamed “Zen” to help drive our re-entry into high-performance and server computing. We cannot assure you that our efforts to execute our product roadmap and address markets beyond our core PC market 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 involves certain risks and uncertainties and could disrupt our ongoing business. New investments may not generate sufficient revenue, incur unanticipated liabilities and 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, 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. 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.***

Collectively, our top two and our top five customers accounted for approximately 60% and 75% of our net revenue, respectively, during the third quarter of 2016. On a segment basis, during the third quarter of 2016, five customers accounted for approximately 54% of the net revenue of our Computing and Graphics segment and five customers accounted for approximately 96% of the net revenue of our Enterprise, Embedded and Semi-Custom segment. We expect that a small number of customers will continue to account for a substantial part of revenue of our businesses 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 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.

***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 (including enabling state-of-the-art visual experience), 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 uncompetitive. We may also face aggressive pricing by competitors, especially during challenging economic times. Some competitors may have greater access or rights to companion technologies, including interface, processor and memory technical information. For instance, with the introduction of 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. 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. 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, 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.

***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 conditions and financial, business and 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 line of credit for a principal amount up to \$500 million (our Secured Revolving Line of Credit), 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 Line of Credit or borrow more funds on terms acceptable to us, if at all.

***We have a substantial 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 24, 2016 was \$1.6 billion, net of unamortized debt issuance costs and unamortized debt discount associated with the 2.125% Notes. Our substantial 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 interest rate swap agreements from time to time to manage our exposure to interest rate risk. These swap agreements involve risks, such as the risk that counterparties may fail to honor their obligations under these arrangements, the



risk that these arrangements may not be effective in reducing our exposure to changes in interest rates and the risk that our exposure to interest rates may increase if interest rates increase.

We also enter into sale and factoring arrangements from time to time with respect to certain of our 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 Line of Credit impose restrictions on us that may adversely affect our ability to operate our business.***

The indentures governing our 2.125% Convertible Senior Notes (2.125% Notes), 7.50% Senior Notes due 2022 (7.50% Notes), 7.00% Senior Notes due 2024 (7.00% Notes) and 6.75% Senior Notes due 2019 (6.75% 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 Amended and Restated Loan Agreement restricts our ability to make cash payments on the notes to the extent that on the date of such payment, a default or event of default exists under the Amended and Restated Loan Agreement, or we have not had at all times during the 45 consecutive days immediately preceding such payment, or would not have, on a pro forma basis after giving effect to such payment, Excess Cash Availability (as defined in the Amended and Restated Loan Agreement) of at least \$100 million. Any of our future debt agreements may contain similar restrictions. If we fail to make any 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, would constitute an event of default under the agreements governing our other indebtedness.

Our Secured Revolving Line of Credit also contains various covenants which limit our ability to, among other things, make certain investments, merge or consolidate with other entities and permit certain subsidiaries from incurring indebtedness. In addition, further restrictions apply when certain payment conditions (the Payment Conditions) are not satisfied with respect to specified transactions, events or payments. The Payment Conditions include that (i) no default or event of default exists and (ii) at all times during the 45 consecutive days immediately prior to such transaction, event or payment and on a pro forma basis after giving effect to such transaction, event or payment and any incurrence or repayment of indebtedness in connection therewith, the Loan Parties' Excess Cash Availability (as defined in the Amended and Restated Loan Agreement) available cash is greater than the greater of 20% of the total commitment amount and \$100 million. If Payment Conditions are not satisfied under certain circumstances, we will become subject to various additional covenants which limit our ability to, among other things:

- create liens upon any of the Loan Parties' property (other than customary permitted liens and liens in respect of up to \$1.5 billion of secured credit facilities debt (which amount includes our Secured Revolving Line of Credit));
- declare or make cash distributions;
- create any encumbrance on the ability of a subsidiary to make any upstream payments;
- make asset dispositions other than certain ordinary course dispositions and certain supply chain finance arrangements;
- make certain loans, 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 (except for certain customary exceptions).

The agreements governing our notes and our Secured Revolving Line of Credit contain cross-default provisions whereby a default under one agreement would likely result in cross defaults under agreements covering other borrowings. For example, the occurrence of a default with respect to any indebtedness or any failure to repay debt when due in an amount in excess of \$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 2.125% Notes, 7.50% Notes, 7.00% Notes and 6.75% Notes, as well as under our Secured Revolving Line of Credit. The occurrence of a default under any of these borrowing arrangements would permit the applicable note holders or the lenders under our Secured Revolving Line of Credit 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 2.125% Notes, 7.50% Notes, 7.00% Notes or 6.75% Notes or the lenders under our Secured Revolving Line of Credit accelerate the repayment of borrowings, we cannot assure you that we will have sufficient assets to repay those borrowings.

***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 experienced and continue to experience 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 and Microsoft Xbox One game console systems worldwide.

***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 software development tools and hardware testing tools. Furthermore, certain product features may rely on intellectual property acquired from third parties. The design requirements necessary to meet consumer demand for more features and greater functionality from semiconductor products may exceed the capabilities of the third-party intellectual property or development tools available to us. If the third-party intellectual property that we use becomes unavailable, is not available with required functionality and 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, software (e.g. BIOS, operating systems) and other components that our customers utilize to support our microprocessor, GPU and APU offerings. We also rely on AIBs 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, software and other components decrease their support for our product offerings, 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 sold 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 AIBs to offer our competitors' products. We are dependent on our distributors and AIBs to supplement our direct marketing and sales efforts. If any significant distributor or AIB or a substantial number of our distributors or AIBs 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. 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 AIBs 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 code date. Some agreements with our distributors also contain standard stock rotation provisions permitting limited levels of product returns. Our agreements with AIBs protect their inventory of our products against price reductions. We defer the gross margins on our sales to distributors and AIBs, resulting from both our deferral of revenue and related product costs, until the applicable products are re-sold by the distributors or the AIBs. However, 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.

***Our inability to continue to attract and retain qualified personnel may hinder our product development programs.***

Much of our future success depends upon the continued service of numerous qualified engineering, marketing, sales and executive personnel. 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. In addition, our current and any future restructuring plans may adversely impact our ability to attract and retain key employees.

***Our issuance to West Coast Hitech L.P. (WCH) of warrants to purchase 75 million shares of our common stock, if and when exercised, will dilute the ownership interests of our existing stockholders, and 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.***

In consideration for the limited waiver and rights under the Sixth Amendment, we issued warrants to WCH to purchase 75 million shares of our common stock. Any issuance by us of common shares to WCH upon exercise of the warrants will dilute the ownership interests of our existing stockholders. Any sales in the public market by WCH of any shares owned by WCH could adversely affect prevailing market prices of our common stock, and the anticipated exercise by WCH of the warrants could depress the price of our common stock.

Also, the conversion of some or all of the 2.125% Notes may dilute the ownership interests of our existing stockholders. Such 2.125% Notes may become convertible at the option of their holders prior to their scheduled term under certain circumstances. 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.

***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 Line of Credit, which would result in a default under the indentures and our Secured Revolving Line of Credit.***

Upon a change of control, we will be required to offer to repurchase all of our 2.125% Notes, 7.50% Notes, 7.00% Notes and 6.75% 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 Line of Credit. As of September 24, 2016, no borrowings were outstanding under the Secured Revolving Line of Credit, \$21 million related to letters of credit under the Secured Revolving Line of Credit remained outstanding and \$1.6 billion 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 Line of Credit.

***The semiconductor industry is highly cyclical and has experienced severe downturns that have materially adversely affected, and may continue to materially adversely affect, 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. For example, form factor devices continue to shift from desktop PCs and notebooks to smaller form factor devices. A large portion of our Computing and Graphics revenue is focused on consumer desktop PC and notebook segments, which have experienced and continue to experience a decline driven by, among other factors, the adoption of smaller form factors, increased competition and changes in replacement cycles.

Global economic uncertainty and weakness have also 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 and/or joint ventures could disrupt our business, harm our financial condition and operating results 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 or joint ventures 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. On April 2016, we consummated the transaction with JV Party, under which we sold to JV Party 85% of the equity interests in our JVs. Going forward, we expect the majority of our ATMP services will be provided by the JVs and there is no guarantee that the JVs will be able to adequately fulfill our ATMP requirements as we transition operations to the JV Party, nor is there any 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. For example, in connection with our strategy of licensing portions of our intellectual property portfolio, in the first quarter of 2016, we entered into a joint venture with and Tianjin Haiguang Advanced Technology Investment Co., Ltd. (THATIC), comprised of two separate legal entities, China JV1 and China JV2 (collectively, the China JVs). The China JVs' primary purpose is to support our expansion into the server and workstation product market in China. We also licensed certain of our intellectual property (Licensed IP) to the China JVs for license fees payable over several years contingent upon achievement of certain milestones. We also expect to receive a royalty based on the sales of the China JVs' products to be developed on the basis of such Licensed IP. We may not realize the expected benefits from this joint venture, including the China JVs' expected future performance, the receipt of any future milestone payments from the Licensed IP, and the receipt of any royalty payments from future sales of the China JVs' products.

***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.

***Data breaches and cyber-attacks could compromise our intellectual property or other sensitive information, be costly to remediate and cause significant damage to our business and reputation.***

In the ordinary course of our business, we maintain sensitive data on our networks, including our intellectual property and proprietary or confidential business information relating to our business and that of our customers and business partners. The secure maintenance of this information is critical 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 to a state-sponsored attack. Cyber threats may be generic, or they may be custom-crafted against our information systems. Over the past year, cyber-attacks have become more prevalent and much harder to detect and defend against. Our network and storage applications 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 or disclosure of our information or intellectual property could compromise our intellectual property and expose sensitive business information. Cyber-attacks 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. In addition, we could be subject to potential claims for damages resulting from loss of data from alleged vulnerabilities in the security of our processors. We also maintain confidential and personally identifiable information about our workers. The integrity and protection of our worker data is critical to our business and our workers have a high expectation that we will adequately protect their personal information. We anticipate an increase in costs related to:

- implementing new data security procedures, including costs related to upgrading computer and network security;
- training workers to maintain and monitor our security measures;
- remediating any data security breach and addressing the related litigation; and
- mitigating reputational harm.

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 is likely to 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 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.***

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 are generally lower than fourth quarter sales. In addition, with respect to our semi-custom SoC products for game consoles, we expect sales patterns to follow the seasonal trends of a consumer business with sales in the first half of the year being lower than sales in the second half of the year. Many of the factors that create and affect quarterly and seasonal trends are beyond our control.

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

We purchase equipment and materials for our internal back-end manufacturing operations 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, delay in recognition or 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 property damage or personal injury and damage to our reputation in the industry 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. 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, data center 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.

***The completion and impact of the 2015 Restructuring Plan, our transformation initiatives and any future restructuring actions could adversely affect us.***

In the third quarter of 2015, we implemented a restructuring plan (2015 Restructuring Plan) focused on our ongoing efforts to simplify our business and better align resources around our priorities and business outlook. The 2015 Restructuring Plan largely involved a reduction of global headcount by approximately 5% and includes organizational actions such as outsourcing certain IT services and application development. We expect the 2015 Restructuring Plan to be largely completed by the end of the fourth quarter of 2016. These restructuring actions and any future restructuring actions could have an adverse impact on our business as a result of decreases in employee morale and the failure to meet operational targets due to the loss of employees. We cannot be sure that we will realize operational savings or any other anticipated benefits from the 2015 Restructuring Plan or any future restructuring actions. Any operating savings are subject to assumptions, estimates and significant economic, competitive and other uncertainties, some of which are beyond our control. If these estimates and assumptions are incorrect, if we experience delays or if other unforeseen events occur, our business and financial results could be adversely affected.

Any transformation initiatives or future restructuring actions we undertake may fail to achieve the anticipated results and may materially adversely affect our business and financial results.

***We may incur future impairments of goodwill.***

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.

***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 and Asia. We rely on third-party wafer foundries in 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 73% in the third quarter of 2016. 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 Sunnyvale operations are located near major earthquake fault lines in California. Any 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 referendum in which voters approved to leave the European Union, commonly referred to as "Brexit"), could have a material adverse effect on our business. 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.

***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, on January 15, 2014, March 20, 2014, April 27, 2015 and September 29, 2015, complaints were filed against us seeking damages for alleged securities law violations which are described in Note 13 of our condensed consolidated financial statements. 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. 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. Any claim that is successfully asserted against us, including the claims filed against us on January 15, 2014, March 20, 2014, April 27, 2015 and September 29, 2015, may 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 taxes in the United States, Canada and other foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. Although we believe our tax estimates are reasonable, we cannot assure you that the final determination of any tax audits and litigation will not be materially different from that which is reflected in historical income 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, income tax provision 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 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 U.S. 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.

Recently the US 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 and the state of California have issued laws that require AMD to disclose its policy and practices for identifying and eliminating forced labor and human trafficking in our supply chain. Several customers as well as the Electronic Industry Citizenship Coalition (EICC) have also issued expectations to eliminate these practices that may impact AMD. While we have a policy and management systems to identify and avoid these practices in our supply chain, we cannot guarantee that AMD’s 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 products.

**ITEM 6. EXHIBITS**

- 4.1 First Supplemental Indenture dated as of September 23, 2016, entered into by and among Advanced Micro Devices, Inc. and Wells Fargo Bank, National Association under the indenture dated as of August 4, 2010, providing for the issuance of the Company's 7.75% Senior Notes due 2020.
- 4.2 Indenture between Advanced Micro Devices, Inc. and Wells Fargo Bank, National Association, as Trustee, dated September 14, 2016, filed as Exhibit 4.1 to AMD's Current Report on Form 8-K dated September 8, 2016, is hereby incorporated by reference.
- 4.3 First Supplemental Indenture governing the 2.125% Senior Notes due 2026, including the form of the 2.125% Note, between Advanced Micro Devices, Inc. and Wells Fargo, National Association, as Trustee, dated September 14, 2016, filed as Exhibit 4.2 to AMD's Current Report on Form 8-K dated September 8, 2016, is hereby incorporated by reference.
- 10.1 First Amended and Restated Registration Rights Agreement dated as of August 30, 2016 between Advanced Micro Devices, Inc. and West Coast Hitech L.P.
- 10.2 Fourth Amendment to Amended and Restated Loan and Security Agreement dated as of September 7, 2016 by and among Advanced Micro Devices, Inc., AMD International Sales & Service, Ltd., ATI Technologies ULC and Bank of America, N.A.
- 10.3\* Sixth Amendment to the Wafer Supply Agreement dated August 30, 2016 among Advanced Micro Devices, Inc., GLOBALFOUNDRIES INC. and GLOBALFOUNDRIES U.S. INC.
- 10.4 Second Amendment to Master Transaction Agreement dated as of August 30, 2016 among Advanced Micro Devices, Inc. and Advanced Technology Investment Company LLC and West Coast Hitech L.P.
- 10.5 Warrant to Purchase Shares of Common Stock, filed as Exhibit 10.1 to AMD's Current Report on Form 8-K dated August 30, 2016, is hereby incorporated by reference.
- 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.

\* Confidential treatment has been requested with respect to certain portions of the Sixth Amendment to the Wafer Supply Agreement.

**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.

October 26, 2016

**ADVANCED MICRO DEVICES, INC.**

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

**FIRST SUPPLEMENTAL INDENTURE**

This FIRST SUPPLEMENTAL INDENTURE (this “Supplemental Indenture”), dated as of September 23, 2016, is entered into by and among Advanced Micro Devices, Inc., a corporation organized under the laws of the State of Delaware (the “Company”), and Wells Fargo Bank, National Association (or its permitted successor) as trustee (the “Trustee”) under the Indenture referred to below.

## WITNESSETH

WHEREAS, the Company has heretofore executed and delivered to the Trustee an indenture (as amended and supplemented, the “Indenture”), dated as of August 4, 2010, providing for the issuance of the Company’s 7.75% Senior Notes due 2020 (the “Notes”);

WHEREAS, the Company has offered to purchase for cash any and all of the outstanding Notes (the “Tender Offer”) and requested that Holders of the Notes deliver their consents (the “Consents”) to amend the Indenture to reduce the minimum notice period required in connection with redemption of the Notes from 30 days to 3 Business Days pursuant to the Offer to Purchase and Consent Solicitation Statement, dated September 9, 2016 (the “Statement”), and the related Consent and Letter of Transmittal;

WHEREAS, Section 8.02(a) of the Indenture provides that the Company and the Trustee may amend certain of the provisions of the Indenture and the Notes with the consent of the Holders of at least a majority in aggregate principal amount of the Notes then outstanding (including consents obtained in connection with a tender offer or exchange offer for the Notes);

WHEREAS, (i) Holders of at least a majority in aggregate principal amount of the Notes outstanding (determined as provided for by the Indenture) have duly consented in writing to the Proposed Amendments (as defined in the Statement) set forth in the Statement and this Supplemental Indenture in accordance with Section 8.02(a) of the Indenture and (ii) all other conditions precedent provided under the Indenture to permit the Company and the Trustee to enter into this Supplemental Indenture have been satisfied as certified by an Officers’ Certificate and Opinion of Counsel delivered to the Trustee on the date hereof;

WHEREAS, this Supplemental Indenture shall be effective upon its execution by the Company and the Trustee, and the amendments effected by this Supplemental Indenture shall become operative with respect to the Notes on the Early Settlement Date (as defined in the Statement), if the Company elects to have an Early Settlement Date, or on the Final Settlement Date (as defined in the Statement), if the Company does not elect to have an Early Settlement Date, in accordance with Section 3 hereof;

WHEREAS, the Company has requested the Trustee to join with it in entering into this Supplemental Indenture for the purpose of amending the Indenture in accordance with the Proposed Amendments as permitted by Section 8.02(a) of the Indenture; and

WHEREAS, pursuant to Section 8.06 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Company and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders of the Notes as follows:

1. CAPITALIZED TERMS. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.
2. AMENDMENTS.

a. Subject to Section 3 hereof, Section 3.01 of the Indenture is hereby amended to read as follows:

“SECTION 3.01. Election To Redeem; Notices to Trustee.

If the Company elects to redeem Notes pursuant to paragraph 5 of the Notes or is required to redeem Notes pursuant to paragraph 6 of the Notes, at least 3 Business Days prior to the Redemption Date (unless a shorter notice shall be agreed to in writing by the Trustee) but not more than 60 days before the Redemption Date, the Company shall notify the Trustee in writing of the Redemption Date, the principal amount of Notes to be redeemed and the redemption price, and deliver to the Trustee, no later than two Business Days prior to the Redemption Date, an Officers’ Certificate stating that such redemption will comply with the conditions contained in paragraph 5 or 6 of the Notes, as applicable. Notice given to the Trustee pursuant to this Section 3.01 may not be revoked after the time that notice is given to Holders pursuant to Section 3.03.”

b. Subject to Section 3 hereof, Section 3.03 of the Indenture is hereby amended to read as follows:

“SECTION 3.03. Notice of Redemption.

At least 3 Business Days, and no more than 60 days, before a Redemption Date, the Company shall mail, or cause to be mailed, a notice of redemption by first-class mail or, in the case of Notes held in book-entry form, by electronic transmission to each Holder of Notes to be redeemed at his or her last address as the same appears on the registry books maintained by the Registrar pursuant to Section 2.04.

The notice shall identify the Notes to be redeemed (including the CUSIP numbers thereof) and shall state:

- (a) the Redemption Date;
  - (b) the appropriate calculation of the redemption price;
  - (c) if fewer than all outstanding Notes are to be redeemed, the portion of the principal amount of such Note to be redeemed and that, after the Redemption Date and upon surrender of such Note, a new Note or Notes in principal amount equal to the unredeemed portion will be issued;
  - (d) the name and address of the Paying Agent;
  - (e) that Notes called for redemption must be surrendered to the Paying Agent to collect the redemption price;
  - (f) that unless the Company defaults in making the redemption payment, interest on Notes called for redemption ceases to accrue on and after the Redemption Date;
  - (g) which paragraph of the Notes, and in the case of paragraph 5 which subsection of paragraph 5, is the provision of the Notes pursuant to which the redemption is occurring; and
  - (h) the aggregate principal amount of Notes that are being redeemed.
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At the Company's written request made at least 2 Business Days prior to the date on which notice is to be given to the Trustee pursuant to Section 3.01, the Trustee shall give the notice of redemption in the Company's name and at the Company's sole expense."

c. Subject to Section 3 hereof, paragraph 6 of the Notes is hereby amended to read as follows:

"6. Notice of Redemption. Notices of redemption shall be mailed by first class mail (or sent electronically in the case of notes held in book entry form) at least 3 Business Days but not more than 60 days before the Redemption Date to each Holder of Notes to be redeemed at its registered address. Notices of redemption may not be conditional. If any Note is to be redeemed in part only, the notice of redemption that relates to such Note shall state the portion of the principal amount thereof to be redeemed."

3. **EFFECT AND OPERATION OF SUPPLEMENTAL INDENTURE.** This Supplemental Indenture shall be effective and binding immediately upon its execution by the Company and the Trustee, and thereupon this Supplemental Indenture shall form a part of the Indenture for all purposes, and every Note heretofore or hereafter authenticated and delivered under the Indenture shall be bound hereby; provided, however notwithstanding anything in the Indenture or this Supplemental Indenture to the contrary, the amendments set forth in Section 2 of this Supplemental Indenture shall become operative only upon and simultaneously with, and shall have no force and effect prior to, such time that the Company accepts for purchase in the Tender Offer all outstanding Notes properly tendered and not withdrawn prior to the Consent Payment Deadline (as defined in the Statement) (if the Requisite Consents (as defined in the Statement) have been received and not withdrawn by the Consent Payment Deadline) or, otherwise, tendered prior to the Expiration Time. Prior to the time the Company purchases any Notes pursuant to the Tender Offer, the Company may terminate this Supplemental Indenture upon written notice to the Trustee, including in connection with any termination or withdrawal of the Tender Offer or the solicitation of Consents with respect to the Proposed Amendments or if for any other reason the Notes are not accepted for payment pursuant to the Tender Offer. If the Tender Offer is terminated or withdrawn, or the Company does not accept for purchase, and pay for, the Notes for any reason, this Supplemental Indenture shall not become operative. Except as modified and amended by this Supplemental Indenture, all provisions of the Indenture and the Notes shall remain in full force and effect.
  4. **INDENTURE AND SUPPLEMENTAL INDENTURE CONSTRUED TOGETHER.** This Supplemental Indenture is an indenture supplemental to, and in implementation of, the Indenture, and the Indenture and this Supplemental Indenture shall henceforth be read and construed together.
  5. **TRUST INDENTURE ACT CONTROLS.** If any provision of the Indenture, as amended by this Supplemental Indenture, limits, qualifies or conflicts with another provision which is required or deemed to be included in the Indenture, as amended by this Supplemental Indenture, by the Trust Indenture Act, such required or deemed provision of the Trust Indenture Act shall control.
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6. NEW YORK LAW TO GOVERN. THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.
7. SEPARABILITY. In case any provision in this Supplemental Indenture, the Indenture as supplemented by this Supplemental Indenture, or in the Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.
8. EXECUTION IN COUNTERPARTS. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement. The exchange of copies of this First Supplemental Indenture and of signature pages by facsimile or PDF transmission shall constitute effective execution and delivery of this First Supplemental Indenture as to the parties hereto and may be used in lieu of the original First Supplemental Indenture for all purposes. Signatures of the parties hereto transmitted by facsimile or PDF shall be deemed to be their original signatures for all purposes.
9. EFFECT OF HEADINGS. The Section headings herein have been inserted for convenience of reference only, are not to be considered a part hereof and shall in no way modify or restrict any of the terms and provisions hereof.
10. THE TRUSTEE. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Company.

(Signature pages follow)

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IN WITNESS WHEREOF, the parties have caused this First Supplemental Indenture to be duly executed all as of the date and year first written above.

**ADVANCED MICRO DEVICES, INC.**

By:  /s/ Devinder Kumar

Name: Devinder Kumar

Title: Senior Vice President, Chief Financial

Officer and Treasurer

[Signature Page to the First Supplemental Indenture]

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IN WITNESS WHEREOF, the parties have caused this First Supplemental Indenture to be duly executed all as of the date and year first written above.

**WELLS FARGO BANK, NATIONAL ASSOCIATION**, as Trustee

By:     /s/ Maddy Hughes    

Name: Maddy Hughes

Title: Vice President

[Signature Page to the First Supplemental Indenture]

**FIRST AMENDED AND RESTATED  
REGISTRATION RIGHTS AGREEMENT**

**dated as of August 30, 2016**

**between**

**ADVANCED MICRO DEVICES, INC.**

**and**

**WEST COAST HITECH L.P.**

FIRST AMENDED AND RESTATED REGISTRATION RIGHTS AGREEMENT dated as of August 30, 2016 between Advanced Micro Devices, Inc., a Delaware corporation (the “**Company**”), and West Coast Hitech L.P., an exempted limited partnership organized under the laws of the Cayman Islands (the “**Investor**”), acting through its general partner, West Coast Hitech G.P., Ltd., a corporation organized under the laws of the Cayman Islands. In order to induce the Investor to enter into the Amendment to Master Transaction Agreement dated as of August 30, 2016, the Company has agreed to amend and restate this agreement to also provide the registration rights set forth below to any shares of common stock of the Company issuable upon exercise of the warrant of the Company dated August 30, 2016, for the benefit of the Investor (the “**2016 Warrant**”).

The Company agrees with the Investor, (i) for its benefit and (ii) for the benefit of the beneficial owners (including the Investor) from time to time of the Securities (as defined herein) (each of the foregoing a “**Holder**” and together the “**Holders**”), as follows:

Section 1. Definitions. Capitalized terms used herein without definition shall have their respective meanings set forth in the Master Transaction Agreement. As used in this Agreement, the following terms shall have the following meanings:

“**2007 Stock Purchase Agreement**” means the Stock Purchase Agreement, dated as of November 15, 2007, between West Coast Hitech L.P. and the Company.

“**Affiliate**” means (i) with respect to Investor, the Investor’s immediate parent company and any direct or indirect subsidiary of such parent company or Investor, and (ii) with respect to any other specified person, an “affiliate,” as defined in Rule 144, of such other specified person.

“**Amendment Effectiveness Deadline**” has the meaning set forth in Section 2(d) hereof.

“**Automatic Shelf Registration Statement**” has the meaning ascribed to it in Rule 405.

“**Business Day**” means any day, except a Saturday, Sunday or legal holiday on which banking institutions in The City of New York are authorized or obligated by law or executive order to close.

“**Common Stock**” means the shares of common stock, par value \$.01 per share, of the Company.

“**Deferral Notice**” has the meaning set forth in Section 3(h) hereof.

“**Deferral Period**” has the meaning set forth in Section 3(h) hereof.

“**Effectiveness Deadline**” has the meaning set forth in Section 2(a) hereof.

**“Effectiveness Period”** means the period commencing on the first date that a Shelf Registration Statement is declared effective under the Securities Act hereof and ending on the date that all Securities have ceased to be Registrable Securities.

**“Exchange Act”** means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder.

**“Free Writing Prospectus”** has the meaning set forth in Rule 405.

**“Holder”** has the meaning set forth in the second paragraph of this Agreement.

**“Investor”** has the meaning set forth in the first paragraph of this Agreement.

**“Issuer Free Writing Prospectus”** has the meaning set forth in Rule 433.

**“Master Transaction Agreement”** means the Master Transaction Agreement, dated as of October 6, 2008, as amended, by and among the Company, Advanced Technology Investment Company LLC and the other parties thereto.

**“Material Event”** has the meaning set forth in Section 3(h) hereof.

**“Prospectus”** means a prospectus relating to a Shelf Registration Statement, as amended or supplemented, and all materials incorporated by reference in such Prospectus.

**“Registrable Securities”** means the Securities and any security issued with respect thereto upon any stock dividend, split or similar event until, in the case of any such security, the earliest of (i) its effective registration under the Securities Act and resale in accordance with a Shelf Registration Statement or (ii) its sale to the public pursuant to Rule 144 (or any similar provision then in force, but not Rule 144A) under the Securities Act.

**“Rule 144”** means Rule 144 under the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the SEC.

**“Rule 144A”** means Rule 144A under the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the SEC.

**“Rule 405”** means Rule 405 under the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the SEC.

**“Rule 424”** means Rule 424 under the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the SEC.

**“Rule 433”** means Rule 433 under the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the SEC.

**“SEC”** means the Securities and Exchange Commission.

“**Securities**” means (i) the Common Stock of the Company issued pursuant to the 2007 Stock Purchase Agreement that is held by the Investor and its Affiliates as of the date of this Agreement, (ii) the Common Stock of the Company to be purchased by the Investor pursuant to the terms of the Master Transaction Agreement and (iii) the Common Stock of the Company issuable pursuant to the exercise of the Warrants.

“**Securities Act**” means the Securities Act of 1933, as amended, and the rules and regulations promulgated by the SEC thereunder.

“**Shelf Registration Statement**” has the meaning set forth in Section 2(a) hereof, including amendments to such registration statement, all exhibits to such registration statement and all materials incorporated by reference in such registration statement.

“**Warrants**” shall mean any warrants issued by the Company to the Investor from time to time, including but not limited to, the 35,000,000 warrants issued by the Company to the Investor pursuant to the terms of the Master Transaction Agreement and the 75,000,000 warrants issued by the Company to the Investor pursuant to the 2016 Warrant.

Section 2. **Shelf Registration.** (a) The Company shall have prepared and filed or caused to be prepared and filed with the SEC a registration statement for an offering to be made on a delayed or continuous basis pursuant to Rule 415 of the Securities Act registering the resale from time to time by Holders of the Registrable Securities (a “**Shelf Registration Statement**”), and shall have caused the Shelf Registration Statement to be declared effective under the Securities Act as of the date that is (a) the first Business Day following the expiration of the lock-up agreement executed by the Investor in connection with a proposed offering of equity securities by the Company assuming such offering occurs prior to September 30, 2016 or (b) if such offering does not so occur, October 3, 2016 (the “**Effectiveness Deadline**”). The Shelf Registration Statement shall be on Form S-3 or another appropriate form permitting registration of the Registrable Securities for resale by the Holders in accordance with the methods of distribution elected by the Holders and set forth in the Shelf Registration Statement. Each Shelf Registration Statement that is filed on Form S-3 shall be designated by the Company as an Automatic Shelf Registration Statement if the Company is then eligible to file an Automatic Shelf Registration Statement on Form S-3 for the purposes contemplated by this Agreement. If the Company is eligible pursuant to Rule 430B(b) to omit from the related Prospectus the identities of selling securityholders and the amounts of securities to be registered on their behalf, the Company shall prepare and file each Shelf Registration Statement in a manner as to permit such omission and to allow for the subsequent filing of such information in a Prospectus pursuant to Rule 424(b) in the manner contemplated by Rule 430B(d). The Company shall use its reasonable best efforts to keep a Shelf Registration Statement continuously effective under the Securities Act until the expiration of the Effectiveness Period. Investor shall be named as a selling securityholder in the initial Shelf Registration Statement and the related Prospectus in such a manner as to permit Investor to deliver the Prospectus to purchasers of Registrable Securities in accordance with applicable law. The Company may include other securities in the Shelf Registration Statement; provided, however, that the inclusion of such securities shall not (i) reduce the number of Registrable Securities of the Holders that may be included in such Shelf

Registration Statement or (ii) delay the sale of the Registrable Securities of the Holders included in such Shelf Registration Statement.

(b) If a Shelf Registration Statement covering resales of the Registrable Securities ceases to be effective for any reason at any time during the Effectiveness Period (other than because all securities registered thereunder shall have been resold pursuant thereto or shall have otherwise ceased to be Registrable Securities), or if such Shelf Registration Statement constituted an Automatic Shelf Registration Statement at the time it was filed with the SEC and ceases to constitute an Automatic Shelf Registration Statement, the Company shall use its reasonable best efforts to obtain the prompt withdrawal of any order suspending the effectiveness thereof, and in any event shall within 30 days of such cessation of effectiveness amend the Shelf Registration Statement in a manner reasonably expected to obtain the withdrawal of the order suspending the effectiveness thereof, or file an additional Shelf Registration Statement so that all Registrable Securities outstanding as of the date of such filing are covered by a Shelf Registration Statement. If a new Shelf Registration Statement is filed, the Company shall use its reasonable best efforts to cause the new Shelf Registration Statement to become effective as promptly as is practicable after such filing and to keep the new Shelf Registration Statement continuously effective until the end of the Effectiveness Period.

(c) The Company shall amend and supplement the Prospectus and amend the Shelf Registration Statement if required by the rules, regulations or instructions applicable to the registration form used by the Company for such Shelf Registration Statement or file a new Shelf Registration Statement, if required by the Securities Act, or any other documents necessary to name a Holder as a selling securityholder pursuant to Section 2(e) below.

(d) The Company agrees that, unless it obtains the prior consent of the Holders of a majority of the Registrable Securities that are registered under the Shelf Registration Statement at such time or the consent of the managing underwriters in connection with any underwritten offering of Registrable Securities, and each Holder agrees that, unless it obtains the prior written consent of the Company and any such underwriters, it will not make any offer relating to the Securities that would constitute an Issuer Free Writing Prospectus, or that would otherwise constitute a Free Writing Prospectus required to be filed with the SEC. The Company represents that any Issuer Free Writing Prospectus prepared by it or authorized by it in writing for use by such Holder will not include any information that conflicts with the information contained in the Shelf Registration Statement or the Prospectus and, any such Issuer Free Writing Prospectus, when taken together with the information in the Shelf Registration Statement and the Prospectus, will not include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

(e) Each Holder may sell Registrable Securities pursuant to a Shelf Registration Statement and related Prospectus only in accordance with this Section 2(e) and Section 3(h). Each Holder wishing to sell Registrable Securities pursuant to a Shelf Registration Statement and related Prospectus shall deliver to the Company prior to any intended distribution of Registrable Securities under the Shelf Registration Statement such information regarding



itself, the Registrable Securities held by it and the intended method of disposition of such securities as is reasonably required to effect the registration of such Holder's Registrable Securities. From and after the date the initial Shelf Registration Statement is declared effective, the Company shall, as promptly as practicable after the date such information is delivered to the Company, and in any event upon the later of (x) 30 calendar days after such date or (y) five Business Days after the expiration of any Deferral Period in effect when such information is delivered:

(i) if required by applicable law, file with the SEC a post-effective amendment to the Shelf Registration Statement or prepare and, if required by applicable law, file a supplement to the related Prospectus or a supplement or amendment to any document incorporated therein by reference or file a new Shelf Registration Statement or any other required document so that the Holder delivering such information is named as a selling securityholder in a Shelf Registration Statement and the related Prospectus in such a manner as to permit such Holder to deliver such Prospectus to purchasers of the Registrable Securities in accordance with applicable law and, if the Company shall file a post-effective amendment to a Shelf Registration Statement or shall file a new Shelf Registration Statement, the Company shall use its reasonable best efforts to cause such post-effective amendment or new Shelf Registration Statement to be declared effective under the Securities Act as promptly as is practicable, but in any event by the date (the "**Amendment Effectiveness Deadline**") that is 45 days after the date such post-effective amendment or new Shelf Registration Statement is required by this clause to be filed;

(ii) provide such Holder copies of any documents filed pursuant to Section 2(e)(i); and

(iii) notify such Holder as promptly as practicable after the effectiveness under the Securities Act of any new Shelf Registration Statement or post-effective amendment filed pursuant to Section 2(e)(i);

*provided* that if such information is delivered during a Deferral Period, the Company shall so inform the Holder delivering such information and shall take the actions set forth in clauses (i), (ii) and (iii) above upon expiration of the Deferral Period in accordance with Section 3(h). Notwithstanding anything contained herein to the contrary, (i) the Company shall be under no obligation to name any Holder that has not delivered such information as a selling securityholder in any Shelf Registration Statement or related Prospectus, (ii) the Amendment Effectiveness Deadline shall be extended by up to ten Business Days from the expiration of a Deferral Period, and (iii) the Company shall not be under any obligation to file more than one prospectus supplement or post-effective amendment to a Shelf Registration Statement in any calendar quarter or file a new Shelf Registration Statement if the latest existing Shelf Registration Statement was filed in the same calendar quarter.

Section 3. Registration Procedures. In connection with the registration obligations of the Company under Section 2 hereof, the Company shall:

(a) Before filing any Shelf Registration Statement or Prospectus or any amendments or supplements thereto with the SEC, furnish to the Holders copies of all such documents proposed to be filed at least three Business Days prior to the filing of such Shelf Registration Statement or amendment thereto or Prospectus or supplement thereto.

(b) Subject to Section 3(h) prepare and file with the SEC such amendments and post-effective amendments to each Shelf Registration Statement as may be necessary to keep such Shelf Registration Statement continuously effective during the Effectiveness Period; cause the related Prospectus to be supplemented by any required prospectus supplement, and as so supplemented to be filed pursuant to Rule 424 (or any similar provisions then in force) under the Securities Act; and use its reasonable best efforts to comply with the provisions of the Securities Act applicable to it with respect to the disposition of all securities covered by such Shelf Registration Statement during the Effectiveness Period in accordance with the intended methods of disposition by the sellers thereof set forth in such Shelf Registration Statement as so amended or such Prospectus as so supplemented.

(c) As promptly as practicable give notice to the Holders, (i) when any Prospectus, prospectus supplement, Shelf Registration Statement or post-effective amendment to a Shelf Registration Statement has been filed with the SEC and, with respect to a Shelf Registration Statement or any post-effective amendment, when the same has been declared effective, (ii) of any request, following the effectiveness of the initial Shelf Registration Statement under the Securities Act, by the SEC or any other federal or state governmental authority for amendments or supplements to any Shelf Registration Statement or related Prospectus or for additional information, (iii) of the issuance by the SEC or any other federal or state governmental authority of any stop order suspending the effectiveness of any Shelf Registration Statement or the initiation or threatening of any proceedings for that purpose, (iv) of the receipt by the Company of any notification with respect to the suspension of the qualification or exemption from qualification of any of the Registrable Securities for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose, (v) of the occurrence of, but not the nature of or details concerning, a Material Event and (vi) of the determination by the Company that a post-effective amendment to a Shelf Registration Statement will be filed with the SEC, which notice may, at the discretion of the Company (or as required pursuant to Section 3(h)) state that it constitutes a Deferral Notice, in which event the provisions of Section 3(h) shall apply.

(d) Use its reasonable best efforts to obtain the withdrawal of any order suspending the effectiveness of a Shelf Registration Statement or the lifting of any suspension of the qualification (or exemption from qualification) of any of the Registrable Securities for sale in any jurisdiction in which they have been qualified for sale, in either case at the earliest possible moment, and provide immediate notice to each Holder of the withdrawal of any such order.

(e) As promptly as practicable furnish to each Holder, upon request and without charge, at least one conformed copy of each Shelf Registration Statement and any amendment thereto, including exhibits and all documents incorporated or deemed to be incorporated therein by reference.

(f) During the Effectiveness Period, deliver to each Holder, in connection with any sale of Registrable Securities pursuant to a Shelf Registration Statement, without charge, as many copies of the Prospectus relating to such Registrable Securities (including each preliminary prospectus) and any amendment or supplement thereto as such Holder may reasonably request; and the Company hereby consents (except during such periods that a Deferral Notice is outstanding and has not been revoked) to the use of such Prospectus or each amendment or supplement thereto by each Holder in connection with any offering and sale of the Registrable Securities covered by such Prospectus or any amendment or supplement thereto in the manner set forth therein.

(g) Prior to any public offering of the Registrable Securities pursuant to a Shelf Registration Statement, use its reasonable best efforts to register or qualify or cooperate with the Holders in connection with the registration or qualification (or exemption from such registration or qualification) of such Registrable Securities for offer and sale under the securities or Blue Sky laws of such jurisdictions within the United States as any Holder reasonably requests in writing; prior to any public offering of the Registrable Securities pursuant to a Shelf Registration Statement, use its reasonable best efforts to keep each such registration or qualification (or exemption therefrom) effective during the Effectiveness Period in connection with such Holder's offer and sale of Registrable Securities pursuant to such registration or qualification (or exemption therefrom) and do any and all other acts or things reasonably necessary or advisable to enable the disposition in such jurisdictions of such Registrable Securities in the manner set forth in the Shelf Registration Statement and the related Prospectus; *provided* that the Company will not be required to (i) qualify as a foreign corporation or as a dealer in securities in any jurisdiction where it would not otherwise be required to qualify but for this Agreement or (ii) take any action that would subject it to general service of process in suits or to taxation in any such jurisdiction where it is not then so subject.

(h) Upon (A) the issuance by the SEC of a stop order suspending the effectiveness of a Shelf Registration Statement or the initiation of proceedings with respect to a Shelf Registration Statement under Section 8(d) or 8(e) of the Securities Act, (B) the occurrence of any event or the existence of any fact (a "**Material Event**") as a result of which a Shelf Registration Statement shall contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, or any Prospectus shall contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, or (C) the occurrence or existence of any pending corporate development that, in the reasonable discretion of the Company, makes it appropriate to suspend the availability of a Shelf Registration Statement and the related Prospectus:

(i) in the case of clause (B) above, as promptly as practicable prepare and file, if necessary pursuant to applicable law, a post-effective amendment to such Shelf Registration Statement or a supplement to the related Prospectus or any document incorporated therein by reference or file any other required document that would be incorporated by reference into such Shelf Registration Statement and Prospectus so that

such Shelf Registration Statement does not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and such Prospectus does not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, as thereafter delivered to the purchasers of the Registrable Securities being sold thereunder, and, in the case of a post-effective amendment to a Shelf Registration Statement, use its reasonable best efforts to cause it to be declared effective as promptly as is practicable, and

- (ii) give notice to the Holders that the availability of a Shelf Registration Statement is suspended (a “*Deferral Notice*”).

The Company will use its reasonable best efforts to ensure that the use of the Prospectus may be resumed (x) in the case of clause (A) above, as promptly as is practicable, (y) in the case of clause (B) above, as soon as, in the sole judgment of the Company, public disclosure of such Material Event would not be prejudicial to or contrary to the interests of the Company or, if necessary to avoid unreasonable burden or expense, as soon as practicable thereafter and (z) in the case of clause (C) above, as soon as in the reasonable discretion of the Company, such suspension is no longer appropriate. The Company shall be entitled to exercise its right under this Section 3(h) to suspend the availability of a Shelf Registration Statement or any Prospectus no more than once in any 90-day period or three times in any 12-month period, and any such period during which the availability of the Shelf Registration Statement and any Prospectus is suspended (the “*Deferral Period*”) shall not exceed 30 days; *provided* that the duration of any Deferral Periods shall not exceed 30 consecutive days in any 90-day period or an aggregate of 90 days in any consecutive 12-month period; *provided* that in the case of a Material Event relating to an acquisition or a probable acquisition or financing, recapitalization, business combination or other similar transaction, the Company may deliver to Holders a second notice to the effect set forth above, which shall have the effect of extending the Deferral Period by up to an additional 30 days, or such shorter period of time as is specified in such second notice.

- (i) If requested in writing in connection with a disposition of Registrable Securities pursuant to a Shelf Registration Statement, make reasonably available for inspection during normal business hours by the Holders of such Registrable Securities, any broker-dealers, attorneys and accountants retained by such Holders, and any attorneys or other agents retained by a broker-dealer engaged by such Holders, all relevant financial and other records and pertinent corporate documents and properties of the Company and its subsidiaries, and cause the appropriate officers, directors and employees of the Company and its subsidiaries to make reasonably available for inspection during normal business hours on reasonable notice all relevant information reasonably requested by such Holders, or any such broker-dealers, attorneys or accountants in connection with such disposition, in each case as is customary for similar “due diligence” examinations; *provided* that such persons shall first agree in writing with the Company that any non-public information shall be used solely for the purposes of satisfying “due diligence” obligations under the Securities Act and exercising rights under this Agreement and shall be kept confidential by such persons, unless (i) disclosure of such information is required

by court or administrative order or is necessary to respond to inquiries of regulatory authorities, (ii) disclosure of such information is required by law (including any disclosure requirements pursuant to federal securities laws in connection with the filing of any Shelf Registration Statement or the use of any prospectus referred to in this Agreement), (iii) such information becomes generally available to the public other than as a result of a disclosure or failure to safeguard by any such person or (iv) such information becomes available to any such person from a source other than the Company and such source is not bound by a confidentiality agreement. Any person legally compelled to disclose any such confidential information made available for inspection shall as soon as practicable provide the Company with prior written notice of such requirement so that the Company may seek a protective order or other appropriate remedy and such person shall take such actions as reasonably necessary to protect the confidentiality of such information (if practicable) to the extent such action is otherwise not inconsistent with, an impairment of or in derogation of the rights and interest of the Holder.

(j) Comply with all applicable rules and regulations of the SEC and make generally available to its securityholders earning statements (which need not be audited) satisfying the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder (or any similar rule promulgated under the Securities Act) for a 12-month period commencing on the first day of the first fiscal quarter of the Company commencing after the effective date of a Shelf Registration Statement, which statements shall be made available no later than 45 days after the end of the 12-month period or 90 days if the 12-month period coincides with the fiscal year of the Company.

(k) Cooperate with each Holder to facilitate the timely preparation and delivery of certificates representing Registrable Securities sold or to be sold pursuant to a Shelf Registration Statement, which certificates shall not bear any restrictive legends, and cause such Registrable Securities to be registered in such names as such Holder may request in writing at least one Business Day prior to any sale of such Registrable Securities.

(l) Provide a CUSIP number for all Registrable Securities covered by each Shelf Registration Statement not later than the effective date of such Shelf Registration Statement and provide the transfer agent for the Common Stock with printed certificates for the Registrable Securities that are in a form eligible for deposit with The Depository Trust Company.

(m) Cooperate and assist in any filings required to be made with the National Association of Securities Dealers, Inc.

(n) Cause all Registrable Securities covered by each Shelf Registration Statement to be listed on the New York Stock Exchange or, if applicable, any other securities exchange and trading system on which similar securities issued by the Company are then listed.

Section 4. Holder's Obligations. (a) Each Holder agrees, by acquisition of the Registrable Securities, that no Holder shall be entitled to sell any of such Registrable Securities pursuant to a Shelf Registration Statement or to receive a Prospectus relating thereto, unless such Holder has furnished the Company with such information as required pursuant to Section 2(e) hereof. Any sale of any Registrable Securities by any Holder shall constitute a

representation and warranty by such Holder that the information relating to such Holder and its plan of distribution is as set forth in the Prospectus delivered by such Holder in connection with such disposition, that such Prospectus does not as of the time of such sale contain any untrue statement of a material fact relating to or provided by such Holder or its plan of distribution and that such Prospectus does not as of the time of such sale omit to state any material fact relating to or provided by such Holder or its plan of distribution necessary to make the statements in such Prospectus, in the light of the circumstances under which they were made, not misleading.

(b) Upon receipt of any Deferral Notice, each Holder agrees not to sell any Registrable Securities pursuant to any Shelf Registration Statement until such Holder's receipt of copies of the supplemented or amended Prospectus provided for in Section 3(h)(i), or until it is advised in writing by the Company that the Prospectus may be used.

Section 5. Registration Expenses. The Company shall bear all fees and expenses incurred in connection with the performance by the Company of its obligations under Sections 2 and 3 of this Agreement whether or not any Shelf Registration Statement is declared effective. Such fees and expenses shall include, without limitation, (i) all registration and filing fees (including, without limitation, fees and expenses (x) with respect to filings required to be made with the National Association of Securities Dealers, Inc. and (y) of compliance with federal and state securities or Blue Sky laws (including, without limitation, reasonable fees and disbursements of counsel to the Holders in connection with Blue Sky qualifications of the Registrable Securities under the laws of such jurisdictions as Holders of a majority of the Registrable Securities being sold pursuant to a Shelf Registration Statement may designate), (ii) printing expenses (including, without limitation, expenses of printing certificates for Registrable Securities in a form eligible for deposit with The Depository Trust Company), (iii) duplication expenses relating to copies of any Shelf Registration Statement or Prospectus delivered to any Holders hereunder, (iv) reasonable fees and disbursements of counsel for the Company in connection with any Shelf Registration Statement, (v) reasonable fees and disbursements of the registrar and transfer agent for the Common Stock, (vi) Securities Act liability insurance obtained by the Company in its sole discretion and (vii) the reasonable fees and disbursements of counsel to the Holders. In addition, the Company shall pay the internal expenses of the Company (including, without limitation, all salaries and expenses of officers and employees performing legal or accounting duties), the expense of any annual audit, the fees and expenses incurred in connection with the listing by the Company of the Registrable Securities on any securities exchange on which similar securities of the Company are then listed and the fees and expenses of any person, including special experts, retained by the Company. Notwithstanding the provisions of this Section 5, each seller of Registrable Securities shall pay any broker's commission, agency fee or underwriter's discount or commission in connection with the sale of the Registrable Securities under a Shelf Registration Statement.

Section 6. Indemnification and Contribution.

(a) The Company agrees to indemnify and hold harmless each Holder, each person, if any, who controls any Holder within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, and each affiliate of any Holder within the meaning of

Rule 405 under the Securities Act from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in any Shelf Registration Statement or any amendment thereof, any preliminary prospectus or any Prospectus (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto) or any Issuer Free Writing Prospectus prepared by it or authorized by it in writing for use by such Holder (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto), caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages or liabilities are caused by any such untrue statement or omission or alleged untrue statement or omission based upon information relating to any Holder furnished to the Company in writing by such Holder expressly for use therein; *provided* that the foregoing indemnity shall not inure to the benefit of any Holder (or to the benefit of any person controlling such Holder) from whom the person asserting such losses, claims or liabilities purchased the Registrable Securities, if a copy of the Prospectus or the Issuer Free Writing Prospectus (both as then amended or supplemented if the Company shall have furnished any amendments or supplements thereto) was not sent or given by or on behalf of such Holder to such person, if required by law so to have been delivered at or prior to the written confirmation of the sale of the Registrable Securities to such person, and if the Prospectus or the Issuer Free Writing Prospectus (both as so amended or supplemented) would have cured the defect giving rise to such losses, claims, damages or liabilities, unless such failure is the result of noncompliance by the Company with Section 2(b) hereof.

(b) Each Holder agrees severally and not jointly to indemnify and hold harmless the Company and its directors, its officers who sign any Shelf Registration Statement and each person, if any, who controls the Company (within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act) or any other Holder, to the same extent as the foregoing indemnity from the Company to such Holder, but only with reference to information relating to such Holder furnished to the Company in writing by such Holder expressly for use in such Shelf Registration Statement, Prospectus or Issuer Free Writing Prospectus or amendment or supplement thereto. In no event shall the liability of any Holder hereunder be greater in amount than the dollar amount of the proceeds received by such Holder upon the sale of the Registrable Securities pursuant to the Shelf Registration Statement giving rise to such indemnification obligation.

(c) In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to Section 6(a) or 6(b) hereof, such person (the “*indemnified party*”) shall promptly notify the person against whom such indemnity may be sought (the “*indemnifying party*”) in writing and the indemnifying party, upon request of the indemnified party, shall retain counsel reasonably satisfactory to the indemnified party to represent the indemnified party and any others the indemnifying party may designate in such proceeding and shall pay the reasonable fees and disbursements of such counsel related to such proceeding. In any such proceeding, any indemnified party shall have the right to retain its own counsel, but the fees and expenses of such

counsel shall be at the expense of such indemnified party unless (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood that the indemnifying party shall not, in respect of the legal expenses of any indemnified party in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all such indemnified parties and that all such fees and expenses shall be reimbursed as they are incurred. Such firm shall be designated in writing by, in the case of parties indemnified pursuant to Section 6(a), the Holders of a majority of the Registrable Securities covered by the Shelf Registration Statement held by Holders that are indemnified parties pursuant to Section 6(a) and, in the case of parties indemnified pursuant to Section 6(b), the Company. The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any loss or liability by reason of such settlement or judgment. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding.

(d) To the extent that the indemnification provided for in Section 6(a) or 6(b) is unavailable to an indemnified party or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then each indemnifying party under such paragraph, in lieu of indemnifying such indemnified party thereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the indemnifying party or parties on the one hand and the indemnified party or parties on the other hand or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the indemnifying party or parties on the one hand and of the indemnified party or parties on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company shall be deemed to be equal to the total proceeds received by the Company from the sales, pursuant to the terms of the Master Transaction Agreement and/or the 2007 Stock Purchase Agreement (in each case, before deducting expenses), of the Registrable Securities to which such losses, claims, damages or liabilities relate. The relative benefits received by any Holder shall be deemed to be equal to the value of receiving registration rights under this Agreement for the Registrable Securities. The relative fault of the Holders on the one hand and the Company on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Holders or by the Company, and the parties' relative intent, knowledge, access to information



and opportunity to correct or prevent such statement or omission. The Holders' respective obligations to contribute pursuant to this Section 6(d) are several in proportion to the respective number of Registrable Securities they have sold pursuant to a Shelf Registration Statement, and not joint.

The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 6(d) were determined by *pro rata* allocation or by any other method of allocation that does not take into account the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding this Section 6(d), no indemnifying party that is a selling Holder shall be required to contribute any amount in excess of the amount by which the total price at which the Registrable Securities sold by it and distributed to the public were offered to the public exceeds the amount of any damages that such indemnifying party has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

(e) The remedies provided for in this Section 6 are not exclusive and shall not limit any rights or remedies which may otherwise be available to an indemnified party at law or in equity, hereunder, under the Master Transaction Agreement or otherwise.

(f) The indemnity and contribution provisions contained in this Section 6 shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of any Holder, any person controlling any Holder or any affiliate of any Holder or by or on behalf of the Company, its officers or directors or any person controlling the Company and (iii) the sale of any Registrable Securities by any Holder pursuant to the Shelf Registration Statement.

Section 7. Information Requirements. The Company covenants that, if at any time before the end of the Effectiveness Period, the Company is not subject to the reporting requirements of the Exchange Act, it will cooperate with any Holder and take such further reasonable action as any Holder may reasonably request in writing (including, without limitation, making such reasonable representations as any such Holder may reasonably request), all to the extent required from time to time to enable such Holder to sell Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by Rule 144 and Rule 144A under the Securities Act and customarily taken in connection with sales pursuant to such exemptions. Upon the written request of any Holder, the Company shall deliver to such Holder a written statement as to whether it has complied with such filing requirements, unless such a statement has been included in the Company's most recent report filed pursuant to Section 13 or Section 15(d) of Exchange Act. Notwithstanding the foregoing, nothing in this

Section 7 shall be deemed to require the Company to register any of its securities (other than the Common Stock) under the Exchange Act.

Section 8. Miscellaneous.

(a) *No Conflicting Agreements*. The Company is not, as of the date hereof, a party to, nor shall it, on or after the date of this Agreement, enter into, any agreement with respect to its securities that conflicts with the rights granted to the Holders in this Agreement. The Company represents and warrants that the rights granted to the Holders hereunder do not in any way conflict with the rights granted to the holders of the Company's securities under any other agreements.

(b) *Amendments and Waivers*. The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, unless the Company has obtained the written consent of Holders of a majority of the then outstanding Registrable Securities. Notwithstanding the foregoing, a waiver or consent to depart from the provisions hereof with respect to a matter that relates exclusively to the rights of Holders whose securities are being sold pursuant to a Shelf Registration Statement and that does not directly or indirectly affect the rights of other Holders may be given by Holders of at least a majority of the Registrable Securities being sold by such Holders pursuant to such Shelf Registration Statement; *provided* that the provisions of this sentence may not be amended, modified or supplemented except in accordance with the provisions of the immediately preceding sentence. Each Holder of Registrable Securities outstanding at the time of any such amendment, modification, supplement, waiver or consent or thereafter shall be bound by any such amendment, modification, supplement, waiver or consent effected pursuant to this Section 8(b) whether or not any notice, writing or marking indicating such amendment, modification, supplement, waiver or consent appears on the Registrable Securities or is delivered to such Holder.

(c) *Further Cooperation*. The Company hereby agrees that it will use its commercially reasonable efforts to cooperate with each Holder to take such steps as may be reasonably necessary, including the timely delivery of such certificates as may be required by banks, transfer agents, broker-dealers or other parties, in connection with unregistered sales of Common Stock held by such Holder, including but not limited to sales pursuant to Rule 144 under the Securities Act, including where such sales are pursuant to a so-called "10b5-1 plan."

(d) *Notices*. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given or made (and shall be deemed to have been given or made upon receipt) by delivery in person, by an internationally recognized overnight courier service, by facsimile, or by registered or certified mail (postage prepaid, return receipt requested) to the respective parties at the following addresses (or at such other address for a party as shall be specified in notice given in accordance with this Section 8(c)):

- (i) if to a Holder, at the most current address given by such Holder to the Company;

(ii) if to the Company, to:

Advanced Micro Devices, Inc.  
One AMD Place  
Sunnyvale, California 94088  
Attention: Linda Lam, Asst. Corporate Secretary  
Fax: (408) 774-7002

with a copy to:

Latham & Watkins LLP  
140 Scott Drive  
Menlo Park, California 94025  
Attention: Tad Freese  
Christopher Kaufman  
Fax: (650) 463-2600

(e) *Approval of Holders.* Whenever the consent or approval of Holders of a specified percentage of Registrable Securities is required hereunder, Registrable Securities held by the Company or its affiliates (as such term is defined in Rule 405 under the Securities Act) (other than subsequent Holders if such subsequent Holders are deemed to be such affiliates solely by reason of their holdings of such Registrable Securities) shall not be counted in determining whether such consent or approval was given by the Holders of such required percentage.

(f) *Successors and Assigns.* The Investor shall be permitted to assign its rights under this Agreement (i) to any of its Affiliates that are permitted to be a transferee under the Master Transaction Agreement or (ii) to any lenders under a debt financing facility entered into by the Investor to finance its purchase of any of the Securities. In addition, any person who purchases, or otherwise acquires, any Registrable Securities from the Investor shall be deemed, for purposes of this Agreement, to be an assignee of the Investor. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties and shall inure to the benefit of and be binding upon each Holder of any Registrable Securities. If any transferee of any Holder shall acquire Registrable Securities, in any manner, whether by operation of law or otherwise, such Registrable Securities shall be held subject to all of the terms of this Agreement, and by taking and holding such Registrable Securities, such person shall be conclusively deemed to have agreed to be bound by and to perform all of the terms and provisions of this Agreement and such person shall be entitled to receive the benefits hereof.

(g) *Counterparts.* This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be original and all of which taken together shall constitute one and the same agreement.

(h) *Headings.* The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(i) *Governing Law; Disputes.* (i) This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York applicable to contracts executed in and to be performed in that State, without regard to principles of the conflict of laws.

(ii) Any dispute arising out of, or in connection with this Agreement or any transactions contemplated hereby, including any question regarding the existence, validity, interpretation, breach or termination of this Agreement (a “*Dispute*”), shall be referred, upon written notice (a “*Dispute Notice*”) given by one party to the other(s), to a senior executive from each party. The senior executives shall seek to resolve the Dispute on an amicable basis within thirty (30) days of the Dispute Notice being received.

(iii) Any Dispute not resolved within thirty (30) days of the Dispute Notice being received shall be instituted in the federal courts of the United States of America located in the City and County of New York, Borough of Manhattan, or the courts of the State of New York in each case located in the City and County of New York, Borough of Manhattan (collectively, the “*Specified Courts*”), and each party irrevocably submits to the exclusive jurisdiction (except for proceedings instituted in regard to the enforcement of a judgment of any such court (a “*Related Judgment*”), as to which such jurisdiction is non-exclusive) of such courts in any such suit, action or proceeding. Service of any process, summons, notice or document by mail to such party’s address set forth above shall be effective service of process for any suit, action or other proceeding brought in any such court. The parties irrevocably and unconditionally waive any objection to the laying of venue of any suit, action or other proceeding in the Specified Courts and irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such suit, action or other proceeding brought in any such court has been brought in an inconvenient forum. Each party not located in the United States irrevocably appoints Corporation Service Company, 1180 Avenue of the Americas, Suite 210, New York, NY 10036-8401 as its agent to receive service of process or other legal summons for purposes of any such suit, action or proceeding that may be instituted in any state or federal court in the City and County of New York.

(iv) With respect to any Dispute, each party irrevocably waives, to the fullest extent permitted by applicable law, all immunity (whether on the basis of sovereignty or otherwise) from jurisdiction, service of process, attachment (both before and after judgment) and execution to which it might otherwise be entitled in the Specified Courts, and with respect to any Related Judgment, each party waives any such immunity in the Specified Courts or any other court of competent jurisdiction, and will not raise or claim or cause to be pleaded any such immunity at or in respect of any such Related Proceeding or Related Judgment.

(j) *Severability.* If any term, provision, covenant or restriction of this Agreement is held to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby, and the parties hereto shall use their best efforts to find and employ an alternative means to achieve the same or substantially the

same result as that contemplated by such term, provision, covenant or restriction, it being intended that all of the rights and privileges of the parties shall be enforceable to the fullest extent permitted by law.

(k) *Entire Agreement.* This Agreement is intended by the parties as a final expression of their agreement and is intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein and the registration rights granted by the Company with respect to the Registrable Securities. Except as provided in the Master Transaction Agreement, there are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein, with respect to the registration rights granted by the Company with respect to the Registrable Securities. This Agreement supersedes all prior agreements and undertakings among the parties with respect to such registration rights. No party hereto shall have any rights, duties or obligations other than those specifically set forth in this Agreement. In no event will such methods of distribution take the form of an underwritten offering of the Registrable Securities without the prior agreement of the Company.

(l) *Termination.* This Agreement and the obligations of the parties hereunder shall terminate upon the end of the Effectiveness Period, except for any liabilities or obligations under Section 4, 5 or 6 hereof, each of which shall remain in effect in accordance with its terms.

[Signature page follows]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

**ADVANCED MICRO DEVICES, INC.**

By: /s/ Devinder Kumar

Name: Devinder Kumar

Title: Senior Vice President, Chief Financial Officer and Treasurer

Signature Page to Registration Rights Agreement

Confirmed and accepted, as of  
the date first above written:

**WEST COAST HITECH L.P.**

By: West Coast Hitech G.P., Ltd., its general partner

By: /s/ Shahzad Khan  
Name: Shahzad Khan  
Title: Authorized Signatory

Signature Page to Registration Rights Agreement

## FOURTH AMENDMENT TO AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

**THIS FOURTH AMENDMENT TO AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT** (this "Amendment"), dated as of September 7, 2016, is by and among **ADVANCED MICRO DEVICES, INC.**, a Delaware corporation ("Parent"), **AMD INTERNATIONAL SALES & SERVICE, LTD.**, a Delaware corporation ("AMDISS"; together with Parent each, individually, a "Borrower" and, collectively, the "Borrowers"), **ATI TECHNOLOGIES ULC**, an Alberta unlimited liability corporation (the "Canadian Guarantor" and together with the Borrowers, the "Obligors"), the Lenders (as defined below) party hereto, and **BANK OF AMERICA, N.A.**, as agent for the Lenders (in such capacity, the "Agent"). Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed thereto in the Loan Agreement (defined below).

### WITNESSETH

**WHEREAS**, the Obligors, certain banks and financial institutions from time to time party thereto (the "Lenders"), and the Agent are parties to that certain Amended and Restated Loan and Security Agreement dated as of April 14, 2015 (as amended by that certain First Amendment to Amended and Restated Loan and Security Agreement dated as of June 10, 2015, that certain Second Amendment to Amended and Restated Loan and Security Agreement dated as of April 29, 2016, and that certain Third Amendment to Amended and Restated Loan and Security Agreement dated as of June 21, 2016, and as the same may be further amended, restated, replaced, supplemented, or otherwise modified from time to time, the "Loan Agreement"); and

**WHEREAS**, the Obligors have requested, and the Agent and Lenders party hereto have agreed to, subject to the terms and conditions hereof, an amendment of certain provisions of the Loan Agreement, as set forth herein.

**NOW, THEREFORE**, in consideration of the agreements hereinafter set forth, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

### ARTICLE I AMENDMENTS TO LOAN AGREEMENT

#### 1.1 Amendment to Definitions.

(a) The definition of "Borrowing Base Reporting Date" in Section 1.1 of the Loan Agreement is hereby amended so that it reads, in its entirety, as follows:

"Borrowing Base Reporting Date": (a) during any period that is not an Increased Reporting Period, the 20th calendar day after each of (i) the end of each Fiscal Quarter of the Parent and (ii) the end of each Fiscal Month of Parent in which Revolver Usage was at any time \$25,000,000 or more for three consecutive Business Days (and solely for the Fiscal Month ending September 30, 2016, eight consecutive Business Days) ending at any time during such Fiscal Month, and the end of the Fiscal Month immediately thereafter, and (b) during any Increased Reporting Period, (i) with

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respect to Borrowing Base Certificates, every other Thursday (i.e., bi-weekly), commencing on Thursday of the week immediately following the week in which the Increased Reporting Period begins and (ii) with respect to deliverables under Section 8.2.1, Thursday of each week, commencing on Thursday of the week immediately following the week in which the Increased Reporting Period begins.

(b) The definition of “Qualified Factor Arrangement” in Section 1.1 of the Loan Agreement is hereby amended to replace the “\$165,000,000” therein with “\$220,000,000.”

**1.2 Amendment to Information Reporting Covenants.** Section 10.1.2(g) of the Loan Agreement is hereby amended to replace the phrase “three (3) Business Days” therein with “one (1) Business Day.”

## **ARTICLE II CONDITIONS TO EFFECTIVENESS**

**2.1 Closing Conditions.** This Amendment shall become effective as of the day and year set forth above (the “Amendment Effective Date”) upon satisfaction of the following conditions (in each case, in form and substance reasonably acceptable to the Agent):

(a) Executed Amendment. The Agent shall have received a copy of this Amendment duly executed by each of the Obligors, the Required Lenders and the Agent.

(b) Default. Before and after giving effect to this Amendment, no Default or Event of Default shall exist.

(c) Amendment Fee. The Agent shall have received from the Borrowers, for the account of each of the Lenders that executes this Amendment on or before September 8, 2016, an amendment fee in an aggregate amount equal to \$35,000.

## **ARTICLE III MISCELLANEOUS**

**3.1 Amended Terms.** On and after the Amendment Effective Date, all references to the Loan Agreement in each of the Loan Documents shall hereafter mean the Loan Agreement as amended by this Amendment. Except as specifically amended hereby or otherwise agreed, the Loan Agreement is hereby ratified and confirmed and shall remain in full force and effect according to its terms.

**3.2 Representations and Warranties of Obligors.** Each of the Obligors represents and warrants as follows:

(a) It has taken all necessary action to authorize the execution, delivery and performance of this Amendment.

(b) This Amendment has been duly executed and delivered by such Obligor and constitutes such Obligor’s legal, valid and binding obligation, enforceable in accordance with its

terms, except as enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally.

(c) No consent, approval, authorization or order of, or filing, registration or qualification with, any court or governmental authority or third party is required in connection with the execution, delivery or performance by such Obligor of this Amendment that has not already been obtained or made.

(d) The representations and warranties set forth in Section 9 of the Loan Agreement are true and correct in all material respects as of the date hereof (except for those which expressly relate to an earlier date).

(e) Immediately before and after giving effect to this Amendment, no event has or will have occurred and be continuing which constitutes a Default or an Event of Default.

**3.3 Reaffirmation of Obligations.** Each Obligor hereby ratifies the Loan Agreement and acknowledges and reaffirms (a) that it is bound by all terms of the Loan Agreement and the other Loan Documents applicable to it and (b) that it is responsible for the observance and full performance of its respective Obligations.

**3.4 Loan Document.** This Amendment shall constitute a Loan Document under the terms of the Loan Agreement.

**3.5 Expenses.** The Borrowers agree to pay costs and expenses of the Agent in connection with the preparation, execution and delivery of this Amendment pursuant to the terms of the Loan Agreement.

**3.6 Further Assurances.** The Obligors agree to promptly take such action, upon the request of the Agent, as is necessary to carry out the provisions of this Amendment.

**3.7 Entirety.** This Amendment and the other Loan Documents embody the entire agreement among the parties hereto and supersede all prior agreements and understandings, oral or written, if any, relating to the subject matter hereof.

**3.8 Counterparts; Telecopy.** This Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all of which shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Amendment or any other document required to be delivered hereunder, by fax transmission or e-mail transmission (e.g. "pdf" or "tif") shall be effective as delivery of a manually executed counterpart of this Amendment. Without limiting the foregoing, upon the request of any party, such fax transmission or e-mail transmission shall be promptly followed by such manually executed counterpart.

**3.9 No Actions, Claims, Etc.** As of the date hereof, each of the Obligors hereby acknowledges and confirms that it has no knowledge of any actions, causes of action, claims, demands, damages and liabilities of whatever kind or nature, in law or in equity, against the

Agent, the Lenders, or the Agent's or the Lenders' respective officers, employees, representatives, agents, counsel or directors arising from any action by such Persons, or failure of such Persons to act under the Loan Agreement on or prior to the date hereof.

**3.10 GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA, WITHOUT GIVING EFFECT TO ANY CONFLICT OF LAW PRINCIPLES EXCEPT FEDERAL LAWS RELATING TO NATIONAL BANKS.**

**3.11 Successors and Assigns.** This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

**3.12 Consent to Forum; Service of Process; Waiver of Jury Trial.** The provisions set forth in Sections 14.15 and 14.16 of the Loan Agreement are hereby incorporated by reference, *mutatis mutandis*.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF the parties hereto have caused this Amendment to be duly executed on the date first above written.

**OBLIGORS:**

**ADVANCED MICRO DEVICES, INC.**, a Delaware corporation

By: /s/ Darla Smith

Name: Darla Smith

Title: CVP, CAO and Assistant Treasurer

**AMD INTERNATIONAL SALES & SERVICE, LTD.**, a Delaware corporation

By: /s/ Darla Smith

Name: Darla Smith

Title: Secretary and Treasurer

**ATI TECHNOLOGIES ULC**, an Alberta unlimited liability corporation

By: /s/ Darla Smith

Name: Darla Smith

Title: VP and Treasurer

**AGENT AND LENDERS:**

**BANK OF AMERICA, N.A.**, as Agent and a Lender

By: /s/ Ron Bornstein

Name: Ron Bornstein

Title: Senior Vice President

[AMD/BofA – Fourth Amendment to Amended and Restated Loan and Security Agreement]

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**WELLS FARGO BANK, NATIONAL ASSOCIATION, as a Lender**

By: /s/ Maria Quintanilla  
Name: Maria Quintanilla  
Title: Authorized Signatory

[AMD/BofA – Fourth Amendment to Amended and Restated Loan and Security Agreement]

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**BARCLAYS BANK PLC**, as a Lender

By: /s/ Marguerite Sutton

Name: Marguerite Sutton

Title: Vice President

[AMD/BofA – Fourth Amendment to Amended and Restated Loan and Security Agreement]

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**JPMORGAN CHASE BANK, N.A., as a Lender**

By: /s/ John G. Kowalczyk

Name: John G. Kowalczyk

Title: Executive Director

[AMD/BofA – Fourth Amendment to Amended and Restated Loan and Security Agreement]

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**PNC BANK, NATIONAL ASSOCIATION**, as a Lender

By: /s/ Neil Otte  
Name: Neil Otte  
Title: BO

[AMD/BofA – Fourth Amendment to Amended and Restated Loan and Security Agreement]

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**MORGAN STANLEY SENIOR FUNDING, INC., as a Lender**

By: /s/ Jonathan Kerner

Name: Jonathan Kerner

Title: Vice President

[AMD/BofA – Fourth Amendment to Amended and Restated Loan and Security Agreement]

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**DEUTSCHE BANK, AG NEW YORK BRANCH**, as a Lender

By: /s/ Anca Trifan

Name: Anca Trifan

Title: Managing Director

By: /s/ Dusan Lazarov

Name: Dusan Lazarov

Title: Director

[AMD/BofA – Fourth Amendment to Amended and Restated Loan and Security Agreement]

**WAFER SUPPLY AGREEMENT AMENDMENT NO. 6**

This Sixth Amendment to the WAFER SUPPLY AGREEMENT (this “**Sixth Amendment**”), dated as of August 30, 2016, amends that certain Wafer Supply Agreement, dated March 2, 2009 (the “**Original WSA**,” as amended by this Sixth Amendment, the “**Agreement**”), as previously amended by Wafer Supply Agreement Amendment No. 1 dated as of April 2, 2011, Wafer Supply Agreement Amendment No. 2 dated as of March 4, 2012, Wafer Supply Agreement Amendment No. 3 dated as of December 6, 2012, Wafer Supply Agreement Amendment No. 4 dated as of March 30, 2014 and Wafer Supply Agreement Amendment No. 5, dated as of April 16, 2015 (collectively, the “**Prior Amendments**”) by and among (i) Advanced Micro Devices, Inc., a Delaware corporation (“**AMD**”); (ii) with respect to all of the provisions in the Agreement other than those in Sections 5.5(a), 6.2 and 7.3(a) of the Agreement and the related provisions of the Agreement in connection with sales activities only (though without limiting FoundryCo’s guarantee obligations pursuant to Section 15.7 of the Agreement), GLOBALFOUNDRIES Inc., an exempted company incorporated under the laws of the Cayman Islands (“**FoundryCo**”), on behalf of itself and its direct and indirect wholly-owned subsidiaries, including all FoundryCo Sales Entities and FoundryCo Manufacturing Entities, as further set forth in the Agreement; and (iii) subject to FoundryCo’s guarantee obligations pursuant to Section 15.7 of the Agreement, GLOBALFOUNDRIES U.S. Inc., a Delaware Corporation (“**USOpCo**”), which is a party to the Agreement solely with respect to Sections 5.5(a), 6.2 and 7.3(a) of the Agreement and the related provisions of the Agreement in connection with USOpCo’s sales activities (AMD, FoundryCo and USOpCo are collectively referred to herein as the “**Parties**”). Capitalized terms used in this Sixth Amendment shall have the meanings ascribed to them herein. Capitalized terms without definitions herein shall have the meanings set forth in the Original WSA.

WHEREAS, as a matter of convenience and without waiving any of their respective rights, the Parties wish to merge the remaining obligations of the Prior Amendments with this Sixth Amendment such that except as expressly agreed to the contrary herein, the Original WSA and this Sixth Amendment shall set forth all of the obligations among them with respect to AMD’s purchase of Products to be manufactured by FoundryCo;

WHEREAS, the Parties wish to set forth their agreement with respect to certain purchase commitments, pricing and other terms of the Agreement primarily regarding 14nm and smaller MPU Products, GPU Products and Chipset Products during the period from January 1, 2016 through December 31, 2020 (the “**5-year Period**”);

NOW, THEREFORE, in consideration of the promises and mutual agreements and covenants set forth, and intending to be legally bound, the Parties hereby agree as follows:

**1. TERM AND PRIOR AMENDMENTS**

- a. The term of this Sixth Amendment shall be concurrent with the 5-year Period. Except as specifically provided in Section 2(b) and Section 2(i)(i), this Sixth Amendment shall supersede all Prior Amendments, and such Prior Amendments shall have no further force and effect.
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- b. Prior to the expiration of the 5-year Period, and in any event no later than December 31, 2019, the Parties shall engage in good faith discussions to enter into another amendment to the WSA. In the event of a failure to agree to such an amendment, the terms of the Original WSA shall apply.

## 2. FUTURE TAPEOUTS, EXCLUSIVITY AND WAIVER PRODUCTS

### a. General Exclusivity Obligations

Except as expressly permitted in this Sixth Amendment, AMD agrees that:

1. it shall not [\*\*\*\*];
2. AMD shall purchase [\*\*\*\*] from FoundryCo; and
3. each of AMD's and FoundryCo's rights and obligations with respect to MPU Products, GPU Products and Chipset Products shall remain as governed by the Original WSA.

### b. [\*\*\*\*] Waivers

With respect to the Products entitled [\*\*\*\*] and [\*\*\*\*] (the "[\*\*\*\*] Waiver Products"), which one or more Prior Amendments permitted AMD to manufacture with [\*\*\*\*], including any minor modifications and enhancements thereof (collectively the "**Prior Waiver**"), the Prior Waiver shall extend indefinitely throughout the entire life cycle of the [\*\*\*\*] Waiver Products; provided, however, that such manufacturing of [\*\*\*\*] Products will be limited to [\*\*\*\*], and the manufacturing of [\*\*\*\*] Products will be limited to [\*\*\*\*]. The Parties agree that any waiver with respect to the [\*\*\*\*] Products set forth in Prior Amendments has expired. The provisions of this Section 2(b) shall survive the expiration of the 5-year Period.

### c. [\*\*\*\*] Waiver

Subject to AMD's timely payment of the [\*\*\*\*] Waiver Payments pursuant to Section 2.d, the [\*\*\*\*] Waiver Payments pursuant to Section 2.g, the fixed payment pursuant to Section 2.k, and any Mitigation Payments owed pursuant to Section 4 of this Sixth Amendment, FoundryCo hereby waives any claim it may have arising out of or relating to the requirements of Sections 2.1(a) and 2.1(b) of the Agreement with respect to the tape out to and sourcing by AMD from [\*\*\*\*] of the [\*\*\*\*] Products named [\*\*\*\*] (each of the [\*\*\*\*] aforementioned Products a "[\*\*\*\*] Waiver Product," and a waiver relating to such [\*\*\*\*] Waiver Product, a "[\*\*\*\*] Waiver"). As used in this Sixth Amendment, [\*\*\*\*] and [\*\*\*\*] shall include [\*\*\*\*]. AMD may not avoid the requirements in this Section 2.c by changing the names of Products or their scope. For the avoidance of doubt, AMD and FoundryCo agree that any future related Products or derivatives relating to or emanating from any of the [\*\*\*\*]

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Waiver Products, other than minor enhancements or modifications of the foregoing that result in Products that could be sold as substitutes for one or more of the [\*\*\*\*] Waiver Products without changes in AMD's product features, shall not be covered by any [\*\*\*\*] Waiver. Changes in AMD's product features shall include, without limitation, [\*\*\*\*]. To the extent that AMD believes that a minor enhancement or modification of any of the [\*\*\*\*] Waiver Products is covered by the [\*\*\*\*] Waiver, no later than [\*\*\*\*] prior to taping out the enhanced or modified Product (or for such [\*\*\*\*], promptly following AMD's receipt of [\*\*\*\*]), AMD shall provide FoundryCo with a written notice that includes a description of the enhancement or modification. In lieu of the notice requirements set forth in Section 15.4 of the Agreement, the notice requirement may be fulfilled via an email to the FoundryCo non-CFO Partnership Committee members. For the avoidance of doubt, no waivers exist for any other [\*\*\*\*] Products and any such [\*\*\*\*] Products are to be exclusively taped out to and manufactured by FoundryCo.

d. [\*\*\*\*] **Waiver Payments**

i. *Intentionally omitted.*

ii. **Quarterly Payments.** As partial consideration for the [\*\*\*\*] Waivers, beginning in [\*\*\*\*] 2017 with respect to [\*\*\*\*] Waiver Products [\*\*\*\*], and beginning in [\*\*\*\*] 2017 with respect to [\*\*\*\*] Waiver Products [\*\*\*\*], AMD shall pay FoundryCo, on a quarterly basis, payments on a per-wafer basis to be calculated pursuant to Schedule 2(d)(i) (“[\*\*\*\*] **Quarterly [\*\*\*\*] Waiver Payments**”), such that for each relevant year in Column A, the total production wafer volume for such [\*\*\*\*] Waiver Products supplied to AMD by [\*\*\*\*] in the aggregate during such fiscal quarter is multiplied by the dollar amount in Column B that corresponds to [\*\*\*\*] in Column C. The term “**Total AMD [\*\*\*\*] Wafers**” means the [\*\*\*\*]. The term “**AMD [\*\*\*\*] Wafers**” means [\*\*\*\*]. For purposes of calculating the [\*\*\*\*] Quarterly [\*\*\*\*] Waiver Payments, any AMD [\*\*\*\*] Wafer volumes that were included in AMD's Binding Forecasts to FoundryCo and were accepted by FoundryCo in writing, but that AMD subsequently purchased from [\*\*\*\*] solely because FoundryCo subsequently informed AMD in writing that FoundryCo would not make the necessary capacity available to AMD (“Decommitted Wafers”), will be treated as if they had been purchased from FoundryCo rather than from [\*\*\*\*]; provided, however, if AMD has not made cumulative [\*\*\*\*] Quarterly [\*\*\*\*] Waiver Payments to FoundryCo totaling at least [\*\*\*\*] for wafers purchased by AMD from [\*\*\*\*] other than such Decommitted Wafers (as reconciled by the annual true up process set forth in subsection 2.d.iii below), AMD will remain obligated to pay the [\*\*\*\*] Quarterly [\*\*\*\*] Waiver Payment amount for the quantity of Decommitted Wafers as necessary for FoundryCo to receive a cumulative total of [\*\*\*\*] in [\*\*\*\*] Quarterly [\*\*\*\*] Waiver Payments. In order to facilitate and formalize the Parties’

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communications regarding forecasts, the Parties will commence [\*\*\*\*] forecast interlock meetings beginning in September 2016. During such [\*\*\*\*] meetings, the Parties will discuss in good faith AMD's forecast of [\*\*\*\*] Wafers during the Binding Forecast Period and FoundryCo's supply capability for such [\*\*\*\*] Wafers. Following each [\*\*\*\*] interlock, the Parties will memorialize FoundryCo's acceptance of the agreed portions of AMD's [\*\*\*\*] Wafer forecasts with respect to the Binding Forecast Period in writing, which writing may be fulfilled by an email exchange between each Party's designated member of the Partnership Committee expressly setting forth the agreement with respect to the applicable forecast and including the phrases "Agreed by AMD" and "Agreed by Globalfoundries" respectively. Any disagreements between the Parties with respect to [\*\*\*\*] Wafer forecast commitments shall be escalated pursuant to Section 3.2 of the Agreement. AMD will calculate the [\*\*\*\*] Quarterly [\*\*\*\*] Waiver Payments no later than [\*\*\*\*] following the end of each fiscal quarter in which AMD purchased any [\*\*\*\*] Waiver Product from [\*\*\*\*], and shall pay the [\*\*\*\*] Quarterly [\*\*\*\*] Waiver Payments no later than [\*\*\*\*] of the end of the quarter in which the purchases occurred. AMD's obligation to make timely [\*\*\*\*] Quarterly [\*\*\*\*] Waiver Payments is unconditional, and AMD's failure to make timely [\*\*\*\*] Quarterly [\*\*\*\*] Waiver Payments shall, in addition to any other remedies available to FoundryCo in this Agreement, or at law or equity, result in the termination of the [\*\*\*\*] Waivers as follows: (A) for a failure to make a timely [\*\*\*\*] Waiver Payment where such payment default is not disputed by AMD in good faith, FoundryCo may terminate the [\*\*\*\*] Waivers following [\*\*\*\*] written notice to AMD if such payment default is not cured by AMD within such [\*\*\*\*] period; and (B) for a payment default disputed by AMD in good faith, a Party may escalate the dispute to the Partnership Committee, and if the Partnership Committee is unable to resolve the dispute within [\*\*\*\*] of escalation, then the dispute will be escalated to the Chief Executive Officers of AMD and FoundryCo for resolution. If the Chief Executive Officers discuss and fail to resolve the dispute within [\*\*\*\*] of escalation, then FoundryCo may terminate the [\*\*\*\*] Waivers upon written notice of termination to AMD.

- iii. **Annual True Up.** At the conclusion of each fiscal year and promptly following the payment of the [\*\*\*\*] Quarterly [\*\*\*\*] Waiver Payments for the fourth fiscal quarter of the relevant year, AMD shall calculate, pursuant to Schedule 2(d)(i) for each relevant year in Column A, the total production wafer volume for such [\*\*\*\*] Waiver Products on an aggregate basis supplied to AMD by [\*\*\*\*] during such fiscal year multiplied by the dollar amount in Column B that corresponds to [\*\*\*\*] in Column C (such amount, the "[\*\*\*\*] **Annual [\*\*\*\*] Waiver Payments**"). To the extent the aggregate [\*\*\*\*] Quarterly [\*\*\*\*] Waiver Payments received by FoundryCo for the relevant year exceed the [\*\*\*\*] Annual [\*\*\*\*] Waiver Payments, then AMD shall invoice FoundryCo for the difference and FoundryCo shall reimburse

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AMD no later than [\*\*\*\*] from receipt of the invoice. To the extent the aggregate [\*\*\*\*] Quarterly [\*\*\*\*] Waiver Payments received by FoundryCo for the relevant year are less than the [\*\*\*\*] Annual [\*\*\*\*] Waiver Payments, then AMD shall pay FoundryCo the difference no later than [\*\*\*\*] from the end of the calendar year. Illustrative examples of [\*\*\*\*] Quarterly [\*\*\*\*] Waiver Payments are set forth in Schedule 2(d)(ii) hereof.

e. [\*\*\*\*] **Waiver Products** [\*\*\*\*]

- i. AMD shall purchase from FoundryCo at least [\*\*\*\*] of its [\*\*\*\*] Waiver Products (relating to [\*\*\*\*]), as measured on a [\*\*\*\*] basis, by the end of [\*\*\*\*]. By the end of [\*\*\*\*], AMD shall purchase from FoundryCo at least [\*\*\*\*] of its [\*\*\*\*] Waiver Products (relating to [\*\*\*\*]), as measured on a [\*\*\*\*] basis. The foregoing [\*\*\*\*] and [\*\*\*\*] amounts are hereinafter referred to as “[\*\*\*\*] Targets”.

The Parties agree that with respect to the failure by AMD to achieve the [\*\*\*\*] Targets only, FoundryCo’s sole and exclusive remedy for failure shall be AMD’s timely payment in full of the Mitigation Payments for the corresponding fiscal years pursuant to Section 4(b) of this Sixth Amendment (“Exclusive Remedy”), provided that the Exclusive Remedy shall not apply if one or more of the following conditions have occurred:

(a) AMD provides FoundryCo with an inaccurate forecast with respect to the [\*\*\*\*] Waiver Products to be manufactured at FoundryCo that exceeds the applicable [\*\*\*\*] and FoundryCo reasonably relies on such forecast to its detriment, subject to FoundryCo providing prior written notice to AMD of any FoundryCo commitment, purchase, installation or development of manufacturing capacity or related R&D expenses to meet AMD’s forecast in excess of the applicable [\*\*\*\*];

(b) AMD fails to satisfy the [\*\*\*\*] Targets despite the absence of material barriers to compliance; or

(c) AMD fails to comply with any of the exclusivity requirements of the Agreement, including without limitation the requirements set forth in Section 2 of this Sixth Amendment.

- ii. In order to support the achievement of the [\*\*\*\*] Targets, AMD will tape out the Products listed below to FoundryCo pursuant to the dates below, and AMD will use commercially reasonable efforts to achieve the target Product ramp dates below:

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- iii. AMD agrees that its tape out and ramp support obligations set forth in Section 2(e)(ii) above related to the [\*\*\*\*] Waiver Products apply even if the Products are or are planned to be manufactured at a different Process Node or technology node (e.g., [\*\*\*\*]) at [\*\*\*\*]. AMD may not avoid the requirements in Sections 2(c) through 2(e) by changing the names of Products or their scope.
- iv. Furthermore, in support of the transition of [\*\*\*\*] Waiver Products back to FoundryCo, AMD agrees to provide the following information and cooperation (collectively, the “[\*\*\*\*] **Plan**”) to FoundryCo within [\*\*\*\*] following execution of this Sixth Amendment [\*\*\*\*]: (1) AMD [\*\*\*\*] data requirements to assist FoundryCo in achieving supplier readiness; (2) scheduling information, including [\*\*\*\*]; and (3) overview of AMD’s [\*\*\*\*] strategy plans for [\*\*\*\*], including AMD’s good faith estimate of the pricing necessary to [\*\*\*\*], and [\*\*\*\*] plans, including [\*\*\*\*]. AMD shall update the [\*\*\*\*] Plan on at least a [\*\*\*\*] basis.
- v. FoundryCo agrees that, in order to facilitate AMD’s efforts to [\*\*\*\*], FoundryCo will provide AMD with [\*\*\*\*] at [\*\*\*\*], [\*\*\*\*], and a total of [\*\*\*\*] for design support (“[\*\*\*\*] **Design Support Payment**”), with such [\*\*\*\*] Design Support Payment provided to reimburse AMD on a [\*\*\*\*] basis for design support expenses as incurred, to be paid within [\*\*\*\*] following the end of the applicable fiscal quarter, beginning in the [\*\*\*\*], and as expenses are incurred by AMD, subject to receiving documentation of expenditures reasonably acceptable to FoundryCo, with the remaining balance to be paid within [\*\*\*\*] following tape out at FoundryCo. AMD’s [\*\*\*\*] expenditure amount and documentation may be submitted for payment via email from AMD’s CFO to FoundryCo’s CFO.
- vi. AMD and FoundryCo will discuss in good faith and mutually agree on [\*\*\*\*], such discussion to include among other factors [\*\*\*\*].
- f. [\*\*\*\*] **Waiver**
- i. Subject to AMD’s timely payment of the [\*\*\*\*] Quarterly [\*\*\*\*] Waiver Payments and [\*\*\*\*] Quarterly [\*\*\*\*] Waiver Payments pursuant to Sections 2(d) and 2(g), the fixed payment pursuant to Section 2(k) and any Mitigation Payments owed pursuant to Section 4 of this Sixth Amendment, and AMD’s continued compliance with Section 8 of this Sixth Amendment, FoundryCo agrees to waive any claim it may have arising out of or relating to the requirements of the Agreement with respect to the tape out and sourcing by AMD from [\*\*\*\*] for the [\*\*\*\*] Product [\*\*\*\*] (the “[\*\*\*\*] **Waiver Products**,” and the waiver relating to such [\*\*\*\*] Waiver Product, the “[\*\*\*\*] **Waiver**”), provided that with respect to the [\*\*\*\*] Waiver Product, the [\*\*\*\*] Waiver will be effective only if (a) FoundryCo fails to [\*\*\*\*] by [\*\*\*\*], if [\*\*\*\*], and (b) AMD has [\*\*\*\*]. In any event, if FoundryCo fails to [\*\*\*\*],

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AMD and FoundryCo shall exercise good faith efforts to [\*\*\*\*]. For clarification, the requirements for [\*\*\*\*] shall be as mutually agreed by the parties in writing. For the avoidance of doubt, AMD and FoundryCo agree that any future related Products or derivatives relating to or emanating from the [\*\*\*\*] Waiver Products, other than minor enhancements or modifications of the foregoing that result in Products that could be sold as substitutes for [\*\*\*\*] Waiver Products without changes in product features, shall not be covered by any [\*\*\*\*] Waiver. Changes in product features shall include, without limitation, [\*\*\*\*]. To the extent that AMD believes that a minor enhancement or modification of any of the [\*\*\*\*] Waiver Products is covered by the [\*\*\*\*] Waiver, no later than [\*\*\*\*] prior to taping out the enhanced or modified Product (or for such [\*\*\*\*], promptly following AMD's receipt of [\*\*\*\*]), AMD shall provide FoundryCo with a written notice that includes a description of the enhancement or modification. In lieu of the notice requirements set forth in Section 15.4 of the Agreement, the notice requirement may be fulfilled via an email to the FoundryCo non-CFO Partnership Committee members. For the avoidance of doubt, no waivers exist for any other [\*\*\*\*] Product and any such [\*\*\*\*] Products are to be exclusively taped out to and manufactured by FoundryCo.

ii. AMD shall purchase at least [\*\*\*\*] of its [\*\*\*\*] Waiver Products (if applicable pursuant to Section 2(f)(i), relating to [\*\*\*\*]) from FoundryCo, with such purchase requirements to be treated in the same manner as the [\*\*\*\*] Targets for [\*\*\*\*] Waiver products pursuant to Section 2(e) above, and subject to the Exclusive Remedy unless one of the exclusions set forth in Section 2(e)(i) (a), (b) or (c) applies with respect to [\*\*\*\*] Waiver Products. In order to achieve such [\*\*\*\*] Waiver Products purchase requirements at FoundryCo, AMD shall also [\*\*\*\*]. For purposes of clarification, FoundryCo shall not be required to [\*\*\*\*]. Furthermore, the Parties will agree upon a plan for information and cooperation consistent with the requirements in the [\*\*\*\*] Plan.

iii. AMD agrees that its obligations of this Sixth Amendment related to the [\*\*\*\*] Waiver Product apply even if the product is or is planned to be manufactured at a different Process Node or technology node at [\*\*\*\*].

g. **[\*\*\*\*] Quarterly [\*\*\*\*] Waiver Payments**

As partial consideration for the [\*\*\*\*] Waiver, AMD agrees to pay to FoundryCo, on a quarterly basis, payments on a per-wafer basis (“[\*\*\*\*] **Quarterly [\*\*\*\*] Waiver Payments**”), with the amounts and commencement date of such [\*\*\*\*] Quarterly [\*\*\*\*] Waiver Payments to be mutually agreed by the Parties. The Parties agree that the framework for these payments shall be substantially similar to the [\*\*\*\*] Quarterly [\*\*\*\*] Waiver Payments pursuant to Section 2(d) above and the related annual true-up mechanism. If the Parties

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are unable to agree upon the amounts and commencement date of the [\*\*\*\*] Quarterly [\*\*\*\*] Waiver Payments by [\*\*\*\*], such issue shall be escalated to the Partnership Committee, with escalation to the Parties' Chief Executive Officers per Section 3.2 of the Agreement if needed. If the Parties have not agreed upon the amount of the [\*\*\*\*] Quarterly [\*\*\*\*] Waiver Payments by [\*\*\*\*], the [\*\*\*\*] Waiver may be revoked by FoundryCo's Chief Executive Officer providing written notice of revocation to AMD's Chief Executive Officer. AMD's obligation to make timely [\*\*\*\*] Quarterly [\*\*\*\*] Waiver Payments is unconditional, and AMD's failure to make timely [\*\*\*\*] Quarterly [\*\*\*\*] Waiver Payments shall, in addition to any other remedies available to FoundryCo in this Agreement, or at law or equity, result in the termination of the [\*\*\*\*] Waiver and [\*\*\*\*] Waivers pursuant to the same process, notice and timelines for termination for a [\*\*\*\*] Quarterly [\*\*\*\*] Waiver Payment default as set forth in Section 2(d)(ii) above.

h. [\*\*\*\*] **Limited Waiver**

Subject to the terms and conditions set forth in Section 2(h)(i)-(iv) below, FoundryCo agrees to waive any claim it may have arising out of or relating to the requirements of the Agreement with respect to the tape out and sourcing by AMD from [\*\*\*\*] of [\*\*\*\*] Wafers of AMD's [\*\*\*\*] Product (the "[\*\*\*\*] **Waiver Product**", and a waiver relating to such Product, a "[\*\*\*\*] **Limited Waiver**"). For the avoidance of doubt, AMD and FoundryCo agree that any future related products or derivatives related to or emanating from the [\*\*\*\*] Waiver Product, other than minor enhancements or modifications of the foregoing that result in Products that could be sold as substitutes for such Product, without changes in product features, shall not be covered by the [\*\*\*\*] Limited Waiver. Changes in product features shall include, without limitation, [\*\*\*\*]. To the extent that AMD believes that a minor enhancement or modification of the [\*\*\*\*] Waiver Product is covered by the [\*\*\*\*] Limited Waiver, no later than [\*\*\*\*] prior to taping out the enhanced or modified Product (or for such enhancements or modifications that AMD decides to implement within such [\*\*\*\*] period, promptly following such decision), AMD shall provide FoundryCo with a written notice that includes a description of the enhancement or modification. In lieu of the notice requirements set forth in Section 15.4 of the Agreement, the notice requirement may be fulfilled via an email to the FoundryCo non-CFO Partnership Committee members. As a result of this [\*\*\*\*] Limited Waiver, AMD will [\*\*\*\*], including [\*\*\*\*], to support [\*\*\*\*].

The [\*\*\*\*] of the [\*\*\*\*] Limited Waiver may be [\*\*\*\*] subject to the following terms and conditions:

- i. During [\*\*\*\*], the Parties shall review [\*\*\*\*] and discuss in good faith the following: [\*\*\*\*]. If FoundryCo is determined to [\*\*\*\*], the Parties shall meet and discuss in good faith [\*\*\*\*]. In the event of a disagreement between

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the Parties regarding [\*\*\*\*], the Parties will promptly engage a mutually agreed representative from [\*\*\*\*] to [\*\*\*\*]. The Parties agree that the [\*\*\*\*] representative's findings must be provided to the Parties within [\*\*\*\*] of such engagement and shall be binding on each of them.

- ii. If it is determined pursuant to the above process that [\*\*\*\*], and subject to AMD's continued compliance with Section 8 of this Sixth Amendment, the [\*\*\*\*] Limited Waiver will apply to [\*\*\*\*] production wafers. In addition, notwithstanding the [\*\*\*\*] Limited Waiver, the Parties shall continue to work toward completion of the [\*\*\*\*] with the objective of enabling FoundryCo to [\*\*\*\*] as soon as possible. In any event, once the [\*\*\*\*], AMD will [\*\*\*\*]. Upon the [\*\*\*\*], AMD will [\*\*\*\*]. If it is determined that FoundryCo is [\*\*\*\*], then the parties will negotiate in good faith to (A) [\*\*\*\*] and/or (B) [\*\*\*\*]; and (C) if either or both of (A) or (B) are agreed, the parties shall also negotiate in good faith the appropriate compensation to FoundryCo for such additional waivers. The Parties' discussions shall take into consideration [\*\*\*\*], as well as AMD's continued compliance with Section 8 of this Sixth Amendment.
- iii. The [\*\*\*\*] Limited Waiver does not apply to [\*\*\*\*], and AMD will purchase [\*\*\*\*] from FoundryCo, with pricing for such Products to be agreed by the Parties in the same manner as [\*\*\*\*] Products as set forth in Section 3(b) of this Sixth Amendment.

The provisions of this Section 2(h) shall survive the expiration of the 5-year Period.

i. **[\*\*\*\*] Products**

- i. Section 2.1(c) of the Original WSA is hereby amended and restated in its entirety to read as follows:

(c) **[\*\*\*\*] Products.**

- i. With respect to [\*\*\*\*] Products [\*\*\*\*], AMD commits to tape out to FoundryCo and to have FoundryCo exclusively manufacture [\*\*\*\*]; provided that, if [\*\*\*\*], then [\*\*\*\*], [\*\*\*\*] Products scheduled to be taped out [\*\*\*\*] shall be taped out to FoundryCo and exclusively manufactured by FoundryCo. However, if [\*\*\*\*], then, in addition to any [\*\*\*\*] Product previously taped out at another foundry, the Parties shall discuss in good faith AMD's potential tape out and sourcing from another foundry of one or more additional [\*\*\*\*] Products, taking into consideration AMD's continued compliance with [\*\*\*\*] and FoundryCo's progress with respect to [\*\*\*\*].

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ii. With respect to AMD's obligations regarding the tapeout, sourcing and purchases of [\*\*\*\*] Products from FoundryCo [\*\*\*\*], the terms of the Prior Amendments shall continue to apply.

**j. Chipset Products**

As stated above, AMD will purchase [\*\*\*\*] Chipset Products from FoundryCo; provided, however, that if AMD purchases a company or assets from a company that has at the time of acquisition, Chipset Products in production or that have already taped out for manufacture at a third party foundry, such acquired Chipset Products will not be subject to this Section 2(j). The following defined term shall be added to the Agreement immediately following Section 1.29:

“1.29.1 **“Chipset Products”** shall mean one or more integrated circuits marketed and sold by AMD as a separate product, that are manufactured at the [\*\*\*\*]nm and any smaller Process Node, and that are designed to mediate the flow of data between the central processing unit and peripheral devices using a PCI, PCIe, universal serial bus (USB) Serial ATA (SATA), low pin count (LPC), Integrated Drive Electronics (IDE), Azalia HD Audio (AZ), Serial Peripheral Interface (SPI), Secure Digital Input Output (SDIO) or similar bus.”

The provisions of this Section 2.j shall survive the expiration of the 5-year Period.

**k. AMD Fixed Payment**

As partial consideration for the [\*\*\*\*] Waivers, [\*\*\*\*] Waivers, the [\*\*\*\*] Waivers, and the [\*\*\*\*] Limited Waiver, AMD shall pay FoundryCo a total of one hundred million dollars (\$100,000,000) in cash, payable in installments within [\*\*\*\*] of AMD's receipt of FoundryCo's invoice as follows: (i) \$25,000,000, which may be invoiced on or after September 15, 2016; (ii) \$25,000,000, which may be invoiced on or after December 15, 2016; (iii) \$25,000,000, which may be invoiced on or after March 15, 2017; and (iv) \$25,000,000 which may be invoiced on or after June 15, 2017. AMD's payment obligation with respect to such payments shall be unconditional and AMD shall pay such amounts without reduction, abatement, diminution, counterclaim, set-off, defense, recoupment, deferment or other limitation, regardless of the acts, breaches or omissions, or alleged acts, breaches or omissions, of FoundryCo under the Agreement or otherwise, or for any other reason whatsoever. Any failure to make the above timely payments, in whole or in part, shall result in termination of the [\*\*\*\*] Waivers, [\*\*\*\*] Waivers, the [\*\*\*\*] Waivers, and the [\*\*\*\*] Limited Waiver.

**3. AMENDMENTS RELATED TO PRODUCT AND PRODUCT PRICING**

**a. Product Forecasts, Purchase Orders and Roadmaps**

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- i. In lieu of the forecasting requirements of Section 5.1 of the Original WSA, AMD will provide FoundryCo, in writing on a monthly basis, with a non-binding, rolling [\*\*\*\*] forecast of its monthly volume requirements for [\*\*\*\*] MPU Products, [\*\*\*\*] MPU Products, GPU Products, Chipset Products and Other Future Products, identified by Process Node. Notwithstanding the foregoing, the first [\*\*\*\*] of the [\*\*\*\*] rolling forecast referenced above will detail AMD's monthly volume requirements by Product and will be binding with respect to the total Wafer volume on a Product level basis during such [\*\*\*\*] period only, and the [\*\*\*\*] of the [\*\*\*\*] rolling forecast will be binding with respect to the total Wafer volume on a technology basis during such [\*\*\*\*] period only (accordingly, notwithstanding the Original WSA, the term "Binding Forecast" will mean AMD's Product forecast for the first [\*\*\*\*] of such [\*\*\*\*] forecast as provided herein, and "Binding Forecast Period" will mean such [\*\*\*\*] period). AMD acknowledges and agrees that FoundryCo may rely on such forecasts for the purposes of scheduling manufacturing and other resources in accordance with the terms of the Agreement.
- ii. In addition to the forecast requirements described in Section 3(a)(i) above, AMD shall provide FoundryCo the following within [\*\*\*\*] following the execution of this Sixth Amendment:
1. A non-binding product roadmap by technology that includes the tape-out dates for a [\*\*\*\*] horizon (i.e., [\*\*\*\*]), to be updated and provided to FoundryCo on a [\*\*\*\*] basis (end of each [\*\*\*\*]); and
  2. A non-binding volumes forecast that includes all products, separately aggregated by technology and by product type ([\*\*\*\*] MPU Products, [\*\*\*\*] MPU Products, GPU Products, Chipset Products, and Other Future Products), for a [\*\*\*\*] horizon, to be updated and provided to FoundryCo on or before [\*\*\*\*] of each year.
- iii. AMD agrees to provide FoundryCo detailed Product mix information and purchase orders, on the date hereof, for all 2016 Production Wafers scheduled for delivery in the [\*\*\*\*] of 2016. Notwithstanding the foregoing or any other provision of this Agreement or any purchase order to the contrary, FoundryCo acknowledges and agrees that AMD may update actual Product mix information in accordance with AMD's [\*\*\*\*] process (currently referred to as the Universal Order Book process), by which AMD will provide FoundryCo updated Product mix information by [\*\*\*\*]. The Parties agree to meet and discuss in good faith any flexibility regarding Product volumes, taking into consideration purchase orders, pricing, capacity constraints, Products started to date and margin. In the event the Parties are unable to agree within [\*\*\*\*] after discussing in good faith, such disagreement will be escalated to the Partnership Committee and, if required, the Parties' respective Chief Executive Officers pursuant to Section 3.2 of the Agreement.

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- iv. AMD agrees to provide FoundryCo detailed Product mix information and purchase orders on a [\*\*\*\*] frequency. The Product mix information and purchase orders shall be released and reflect the Product mix for at least [\*\*\*\*] in advance of the commencement of manufacturing for each Product. Notwithstanding the foregoing or any other provision of this Agreement or any purchase order to the contrary, but without diminishing any of AMD's obligations to comply with Section 4 of this Sixth Amendment, FoundryCo acknowledges and agrees that AMD may update actual Product mix information in accordance with AMD's [\*\*\*\*] process (currently referred to as the Universal Order Book process), by which AMD will provide FoundryCo updated Product mix information by [\*\*\*\*]. Without diminishing any of AMD's obligations to comply with Section 4 of this Sixth Amendment, the Parties agree to meet and discuss in good faith any flexibility regarding product volumes, taking into consideration purchase orders, pricing, capacity constraints, Product started to date and margin. In the event the Parties are unable to agree within [\*\*\*\*] days after discussing in good faith, such disagreement will be escalated to the Partnership Committee and, if required, the Parties' respective Chief Executive Officers pursuant to Section 3.2 of the Agreement.
- v. FoundryCo may at its option [\*\*\*\*]. Within [\*\*\*\*] of receiving such notice, AMD shall provide FoundryCo with its desired Product mix for such [\*\*\*\*] period, and FoundryCo will adhere to such Product mix. If AMD does not respond within [\*\*\*\*], FoundryCo may build ahead Products based on the latest the Product mix information released by AMD to FoundryCo and such Product mix shall be binding upon AMD.

With respect to Production Wafers that are covered by the [\*\*\*\*] of AMD's binding forecast, FoundryCo may also [\*\*\*\*], but only upon mutual agreement with AMD regarding the Product mix, such agreement not to be unreasonably withheld or delayed.

FoundryCo shall have the option of selecting the location for storage of such Production Wafers at either FoundryCo's own premises or at a third party's premises subcontracted by FoundryCo, provided that such third party is obligated to maintain the Wafers in accordance with industry standards. [\*\*\*\*] shall bear the storage costs of any Production Wafers stored at [\*\*\*\*]. FoundryCo agrees to use reasonable commercial efforts to properly store such Production Wafers in accordance with applicable industry standards. FoundryCo agrees that it will deliver to storage pursuant to this Section 3(a)(v) only Production Wafers that exceed the applicable [\*\*\*\*] determined as mutually agreed by the Parties at the time [\*\*\*\*] and that Section 9 of the Agreement shall apply to the Production Wafers placed in storage pursuant to this Section 3.a.v, including for any Production Wafers that do not meet such [\*\*\*\*]. In the event of capacity constraints relating to [\*\*\*\*], FoundryCo

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may deliver to storage Production Wafers which are [\*\*\*\*]. The applicable [\*\*\*\*] for such wafers upon [\*\*\*\*] shall be based on the [\*\*\*\*] of such wafers [\*\*\*\*]. Title and risk of loss of any stored Production Wafers shall remain with FoundryCo until delivered to AMD in accordance with the applicable delivery schedule and terms for such Production Wafers.

vi. If and to the extent that AMD has not delivered the applicable Product mix information relating to Production Wafers in accordance with the dates set forth in Section 3(a)(iii) or 3(a)(iv) above, then FoundryCo may manufacture such Production Wafers based on the most recent Product mix information provided by AMD pursuant to Section 3(a)(i) above; provided, that if AMD had not previously made available the contemplated Product mix information FoundryCo may develop and submit its plan for production of Products to AMD for discussion, and in the absence of a definitive response by AMD within [\*\*\*\*] of receipt of such plan FoundryCo may manufacture such Production Wafers based on its proposed plan and AMD shall be obligated to take delivery of and pay for such Wafers pursuant to the payment provisions set forth in the Agreement. If and to the extent that AMD has not delivered purchase orders for specified Production Wafers in accordance with the dates set forth in Section 3(a)(iii) or 3(a)(iv) above, then FoundryCo shall thereafter have the right to send an invoice to AMD at the time when the applicable specified Production Wafers are delivered reflecting the price of the applicable Production Wafers for which such purchase orders have not been provided.

**b. Product Pricing**

i. Notwithstanding Section 7.1 and Exhibit A of the Original WSA, the Parties agree to the pricing for 2016 products as set forth in Schedule 3(b) herein.

ii. Subject at all times to the exclusivity obligations of the Agreement and the Annual Effective Revenue Floor requirements set forth in Section 4 of this Sixth Amendment, AMD and FoundryCo agree to use commercially reasonable efforts to agree within [\*\*\*\*] following execution of this Sixth Amendment on 2017 pricing, and by [\*\*\*\*] of each of 2017, 2018 and 2019 on the pricing for the annual period following December 31 of such year.

iii. With respect to [\*\*\*\*] and [\*\*\*\*] Products only, the Parties agree that pricing will be set at [\*\*\*\*] and to the extent mutually agreed, [\*\*\*\*]. If the Parties are unable to agree upon the [\*\*\*\*] and [\*\*\*\*], if any, for [\*\*\*\*] and [\*\*\*\*] Products, FoundryCo may elect to consult with a third party independent advisor (“[\*\*\*\*] **Advisor**”) to provide a prompt opinion as to the [\*\*\*\*]. The identity of the [\*\*\*\*] Advisor must also be reasonably agreeable to AMD, and both Parties shall consider the opinion of the [\*\*\*\*] Advisor in good faith. The Parties shall also discuss in good faith the inclusion of [\*\*\*\*] in the pricing for [\*\*\*\*] and [\*\*\*\*] Products.

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iv. If AMD and FoundryCo are unable to agree on the pricing pursuant to Section 3(b)(ii) or 3(b)(iii) above with respect to any calendar year, then the price for all existing [\*\*\*\*] Products (including, for avoidance of doubt, any [\*\*\*\*] and [\*\*\*\*] Products), shall [\*\*\*\*]. With respect to any such [\*\*\*\*] Products on [\*\*\*\*], the prices shall [\*\*\*\*]. In addition, Section 7.1(b) of the Agreement shall be amended and restated in its entirety to read as follows:

“The pricing for [\*\*\*\*] Products shall be agreed on an annual basis; provided, however that the Parties agree that such pricing shall be based on competitive market pricing. The price for Engineering Wafers for [\*\*\*\*] Products shall be determined by mutual written agreement of the Parties on a case-by-case basis.”

v. Section 7.1 of the Agreement shall be amended by the addition of the following language as a new sub-Section 7.1(c-2) (to be inserted between existing sub-Sections 7.1(c) and 7.1(d)), which shall read in its entirety as follows:

“(c-2) Chipset Product Pricing. The pricing for Chipset Products shall be based on competitive market pricing. The price for Engineering Wafers for Chipset Products shall be determined by mutual written agreement of the Parties on a case-by-case basis.”

- c. Subsection 3(b)(iii) above will expire at the end of the 5-year Period; provided, however, if prior to December 31, 2020 the Parties have agreed that the pricing for any [\*\*\*\*] and [\*\*\*\*] Products will be effective for a period of time following the expiration of the 5-year Period, such pricing shall survive for the previously agreed period of time. The remainder of this Section 3 shall survive the expiration of the 5-year Period.

#### 4. ANNUAL FLOOR[\*\*\*\*]; MITIGATION PAYMENTS

##### a. Annual Revenue Floor[\*\*\*\*]

i. AMD shall purchase from FoundryCo, for each fiscal year from 2016 until 2020, at a minimum the applicable **Annual Effective Revenue Floor**, which shall be defined as the dollar amount equal to the greater of:

1. The [\*\*\*\*]; or
2. The [\*\*\*\*].

ii. For the purposes of this Sixth Amendment, the following definitions shall apply:

1. “[\*\*\*\*]” shall for a given fiscal year equal the dollar amounts set forth for that year in Schedule 4(a)(ii)(3) attached hereto.

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2. “[\*\*\*\*]” for a given fiscal year shall be as set forth for that year in Schedule 4(a)(ii)(5) attached hereto.
  3. “[\*\*\*\*]” shall mean for a given fiscal year the dollar amount equal to [\*\*\*\*].
  4. **“Delta from the Applicable Floor”** shall mean, in cases where FoundryCo’s Actual Annual Revenue from AMD is less than the Annual Effective Revenue Floor in any given year, the dollar amount equal to the difference between these two amounts.
  5. **“FoundryCo’s Actual Annual Revenue From AMD”** shall mean the total amounts invoiced by FoundryCo ([\*\*\*\*]) from AMD’s purchase of Production Wafers from FoundryCo during each fiscal year. For the avoidance of doubt, “FoundryCo’s Actual Annual Revenue From AMD” shall include [\*\*\*\*].
  6. **“Total Annual AMD Foundry Wafer Spend”** shall mean the total amounts invoiced to AMD ([\*\*\*\*]) by FoundryCo or any other permitted foundry for all of its MPU Product, GPU Product, Chipset Product and Other Future Product production wafer purchases for a given fiscal year. For the avoidance of doubt, “Total Annual AMD Foundry Wafer Spend” shall include [\*\*\*\*].
  7. “[\*\*\*\*]” shall mean [\*\*\*\*]. For the avoidance of doubt, “[\*\*\*\*]” shall include [\*\*\*\*].
- b. In the event FoundryCo’s Actual Annual Revenue From AMD is less than the Annual Effective Revenue Floor, AMD shall make mitigation payments (**“Mitigation Payments”**) to FoundryCo, within [\*\*\*\*] of the end of such fiscal year, equal to the following:
    - i. In the event the Delta from the Applicable Floor is less than [\*\*\*\*] for the applicable year, AMD shall pay to FoundryCo an amount equal to [\*\*\*\*] of the Delta from the Applicable Floor for the applicable fiscal year.
    - ii. In the event the Delta from the Applicable Floor is greater than or equal to [\*\*\*\*] for the applicable year, AMD shall pay to Foundry an amount equal to [\*\*\*\*] of the Delta from the Applicable Floor for the applicable fiscal year.
    - iii. An illustrative example of the calculation of Mitigation Payments is set forth in Schedule 4(b)(iii) attached hereto.
  - c. In the event AMD is unable to meet the requirements of Section 4(a) as a direct result of FoundryCo having insufficient capacity (as acknowledged in a writing

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by FoundryCo to AMD) and AMD had provided sufficient forecasting to allow FoundryCo a reasonable opportunity to prepare for the volume of Product ordered, or if FoundryCo had sufficient capacity in place to meet AMD's Product requirements but informed AMD in writing that it allocated such capacity to other FoundryCo customers, then the Parties will engage in good faith discussions to adjust the Mitigation Payments to account for such unavailable capacity for the applicable time periods.

- d. If FoundryCo is determined to be [\*\*\*\*], then provided that (i) AMD has been taking, and will continue to take, all reasonable measures to achieve the applicable [\*\*\*\*] for [\*\*\*\*], including in particular [\*\*\*\*]; (ii) AMD is [\*\*\*\*]; (iii) AMD has continued to cooperate with the 7nm Operational Plan; (iv) AMD has continued to cooperate with the [\*\*\*\*] Plan; and (v) AMD has complied with the exclusivity requirements to date during the 5-year Period; the Parties will engage in good faith discussions during the [\*\*\*\*] period prior to end of [\*\*\*\*] to mutually agree on an appropriate reduction to the [\*\*\*\*] for the applicable year, taking into account FoundryCo's capacity and any constraints to such capacity or supply.
- e. FoundryCo agrees that receipt of the Mitigation Payments shall be the sole and exclusive remedy for AMD's failure to meet the applicable Annual Effective Revenue Floor. For avoidance of doubt, and without prejudice to Section 2(e)(i) of this Sixth Amendment, the foregoing sentence shall not limit FoundryCo's remedies with respect to any other failure or breach of the Agreement by AMD, including without limitation any failure by AMD to comply with its exclusivity obligations, [\*\*\*\*] and its obligations to remit payments for Products, services and waivers in a timely manner.
- f. The provisions of this Section 4 shall survive the expiration of the 5-year Period but only as applicable to any Mitigation Payments owed with respect to the 5-year Period.

## 5. SORTING AND MASK SERVICES

- a. The Parties agree that Section 4.2(a) of the Original WSA will no longer apply, and that the Parties shall negotiate in good faith and mutually agree upon terms and conditions to govern AMD's future purchases of Sort Services from FoundryCo. Notwithstanding the foregoing, AMD shall [\*\*\*\*]. The Parties' good faith discussions shall take into account FoundryCo's utilization of its existing equipment and tooling, and its performance of Sort Services on all new Products (including [\*\*\*\*]), and that consignment by AMD of equipment and tooling necessary for FoundryCo to perform Sort Services, [\*\*\*\*], will be only as mutually agreed.
- b. AMD agrees that it shall procure mask services for Production Wafers provided by FoundryCo [\*\*\*\*] from FoundryCo during the 5-Year Period.

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## 6. [\*\*\*\*]

- a. Notwithstanding Section [\*\*\*\*] of the Original WSA, the provisions of Exhibit B as relate to [\*\*\*\*] and the related provisions regarding [\*\*\*\*] shall govern. Except for the [\*\*\*\*] and [\*\*\*\*] provided in Exhibit B, which shall only apply to [\*\*\*\*] Products and [\*\*\*\*] Products, there are no [\*\*\*\*] or [\*\*\*\*] requirements or other committed [\*\*\*\*] with respect to any Products to be delivered by FoundryCo to AMD during the 5-Year Period. Except as otherwise stated above, FoundryCo's obligations with respect to [\*\*\*\*] and [\*\*\*\*] shall remain as set forth in the Original WSA.

## 7. REPORTS AND AUDIT

- a. **Reports Related to Waived Products.** In order to assist FoundryCo in confirming AMD's compliance with the exclusivity obligations set forth in the Agreement and the applicable waiver payments, AMD agrees to provide the following written reports, which AMD represents to be true and accurate upon issuance of each report and which, in all cases, shall be subject to the audit provisions set forth in Section 8 of the Agreement.
- i. No later than [\*\*\*\*] following the conclusion of each [\*\*\*\*], AMD shall provide FoundryCo with a written report stating:
1. the name and technology node of each [\*\*\*\*] Waiver Product, [\*\*\*\*] Waiver Product, [\*\*\*\*] Waiver Product and [\*\*\*\*] Limited Waiver Product.
  2. the total Wafer volumes for the [\*\*\*\*] Waiver Products, [\*\*\*\*] Waiver Products, [\*\*\*\*] Waiver Products and [\*\*\*\*] Waiver Product (each such category collectively) purchased during the prior [\*\*\*\*] that were manufactured at FoundryCo; and
  3. the total wafer volumes purchased of the [\*\*\*\*] Waiver Products, [\*\*\*\*] Waiver Products, [\*\*\*\*] Waiver Products and [\*\*\*\*] Waiver Product that were manufactured at [\*\*\*\*] during the prior [\*\*\*\*].
- ii. Upon the execution of this Sixth Amendment, AMD shall provide the same information above corresponding to the [\*\*\*\*] of 2016 with respect to all waiver products, as well as a good faith forecast of the same for the [\*\*\*\*] of 2016.
- b. **Reports Related to Annual Volumes and Mitigation Payments.** In order to assist FoundryCo in confirming AMD's compliance with its Annual Revenue Floor as set forth in the Agreement and any applicable Mitigation Payments, AMD agrees to provide the following written reports, which AMD represents

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to be true and accurate upon issuance of each report and which, in all cases, shall be subject to the audit provisions set forth in Section 8 of the Agreement.

- i. No later than [\*\*\*\*] following each [\*\*\*\*], AMD shall provide FoundryCo with a written report stating the [\*\*\*\*] for such [\*\*\*\*].
  - ii. No later than [\*\*\*\*] after the execution of this Sixth Amendment, AMD shall provide the same information above corresponding to the [\*\*\*\*] of 2016.
  - iii. No later than [\*\*\*\*] following each [\*\*\*\*], AMD shall disclose to FoundryCo the Total Annual AMD Foundry Wafer Spend.
- c. **Audit Rights.** Section 8.1(b) of the Original WSA is hereby amended and restated in its entirety as follows:
- “AMD. AMD shall keep records in sufficient detail to enable FoundryCo to determine that AMD has complied with its exclusivity obligations and commitments pursuant to the Agreement. AMD shall permit said records to be inspected, at FoundryCo’s expense, upon reasonable advance notice, during regular business hours by an independent auditor selected by FoundryCo and approved by AMD, which approval shall not be unreasonably withheld. The audit shall be for the purposes of (i) verifying that AMD has complied with its exclusivity obligations and commitments pursuant to the Agreement and (ii) confirming the accuracy of any additional amounts payable by AMD to FoundryCo as described in Section 2, Section 3 and Section 4 of the Sixth Amendment. Inspections conducted under this Section 8.1(b) shall be at FoundryCo’s expense, unless AMD has failed to comply with its exclusivity obligations, payment obligations and commitments pursuant to the Agreement, or has a non-compliance variance adverse to FoundryCo with respect to additional amounts payable pursuant to Section 2, Section 3 and/or Section 4 of the Sixth Amendment of [\*\*\*\*] percent ([\*\*\*\*]%) or more, in which case AMD shall bear the reasonable expenses of such audit.”
- d. The provisions of this Section 7 shall survive the expiration of the 5-year Period but only as applicable to activities that occurred during the 5-year Period, and payments owed in connection with such activities.

## 8. 7NM OPERATIONAL PLAN

- a. The Parties shall work in a spirit of partnership and good faith to focus resources to assist FoundryCo to develop its 7nm process technology in accordance with its time schedule. AMD shall provide such cooperation as reasonably required to enable FoundryCo to manufacture 7nm products for AMD consistent with AMD’s time schedule for 7nm Products. The details of such cooperation will be mutually agreed and set forth in an operational plan, which plan shall be based on the elements further described in Exhibit A (the “**7nm Operational**”).

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**Plan**”). The Parties acknowledge that certain elements of the 7nm Operational Plan will be updated from time to time per the Parties’ mutual agreement in order to fulfill the objectives set forth in this Section 8 until the 7nm Operational Plan is complete.

## 2. PRIOR AMENDMENTS

a. Section 1.48 of the Agreement is hereby amended and restated in its entirety to read as follows:

“1.48 **FoundryCo Sales Entities** shall mean USOpCo, GLOBALFOUNDRIES Singapore Pte. Ltd. (a private limited Singapore company and a wholly-owned subsidiary of FoundryCo) and any other direct or indirect wholly-owned subsidiaries of FoundryCo to which FoundryCo has delegated the responsibility to process purchase orders from AMD and to offer to sell and sell Products to AMD in accordance with this Agreement.”

b. Section 15.11(c) of the Agreement shall be amended and restated in its entirety as follows:

“(c) Any Dispute not resolved within thirty (30) days of the Dispute Notice being received shall be referred to, and shall be finally and exclusively resolved by, arbitration under the LCIA Rules then in effect, as amended by this Section 15.11, which LCIA Rules are deemed to be incorporated by reference into this Section 15.11. The seat, or legal place, of the arbitration shall be London, England. The language of the arbitration shall be English. The number of arbitrators shall be three. Each party shall nominate one arbitrator and the two arbitrators nominated by the Parties shall, within thirty (30) days of the appointment of the second arbitrator, agree upon and nominate a third arbitrator who shall act as Chairman of the Tribunal. If no agreement is reached within thirty (30) days, the LCIA Court shall appoint a third arbitrator to act as Chairman of the Tribunal. It is hereby expressly agreed that if there is more than one claimant party or more than one respondent party, the claimant parties shall together nominate one arbitrator and the respondent parties shall together nominate one arbitrator. In the event that a sole claimant or the claimant parties, on the one side, or a sole respondent or the respondent parties, on the other side, fails to nominate its/their arbitrator, such arbitrator shall be appointed by the LCIA Court. Any award issued by the arbitrators shall be final and binding upon the Parties, and, subject to this Section 15.11, may be entered and enforced in any court of competent jurisdiction by any of the Parties. In the event any party subject to such final and binding award desires to have it confirmed by a final order of a court, the only court which may do so shall be a court of competent jurisdiction located in London, England; provided however, that nothing in this sentence shall prejudice or prevent a party from enforcing the arbitrators’ final and binding award in any court of competent jurisdiction. The Parties hereto acknowledge and agree that any breach of the terms of this Agreement could give rise to irreparable harm for which money damages would not be an adequate

remedy. Accordingly, the Parties agree that, prior to the formation of the Tribunal, the Parties have the right to apply exclusively to any court of competent jurisdiction or other judicial authority located in London, England for interim or conservatory measures, including, without limitation, to compel arbitration (an “Interim Relief Proceeding”). Furthermore, the Parties agree that, after the formation of the Tribunal, the arbitrators shall have the sole and exclusive power to grant temporary, preliminary and permanent relief, including injunctive relief and specific performance, and any then pending Interim Relief Proceeding shall be discontinued without prejudice to the rights of any of the parties thereto. Unless otherwise ordered by the arbitrators pursuant to the terms hereof, the arbitrators’ expenses shall be shared equally by the Parties. In furtherance of the foregoing, each of the Parties hereto irrevocably submits to: (i) the exclusive jurisdiction of the courts of England located in London, England in relation to any Interim Relief Proceeding and; (ii) the non-exclusive jurisdiction of the courts of England located in London, England with respect to the enforcement of any arbitral award rendered in accordance with this Section 15.11; and, with respect to any such suit, action or proceeding, waives any objection that it may have to the courts of England located in London, England on the grounds of inconvenient forum. For the avoidance of doubt, where an arbitral tribunal is appointed under this Agreement, the whole of its award shall be deemed for the purposes of the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards of 1958 to be contemplated by this Agreement, as the case may be (and judgment on any such award may be entered in accordance with the provisions set forth in this Section 15.11).”

- c. The provisions of this Section 9 shall survive the expiration of the 5-year Period.

## 10. ADDITIONAL AGREEMENTS

- a. As partial consideration for the mutual agreements and covenants set forth in this Sixth Amendment, including but not limited to the [\*\*\*\*] Waivers, [\*\*\*\*] Waivers, the [\*\*\*\*] Waivers, and the [\*\*\*\*] Limited Waiver, AMD and USOpCo agree that AMD and West Coast Hitech L.P. will enter into a separate agreement (the “Warrant Agreement”) whereby AMD will grant to West Coast Hitech L.P. the right to purchase from AMD seventy-five million (75,000,000) shares of AMD Common Stock, pursuant to the terms, conditions and restrictions set forth in the Warrant Agreement.
- b. Section 15.4 of the Original WSA is hereby amended and restated in its entirety as follows:

“**Notices.** All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given or made (and shall be deemed

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to have been duly given or made upon receipt) by delivery in person, by an internationally recognized overnight courier service, by registered or certified mail (postage prepaid, return receipt requested) to the respective parties hereto at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 15.4):

- (a) If to FoundryCo or USOpCo:

GLOBALFOUNDRIES  
2600 Great America Way  
Legal Department  
Santa Clara, California 95054  
Attention: General Counsel

- (b) If to AMD:

Advanced Micro Devices, Inc.  
7171 Southwest Parkway  
MS 100.T  
Austin, Texas 78735  
Attention: General Counsel

- c. The provisions of this Section 10 shall survive the expiration of the 5-year Period.

## 11. MISCELLANEOUS

- a. The Partnership Committee will consist of the people listed in Schedule 11.a or their equivalent replacements. The Partnership Committee may invite any other executives or subject matter experts to attend a Partnership Committee meeting to the extent required to resolve a dispute. For the avoidance of doubt, the Partnership Committee responsibilities, in addition to the responsibilities set forth in Section 3.2(a) of the Agreement, include the following specific items:
1. Any disputes arising out of the 7nm Operational Plan;
  2. Any disputes arising out of the calculations or payments to be made as a result of [\*\*\*\*], [\*\*\*\*], [\*\*\*\*] Waiver Payments or other payments to be made under this Sixth Amendment; and
  3. Any disputes arising out of the calculations or payments to be made pursuant to Section 4 of this Sixth Amendment.
- b. Each of FoundryCo and AMD represents and warrants that this Sixth Amendment has been duly authorized, executed and delivered by it, that this

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Sixth Amendment is duly enforceable pursuant to its terms and that the execution, delivery and performance of this Sixth Amendment does not conflict with applicable law or any of its organizational documents or result in a breach or violation of, or constitute a default under, any agreement to which it is a respective party.

- c. Each of FoundryCo and AMD acknowledges the importance of prompt collaboration and communication with respect to all communications and announcements, whether by press release or otherwise, in respect of their commercial relationship and, as such, agrees to work together and coordinate such communications and announcements, and will make such communications and announcements available to the other party in advance to the extent reasonably possible. This Section 11(c) shall not affect, waive or otherwise amend the existing provisions of the Agreement with respect to communications and announcements.
- d. In order to avoid miscommunications or misunderstandings concerning whether a Party has agreed to amend or waive any provision of the Agreement, no amendments or waivers shall be effective or agreed by any Party unless such amendment or waiver is expressed in a writing specifically identified as such and signed by the Chief Executive Officer or Chief Financial Officer of FoundryCo and by the Chief Executive Officer or Chief Financial Officer of AMD, and no emails or other written communications, oral communications or actions or inactions by employees of any Party that may be inconsistent with the expressed written provisions of the Agreement shall serve as a basis for any Party to argue or establish that an amendment, waiver, or estoppel has been effected with respect to any written provision of this Agreement.
- e. All references to “fiscal quarter” or “fiscal year” herein shall mean FoundryCo’s fiscal quarter or fiscal year, unless explicitly noted otherwise.
- f. Other than as expressly provided in this Sixth Amendment, no other amendments are being made to the Agreement, and all other provisions of the Agreement shall remain in full force and effect in accordance with the terms of the Agreement.

*[Signature page follows]*

IN WITNESS WHEREOF, the Parties have caused this Sixth Amendment to be executed as of the date first written above by their respective officers thereunto duly authorized.

ADVANCED MICRO DEVICES, INC.

By: /s/ Devinder Kumar

Name: Devinder Kumar  
Title: Senior Vice President & CFO

GLOBALFOUNDRIES INC.

By: /s/ John P. Goldsberry

Name: John P. Goldsberry  
Title: Senior Vice President & CFO

GLOBALFOUNDRIES U.S. INC.

By: /s/ John P. Goldsberry

Name: John P. Goldsberry  
Title: Senior Vice President & CFO

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**Schedule 2(d)(i)– [\*\*\*\*] Waiver Payment**

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**Schedule 2(d)(ii) – Illustrative Examples of [\*\*\*\*] Quarterly Waiver Payment Calculation**

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[\*\*\*\*\*] = Two pages of confidential information, marked by brackets, have been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended. Confidential treatment has been requested with respect to the omitted portions.

**Schedule 3(b) – 2016 Pricing**

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**Schedule 4(a)(ii)(3) – [\*\*\*\*]**

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**Schedule 4(a)(ii)(5) – [\*\*\*\*]**

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**Schedule 4(b)(iii) – Illustrative Examples of Mitigation Payments**

**Example 1:**

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**Example 2**

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**Schedule 11(a) – Initial Partnership Committee Membership**

For AMD: [\*\*\*\*]

For FoundryCo: [\*\*\*\*]

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**EXHIBIT A**  
**7nm Operational Plan Elements**

[\*\*\*\*]

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**Exhibit B**

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The Parties shall mutually agree upon [\*\*\*\*], as well as [\*\*\*\*], for the Products. With respect to [\*\*\*\*] and [\*\*\*\*], the Parties agree that [\*\*\*\*]. Notwithstanding any other provision of this Agreement, the Parties agree that [\*\*\*\*], as further described in this Exhibit B, shall only apply to [\*\*\*\*] and [\*\*\*\*]. Any disputes regarding [\*\*\*\*] that cannot be resolved by the working-level teams, including [\*\*\*\*], shall be promptly escalated to the Partnership Committee for resolution.

**1. DEFINITIONS:**

- a. “[\*\*\*\*]” with respect to a particular Product shall mean [\*\*\*\*]. The Parties agree that [\*\*\*\*].
- b. “[\*\*\*\*]” shall mean [\*\*\*\*].
- c. “[\*\*\*\*]” shall mean [\*\*\*\*].
- d. “[\*\*\*\*]” means [\*\*\*\*].
- e. “[\*\*\*\*]” shall mean [\*\*\*\*].
- f. “[\*\*\*\*]” for a particular time period and Product shall mean [\*\*\*\*]. [\*\*\*\*].
- g. “[\*\*\*\*]” for [\*\*\*\*] shall mean [\*\*\*\*] (as calculated below) [\*\*\*\*] setting forth such [\*\*\*\*] for such [\*\*\*\*], equal to the [\*\*\*\*] AMD [\*\*\*\*] in order to [\*\*\*\*] FoundryCo for the [\*\*\*\*] to AMD as relates to any [\*\*\*\*] as a result of FoundryCo [\*\*\*\*] the [\*\*\*\*] for such time period for such Product after taking into account the provisions of Section 5 below.

**2. [\*\*\*\*]**

The Parties will meet at least quarterly to [\*\*\*\*] and to discuss and agree in writing on any [\*\*\*\*] or [\*\*\*\*], as applicable, taking into account the [\*\*\*\*], and AMD will provide FoundryCo a copy of any applicable [\*\*\*\*] relied upon by AMD as part of this determination. For the purposes of this Section 2:

- a. [\*\*\*\*] for a particular Product shall [\*\*\*\*] for such Product and [\*\*\*\*]. The Parties may otherwise mutually agree on limited shipments of scrap wafers.
- b. In the event [\*\*\*\*]. If [\*\*\*\*], the Parties shall [\*\*\*\*]. If the Parties are unable to agree upon a resolution, the issue may be escalated by either Party to the Partnership Committee.

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- c. [\*\*\*\*].
  - d. For the purposes of [\*\*\*\*]. For the purposes of [\*\*\*\*]. [\*\*\*\*].
  - e. In the event any process changes are proposed and demonstrated to improve or modify Yield performance, capacity or reliability of Production Wafers, AMD will provide prompt change support. If such change support is not provided promptly by AMD, [\*\*\*\*]. The Parties further agree that prior to FoundryCo instituting any such changes, the Parties will align in good faith to: (i) understand the approval and/or data requirements necessary for such changes; and (ii) to seek prompt approval from AMD's customers as necessary to implement the changes.
  - f. [\*\*\*\*].
3. [\*\*\*\*]
- a. In the event that, due to a [\*\*\*\*], FoundryCo fails to [\*\*\*\*] during a [\*\*\*\*], then FoundryCo agrees, subject to any modifications resulting from Section 5 below, to provide [\*\*\*\*]. In the event FoundryCo exceeds [\*\*\*\*] during a [\*\*\*\*], then FoundryCo will receive, subject to any modifications resulting from Section 5 below, [\*\*\*\*].
4. [\*\*\*\*]

For the purposes of [\*\*\*\*] and Section 5 below:

- a. In the event that Foundry Co has elected to provide [\*\*\*\*] in the form of [\*\*\*\*], [\*\*\*\*] shall be delivered to AMD [\*\*\*\*] but in no case will the delivery date exceed [\*\*\*\*] from the date of the determination of any [\*\*\*\*] related thereto. [\*\*\*\*] are expected to be [\*\*\*\*] to the [\*\*\*\*] for the applicable Product during the [\*\*\*\*] in which they are delivered to AMD; if any [\*\*\*\*] fail to meet such [\*\*\*\*], then the Parties will meet to discuss the issue in good faith.
- b. In the event FoundryCo has elected to provide [\*\*\*\*] in the form of [\*\*\*\*], FoundryCo will discuss the [\*\*\*\*] to be provided with AMD in good faith in advance of Wafer starts and, at AMD's option, [\*\*\*\*] may take the form of [\*\*\*\*] of [\*\*\*\*], provided those [\*\*\*\*] are of the same technology, and FoundryCo and AMD will agree on which and on how much [\*\*\*\*] will be provided (taking into consideration [\*\*\*\*]). Notwithstanding the forgoing, to the extent [\*\*\*\*].
- c. If [\*\*\*\*] is requested by AMD, FoundryCo will [\*\*\*\*] pursuant to terms and conditions of [\*\*\*\*] to be mutually agreed by the Parties.
- d. In the event Foundry has elected to provide [\*\*\*\*] in the form of [\*\*\*\*], a [\*\*\*\*] in the amount of such [\*\*\*\*] will be issued to AMD for use in the subsequent [\*\*\*\*].

[\*\*\*\*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended. Confidential treatment has been requested with respect to the omitted portions.

## 5. [\*\*\*\*]

- a. If, on a quarterly basis, the [\*\*\*\*] in the actual [\*\*\*\*] versus the [\*\*\*\*] for a particular Product is [\*\*\*\*] such [\*\*\*\*] by an amount less than [\*\*\*\*] (on a [\*\*\*\*] basis compared to such [\*\*\*\*]), then the Parties agree that any such resulting [\*\*\*\*] or [\*\*\*\*] from the [\*\*\*\*] produced shall be applied to the Parties [\*\*\*\*] or [\*\*\*\*] accordingly.
- b. If, on a quarterly basis, the actual [\*\*\*\*] for a Product is [\*\*\*\*] the applicable [\*\*\*\*] by an amount greater than [\*\*\*\*] (on a [\*\*\*\*] basis compared to such [\*\*\*\*]), then the Parties agree that the first [\*\*\*\*] of any such [\*\*\*\*] shall be [\*\*\*\*] by the Parties pursuant to Section 5(a) above, but amounts in excess of [\*\*\*\*] will be, in the event of a [\*\*\*\*], solely to the benefit of [\*\*\*\*] (i.e. [\*\*\*\*] the [\*\*\*\*] as relates to that Product), and in the event of a [\*\*\*\*], solely at the cost of [\*\*\*\*] (i.e. [\*\*\*\*] the [\*\*\*\*] as relates to that Product).
- c. Notwithstanding anything herein to the contrary, the Parties agree that this Section 5(c) and the related [\*\*\*\*] shall not apply to (X) Wafers that are [\*\*\*\*] by FoundryCo [\*\*\*\*] as a result of a [\*\*\*\*] or (Y) the [\*\*\*\*] for the [\*\*\*\*]. As relates to the [\*\*\*\*], the following provisions set forth in this Section 5(c) shall apply:
  - i. If, on a quarterly basis, [\*\*\*\*] is less than the [\*\*\*\*] for the production of [\*\*\*\*], AMD shall be entitled to [\*\*\*\*];
  - ii. If, on a quarterly basis, [\*\*\*\*] is greater than the [\*\*\*\*] for the production of [\*\*\*\*], then [\*\*\*\*] shall be payable to FoundryCo for any amounts by which [\*\*\*\*].

[\*\*\*\*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended. Confidential treatment has been requested with respect to the omitted portions.

THIS AMENDMENT TO MASTER TRANSACTION AGREEMENT (this "Amendment"), dated as of August 30, 2016, amends the Master Transaction Agreement (the "Master Transaction Agreement"), dated as of October 6, 2008, as amended on December 5, 2008, among Advanced Micro Devices, Inc., a Delaware corporation ("Discovery"), Advanced Technology Investment Company LLC, a limited liability company established under the laws of the Emirate of Abu Dhabi and wholly owned by the Government of the Emirate of Abu Dhabi ("Oyster"), and West Coast Hitech L.P., an exempted limited partnership organized under the laws of the Cayman Islands ("Pearl"), acting through its general partner, West Coast Hitech G.P., Ltd., a corporation organized under the laws of the Cayman Islands. Capitalized terms used but not defined herein shall have the meanings assigned to such terms of the Master Transaction Agreement.

WHEREAS, the Parties hereto desire to amend the Master Transaction Agreement in accordance with Section 14.06 of the Master Transaction Agreement;

NOW, THEREFORE, in consideration of the premises and the mutual agreements and covenants hereinafter set forth, and intending to be legally bound, the Parties hereto hereby agree as follows:

Section 1. Amendments to Terms of the Master Transaction Agreement.

(a) Section 9.01 of the Master Transaction Agreement is hereby amended by adding the below sentence to the end of Section 9.01:

For so long as Pearl or any of its affiliates owns any portion the warrant dated August 30, 2016 issued by Discovery, any shares issuable upon the exercise of such portion of such warrant shall be treated as beneficially owned by Pearl for purpose of this Section 9.01.

(b) Section 9.06 of the Master Transaction Agreement is hereby amended and restated in its entirety to read as follows:

From and after the Closing Date, until such time as Pearl (together with any Permitted Transferees to whom Pearl has transferred beneficial ownership of Discovery Common Stock) shall beneficially own (within the meaning of the Exchange Act), in the aggregate, less than ten percent (10%) of the Discovery Common Stock then outstanding, regardless of whether Pearl is an "affiliate" of Discovery (as defined in Rule 144(a)(1), promulgated by the SEC under the Securities Act), Pearl and such Permitted Transferees may only resell shares of Discovery Common Stock owned prior to the date hereof, which for the avoidance of doubt, shall not include shares acquired after the date hereof pursuant to the exercise of warrants (i) in connection with a bona fide pledge or other hypothecation or transfer in connection with a financing transaction secured by a pledge of Pearl's Discovery Common Stock, (ii) by means of an underwritten public offering pursuant to an effective registration statement under the Securities Act, (iii) pursuant to Rule 144 or (iv) in a private sale pursuant to a so-called 4(1 ½) transaction under the Securities Act; provided, however, that in no event shall any such resales exceed 40,569,706 shares of Discovery Common Stock in the aggregate to any one party and its affiliates and provided further that in no event shall any such resales be to a party set forth on Exhibit A hereto. Notwithstanding the foregoing, Pearl or its Permitted Transferees may sell or transfer, including transfer by operation of law, shares of Discovery Common Stock to any Permitted Transferee. Pearl shall provide Discovery with notice of such sale or transfer, and upon such sale or transfer, any such Permitted Transferee shall be bound by the provisions of this Section 9.06 and shall provide a written agreement or undertaking to such effect, in form and substance reasonably satisfactory to Discovery.

Section 2. Severability. If any term or other provision of this Amendment is invalid, illegal or incapable of being enforced by any Law or public policy, all other terms and provisions of this Amendment shall nevertheless remain in full force and effect for so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to

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either Party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Amendment so as to effect the original intent of the Parties as closely as possible in an acceptable manner in order that the transactions contemplated hereby are consummated as originally contemplated to the greatest extent possible.

Section 3. Counterparts. This Amendment may be executed and delivered (including by facsimile transmission) in one or more counterparts, and by the different Parties in separate counterparts, each of which when executed shall be deemed to be an original, but all of which taken together shall constitute one and the same agreement.

Section 4. Effect of this Amendment to Master Transaction Agreement. From and after the execution of a counterpart hereof by the Parties hereto, any reference to the Master Transaction Agreement shall be deemed to be a reference to the Master Transaction Agreement as amended hereby. Except as expressly amended hereby, the terms and conditions of the Master Transaction Agreement shall remain unchanged and in full force and effect.

Section 5. Governing Law. This Amendment shall be governed by, and construed in accordance with, the Laws of the State of New York applicable to contracts executed in and to be performed in that State, without regard to principles of the conflict of laws.

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NVidia Corporation

Intel Corporation

**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 26, 2016

*/s/ Lisa Su*

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

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**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 26, 2016

*/s/ Devinder Kumar*

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

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

Pursuant to 18 U.S.C. § 1350, as created by 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 24, 2016 (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 26, 2016

*/s/ Lisa Su*

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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 created by 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 24, 2016 (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 26, 2016

*/s/ Devinder Kumar*

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

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