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

Form 10-Q

(Mark One)

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

For the quarterly period ended April 2, 2011

OR

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

For the transition period from to

Commission File Number 001-07882

ADVANCED MICRO DEVICES, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**94-1692300** (I.R.S. Employer Identification No.)
One AMD Place **Sunnyvale, California** (Address of principal executive offices)	**94088** (Zip Code)

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

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 (§232.405 of this chapter) 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 May 2, 2011: 687,543,533

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Advanced Micro Devices, Inc.

Condensed Consolidated Statements of Operations
(Unaudited)

	Quarter Ended	
	April 2, 2011	March 27, 2010
	(In millions, except per share amounts)	
Net revenue	$ 1,613	$ 1,574
Cost of sales	922	833
Gross margin	691	741
Research and development	367	323
Marketing, general and administrative	261	219
Amortization of acquired intangible assets	9	17
Operating income	54	182
Interest income	3	3
Interest expense	(48)	(49)
Other income, net	11	304
Income before equity income (loss) and dilution gain in investee and income taxes	20	440
Provision for income taxes	2	—
Equity income (loss) and dilution gain in investee, net	492	(183)
Net income	$ 510	$ 257
Net income per share		
Basic	$ 0.71	$ 0.36
Diluted	$ 0.68	$ 0.35
Shares used in per share calculation:		
Basic	720	707
Diluted	764	754

See accompanying notes to condensed consolidated financial statements

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Advanced Micro Devices, Inc

Condensed Consolidated Balance Sheets
(Unaudited)

	April 2, 2011	December 25, 2010*
	(In millions, except par value amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 602	$ 606
Marketable securities	1,143	1,183
Total cash and cash equivalents and marketable securities	1,745	1,789
Accounts receivable, net	797	968
Inventories, net	648	632
Prepaid expenses and other current assets	221	205
Total current assets	3,411	3,594
Property, plant and equipment, net	676	700
Investment in GLOBALFOUNDRIES	486	—
Acquisition related intangible assets, net	28	37
Goodwill	323	323
Other assets	285	310
Total assets	$ 5,209	$ 4,964
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 411	$ 376
Accounts payable to GLOBALFOUNDRIES	127	205
Accrued liabilities	605	698
Deferred income on shipments to distributors	165	143
Other short-term obligations	34	229
Current portion of long-term debt and capital lease obligations	4	4
Other current liabilities	29	19
Total current liabilities	1,375	1,674
Long-term debt and capital lease obligations, less current portion	2,192	2,188
Other long-term liabilities	84	82
Accumulated loss in excess of investment in GLOBALFOUNDRIES	—	7
Commitments and contingencies		
Stockholders' equity:		
Capital stock:		
Common stock, par value $0.01; 1,500 shares authorized on April 2, 2011 and December 25, 2010; shares issued: 695 on April 2, 2011 and 691 on December 25, 2010; shares outstanding: 687 on April 2, 2011 and 683 on December 25, 2010.	7	7
Additional paid-in capital	6,611	6,575
Treasury stock, at cost (8 shares on April 2, 2011 and December 25, 2010)	(104)	(102)
Accumulated deficit	(4,958)	(5,468)
Accumulated other comprehensive income	2	1
Total stockholders' equity	1,558	1,013
Total liabilities and stockholders' equity	$ 5,209	$ 4,964

* Amounts as of December 25, 2010 were derived from the December 25, 2010 audited financial statements. See accompanying notes to condensed consolidated financial statements

Advanced Micro Devices, Inc.

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	Quarter Ended April 2, 2011	Quarter Ended March 27, 2010
	(In millions)	
Cash flows from operating activities:		
Net income	$ 510	$ 257
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Equity in net (income) loss and dilution gain in investee	(492)	183
Gain on deconsolidation of GLOBALFOUNDRIES	—	(325)
Depreciation and amortization	88	100
Compensation recognized under employee stock plans	27	20
Non-cash interest expense	5	8
Provision for deferred income taxes	(1)	—
Other	11	4
Changes in operating assets and liabilities:		
Accounts receivable	(189)	(134)
Inventories	(16)	(89)
Prepaid expenses and other current assets	(11)	(6)
Other assets	10	13
Accounts payable to GLOBALFOUNDRIES	(78)	31
Accounts payable, accrued liabilities and other	(32)	(39)
Net cash provided by (used in) operating activities	**(168)**	**23**
Cash flows from investing activities:		
Purchases of property, plant and equipment	(38)	(48)
Purchases of available-for-sale securities	(393)	(503)
Proceeds from sale and maturity of available-for-sale securities	434	231
Proceeds from sale of trading securities	—	8
Cash decrease due to deconsolidation of GLOBALFOUNDRIES	—	(904)
Other	(17)	1
Net cash used in investing activities	**(14)**	**(1,215)**
Cash flows from financing activities:		
Proceeds from borrowings, net of issuance cost	165	199
Net proceeds from foreign grants	7	—
Proceeds from issuance of AMD common stock	9	3
Repayments of debt and capital lease obligations	(1)	(25)
Other	(2)	—
Net cash provided by financing activities	178	177
Net decrease in cash and cash equivalents	(4)	(1,015)
Cash and cash equivalents at beginning of period	606	1,657
Cash and cash equivalents at end of period	$ 602	$ 642

See accompanying notes to condensed consolidated financial statements

Advanced Micro Devices, Inc.

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 (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 ended April 2, 2011 shown in this report are not necessarily indicative of results to be expected for the full year ending December 31, 2011. 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 25, 2010.

In the first quarter of 2011, the Company changed the method of accounting for its investment in GLOBALFOUNDRIES Inc. (GF) from the equity method to the cost method of accounting. Therefore, the users of the Company's financial statements should consider the effect of the change to the cost method of accounting when comparing the current period to the periods in 2010.

The Company uses a 52 to 53 week fiscal year ending on the last Saturday in December. The quarters ended April 2, 2011, December 25, 2010 and March 27, 2010 consisted of 14, 13 and 13 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 intercompany accounts and transactions are eliminated.

NOTE 2. GLOBALFOUNDRIES

On December 27, 2010, ATIC International Investment Company (ATIC II), an affiliate of Advanced Technology Investment Company LLC (ATIC), contributed all of the outstanding Ordinary Shares of Chartered Semiconductor Manufacturing Ltd. (currently known as GLOBALFOUNDRIES Singapore Pte. Ltd. or GFS) to GF in exchange for 2,808,981 newly issued shares of GF Class A Preferred Shares. The issuance of Class A Preferred Shares to ATIC II diluted the Company's ownership interest in GF from 23% to 14% on a fully diluted basis and from 34% to 18% on a voting basis. In connection with the Company's reduced ownership interest in GF, the number of AMD-designated directors on GF's board decreased from two to one.

Following the GFS contribution and governance changes described above, the Company assessed its ability to exercise significant influence over GF and considered factors such as its representation on GF's board of directors, participation in GF's policy-making processes, material intra-entity transactions, interchange of managerial personnel, technological dependency, and the extent of ownership by the Company in relation to ownership by the other shareholders. Based on the results of its assessment, the Company concluded that it no longer had the ability to exercise significant influence over GF. Accordingly, as of the first quarter of 2011, the Company changed its method of accounting for its ownership interest in GF from the equity method to the cost method of accounting. As of April 2, 2011, the Company's investment balance in GF is reflected as an asset of $486 million.

Under the cost method of accounting, the Company no longer recognizes any share of GF's net income or loss in its condensed consolidated statement of operations. In addition, the Company reviews the carrying value of its investment in GF for impairment at each reporting period. Impairment indicators, among other factors, include significant deterioration in GF's earnings performance or business prospects, significant change in market conditions in which GF operates, and GF's ability to continue as a going concern. An impairment charge will be recorded if the carrying value of the investment exceeds its fair value, and such impairment is determined to be "other than temporary."

As of April 2, 2011, the Company's ownership interest in GF was 12% on a fully diluted basis and 15% on a voting basis. During the first quarter of 2011, the Company recognized a non-cash gain of approximately $492 million, net of certain transaction related charges, in Equity income (loss) and dilution gain in investee, net.

GF is a related party of the Company. The Company's total purchases from GF related to wafer manufacturing and research and development activities during the first quarter of 2011 amounted to approximately $263 million. In addition, during the first quarter of 2011, the Company incurred a charge of $24 million related to a payment to GF, primarily for certain manufacturing assets of GF, which do not benefit the Company.

Advanced Micro Devices, Inc.

Notes to Condensed Consolidated Financial Statements—(Continued)
(Unaudited)

Wafer Supply Agreement. The Wafer Supply Agreement (WSA) governs the terms by which the Company purchases products manufactured by GF. Pursuant to the WSA, the Company purchases substantially all of its microprocessor unit product requirements from GF. On April 2, 2011, the Company amended its WSA with GF. The primary effect of the amendment was to change the pricing methodology applicable to wafers delivered in 2011, including purchases from GF during the first quarter of 2011, for the Company's microprocessor, including accelerated processing unit (APU), products. The amendment also modified the Company's existing commitments regarding the production of certain graphics processing unit (GPU) and chipset products at GF. Pursuant to the amendment, GF has committed to provide the Company with, and the Company has committed to purchase, a fixed number of 45nm and 32nm wafers per quarter in 2011. The Company will pay GF a fixed price for 45nm wafers delivered in 2011. The Company's price for 32nm wafers will vary based on the wafer volumes and manufacturing yield of such wafers and is based on good die. In addition, the Company also agreed to pay an additional quarterly amount to GF during 2012 if GF meets specified conditions related to continued availability of 32nm capacity as of the beginning of 2012. The Company expects GF will meet the conditions to earn these payments. In 2012, the Company will compensate GF on a cost plus basis for projected manufacturing capacity that it has requested for its microprocessor, including its APU, products.

The Company currently estimates that it will pay GF between approximately $1.1 to $1.5 billion in 2011 and $1.5 to $1.9 billion in 2012 for wafer purchases under the WSA, as amended. The Company based its 2011 and 2012 estimated costs in part on its current expectations regarding GF's manufacturing yields and wafer volumes. These costs could increase or decrease as a result of variations in those yields and several other factors including its current expectations regarding demand for its products. In addition, the Company estimates that additional purchase obligations in connection with research and development related to GF wafer production will be approximately $82 million in 2011. The Company is not able to meaningfully quantify or estimate its additional purchase obligations in connection with research and development related to GF wafer production for 2012. In addition, the Company is not able to meaningfully quantify or estimate its purchase obligations to GF beyond 2012, but it expects that its future purchases from GF will continue to be material under the WSA.

Advanced Micro Devices, Inc.

Notes to Condensed Consolidated Financial Statements—(Continued)
(Unaudited)

NOTE 3: Supplemental Balance Sheet Information

Accounts Receivable

	April 2, 2011	December 25, 2010
	(In millions)	
Accounts receivable	$ 800	$ 972
Allowance for doubtful accounts	(3)	(4)
Total accounts receivable, net	$ 797	$ 968

Inventories

	April 2, 2011	December 25, 2010
	(In millions)	
Raw materials	$ 25	$ 28
Work in process	496	441
Finished goods	127	163
Total inventories, net	$ 648	$ 632

Property, Plant and Equipment

	April 2, 2011	December 25, 2010
	(In millions)	
Land and land improvements	$ 30	$ 31
Buildings and leasehold improvements	541	540
Equipment	1,471	1,479
Construction in progress	37	29
	2,079	2,079
Accumulated depreciation and amortization	(1,403)	(1,379)
Total property, plant and equipment, net	$ 676	$ 700

Accrued Liabilities

	April 2, 2011	December 25, 2010
	(In millions)	
Accrued compensation and benefits	$ 141	$ 218
Marketing program and advertising expenses	242	245
Software technology and licenses payable	56	63
Other	166	172
Total accrued liabilities	$ 605	$ 698

Advanced Micro Devices, Inc.

Notes to Condensed Consolidated Financial Statements—(Continued)
(Unaudited)

NOTE 4. Net Income Per Share

Basic net income per share is computed based on the weighted average number of shares outstanding and shares issuable upon exercise of warrants issued by the Company to West Coast Hitech L.P., in connection with the GF transaction. The warrants became exercisable on July 24, 2009.

Diluted net income 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, restricted stock and shares issuable upon the conversion of convertible debt.

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

	Quarter Ended	
	April 2, 2011	March 27, 2010
	(In millions, except per share amounts)	
Numerator - Net income:		
Numerator for basic income per share	$ 510	$ 257
Effect of assumed conversion of 5.75% convertible senior notes:		
Interest expense and amortization of financing cost	7	7
Numerator for diluted net income per share	$ 517	$ 264
Denominator - Weighted average shares		
Denominator for basic net income per share	720	707
Effect of potentially dilutive shares:		
Employee stock options and restricted stock	20	23
5.75% convertible senior notes	24	24
Denominator for diluted net income per share	764	754
Net income per share:		
Basic	$ 0.71	$ 0.36
Diluted	$ 0.68	$ 0.35

Potential shares from outstanding stock options and restricted stock totaling approximately 15 million and 16 million were not included in the net income per share calculation for the first quarter of 2011 and the first quarter of 2010, respectively, because their inclusion would have been anti-dilutive.

NOTE 5. Comprehensive Income

The following are the components of comprehensive income:

	Quarter Ended	
	April 2, 2011	March 27, 2010
	(In millions)	
Net income	$ 510	$ 257
Net change in unrealized gains on available-for-sale securities	—	8
Net change in unrealized gains (losses) on cash flow hedges	(1)	1
Cumulative translation adjustments	2	(141)
Other comprehensive income (loss)	1	(132)
Total comprehensive income	$ 511	$ 125

Advanced Micro Devices, Inc.

Notes to Condensed Consolidated Financial Statements—(Continued)
(Unaudited)

NOTE 6. Financial Instruments

Available-for-sale securities held by the Company as of April 2, 2011 and December 25, 2010 were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(In millions)		
April 2, 2011				
Classified as cash equivalents:				
Money market funds	$ 406	$ —	$ —	$ 406
Commercial paper	96	—	—	96
Total classified as cash equivalents	$ 502	$ —	$ —	$ 502
Classified as marketable securities:				
Commercial paper	$ 951	$ —	$ —	$ 951
Time deposits	135	—	—	135
Auction rate securities	57	—	—	57
Total classified as marketable securities	$ 1,143	$ —	$ —	$1,143
Classified as other assets:				
Money market funds	$ 19	$ —	$ —	$ 19
Equity securities	1	—	—	1
Total classified as other assets	$ 20	$ —	$ —	$ 20
December 25, 2010				
Classified as cash equivalents:				
Money market funds	$ 405	$ —	$ —	$ 405
Commercial paper	51	—	—	51
Total cash equivalents	$ 456	$ —	$ —	$ 456
Classified as marketable securities:				
Commercial paper	$ 983	$ —	$ —	$ 983
Time deposits	135	—	—	135
Equity securities	8	—	—	8
Auction rate securities	57	—	—	57
Total marketable securities	$ 1,183	$ —	$ —	$1,183
Classified as other assets:				
Money market funds	$ 29	$ —	$ —	$ 29
Equity securities	1	—	—	1
Total investments classified as other assets	$ 30	$ —	$ —	$ 30

Advanced Micro Devices, Inc.

Notes to Condensed Consolidated Financial Statements—(Continued)
(Unaudited)

At April 2, 2011 and December 25, 2010, the Company had approximately $19 million and $29 million, respectively, of available-for-sale investments in money market funds used as collateral for leased buildings and letter of credit deposits, which was included in other assets on the Company's consolidated balance sheets. The Company is restricted from accessing these deposits.

All contractual maturities of the Company's available-for-sale marketable debt securities at April 2, 2011 were within one year except those for auction rate securities (ARS). The Company's ARS have stated maturities ranging from January 2030 to December 2050. Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations without call or prepayment penalties. The carrying value of the Company's ARS holdings as of April 2, 2011 was $57 million (par value $65 million). The Company has the intent and believes it has the ability to sell these securities within the next 12 months.

The Company realized a gain of approximately $1 million on sales of available-for-sale securities of approximately $8 million in the first quarter of 2011. The Company did not sell any available-for-sale securities prior to maturity in the first quarter of 2010.

Advanced Micro Devices, Inc.

Notes to Condensed Consolidated Financial Statements—(Continued)
(Unaudited)

Fair Value Measurements

Financial instruments measured and recorded at fair value on a recurring basis are summarized below:

		Fair value measurement at reporting dates using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(In millions)		
April 2, 2011				
Assets				
Classified as cash equivalents:				
Money market funds	$ 406	$ 406	$ —	$ —
Commercial paper	96	—	96	—
Total classified as cash equivalents	$ 502	$ 406	$ 96	$ —
Classified as marketable securities:				
Commercial paper	$ 951	$ —	$ 951	$ —
Time deposits	135	—	135	—
Auction rate securities	57	—	—	57
Total classified as marketable securities	$1,143	$ —	$ 1,086	$ 57
Classified as other assets:				
Money market funds	$ 19	$ 19	$ —	$ —
Equity securities	1	1	—	—
Total classified as other assets	$ 20	$ 20	$ —	$ —
Classified as prepaid expenses and other current assets:				
Foreign currency derivative contracts	$ 5	$ —	$ 5	$ —
Total classified as prepaid expenses and other current assets	$ 5	$ —	$ 5	$ —
Total assets measured at fair value	**$1,670**	**$ 426**	**$ 1,187**	**$ 57**

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Advanced Micro Devices, Inc.

Notes to Condensed Consolidated Financial Statements—(Continued)
(Unaudited)

December 25, 2010				
Assets				
Classified as cash equivalents:				
Money market funds	$ 405	$405	$ —	$—
Commercial paper	51	—	51	—
Total classified as cash equivalents	$ 456	$405	$ 51	$—
Classified as marketable securities:				
Commercial paper	$ 983	$—	$ 983	$—
Time deposits	135	—	135	—
Equity securities	8	8	—	—
Auction rate securities	57	—	—	57
Total classified as marketable securities	$1,183	$ 8	$1,118	$ 57
Classified as other assets:				
Money market funds	$ 29	$ 29	$ —	$—
Equity securities	1	1	—	—
Total classified as other assets	$ 30	$ 30	$ —	$—
Total assets measured at fair value	**$1,669**	**$443**	**$1,169**	**$ 57**
Liabilities				
Classified as accrued liabilities—Foreign currency derivative contracts	$ (3)	$—	$ (3)	$—
Total liabilities measured at fair value	**$ (3)**	**$—**	**$ (3)**	**$—**

With the exception of its long term debt, the Company carries financial instruments at fair value. Investments in money market mutual funds, commercial paper, time deposits, marketable equity securities and foreign currency derivative contracts are primarily classified within Level 1 or Level 2. This is because such financial instruments are valued primarily using quoted market prices or alternative pricing sources and models utilizing market observable inputs, as provided to the Company by its brokers. The Company's Level 1 assets are valued using quoted prices for identical instruments in active markets. The Company's Level 2 assets, all of which mature within one year, are valued using broker reports that utilize quoted market prices for similar instruments. The ARS investments are classified within Level 3 because they are valued using a discounted cash flow model. Some of the inputs to this model are unobservable in the market and are significant. 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 continuing uncertainties in the credit markets have affected all of the Company's ARS investments and auctions for these securities have failed to settle on their respective settlement dates. As a result, reliable Level 1 or Level 2 pricing is not available for these ARS. In light of these developments, the Company performs its own discounted cash flow analysis to value these ARS. As of April 2, 2011 and December 25, 2010, the Company's significant inputs and assumptions used in the discounted cash flow model to determine the fair value of its ARS, include interest rate, liquidity and credit discounts and the estimated life of the ARS investments. The outcomes of these activities indicated that the fair value of the ARS remained relatively flat as of April 2, 2011 when compared with the fair value as of December 25, 2010.

Advanced Micro Devices, Inc.

Notes to Condensed Consolidated Financial Statements—(Continued)
(Unaudited)

The roll-forward of the financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3), is as follows:

	Quarter Ended April 2, 2011 Auction Rate Securities	Quarter Ended March 27, 2010 Auction Rate Securities	Quarter Ended March 27, 2010 UBS Put Option
	(In millions)		
Beginning balance	$ 57	$ 159	$ 2
Redemption at par	—	(8)	—
Change in fair value included in other comprehensive income (loss)	—	(1)	—
Ending balance	$ 57	$ 150	$ 2

Financial Instruments Not Recorded at Fair Value on a Recurring Basis. 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:

	April 2, 2011 Carrying amount	April 2, 2011 Estimated Fair Value	December 25, 2010 Carrying amount	December 25, 2010 Estimated Fair Value
	(In millions)			
Long-term debt (excluding capital leases)	$ 2,166	$ 2,373	$ 2,162	$ 2,326

The fair value of the Company's long-term debt is 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.

Advanced Micro Devices, Inc.

Notes to Condensed Consolidated Financial Statements—(Continued)
(Unaudited)

NOTE 7. Income Taxes

The Company recorded an income tax provision of $2 million in the first quarter of 2011 consisting of foreign taxes in profitable locations of $3.5 million, partially offset by U.S. tax benefits from the monetization of U.S. tax credits. The tax impact of the non-cash gain related to the dilution of the Company's equity interest in GF during the first quarter of 2011 was not material due to the existence of the valuation allowance.

In the first quarter of 2010, the Company did not record any income tax provision because foreign taxes in profitable locations were offset by research and development tax credit monetization benefits in the United States. The tax impact of the non-cash gain resulting from the deconsolidation of GF during the first quarter of 2010 was not material due to the existence of the valuation allowance.

As of April 2, 2011, substantially all of the Company's U.S. deferred tax assets, net of deferred tax liabilities, continued to be subject to a valuation allowance. The realization of these assets is dependent on substantial future taxable income which at April 2, 2011, in management's estimate, is not more likely than not to be achieved.

The Company's gross unrecognized tax benefits increased by $4 million during the quarter for unrecognized tax benefits in foreign jurisdictions. The total gross unrecognized tax benefits as of April 2, 2011 were approximately $46 million. As a result, the Company has now recognized $6 million of current and long-term deferred tax assets, previously under a valuation allowance, with $17 million of liabilities for unrecognized tax benefits as of April 2, 2011. The net impact on the effective tax rate for the increase in gross unrecognized tax benefits in the first quarter of 2011 was an increase of $2 million.

During the 12 months beginning April 3, 2011, the Company believes that it is reasonably possible that it will reduce its unrecognized tax benefits by approximately $5 million as a result of the expiration of certain statutes of limitation and other potential audit resolutions. The Company does not believe it is reasonably possible that other unrecognized tax benefits will materially change in the next 12 months. However, the resolution and/or closure of open audits are highly uncertain.

Advanced Micro Devices, Inc.

Notes to Condensed Consolidated Financial Statements—(Continued)
(Unaudited)

NOTE 8. Segment Reporting

Management, including the Chief Operating Decision Maker, who is the Company's interim Chief Executive Officer and the Chief Financial Officer, reviews and assesses operating performance using segment net revenues and operating income (loss) before interest, other income (expense), equity income (loss) and dilution gain in investee and income taxes. These performance measures include the allocation of expenses to the operating segments based on management's judgment.

The Company uses the following two reportable operating segments:

- the Computing Solutions segment, which includes microprocessors, chipsets and embedded processors; and
- the Graphics segment, which includes graphics, video and multimedia products as well as revenue received in connection with the development and sale of game console systems that incorporate the Company's graphics technology.

In addition to these reportable segments, the Company has an All Other category, which is not a reportable segment. This category includes certain expenses and credits that are not allocated to any of the operating segments because management does not consider these expenses and credits in evaluating the performance of the operating segments. Also included in this category are amortization of acquired intangible assets and restructuring charges. The All Other category also includes the results of the Handheld business because the Company expects that the operating results of this business will continue to be immaterial.

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

	Quarter Ended	
	April 2, 2011	March 27, 2010
	(In millions)	
Net revenue:		
Computing Solutions	$1,200	$ 1,160
Graphics	413	409
All Other	—	5
Total net revenue	$1,613	$ 1,574
Operating income:		
Computing Solutions	$ 100	$ 146
Graphics	19	47
All Other	(65)	(11)
Total operating income	$ 54	$ 182

Advanced Micro Devices, Inc.

Notes to Condensed Consolidated Financial Statements—(Continued)
(Unaudited)

NOTE 9. 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 in the Company's condensed consolidated statements of operations as follows:

	Quarter Ended	
	April 2, 2011	March 27, 2010
	(In millions)	
Cost of sales	$ 1	$ 1
Research and development	12	10
Marketing, general, and administrative	14	9
Stock-based compensation expense, net of tax	$ 27	$ 20

During the first quarter of 2011 and the first quarter of 2010, 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 that the Company applied in the lattice-binomial model that the Company uses to value employee stock options are as follows:

	Quarter Ended	
	April 2, 2011	March 27, 2010
Expected volatility	51.18%	54.93%
Risk-free interest rate	1.75%	1.69%
Expected dividends	— %	— %
Expected life (in years)	3.75	3.71

For the first quarters of 2011 and 2010, the Company granted 1,133,587 and 1,503,329 employee stock options, respectively, with weighted average estimated grant date fair values of $3.34 and $3.23, respectively.

Restricted Stock

For the first quarters of 2011 and 2010, the Company granted 408,967 and 573,780 restricted stock units, respectively, with weighted average grant date fair values of $8.66 and $7.90, respectively.

Advanced Micro Devices, Inc.

Notes to Condensed Consolidated Financial Statements—(Continued)
(Unaudited)

NOTE 10. Commitments and Contingencies

Off-Balance Sheet Arrangements

Guarantees of Indebtedness Not Recorded on the Company's Condensed Consolidated Balance Sheet

Fab 36 Guarantee

On March 31, 2011, GF fully repaid the amounts outstanding under the Fab 36 Term Loan Facility Agreement. The Company was not required to make any payments under the related guarantee agreement.

AMTC and BAC Guarantees

The Advanced Mask Technology Center GmbH & Co. KG (AMTC) and Maskhouse Building Administration GmbH & Co. KG (BAC) are joint ventures initially formed for the purpose of constructing and operating an advanced photomask facility in Dresden, Germany. AMTC provides advanced photomasks for use in manufacturing the Company's microprocessors. In January 2010, the Company signed binding agreements to transfer our limited partnership interests in the AMTC and BAC to GF. On March 31, 2010, the Company's limited partnership interests in AMTC and BAC were effectively transferred to an affiliate of GF.

The Company, along with Toppan Photomasks Germany GmbH, and GF guarantee AMTC's rental obligations relating to a portion of the BAC facility. The Company's portion of the guarantee corresponds with its exposure under the initial guarantee agreement and is made on a joint and several basis with GF. GF has separately agreed to indemnify the Company under certain circumstances if it is called upon to make any payments under the AMTC rental contract guarantee. AMTC's rental obligation and the rental contract guarantee both terminate in June 2012. However, both the rental and guarantee agreements may be extended. Management cannot currently estimate if or by how long these agreements may be extended. As of April 2, 2011, the Company's joint and several guarantee of the rental obligation was $3.5 million.

In addition, the Company and GF are joint and several guarantors of 50% of AMTC's obligations under a revolving credit facility. In the event the Company is called upon to make any payments under the guarantee agreement, GF has separately agreed to indemnify the Company so long as certain conditions are met. The AMTC revolving credit facility and the Company's related guarantee obligations terminate in December 2011. However, the credit facility and guarantee agreement may be extended. Management cannot currently estimate if or by how long these agreements may be extended. As of April 2, 2011, the amount outstanding under this loan was $34 million and the Company's joint and several guarantee obligation was $17 million.

Warranties and Indemnities

The Company generally warrants that its microprocessors, graphics processors and chipsets 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, provided that, subject to certain exceptions, the Company generally offers a three-year limited warranty to end users for microprocessor products that are commonly referred to as "processors in a box" and for ATI-branded PC workstation products and has offered extended limited warranties to certain customers of "tray" microprocessor products and/or workstation 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 potential liability for product warranty during the first quarters of 2011 and 2010 are as follows:

	Quarter Ended	
	April 2, 2011	March 27, 2010
	(In millions)	
Beginning balance	$ 19	$ 16
New warranties issued during the period	9	8
Settlements during the period	(8)	(7)
Changes in liability for pre-existing warranties during the period, including expirations	(1)	1
Ending balance	$ 19	$ 18

Advanced Micro Devices, Inc.

Notes to Condensed Consolidated Financial Statements—(Continued)
(Unaudited)

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

Legal Matters

SGI (Graphics Properties Holding, Inc.) v. ATI and AMD, Case No.06-C-0611 in the United States District Court for the Western District of Wisconsin

On April 18, 2011, the parties entered into a confidential Settlement and License Agreement that resolved this litigation matter for an immaterial amount and that provides immunity under all Graphics Properties Holding, Inc. (GPHI) patents for alleged infringement by AMD products, including components, software and designs. On April 26, 2011, the Court entered an order granting the parties' agreed motion for dismissal and final judgment.

Graphics Properties Holdings, Inc. (GPHI) v. Nintendo, Acer, Sony, Apple, and Toshiba, Cause No. 10-CV-08655 in the Southern District of New York

Under the confidential terms of the Settlement and License Agreement, GPHI has notified the defendants that the Settlement and License Agreement (as described above) entered into by AMD and GPHI immunizes the defendants from GPHI's allegations of infringement as to AMD graphics products and designs in that case and has requested the defendants' agreement to the joint dismissal of the claims and counterclaims asserted in this litigation matter.

Graphics Properties Holdings, Inc. (GPHI) v. Dell, Alienware, Lenovo, Gateway, and Hewlett-Packard, Cause No. 10-CV-00992 in the District of Delaware

Under the confidential terms of the Settlement and License Agreement, GPHI has notified the defendants that the Settlement and License Agreement (as described above) entered into by AMD and GPHI immunizes the defendants from GPHI's allegations of infringement as to AMD graphics products and designs in that case and has requested the defendants' agreement to the joint dismissal of the claims and counterclaims asserted in this litigation matter.

The Company is a defendant or plaintiff in various other actions that arose in the normal course of business. In the opinion of management, the aggregate liability, if any, with respect to these matters will not have a material effect on its financial condition or results of operations.

NOTE 11. Hedging Transactions and Derivative Financial Instruments

The Company maintains a foreign currency hedging strategy, which uses derivative financial instruments to mitigate the risks associated with changes in foreign currency exchange rates. This strategy takes into consideration all of the Company's consolidated exposures. The Company does not use derivative financial instruments for trading or speculative purposes.

In applying its strategy, from time to time, the Company uses foreign currency forward contracts to hedge certain forecasted expenses denominated in foreign currencies, primarily the Euro and Canadian dollar. The Company designated these contracts as cash flow hedges of forecasted expenses, to the extent eligible under the accounting rules, and evaluates hedge effectiveness prospectively and retrospectively. As such, the effective portion of the gain or loss on these contracts is reported as a component of accumulated other comprehensive income (loss) and reclassified to earnings in the same line item as the associated forecasted transaction and in the same period during which the hedged transaction affects earnings. Any ineffective portion is immediately recorded in earnings.

During the first quarter of 2011, the Company reassessed its hedging needs related to its Euro foreign exchange contracts and liquidated its Euro currency forward contracts. As a result, the Company recorded a gain of $6 million in other income (expense), net, in its condensed consolidated statement of operations. The Company may continue to economically hedge any material indirect Euro exposure by entering into Euro currency forward contracts it identifies in the future.

Advanced Micro Devices, Inc.

Notes to Condensed Consolidated Financial Statements—(Continued)
(Unaudited)

The Company also uses, from time to time, foreign currency forward contracts to economically hedge recognized foreign currency exposures on the balance sheets of various subsidiaries, primarily those denominated in Canadian dollar. The Company does not designate these forward contracts as hedging instruments. Accordingly, the gain or loss associated with these contracts is immediately recorded in earnings.

The following table shows 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 foreign currency contracts not designated as hedging instruments, which was allocated in the condensed consolidated statement of operations:

	Quarter Ended	
	April 2, 2011	March 27, 2010
	(In millions)	
Foreign Currency Forward Contracts		
Contracts designated as cash flow hedging instruments		
Other comprehensive income	$ 3	$ 1
Research and development	1	1
Marketing, general and administrative	1	1
Contracts not designated as hedging instruments		
Other income (expense), net	$ 8	$ (18)

The following table shows the fair value amounts included in prepaid expenses and other current assets should the foreign currency forward contracts be in a gain position or included in accrued liabilities should these contracts be in a loss position. These amounts were recorded in the condensed consolidated balance sheet as follows:

	April 2, 2011	December 25, 2010
	(In millions)	
Foreign Currency Forward Contracts		
Contracts designated as cash flow hedging instruments	$ 4	$ 1
Contracts not designated as hedging instruments	$ 1	$ (4)

Advanced Micro Devices, Inc.

Notes to Condensed Consolidated Financial Statements—(Continued)
(Unaudited)

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 April 2, 2011 and December 25, 2010, the notional value of the Company's outstanding foreign currency forward contracts was $155 million and $302 million, respectively. All the contracts mature within 12 months, and upon maturity the amounts recorded in accumulated other comprehensive income are expected to be reclassified into earnings. As of April 2, 2011, the Company's outstanding contracts were in a $5 million net gain position. The Company is required to post collateral should the derivative contracts be in a net loss position exceeding certain thresholds. As of April 2, 2011, the Company was not required to post any collateral.

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

The statements in this report include forward-looking statements. 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 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," or "anticipates" or the negative of these words and phrases or other variations of these words and phrases or comparable terminology. The forward-looking statements relate to, among other things: our server business, demand for our products; the timing of new product releases and technology transitions; the growth and competitive landscape of the markets in which we participate; the outcome of legal proceedings and the related impact of such outcome on our financial condition or results of operations; our future payments to GLOBALFOUNDRIES Inc. (GF) under the wafer supply agreement; our product roadmap; unrecognized tax benefits; the operating results of the Handheld business; the level of international sales as compared to total sales; the availability of external financing; our ability to sell our auction rate securities in the next twelve months and our hedging strategy. Material factors and assumptions that were applied in making these forward-looking statements include, without limitation, the following: the expected rate of market growth and demand for our products and technologies (and the mix thereof); our expected market share; our expected product costs and average selling price; our overall competitive position and the competitiveness of our current and future products; our ability to introduce new products, consistent with our current roadmap; our ability to raise sufficient capital on favorable terms; our ability to make additional investment in research and development and that such opportunities will be available; our ability to realize the anticipated benefits of our fabless business model; GF's manufacturing yields and wafer volumes; the expected demand for computers; and the state of credit markets and macroeconomic conditions. Material factors that could cause actual results to differ materially from current expectations include, without limitation, the following: that Intel Corporation's pricing, marketing and rebating programs, product bundling, standard setting, new product introductions or other activities may negatively impact our plans; that we may be unable to develop, launch and ramp new products and technologies in the volumes that are required by the market at mature yields on a timely basis; that our third party foundries will be unable to transition our products to advanced manufacturing process technologies in a timely and effective way; that our third party foundries will be unable to manufacture our products on a timely basis in sufficient quantities and using competitive process technologies; that we will be unable to obtain sufficient manufacturing capacity or components to meet demand for our products or will not fully utilize our projected manufacturing capacity needs at GFs microprocessor manufacturing facilities in 2012 and beyond; that we may be unable to realize the anticipated benefits of our fabless business model or our relationship with GF because, among other things, the synergies expected from the transaction may not be fully realized or may take longer to realize than expected; that customers stop buying our products or materially reduce their operations or demand for our products; that we may be unable to maintain the level of investment in research and development that is required to remain competitive; that the recent earthquake and tsunami in Japan may have significant impacts on our supply chain or customers; that there may be unexpected variations in market growth and demand for our products and technologies in light of the product mix that we may have available at any particular time or a decline in demand; that our substantial indebtedness could adversely affect our financial position and prevent us from implementing our strategy or fulfilling our contractual obligations; that we will require additional funding and may be unable to raise sufficient capital on favorable terms, or at all; that global business and economic conditions will not continue to improve or will worsen; that demand for computers will be lower than currently expected; and the effect of political or economic instability, domestically or internationally, on our sales or supply chain.

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" section beginning on page 38 and the "Financial Condition" section beginning on page 30 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 25, 2010 and December 26, 2009, and for each of the three years in the period ended December 25, 2010 as filed in our Annual Report on Form 10-K for the year ended December 25, 2010.

Overview

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

- x86 microprocessors, for the commercial and consumer markets, embedded microprocessors for commercial, commercial client and consumer markets and chipsets for desktop and notebook PCs, professional workstations and servers; and
- graphics, video and multimedia products for desktop and notebook computers, including home media PCs and professional workstations, servers and technology for game consoles.

In this section, we will describe the general financial condition and the results of operations for Advanced Micro Devices, Inc. and its consolidated subsidiaries, including a discussion of our results of operations for the first quarter of 2011 compared to the first quarter of 2010 and the fourth quarter of 2010, an analysis of changes in our financial condition and a discussion of our contractual obligations and off balance sheet arrangements. References in this report to "us," "our" or "AMD," include these consolidated operating results.

During the first quarter of 2011, we continued to focus on executing our major technology roadmap milestones. In January 2011, we launched the first of our low-powered AMD Fusion family of accelerated processor unit (APU) products, a notebook platform, codenamed "Brazos." Customer demand for the Brazos APU platforms was strong, and approximately half of our unit shipments of microprocessors for notebook PCs during the first quarter of 2011 were based on the Brazos APU platform. Increased sales of these lower-cost products were accretive to our first quarter 2011 gross margin. In addition, prior to the end of the first quarter of 2011, we commenced revenue shipments of our next AMD Fusion family APU product, codenamed "Llano." In our server business, we have taken a number of actions that we believe can improve the results of this business during the second half of 2011. We have deployed additional customer account engineers, are working closely with our customers and expect to ship our new platform product for servers, codenamed "Bulldozer," toward the end of the summer**.**

During the first quarter of 2011, we reported net revenue of $1.6 billion, a 2% increase compared to the first quarter of 2010 and a 2% decrease compared to the fourth quarter of 2010. During the first quarter of 2011, we also closely managed operating expenses to $628 million. U.S. generally accepted accounting principles (GAAP) net cash used by operating activities was $168 million, and we generated non-GAAP adjusted free cash flow, which we describe in more detail in the "Financial Condition—Liquidity" section below, of $154 million. Cash, cash equivalents and marketable securities as of April 2, 2011 totaled $1.7 billion, a decrease of $44 million compared to December 25, 2010. Long-term debt as of April 2, 2011 of $2.2 billion remained flat compared to December 25, 2010.

In addition, on April 2, 2011, we amended our Wafer Supply Agreement (WSA) with GLOBALFOUNDRIES Inc. (GF). The primary effect of the amendment was to revise the pricing methodology applicable to wafers delivered in 2011 for our microprocessor, including APU, products. The amendment also modified our existing commitments regarding the production of certain graphics processing unit (GPU) and chipset products at GF. Under the amended agreement, GF has committed to provide us with, and we have committed to purchase, a fixed number of 45nm and 32nm wafers per quarter in 2011. We pay GF a fixed price for 45nm wafers delivered in 2011. Our price for 32nm wafers varies based on the wafer volumes and manufacturing yield of such wafers and is based on good die. In addition, we also agreed to pay an additional quarterly amount to GF during 2012 if GF meets specified conditions related to continued availability of 32nm capacity as of the beginning of 2012. The pricing methodology set forth in the amended WSA applied to wafer purchases during the first quarter of 2011, and contributed to our lower wafer costs during the first quarter of 2011 as compared to prior periods.

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

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 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 revenue, inventories, asset impairments, long-lived assets including acquired intangible assets, 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 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 first quarter of 2011 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 25, 2010.

Results of Operations

Management, including the Chief Operating Decision Maker, who is our interim Chief Executive Officer and our Chief Financial Officer, reviews and assesses our operating performance using segment net revenues and operating income (loss) before interest, other income (expense), equity income (loss) and dilution gain in investee and income taxes. These performance measures include the allocation of expenses to the operating segments based on management's judgment.

We use the following two reportable operating segments:

- the Computing Solutions segment, which includes microprocessors, chipsets and embedded processors; and
- the Graphics segment, which includes graphics, video and multimedia products as well as revenue received in connection with the development and sale of game console systems that incorporate our graphics technology.

In addition to these reportable segments, we have an All Other category, which is not a reportable segment. This category includes certain expenses and credits that were not allocated to any of the operating segments because management did not consider these expenses and credits in evaluating the performance of the operating segments. Also included in this category are amortization of acquired intangible assets and restructuring charges. The All Other category also includes the results of our Handheld business because we expect that the operating results of this business will continue to be immaterial.

We use a 52 to 53 week fiscal year ending on the last Saturday in December. The quarters ended April 2, 2011, December 25, 2010 and March 27, 2010 consisted of 14, 13 and 13 weeks, respectively.

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

	Quarter Ended		
	April 2, 2011	December 25, 2010	March 27, 2010
		(In millions)	
Net revenue:			
Computing Solutions	$ 1,200	$ 1,219	$ 1,160
Graphics	413	424	409
All Other	—	6	5
Total net revenue	$ 1,613	$ 1,649	$ 1,574
Operating income:			
Computing Solutions	$ 100	$ 91	$ 146
Graphics	19	68	47
All Other	(65)	254	(11)
Total operating income	$ 54	$ 413	$ 182

Computing Solutions

Computing Solutions net revenue of $1,200 million in the first quarter of 2011 increased by 3% compared to net revenue of $1,160 million in the first quarter of 2010 as a result of a 16% increase in unit shipments partially offset by an 11% decrease in average selling price. The increase in unit shipments was primarily attributable to an increase in unit shipments of our microprocessor products for notebook and desktop PCs as well as our chipset products. Unit shipments of our microprocessors for notebook PCs increased due to increased demand for our new Brazos APU platforms. The increase in unit shipments of our microprocessors for desktop PCs increased due to strong demand from our channel customers. Chipset unit shipments increased as customers increasingly adopted AMD chipsets with our microprocessor products, especially for AMD based notebook PCs for which the attach rate remained at 100%. Average selling price of microprocessor products decreased primarily due to a shift in our product mix to low-end microprocessor products for servers and a higher mix of sales of our Brazos APU platforms, which have a lower average selling price.

Computing Solutions net revenue of $1,200 million in the first quarter of 2011 decreased by 2% compared to $1,219 million in the fourth quarter of 2010 as a result of a 2% decrease in average selling price. The decrease in average selling price was primarily attributable to a decrease in average selling price of our microprocessor products, primarily due to a shift in our product mix to low-end microprocessor products for servers and a higher mix of sales of our Brazos APU platform, which have a lower average selling price.

Computing Solutions operating income of $100 million in the first quarter of 2011 decreased by $46 million compared to $146 million in the first quarter of 2010. The decline in operating results was primarily due to a $45 million increase in research and development expenses and a $37 million increase in marketing, general and administrative expenses, partially offset by the increase in net revenue referenced above. Cost of sales was relatively flat. The benefit of a decrease in our wafer costs during the first quarter of 2011 as a result of the amended WSA substantially offset a standard cost benefit due to the deconsolidation of GF recorded in the first quarter of 2010. Research and development expenses and marketing, general and administrative expenses increased for the reasons set forth under “Expenses” below.

Computing Solutions operating income of $100 million in the first quarter of 2011 increased by $9 million compared to $91 million in the fourth quarter of 2010. The improvement in operating results was primarily due to a $49 million decrease in cost of sales, partially offset by the decrease in net revenue referenced above and a $19 million increase in research and development expenses. Cost of sales decreased primarily due to lower wafer costs in the first quarter of 2011 as a result of the amended WSA. Research and development expenses and marketing, general and administrative expenses increased for the reasons described under “Expenses” below.

Graphics

Graphics net revenue of $413 million in the first quarter of 2011 was relatively flat compared to net revenue of $409 million in the first quarter of 2010. Royalty revenue received in connection with the sales of game console systems that incorporate our graphics technology increased by 5% while net revenue from the sale of GPU products was relatively flat. An increase in unit shipments of our GPU products was almost completely offset by a decrease in GPU average selling price. Unit shipments increased due to strong demand and improved supply of our GPU products. The decrease in GPU average selling price was primarily due to a shift in our product mix to low-end GPU products.

Graphics net revenue of $413 million in the first quarter of 2011 decreased by 3% compared to net revenue of $424 million in the fourth quarter of 2010. The decrease was primarily due to a 42% seasonally-driven decline in royalty revenue received in connection with the sales of game console systems that incorporate our graphics technology, partially offset by a 3% increase in net revenue from sales of GPU products. Net revenue from sales of GPU products increased due to an increase in unit shipments, partially offset by a decrease in GPU average selling price. Unit shipments increased due to strong demand for our GPU products. The decrease in GPU average selling price was primarily due to a shift in our product mix to low-end GPU products.

Graphics operating income of $19 million in the first quarter of 2011 decreased by $28 million compared to operating income of $47 million in the first quarter of 2010. The decrease in operating results was primarily due to a $31 million increase in cost of sales. The increase in cost of sales resulted from higher GPU shipments and higher development costs.

Graphics operating income of $19 million in the first quarter of 2011 decreased by $49 million compared to operating income of $68 million in the fourth quarter of 2010. The decrease in operating results was primarily due to the decrease in net revenue referenced above.

All Other

We had immaterial revenue in the All Other category during the first quarter of 2011 compared to $5 million in the first quarter of 2010 and $6 million in the fourth quarter of 2010. All Other revenue decreased because we no longer develop new Handheld products and customer orders were immaterial.

All Other operating loss of $65 million in the first quarter of 2011 included a stock-based compensation expense of $27 million, a $24 million charge recorded in connection with a payment to GF primarily related to certain GF manufacturing assets which do not benefit us, and $9 million related to amortization of acquired intangible assets.

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

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

	Quarter Ended		
	April 2, 2011	December 25, 2010	March 27, 2010
		(In millions except percentages)	
Cost of sales	$ 922	$ 906	$ 833
Gross margin	691	743	741
Gross margin percentage	43%	45%	47%
Research and development	$ 367	$ 352	$ 323
Marketing, general and administrative	261	250	219
Legal settlement	—	(283)	—
Amortization of acquired intangible assets	9	11	17
Interest income	3	2	3
Interest expense	(48)	(39)	(49)
Other income, net	11	14	304
Provision for income taxes	2	42	—
Equity income (loss) and dilution gain in investee, net	$ 492	$ 27	$ (183)

Gross Margin

Gross margin as a percentage of net revenue was 43% in the first quarter of 2011 compared to 47% in the first quarter of 2010. Gross margin in the first quarter of 2011 included a $24 million charge recorded in connection with a payment to GF primarily related to certain GF manufacturing assets and a charge of approximately $5 million recorded to cost of sales related to a legal settlement. Gross margin in the first quarter of 2010 included a $69 million benefit related to the deconsolidation of GF. Absent the effect of these charges, which we believe are not indicative of our ongoing operating performance, our gross margin would have been 45% in the first quarter of 2011 compared to 43% in the first quarter of 2010. The improvement in gross margin, as adjusted for the factors described above, was primarily due to an increase in unit shipments of our low-cost, margin accretive Brazos APU platforms and a decrease in our wafer costs as a result of the amended WSA, partially offset by a shift in our microprocessor product mix to low-end, legacy products.

Gross margin as a percentage of net revenue was 43% in the first quarter of 2011 compared to 45% in the fourth quarter of 2010. Absent the effect of the charges in the first quarter of 2011 referenced above, which we believe are not indicative of our ongoing operating performance, our gross margin in the first quarter of 2011 would have been 45%, or flat compared to the fourth quarter of 2010. The adverse gross margin impact of a seasonally-driven decline in royalty revenue received in connection with the sales of game console systems that incorporate our graphics technology and a shift in our microprocessor product mix to low-end, legacy products in the first quarter of 2011 compared to the fourth quarter of 2010 was substantially offset by the benefit of an increase in unit shipments of our low-cost, margin accretive Brazos APU platforms and a decrease in our wafer costs as a result of the amended WSA.

Expenses

Research and Development Expenses

Research and development expenses of $367 million in the first quarter of 2011 increased by $44 million compared to $323 million in the first quarter of 2010. The increase was primarily due to a $45 million increase in research and development expenses attributable to our Computing Solutions segment. The increase in research and development expenses attributable to our Computing Solutions segment was primarily due to a $42 million increase in product engineering and design costs and a $12 million increase in manufacturing process technology expenses related to GF, partially offset by an $8 million decrease in other employee compensation expense. Product engineering and design costs for the Computing Solutions segment increased primarily due to an extra week in the first quarter of 2011.

Research and development expenses of $367 million in the first quarter of 2011 increased by $15 million compared to $352 million in the fourth quarter of 2010. The increase was primarily due to a $19 million increase in research and development expenses attributable to our Computing Solutions segment, partially offset by a $4 million decrease in research and development expenses attributable to our Graphics segment. The increase in research and development expenses attributable to our Computing Solutions segment was primarily due to a $24 million increase in product engineering and design costs, partially offset by an $8 million decrease in other employee compensation and benefit expenses. Product engineering and design costs for the Computing Solutions segment increased primarily due to an extra week in the first quarter of 2011. The decrease in research and development expenses attributable to our Graphics segment was primarily due to a $7 million decrease in product engineering and design costs as a result of a shift in engineering resources from our Graphics segment to our Computing Solutions segment.

Marketing, General and Administrative Expenses

Marketing, general and administrative expenses of $261 million in the first quarter of 2011 increased by $42 million compared to $219 million in the first quarter of 2010. This increase was primarily due to a $37 million increase in marketing, general and administrative expenses attributable to our Computing Solutions segment. The increase in marketing, general and administrative expenses attributable to our Computing Solutions segment was due to an increase in sales and marketing activities as a result of an extra week in the first quarter of 2011. In addition, during the first quarter of 2011, marketing, general and administrative expenses included $13 million of separation costs related to the resignation of our former Chief Executive Officer.

Marketing, general and administrative expenses of $261 million in the first quarter of 2011 increased by $11 million compared to $250 million in the fourth quarter of 2010. The increase was primarily due to separation costs related to the resignation of our former Chief Executive Officer.

Interest Expense

Interest expense of $48 million in the first quarter of 2011 was relatively flat as compared to $49 million in the first quarter of 2010.

Interest expense of $48 million in the first quarter of 2011 increased from $39 million in the fourth quarter of 2010 due to a reversal of interest expense in the fourth quarter of 2010 subsequent to the conclusion of a tax audit by the Canadian Revenue Agency. There was no such reversal in the first quarter of 2011.

Other Income (Expense), Net

Other income of $11 million in the first quarter of 2011 decreased from $304 million in the first quarter of 2010. In the first quarter of 2010, we recognized a non-cash gain related to the deconsolidation of GF of approximately $325 million, which was partially offset by a loss of $18 million related to foreign exchange. Other income of $11 million in the first quarter of 2011 was primarily due to a $9 million gain recognized from foreign exchange fluctuations.

Other income of $11 million in the first quarter of 2011 decreased from $14 million in the fourth quarter of 2010. In the fourth quarter of 2010, we recognized a gain of $17 million in connection with the sale of marketable equity securities. In the first quarter of 2011, we recognized a $9 million gain due to foreign exchange fluctuations whereas in the fourth quarter of 2010, we recognized a loss of $4 million due to foreign exchange fluctuations.

Income Taxes

We recorded an income tax provision of $2 million in the first quarter of 2011 consisting of foreign taxes in profitable locations of $3.5 million, partially offset by U.S. tax benefits from the monetization of U.S. tax credits. The tax impact of the non-cash gain related to the dilution of our equity interest in GF in the first quarter of 2011 was not material due to the existence of the valuation allowance.

We did not record an income tax provision in the first quarter of 2010 because foreign taxes in profitable locations were offset by research and development tax credit monetization benefits in the United States. The tax impact of the non-cash gain resulting from the deconsolidation of GF during the first quarter of 2010 was not material due to the existence of the valuation allowance.

As of April 2, 2011, substantially all of our U.S. deferred tax assets, net of deferred tax liabilities, continued to be subject to a valuation allowance. The realization of these assets is dependent on substantial future taxable income which, as of April 2, 2011, in management's judgment, is not more likely than not to be achieved.

Equity Income (Loss) and Dilution Gain in Investee, net

On December 27, 2010, ATIC International Investment Company LLC (ATIC II), an affiliate of Advanced Technology Investment Company LLC (ATIC), contributed all of the outstanding Ordinary Shares of Chartered Semiconductor Manufacturing Ltd. (currently known as GLOBALFOUNDRIES Singapore Pte. Ltd. or GFS) to GF in exchange for 2,808,981 newly issued shares of GF Class A Preferred Shares. The issuance of Class A Preferred Shares to ATIC II diluted our ownership interest in GF from 23% to 14% on a fully diluted basis and from 34% to 18% on a voting basis. In connection with our reduced ownership interest in GF, the number of AMD-designated directors on GF's board decreased from two to one.

Following the GFS contribution and governance changes described above, we assessed our ability to exercise significant influence over GF and considered factors such as our representation on GF's board of directors, participation in GF's policy-making processes, material intra-entity transactions, interchange of managerial personnel, technological dependency and the extent of ownership by us in relation to ownership by the other shareholders. Based on the results of our assessment, we concluded that we no longer had the ability to exercise significant influence over GF. Accordingly, as of the first quarter of 2011, we changed our method of accounting for our ownership interest in GF from the equity method to the cost method of accounting. As of April 2, 2011, our investment balance in GF is reflected as an asset of $486 million.

Under the cost method of accounting, we no longer recognize any share of GF's net income or loss in our condensed consolidated statement of operations. In addition, we review the carrying value of our investment in GF for impairment at each reporting period. Impairment indicators, among other factors, include significant deterioration in GF's earnings performance or business prospects, significant change in market conditions in which GF operates, and GF's ability to continue as a going concern. An impairment charge will be recorded if the carrying value of the investment exceeds its fair value, and such impairment is determined to be "other than temporary."

As of April 2, 2011, our ownership interest in GF was 12% on a fully diluted basis and 15% on a voting basis. During the first quarter of 2011, we recognized a non-cash gain of approximately $492 million, net of certain transaction related charges, in Equity income (loss) and dilution gain in investee, net.

GF is a related party of AMD. Our total purchases from GF related to wafer manufacturing and research and development activities during the first quarter of 2011 amounted to approximately $263 million. In addition, during the first quarter of 2011, we incurred a charge of $24 million related to a payment to GF primarily for certain manufacturing assets of GF, which do not benefit us.

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 the condensed consolidated statements of operations as follows:

	Quarter Ended		
	April 2, 2011	December 25, 2010	March 27, 2010
		(In millions)	
Cost of sales	$ 1	$ 1	$ 1
Research and development	12	12	10
Marketing, general, and administrative	14	9	9
Stock-based compensation expense, net of tax	$ 27	$ 22	$ 20

During the first quarter of 2011, the first quarter of 2010, and the fourth quarter of 2010, 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 expenses of $27 million in the first quarter of 2011 increased $7 million as compared to $20 million in the first quarter of 2010, and increased $5 million as compared to $22 million in the fourth quarter of 2010. These increases were primarily due to the acceleration of vesting of all unvested equity incentive awards held by our former Chief Executive Officer in the first quarter of 2011 as a result of his resignation from AMD, effective January 10, 2011, pursuant to the terms of his employment and separation agreements, offset by forfeitures and a decrease in incentive equity awards granted.

International Sales

International sales as a percentage of net revenue were 93% in the first quarter of 2011, 88% in the first quarter of 2010 and 91% in the fourth quarter of 2010. 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.

FINANCIAL CONDITION

Liquidity

As of April 2, 2011, our cash, cash equivalents and marketable securities of $1.7 billion decreased by $44 million compared to December 25, 2010, primarily as a result of $168 million of cash used in operating activities and $14 million of cash used in investing activities, partially offset by $178 million of cash provided by financing activities. See "Financial Condition—Operating Activities," "Financial Condition—Investing Activities" and "Financial Condition—Financing Activities," below, for additional information.

Our debt and capital lease obligations as of April 2, 2011 were $2.2 billion, which reflects a debt discount adjustment of $99 million on our 6.00% Convertible Senior Notes due 2015 (6.00% Notes) and our 8.125% Senior Notes due 2017 (8.125% Notes). This amount also includes approximately $34 million related to our former accounts receivable financing arrangement among AMD, certain AMD subsidiaries and IBM Credit LLC and certain of its subsidiaries (collectively, the IBM Parties), which is not a cash obligation. In February 2011, we terminated this financing arrangement with the IBM Parties. Our financing arrangement with the IBM Parties is described in more detail below and under "Contractual Obligations—Receivable Financing Arrangement."

For the first quarter of 2011, our adjusted free cash flow was $154 million. Adjusted free cash flow is a non-GAAP measure, which we calculated by taking GAAP net cash used in operating activities for the first quarter of 2011 of $168 million and adding an amount of $360 million, which represents payments made by certain of our distributor customers during the first quarter of 2011 to the IBM Parties pursuant to our former accounts receivable financing arrangement. We adjusted the resulting amount of $192 million by subtracting capital expenditures, which were $38 million for the first quarter of 2011. Compared to adjusted free cash flow of $177 million in the first quarter of 2010, the decrease was due to a decrease in cash flow from operating activities, partially offset by an increase of $158 million in payments made by our distributor customers to the IBM Parties and a decrease of $10 million in capital expenditures in the first quarter of 2011 as compared to the first quarter of 2010.

We had various supplier agreements with the IBM Parties pursuant to which we sold invoices of selected distributor customers. Although we terminated these agreements in February 2011, certain invoices that were purchased by the IBM Parties are still outstanding. We do not recognize revenue until our distributors sell our products to their customers. Under GAAP, we classify funds received from the IBM Parties as debt on the balance sheet. Moreover, for cash flow purposes, we classify these funds as cash flows from financing activities. When a distributor pays the applicable IBM Party, we reduce the distributor's accounts receivable and the corresponding debt, resulting in a non-cash accounting entry. Because we do not receive the cash from the distributor to reduce the accounts receivable, the distributor's payment is never reflected in our cash flows from operating activities.

Generally, under GAAP, the reduction in accounts receivable is assumed to be a source of operating cash flows. Therefore, we believe that treating the payments from our distributor customers to the IBM Parties as if we actually received the cash from the distributor and then used that cash to pay down the debt to the IBM Parties is more reflective of the economic substance of the financing arrangement with the IBM Parties. We calculate and communicate adjusted free cash flow because our management believes it is important for investors to understand the nature of these cash flows. Our calculation of adjusted free cash flow may or may not be consistent with the calculation of this measure by other companies in the same industry. Investors should not view adjusted free cash flow as an alternative to GAAP liquidity measures of cash flows from operating or financing activities.

We believe that cash, cash equivalents and marketable securities balances as of April 2, 2011, anticipated cash flow from operations and available external financing will be sufficient to fund operations, including capital expenditures over the next twelve months.

We believe that in the event we require additional funding, we will be able to access the capital markets on terms and in amounts adequate to meet our objectives. However, given the possibility of changes in market conditions or other occurrences, we cannot be certain that such funding will be available on terms favorable to us or at all.

Over the longer term, should additional funding be required, 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. However, global market and economic conditions have been challenging, with tighter credit conditions and recession in most major economies. While global economic conditions have improved since the first half of 2009, there can be no assurance that conditions will continue to improve, and they could worsen. If market conditions do not continue to improve or deteriorate, it may limit our ability to access the capital markets to meet liquidity needs, on favorable terms or at all, resulting in adverse effects on our liquidity and financial condition, including our ability to refinance maturing liabilities and access the capital markets to meet liquidity needs.

Auction Rate Securities

As a result of the uncertainties in the credit markets as mentioned above, all of our ARS were negatively affected and auctions for these securities failed to settle on their respective settlement dates. While many of these securities continue to be illiquid, there have been no defaults, and we have received all interest payments as they became due.

As of April 2, 2011, the par value of our ARS was $65 million, with an estimated fair value of $57 million. Total ARS, at fair value, represented 4% of our total investment portfolio as of April 2, 2011.

Based on the recent tender and redemption activities and the fact that the secondary market for these securities has become more liquid, with pricing generally similar to our carrying value, we classified these securities as marketable securities as of April 2, 2011. We have the intent and believe we have the ability to sell these securities within the next 12 months.

Samsung Settlement

In the fourth quarter of 2010, we entered into a Patent License and Settlement Agreement with Samsung to end all outstanding legal disputes related to pending patent litigation between us and Samsung. Pursuant to this agreement, all claims between the parties were dismissed with prejudice and Samsung agreed to pay us $283 million less any withholding taxes. We received the first payment of $119 million (which represents $143 million less withholding taxes) in December 2010. The remaining amount of $117 million (which represents $140 million less withholding taxes) will be paid in two equal installments by May 31, 2011 and by November 30, 2011. In addition, pursuant to the settlement agreement, Samsung granted to us, and we granted to Samsung, non-exclusive, royalty-free licenses to all patents and patent applications for ten years after the effective date of the Agreement to make, have made, use, sell, offer to sell, import and otherwise dispose of certain semiconductor- and electronic-related products anywhere in the world.

This settlement encompasses all patent litigation and disputes between the parties, and we do not have any future obligations that we are required to perform in order to earn this settlement payment. Accordingly, we recognized the entire settlement amount in our operating results for the fourth quarter of 2010.

Other Settlements

In April 2011, we settled the following cases for an immaterial amount:

- SGI (Graphics Properties Holding, Inc.) v. ATI and AMD, Case No. 06-C-0611 in the United States District Court for the Western District of Wisconsin
- Graphics Properties Holdings, Inc. (GPHI) v. Nintendo, Acer, Sony, Apple, and Toshiba, Cause No. 10-CV-08655 (S.D.N.Y)
- Graphics Properties Holdings, Inc. (GPHI) v. Dell, Alienware, Lenovo, Gateway, and Hewlett-Packard, Cause No. 10-CV-00992 (D. Del.)

Operating Activities

Net cash used in operating activities was $168 million in the first quarter of 2011. Net income of $510 million was adjusted for non-cash charges consisting primarily of $88 million of depreciation and amortization expense and $27 million of stock-based compensation expense. These charges were partially offset by recognition of a one-time, non-cash gain of $492 million due to the dilution of our equity interest in GF. The net changes in operating assets at April 2, 2011 compared to December 25, 2010 included an increase in accounts receivable of $189 million, which included the non-cash impact of our former financing arrangements with the IBM Parties. During the first quarter of 2011, the IBM Parties collected approximately $360 million from our distributor customers pursuant to these arrangements. Without considering the collection by the IBM Parties of the accounts receivables that we sold to them, our accounts receivable decreased by $171 million. This decrease was primarily due to the timing of sales and collections during the first quarter of 2011. Accounts payable to GF decreased by $78 million due to the timing of payments during the first quarter of 2011.

Net cash provided by operating activities was $23 million in the first quarter of 2010. Net income of $257 million was adjusted for non-cash charges consisting primarily of $183 million from the application of the equity method of accounting for our investment in GF, $100 million of depreciation and amortization expense, $20 million of stock-based compensation expense and $8 million of interest expense related to our 6.00% Notes and 8.125% Notes. These charges were offset by a one-time, non-cash gain of $325 million related to the deconsolidation of GF. The net changes in operating assets at March 27, 2010 compared to December 26, 2009 included an increase in accounts receivable of $134 million, which included the non-cash impact of our accounts receivable financing arrangement with the IBM Parties. During the first quarter of 2010, the IBM Parties collected approximately $202 million from our distributor customers pursuant to these arrangements. Without considering the collection by the IBM Parties of the accounts receivables that we sold to them, our accounts receivables decreased by $68 million. This decrease was primarily due to timing of sales and collections during the first quarter of 2010. Excluding the effects of deconsolidation, there was also a decrease in accounts payable, accrued liabilities and other, of $39 million primarily due to the timing of payments. Accounts payable to GF increased by $31 million due to the timing of payments during the first quarter of 2010.

Investing Activities

Net cash used in investing activities was $14 million in the first quarter of 2011. We had a net cash outflow of $38 million for purchases of property, plant and equipment, and payments of $17 million for professional services related to the contribution of GFS to GF, offset by a net cash inflow of $41 million from the maturity of available-for-sale securities.

Net cash used in investing activities was $1.2 billion in the first quarter of 2010. Of this amount, $904 million represented the cash flow effect of the deconsolidation of GF. In addition, in the first quarter of 2010, we had a net cash outflow of $272 million for purchases of available-for-sale securities and $48 million for purchases of property, plant and equipment.

Financing Activities

Net cash provided by financing activities was $178 million in the first quarter of 2011 primarily as a result of proceeds of $165 million from our former financing arrangements with the IBM Parties and $9 million from the exercise of employee stock options.

Net cash provided by financing activities was $177 million in the first quarter of 2010 primarily as a result of proceeds of $185 million from our financing arrangements with the IBM Parties, $15 million from a revolving credit facility entered into between our subsidiary, AMD Products (China) Co. Ltd., and China Merchant Bank (AMD China Revolving Credit Line) and $3 million from the exercise of employee stock options. These amounts were partially offset by payments of $25 million for debt and cash obligations consisting of a repayment of $15 million to the lender under the AMD China Revolving Credit Line and a payment of $9 million to repurchase $10 million aggregate principal amount of our 6.00% Notes.

During the first quarter of 2011 and the first quarter of 2010, we did not realize any excess tax benefit related to stock-based compensation, and therefore we did not record any related financing cash flows.

Contractual Obligations

The following table summarizes our consolidated principal contractual cash obligations, as of April 2, 2011, and is supplemented by the discussion following the table:

	Payment due by period						
	Total	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016 and beyond
	(In millions)						
5.75% Convertible Senior Notes due 2012	$ 485	$—	$485	$—	$—	$—	$ —
6.00% Convertible Senior Notes due 2015 (1)	780	—	—	—	—	780	
8.125% Senior Notes due 2017 (1)	500	—	—	—	—	—	500
7.75% Senior Notes due 2020	500	—	—	—	—	—	500
Other long-term liabilities	41	—	16	20	4	—	1
Aggregate interest obligation (2)	871	116	145	126	126	99	259
Capital lease obligations (3)	36	4	6	6	6	6	8
Operating leases	184	26	31	27	25	22	53
Purchase Obligations (4)	491	355	71	34	18	13	—
Total contractual obligations (5)	$3,888	$501	$754	$213	$179	$920	$1,321

(1) Represents aggregate par value of the notes, without the effect of associated discounts.

(2) Represents estimated aggregate interest obligations for our outstanding debt obligations that are payable in cash, excluding capital lease obligations. Also excludes non-cash amortization of debt discounts on the 8.125% Notes and the 6.00% Notes.

(3) Includes principal and imputed interest.

(4) We have purchase obligations for goods and services where payments are based, in part, on the volume or type of services we require. In those cases, we only included the minimum volume of purchase obligations in the table above. Also, purchase orders for goods and services that are cancelable upon notice and without significant penalties are not included in the amounts above. This amount does not include estimates of future purchase obligations to GF under the WSA, which we expect will continue to be material. See "Purchase Obligations" below.

(5) This amount does not include the amounts we receive in connection with our accounts receivable financing arrangement with the IBM Parties. See "Receivable Financing Arrangement" below.

5.75% Convertible Senior Notes due 2012

On August 14, 2007, we issued $1.5 billion aggregate principal amount of 5.75% Convertible Senior Notes due 2012 (the 5.75% Notes). The 5.75% Notes are our general unsecured senior obligations. Interest is payable in arrears on February 15 and August 15 of each year beginning February 15, 2008 until the maturity date of August 15, 2012. The terms of the 5.75% Notes are governed by an Indenture (the 5.75% Indenture), dated as of August 14, 2007, by and between us and Wells Fargo Bank, National Association, as Trustee. In 2009, we repurchased $1,015 million in aggregate principal amount of our outstanding 5.75% Notes for $1,002 million in cash.

As of April 2, 2011, the remaining outstanding aggregate principal amount of our 5.75% Notes was $485 million.

The 5.75% Notes will be convertible, in whole or in part, at any time prior to the close of business on the business day immediately preceding the maturity date of the 5.75% Notes, into shares of our common stock based on an initial conversion rate of 49.6771 shares of common stock per $1,000 principal amount of the 5.75% Notes, which is equivalent to an initial conversion price of $20.13 per share. This initial conversion price represents a premium of 50% relative to the last reported sale price of our common stock on August 8, 2007 (the trading date preceding the date of pricing of the 5.75% Notes) of $13.42 per share. This initial conversion rate will be adjusted for certain anti-dilution events. In addition, the conversion rate will be increased in the case of corporate events that constitute a fundamental change (as defined in the 5.75% Indenture) of AMD under certain circumstances. Holders of the 5.75% Notes may require us to repurchase the 5.75% Notes for cash equal to 100% of the principal amount to be repurchased plus accrued and unpaid interest upon the occurrence of a fundamental change or a termination of trading (as defined in the 5.75% Indenture). Additionally, an event of default (as defined in the 5.75% Indenture) may result in the acceleration of the maturity of the 5.75% Notes.

The 5.75% Notes rank equally with our existing and future senior debt and are senior to all of our future subordinated debt. The 5.75% Notes rank junior to all of our existing and future senior secured debt to the extent of the collateral securing such debt and are structurally subordinated to all existing and future debt and liabilities of our subsidiaries.

We may elect to purchase or otherwise retire the remaining amount of our 5.75% 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.

6.00% Convertible Senior Notes due 2015

On April 27, 2007, we issued $2.2 billion aggregate principal amount of 6.00% Convertible Senior Notes due 2015. The 6.00% Notes are our general unsecured senior obligations. Interest is payable on May 1 and November 1 of each year beginning November 1, 2007 until the maturity date of May 1, 2015. The terms of the 6.00% Notes are governed by an Indenture (the 6.00% Indenture) dated April 27, 2007, by and between us and Wells Fargo Bank, National Association, as Trustee. In 2008, we repurchased $60 million in aggregate principal amount of our 6.00% Notes for $21 million. In 2009 we repurchased $344 million in aggregate principal amount of our 6.00% Notes for $161 million. In 2010, we repurchased $1,016 million in aggregate principal amount our 6.00% Notes for $1,011 million.

As of April 2, 2011, the outstanding aggregate principal amount of our 6.00% Notes was $780 million and the remaining carrying value was approximately $726 million, net of debt discount of $54 million.

Upon the occurrence of certain events described in the 6.00% Indenture, the 6.00% Notes will be convertible into cash up to the principal amount, and if applicable, into shares of our common stock issuable upon conversion of the 6.00% Notes in respect of any conversion value above the principal amount, based on an initial conversion rate of 35.6125 shares of common stock per $1,000 principal amount of 6.00% Notes, which is equivalent to an initial conversion price of $28.08 per share. This initial conversion price represents a premium of 100% relative to the last reported sale price of our common stock on April 23, 2007 (the trading date preceding the date of pricing of the 6.00% Notes) of $14.04 per share. This initial conversion rate will be adjusted for certain anti-dilution events. In addition, the conversion rate will be increased in the case of corporate events that constitute a fundamental change (as defined in the 6.00% Indenture) of AMD under certain circumstances. Holders of the 6.00% Notes may require us to repurchase the 6.00% Notes for cash equal to 100% of the principal amount to be repurchased plus accrued and unpaid interest upon the occurrence of a fundamental change or a termination of trading (as defined in the 6.00% Indenture). Additionally, an event of default (as defined in the 6.00% Indenture) may result in the acceleration of the maturity of the 6.00% Notes.

The 6.00% Notes rank equally with our existing and future senior debt and are senior to all of our future subordinated debt. The 6.00% Notes rank junior to all of our existing and future senior secured debt to the extent of the collateral securing such debt and are structurally subordinated to all existing and future debt and liabilities of our subsidiaries.

We may elect to purchase or otherwise retire the remaining balance of our 6.00% 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.

8.125% Senior Notes Due 2017

On November 30, 2009, we issued $500 million aggregate principal amount of 8.125% Senior Notes due 2017 at a discount of 10.204%. The 8.125% Notes are our general unsecured senior obligations. Interest is payable on June 15 and December 15 of each year beginning June 15, 2010 until the maturity date of December 15, 2017. The discount of $51 million is recorded as contra debt and is amortized to interest expense over the life of the 8.125% Notes using the effective interest method. The 8.125% Notes are governed by the terms of an indenture (the 8.125% Indenture) dated November 30, 2009 between us and Wells Fargo Bank, National Association, as Trustee.

As of April 2, 2011, the outstanding aggregate principal amount of our 8.125% Notes was $500 million and the remaining carrying value was approximately $455 million, net of debt discount of $45 million

At any time (which may be more than once) before December 15, 2012, we can redeem up to 35% of the aggregate principal amount of the 8.125% Notes within 90 days of the closing of an equity offering with the net proceeds thereof at a redemption price not greater than 108.125% of the principal amount thereof, together with accrued and unpaid interest to but excluding the date of redemption. Prior to December 15, 2013, we may redeem some or all of the 8.125% Notes at a price equal to 100% of the principal amount, plus accrued and unpaid interest and a “make whole” premium (as defined in the 8.125% Indenture).

From December 15, 2013, we may redeem the 8.125% Notes for cash at the following specified prices plus accrued and unpaid interest:

Period	Price as Percentage of Principal Amount
Beginning on December 15, 2013 through December 14, 2014	104.063%
Beginning on December 15, 2014 through December 14, 2015	102.031%
On December 15, 2015 and thereafter	100.000%

Holders have the right to require us to repurchase all or a portion of our 8.125% Notes in the event that we undergo a change of control, as defined in the 8.125% Indenture at a repurchase price of 101% of the principal amount plus accrued and unpaid interest. Additionally, an event of default (as defined in the 8.125% Indenture) may result in the acceleration of the maturity of the 8.125% Notes.

The 8.125% Indenture contains certain covenants that limit, among other things, our ability and the ability of our subsidiaries, from:

- incurring additional indebtedness, except specified permitted debt;

- paying dividends and making other restricted payments;
- making certain investments if an event of a default exists, or if specified financial conditions are not satisfied;
- creating or permitting certain liens;
- creating or permitting restrictions on the ability of our subsidiaries to pay dividends or make other distributions to us;
- using the proceeds from sales of assets;
- entering into certain types of transactions with affiliates; and
- consolidating, merging or selling our assets as an entirety or substantially as an entirety.

The 8.125% Notes rank equally with our existing and future senior debt and are senior to all of our future subordinated debt. The 8.125% Notes rank junior to all of our existing and future senior secured debt to the extent of the collateral securing such debt and are structurally subordinated to all existing and future debt and liabilities of our subsidiaries.

We may elect to purchase or otherwise retire the 8.125% Notes with cash, stock or other assets from time to time in open market or private negotiated transactions, either directly or through intermediaries, or by tender offer, when we believe the market conditions are favorable to do so.

7.75% Senior Notes Due 2020

On August 4, 2010, we issued $500 million aggregate principal amount of 7.75% Senior Notes due 2020. The 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. The 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, National Association, as Trustee.

As of April 2, 2011, the outstanding aggregate principal amount of our 7.75% Notes was $500 million.

At any time (which may be more than once) before August 1, 2013, we can redeem up to 35% of the aggregate principal amount of the 7.75% Notes within 90 days of the closing of an equity offering with the net proceeds thereof at a redemption price not greater than 107.75% of the principal amount thereof, together with accrued and unpaid interest to but excluding the date of redemption. Prior to August 1, 2015, we may redeem some or all of the 7.75% Notes at a price equal to 100% of the principal amount, plus accrued and unpaid interest and a "make whole" premium (as defined in the 7.75% Indenture).

From August 1, 2015, we may redeem the 7.75% Notes for cash at the following specified prices plus accrued and unpaid interest:

Period	Price as Percentage of Principal Amount
Beginning on August 1, 2015 through July 31, 2016	103.875%
Beginning on August 1, 2016 through July 31, 2017	102.583%
Beginning on August 1, 2017 through July 31, 2018	101.292%
and on August 1, 2018 and thereafter	100.000%

Holders have the right to require us to repurchase all or a portion of our 7.75% Notes in the event that we undergo a change of control, as defined in the 7.75% Indenture at a repurchase price of 101% of the principal amount plus accrued and unpaid interest. Additionally, an event of default (as defined in the 7.75% Indenture) may result in the acceleration of the maturity of the 7.75% Notes.

The 7.75% Indenture contains certain covenants that limit, among other things, our ability and the ability of our subsidiaries, from:

- incurring additional indebtedness, except specified permitted debt;
- paying dividends and making other restricted payments;
- making certain investments if an event of a default exists, or if specified financial conditions are not satisfied;
- creating or permitting certain liens;
- creating or permitting restrictions on the ability of our subsidiaries to pay dividends or make other distributions to us;

- using the proceeds from sales of assets;
- entering into certain types of transactions with affiliates; and
- consolidating, merging or selling our assets as an entirety or substantially as an entirety.

The 7.75% Notes rank equally with our existing and future senior debt and are senior to all of our future subordinated debt. The 7.75% Notes rank junior to all of our existing and future senior secured debt to the extent of the collateral securing such debt and are structurally subordinated to all existing and future debt and liabilities of our subsidiaries.

We may elect to purchase or otherwise retire the 7.75% Notes with cash, stock or other assets from time to time in open market or private negotiated transactions, either directly or through intermediaries, or by tender offer, when we believe the market conditions are favorable to do so.

The agreements governing our 5.75% Notes, 6.00% Notes, 8.125% Notes and 7.75% Notes contain cross-default provisions whereby a default under one agreement would likely result in cross defaults under agreements covering the other borrowings. The occurrence of a default under any of these borrowing arrangements would permit the applicable note holders to declare all amounts outstanding under those borrowing arrangements to be immediately due and payable.

Other Long-Term Liabilities

Other long-term liabilities in the contractual obligations table above include $9 million related to employee benefit obligations and $32 million of payments due under certain software and technology licenses that will be paid through 2013 and 2015, respectively.

Other long-term liabilities excludes amounts recorded on our condensed consolidated balance sheet that do not require us to make cash payments, which, as of April 2, 2011, primarily consisted of $19 million of deferred gains resulting from the sale and leaseback of certain of our facilities. Also excluded from other long-term liabilities is $12 million of non-current unrecognized tax benefits, which are included in the caption “Other long-term liabilities” on our condensed consolidated balance sheet at April 2, 2011. Included in the non-current unrecognized tax benefits is a potential cash payment of approximately $5 million that could be payable by us upon settlement with a taxing authority. We have not included this amount in the contractual obligations table above because we cannot make a reasonably reliable estimate regarding the timing of a settlement with the taxing authority, if any.

Capital Lease Obligations

As of April 2, 2011, we had aggregate outstanding capital lease obligations of $30 million for one of our facilities in Canada, which is payable in monthly installments through 2017.

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 2022. We lease certain manufacturing and office equipment for terms ranging from 1 to 5 years. Total future non-cancelable lease obligations as of April 2, 2011 were $184 million, of which $7 million is accrued as a liability for certain facilities that were included in our 2008 restructuring plans. These payments will be made through 2012.

Purchase Obligations

Our purchase obligations primarily include our obligations to purchase wafers and substrates from third parties. Total non-cancelable purchase obligations, other than those to GF under the WSA, as of April 2, 2011 were $491 million for periods through 2016.

Wafer Supply Agreement. The WSA governs the terms by which we purchase products manufactured by GF. Pursuant to the WSA, we purchase substantially all of our microprocessor unit product requirements from GF. On April 2, 2011, we amended our WSA with GF. The primary effect of the amendment was to change the pricing methodology applicable to wafers delivered in 2011, including purchases from GF during the first quarter of 2011, for our microprocessor, including APU, products. The amendment also modified our existing commitments regarding the production of certain GPU and chipset products at GF. Pursuant to the amendment, GF has committed to provide us with, and we have committed to purchase, a fixed number of 45nm and 32nm wafers per quarter in 2011. We will pay GF a fixed price for 45nm wafers delivered in 2011. Our price for 32nm wafers will vary based on the wafer volumes and manufacturing yield of such wafers and is based on good die. In addition, we also agreed to pay an additional quarterly amount to GF during 2012 if GF meets specified conditions related to continued availability of 32nm capacity as of the beginning of 2012. We expect GF will meet the conditions to earn these payments. In 2012, we will compensate GF on a cost plus basis for projected manufacturing capacity that we have requested for our microprocessor, including our APU, products.

We currently estimate that we will pay GF between approximately $1.1 to $1.5 billion in 2011 and $1.5 to $1.9 billion in 2012 for wafer purchases under the WSA, as amended. We based our 2011 and 2012 estimated costs in part on our current expectations regarding GF's manufacturing yields and wafer volumes. These costs could increase or decrease as a result of variations in those yields and several other factors including our current expectations regarding demand for our products. In addition, we estimate that additional purchase obligations in connection with research and development related to GF wafer production will be approximately $82 million in 2011. We are not able to meaningfully quantify or estimate our additional purchase obligations in connection with research and development related to GF wafer production for 2012. In addition, we are not able to meaningfully quantify or estimate our purchase obligations to GF beyond 2012, but we expect that our future purchases from GF will continue to be material under the WSA.

Receivable Financing Arrangement

The contractual obligations table above excludes the amounts we receive in connection with our former accounts receivable financing arrangement with the IBM Parties because we were not required to make cash payments pursuant to the terms of the arrangement. In the first quarter of 2011, we received proceeds of approximately $165 million from the sale of accounts receivable under this financing arrangement, and the IBM Parties collected approximately $360 million from our distributor customers participating in the financing arrangement. As of April 2, 2011, $34 million was outstanding under the remaining invoices purchased by the IBM Parties prior to the termination of the accounts receivables financing arrangement. These amounts appear as "Other short-term obligations" on our condensed consolidated balance sheets and are not considered cash commitments. In February 2011, we terminated this accounts receivable financing arrangement. As a result, we expect that as of the third quarter of 2011, we will transition away from making the adjustment for the distributors' payments to the IBM Parties to our GAAP net cash provided by operating activities when calculating our non-GAAP adjusted free cash flow.

Off-Balance Sheet Arrangements

Guarantees of Indebtedness Not Recorded on the Company's Condensed Consolidated Balance Sheet

Fab 36 Guarantee

On March 31, 2011, GF fully repaid the amounts outstanding under the Fab 36 Term Loan Facility Agreement. We were not required to make any payments under the related guarantee agreement.

AMTC and BAC Guarantees

The Advanced Mask Technology Center GmbH & Co. KG (AMTC) and Maskhouse Building Administration GmbH & Co. KG (BAC) are joint ventures initially formed for the purpose of constructing and operating an advanced photomask facility in Dresden, Germany. AMTC provides advanced photomasks for use in manufacturing of our microprocessors. In January 2010, we signed binding agreements to transfer our limited partnership interests in the AMTC and BAC to GF. On March 31, 2010, our limited partnership interests in AMTC and BAC were effectively transferred to an affiliate of GF.

We, along with Toppan Photomasks Germany GmbH and GF, guarantee AMTC's rental obligations relating to a portion of the BAC facility. Our portion of the guarantee corresponds with our exposure under the guarantee agreement and is made on a joint and several basis with GF. GF has separately agreed to indemnify us under certain circumstances if we are called upon to make any payments under the AMTC rental contract guarantee. AMTC's rental obligation and the rental contract guarantee both terminate in June 2012. However, both the rental and guarantee agreements may be extended. Management cannot currently estimate if or by how long these agreements may be extended. As of April 2, 2011, our joint and several guarantee of the rental obligation was $3.5 million.

In addition, we and GF are joint and several guarantors of 50% of AMTC's obligations under a revolving credit facility. In the event we are called upon to make any payments under the guarantee agreement, GF has separately agreed to indemnify us so long as certain conditions are met. The AMTC revolving credit facility and our related guarantee obligations terminate in December 2011. However, the credit facility and guarantee agreement may be extended. Our management cannot currently estimate if or by how long these agreements may be extended. As of April 2, 2011, the amount outstanding under this loan was $34 million and our joint and several guarantee obligation was $17 million.

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 25, 2010. During the first quarter of 2011, we reassessed our hedging policy related to our Euro foreign exchange contracts in connection with the amendment of our WSA with GF. The primary effect of the amendment was to change the pricing methodology applicable to silicon wafers delivered in 2011 for our microprocessor, including APU, products. Because our payments to GF for purchases in 2011 are based on the U.S. dollar, we are no longer exposed to direct or indirect fluctuations in the Euro. As a result, we liquidated our Euro currency forward contracts and recorded a gain of $6 million in other income (expense), net, in our condensed consolidated statement of operations. However, in 2012, when we will resume compensating GF on a cost-plus basis to manufacture the wafers for our microprocessor, including APU, products, we may economically hedge any material indirect Euro exposure by entering into Euro currency forward contracts we identify in the future.

There have not been any other material changes in market risk since December 25, 2010.

ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports 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 interim 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 April 2, 2011, 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 interim 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 interim 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 first quarter of 2011 that materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

SGI (Graphics Properties Holding, Inc.) v. ATI and AMD, Case No.06-C-0611 in the United States District Court for the Western District of Wisconsin

On April 18, 2011, the parties entered into a confidential Settlement and License Agreement that resolved this litigation matter for an immaterial amount and that provides immunity under all GPHI patents for alleged infringement by AMD products, including components, software and designs. On April 26, 2011, the Court entered an order granting the parties' agreed motion for dismissal and final judgment.

Graphics Properties Holdings, Inc. (GPHI) v. Nintendo, Acer, Sony, Apple, and Toshiba, Cause No. 10-CV-08655 in the Southern District of New York

Under the confidential terms of the Settlement and License Agreement, GPHI has notified the defendants that the Settlement and License Agreement (as described above) entered into by AMD and GPHI immunizes the defendants from GPHI's allegations of infringement as to AMD graphics products and designs in that case and has requested the defendants' agreement to the joint dismissal of the claims and counterclaims asserted in this litigation matter.

Graphics Properties Holdings, Inc. (GPHI) v. Dell, Alienware, Lenovo, Gateway, and Hewlett-Packard, Cause No. 10-CV-00992 in the District of Delaware

Under the confidential terms of the Settlement and License Agreement, GPHI has notified the defendants that the Settlement and License Agreement (as described above) entered into by AMD and GPHI immunizes the defendants from GPHI's allegations of infringement as to AMD graphics products and designs in that case and has requested the defendants' agreement to the joint dismissal of the claims and counterclaims asserted in this litigation matter.

ITEM 1A. RISK FACTORS

This description of our business risk factors includes any material changes to and supersedes risk factors previously disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 25, 2010.

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

Intel Corporation has dominated the market 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 discipline 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 our products and adversely affect our margins and profitability.

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;
- control over industry standards, 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 OEM customers.

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 dominant 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 for x86 microprocessors that could cause us and other companies to have delayed access to such standards.

Intel also leverages its dominance in the microprocessor market to sell its integrated chipsets. Intel manufactures and sells integrated graphics chipsets bundled with their microprocessors and is a dominant competitor with respect to this portion of our business. Moreover, computer manufacturers are increasingly using integrated graphics chipsets rather than discrete graphics components, particularly for notebooks, because they cost less than traditional discrete graphics components while offering satisfactory graphics performance for most mainstream PCs. 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 has substantially greater financial resources than we do and accordingly spends substantially greater amounts on research and development than we do. We expect Intel to maintain its dominant 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.

Intel's dominant position in the microprocessor market and integrated graphics chipset market, 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.

The success of our business is dependent upon our ability to introduce products on a timely basis with required features and performance levels that provide value to our customers and support and coincide 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 and qualify 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. If we fail to or are delayed in developing or qualifying new products or technologies, we may lose competitive positioning, which could cause us to lose market share and require us to discount the selling prices of our products.

Delays in developing or qualifying new products can also cause us to miss our customers' product design windows. If our customers do not include our products in the initial design of their computer systems, they will typically not use our products in their systems until at least the next design configuration. The process of being qualified for inclusion in a customer's system 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.

Moreover, market demand requires that products incorporate new features and performance standards on an industry-wide basis. Over the life of a specific product, the average selling price undergoes regular price reductions. The introduction of new products and enhancements to existing products is necessary to maintain an overall corporate average selling price. If we are unable to introduce new products with sufficient increases in average selling price or increased unit sales volumes capable of offsetting the reductions in the average selling price of existing products, our business 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 providers to assemble, test, mark and pack certain of 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 do not have long-term commitment contracts with some of our third party manufacturing suppliers. We obtain these manufacturing services on a purchase order basis and these manufacturers are not required to provide us with any specified minimum quantity of product. 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 at acceptable prices. We cannot assure you that these manufacturers or our other third party manufacturing suppliers will be able to meet our near-term or long-term manufacturing requirements. For example, we experienced constrained wafer foundry capacity for our graphics products that we introduced in the second half of 2009 and the first half of 2010. If we experience future supply constraints, we may be required to allocate the affected products amongst our customers. 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 users, 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 manufacturing suppliers suffer any damage to facilities, lose benefits under material agreements, experience power outages, lack sufficient capacity to manufacture our products, encounter financial difficulties 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 manufacturing supplier, 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 manufacturing suppliers, which could have a material adverse effect on our business.

If we do not fully utilize our projected manufacturing capacity needs at GF's manufacturing facilities or do not otherwise realize the anticipated benefits of our relationship with GF, our business could be adversely impacted.

On April 2, 2011, we amended our WSA with GF. Pursuant to the WSA, we purchase substantially all of our microprocessor unit product requirements from GF. The primary effect of the amendment was to change the pricing methodology applicable to wafers delivered in 2011 for our microprocessor, including APU, products. The amendment also modified our existing commitments regarding the production of certain GPU and chipset products at GF. Pursuant to the amended agreement, GF has committed to provide us with, and we have committed to purchase, a fixed number of 45nm and 32nm wafers per quarter in 2011. We will pay GF a fixed price for 45nm wafers delivered in 2011. Our price for 32nm wafers will vary based on the wafer volumes and manufacturing yield of such wafers and is based on good die. In addition, we also agreed to pay an additional quarterly amount to GF during 2012 if GF meets specified conditions related to continued availability of 32nm capacity as of the beginning of 2012, and we expect GF will meet the conditions to earn these payments. If GF encounters any problems that significantly reduce the number of functional die we receive from 45nm wafers, then under our fixed wafer price arrangement, this will have the effect of increasing our per-unit cost for 45nm products, which may have a negative impact on our gross margins in 2011. Also, if we are unable to achieve anticipated manufacturing yields for 45nm or 32nm wafers, then we may experience supply shortages for certain products which may have a material adverse impact on our revenue or gross margins in 2011.

In 2012, we will compensate GF on a cost plus basis for projected manufacturing capacity that we have requested for our microprocessor, including our APU, products. If GF fails to operate at a competitive cost level, our business could be materially adversely affected. It is difficult to predict future growth or decline in the demand of our products, making it difficult to forecast our requirements accurately. If we underutilize projected capacity needs, we may not be able to reduce our costs in proportion to the reduced revenue and, if this occurs, our operating results will be materially adversely affected. Conversely, if we underestimate our capacity needs, we may also not have access to needed capacity and consequently have to forego growth opportunities.

In January 2010, GF announced that it is integrating operations with GFS and in December 2010, these entities legally merged. As a result, GF significantly expanded its customer base to over 150 customers. Although GF manufacturing capacity also increased, the increased customer base could lead to delays or disruptions in manufacturing our products, which could materially adversely impact our business.

Although we anticipate realizing certain benefits to our business from our relationship with GF, including a more variable cost model and the ability to take advantage of the shift by integrated device manufacturers to a fabless business model, we cannot assure you that our relationship with GF and ATIC will result in the full realization of these or any other benefits.

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 either design or process technology failures. Our third-party foundries are responsible for the process technologies used to fabricate silicon wafers. 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. 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. Moreover, if our third-party foundries experience manufacturing inefficiencies, we may fail to achieve acceptable yields or experience product delivery delays. 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 with our customers and reputation and materially adversely affect our business.

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

Uncertain global economic conditions have and may in the future adversely impact our business. 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. Any inability of our current or potential future customers to pay us for our products may adversely affect our earnings and cash flow. Moreover, our key suppliers may reduce their output or become insolvent, thereby adversely impacting our ability to manufacture our products. In addition, uncertain economic conditions may make it more difficult for us to raise funds through borrowings or private or public sales of debt or equity securities.

Our 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 products and product enhancements, we rely on third-party intellectual property such as software development tools and hardware testing tools. The design requirements necessary to meet consumer demands for more features and greater functionality from semiconductor products in the future may exceed the capabilities of the third-party development tools available to us. If the third-party intellectual property that we use becomes unavailable or fails to produce designs that meet consumer demands, our business could be materially adversely affected.

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

We depend on third-party companies for the design, manufacture and supply of motherboards, BIOS software and other components that our customers utilize to support our microprocessor and GPU offerings. We also rely on our add-in-board partners (AIBs) to support our GPU business. 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 and other components decrease their support for our product offerings, our business could be materially adversely affected.

If we lose Microsoft Corporation's or Apple'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 microprocessor products. With respect to our graphics products, we depend in part on Apple designing and developing its operating system to run on or support our graphics products. Similarly, the success of our products in the market, such as our AMD Fusion 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 Apple does not continue to develop and maintain its operating system 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, 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, Apple or other software vendors, our ability to market our products would be materially adversely affected.

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

Collectively, our top five customers accounted for approximately 50% of our net revenue in the first quarter of 2011. On a segment basis, during the first quarter of 2011 five customers accounted for approximately 55% of the net revenue of our Computing Solutions segment and five customers accounted for approximately 58% of the net revenue of our Graphics segment. We expect that a small number of customers will continue to account for a substantial part of revenues of our microprocessor and graphics businesses in the future. If one of our top microprocessor or graphics business customers decided to stop buying our products, or if one of these customers were to materially reduce its operations or its demand for our products, our business would be materially adversely affected.

We are currently conducting a search for a chief executive officer, and our inability to attract and retain qualified personnel may hinder our business.

We are currently conducting a search for a chief executive officer. The transition to a chief executive officer may be disruptive to our operations and create uncertainty about our business and future direction. Until a chief executive officer is identified, it may be more difficult for us to hire and retain other key personnel. Much of our future success depends upon the continued service of numerous qualified engineering, marketing, sales and executive personnel. If we are unable to successfully hire a chief executive officer or to continue to attract, train, and retain qualified personnel, the progress of our product development programs could be hindered, and we could be materially adversely affected. Even if we are able to hire and retain a qualified chief executive officer in a timely manner, we may continue to experience operational inefficiencies and disruptions during the transition period and our business may be materially adversely affected.

If we cannot generate sufficient revenues 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.

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. Our ability to fund research and development expenditures depends on generating sufficient 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. In addition, 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 may also 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. 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.

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 debt and capital lease obligations as of April 2, 2011 were $2.2 billion, which reflects the debt discount adjustment on our 6.00% Notes and 8.125% Notes. This amount also includes approximately $34 million related to our accounts receivable financing arrangement with the IBM Parties, which is not a cash obligation.

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 less leveraged competitors; and
- increase our vulnerability to the impact of adverse economic and industry conditions.

We may not be able to generate sufficient cash to service our debt obligations.

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 sufficient cash flow or that we will be able to borrow funds 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 or borrow more funds on terms acceptable to us, if at all.

Our debt instruments impose restrictions on us that may adversely affect our ability to operate our business.

The indentures governing our 8.125% Notes and 7.75% Notes contain various covenants which limit our ability to:

- 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.

The agreements governing our borrowing arrangements 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 governing our 7.75% Notes, 8.125% Notes, 5.75% Notes and 6.00% Notes. The occurrence of a default under any of these borrowing arrangements would permit the applicable note holders to declare all amounts outstanding under those borrowing arrangements to be immediately due and payable. If the note holders or the trustee under the indentures governing our 7.75% Notes, 8.125% Notes, 5.75% Notes or 6.00% Notes accelerate the repayment of borrowings, we cannot assure you that we will have sufficient assets to repay those borrowings.

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

Upon a change of control, we will be required to offer to repurchase all of the 7.75% Notes and 8.125% Notes then outstanding at 101% of the principal amount thereof, plus accrued and unpaid interest, if any, up to, but excluding, the repurchase date. Moreover, the indentures governing our 5.75% Notes and 6.00% Notes require us to offer to repurchase these securities upon certain change of control events. As of April 2, 2011, the aggregate outstanding principal amount of the outstanding 8.125% Notes, 5.75% Notes, 7.75% Notes and 6.00% Notes was $2.3 billion. Future debt agreements may contain similar provisions. We may not have the financial resources to repurchase our indebtedness.

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

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/demand imbalances in the semiconductor industry;
- a decline in demand for end-user products (such as PCs) that incorporate our products;
- excess inventory levels in the channels of distribution, including those of our customers; and
- excess production capacity.

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

Our business is dependent upon the market for desktop and notebook PCs and servers. Historically, a significant portion of our Computing Solutions revenue has been related to desktop PCs. Industry-wide fluctuations in the computer marketplace have materially adversely affected us in the past and may materially adversely affect us in the future. As a result of macroeconomic challenges that recently affected the global economy, end-user demand for PCs and servers remains unpredictable. In addition over the past three years, form factors have steadily shifted from desktop PCs to mobile PCs, and we expect that this trajectory will continue and extend to include additional form factors like tablets and slates.

The growth of our business is also dependent on continued demand for our products from high-growth global markets. If demand from these markets is below our expectations, sales of our products may decrease, which could have a material adverse effect on us.

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, power consumption (including battery life), reliability, selling price, speed, size (or form factor), cost, adherence to industry standards (and the creation of open industry standards), software and hardware compatibility and stability and brand awareness.

We expect that competition will continue to be intense due to rapid technological changes, frequent product introductions by our competitors of products that provide better performance or include additional features that render our products uncompetitive and aggressive pricing by competitors, especially during challenging economic times. For example, since their introduction, tablets have experienced increasing adoption by consumers. Tablet sales could negatively impact sales of PCs to consumers, which could adversely impact our business. Also, Intel is transitioning to 28nm process technology before us, and Intel recently announced plans to implement 3-D tri-gate transistor architecture on 22nm process technology by the end of 2011, which, Intel expects, can improve power consumption and performance of its products. Using a more advanced process technology can contribute to lower product manufacturing costs and improve a product’s performance and power efficiency. If competitors introduce competitive new products into the market before us, our business could be adversely affected. Some competitors may have greater access or rights to companion technologies, including interface, processor and memory technical information. Competitive pressures could adversely impact the demand for our products, which could harm our business.

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

A substantial portion of our quarterly sales have historically been made in the last month of the quarter. This uneven sales pattern makes prediction of revenues 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. For example, historically, demand in the retail sector of the PC market is often stronger during the fourth quarter as a result of the winter holiday season and weaker in the first quarter. European sales have also been historically weaker during the summer months. Many of the factors that create and affect seasonal trends are beyond our control.

If essential equipment or materials 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 manufacturing suppliers also depend on the same timely delivery of adequate quantities of equipment and materials in the manufacture of our products. Certain equipment and materials that are used in the manufacture of our products are available only from a limited number of suppliers. For example, in manufacturing our microprocessor, including APU, products, GF is largely dependent on one supplier of silicon-on-insulator (SOI) wafers. We also depend on a limited number of suppliers to provide the majority of certain types of integrated circuit packages for our microprocessor, including APU, products. Similarly, certain non-proprietary materials or components such as memory, printed circuit boards (PCBs), substrates and capacitors used in the manufacture of our graphics 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, or our foundries are unable to procure materials for manufacturing our products, our business would be materially adversely affected.

Our issuance to West Coast Hitech L.P. (WCH) of warrants to purchase 35,000,000 shares of our common stock, if and when exercised by WCH, will dilute the ownership interests of our existing stockholders, and the conversion of the remainder of our 5.75% Notes and 6.00% Notes may dilute the ownership interest of our existing stockholders.

The warrants issued to WCH became exercisable in July 2009. Any issuance by us of additional 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.

Moreover, the conversion of our remaining 5.75% Notes and 6.00% Notes may dilute the ownership interests of our existing stockholders. The conversion of the 5.75% Notes and the 6.00% Notes could have a dilutive effect on our earnings per share to the extent that the price of our common stock exceeds the conversion price of the 5.75% Notes and 6.00% Notes. Any sales in the public market of our common stock issuable upon conversion of the 5.75% Notes or 6.00% Notes could adversely affect prevailing market prices of our common stock. In addition, the conversion of the 5.75% Notes or 6.00% Notes into cash and shares of our common stock could depress the price of our common stock.

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 after our products are shipped in volume, 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 revenues, 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.

Our receipt of royalty revenues is dependent upon our technology being designed into third-party products and the success of those products.

Our graphics technology for game consoles is used in game consoles, including the Nintendo Wii and Microsoft Xbox 360. The revenues that we receive from these products are in the form of non-recurring engineering fees charged for design and development services, as well as royalties paid to us by these third parties. Our royalty revenues are directly related to the sales of these products and reflective of their success in the market. If these third parties do not include our graphics technology in future generations of their game consoles, our revenues from royalties would decline significantly. Moreover, we have no control over the marketing efforts of these third parties and we cannot make any assurances that sales of those products will achieve expected levels in the current or future fiscal years. Consequently, the revenues from royalties expected by us from these products may not be fully realized, and our operating results may be adversely affected.

If we fail to maintain the efficiency of our supply chain as we respond to increases or 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, acquire new OEM customers and strengthen relationships with existing OEM customers, the efficiency of our supply chain will become increasingly important because OEMs 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 affect 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, our manufacturing suppliers and to our customers. In addition, we rely on third parties to provide certain information technology services to us, including helpdesk 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.

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 more than 30 days prior to shipment without incurring significant fees. We base our inventory levels 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 we sell indirectly through distributors, as our forecasts for demand are then based on estimates provided by multiple parties. Moreover, 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, and/or a reduction in our gross margin include:

- a sudden and significant decrease in demand for 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 older products as our new products are introduced; or
- our competitors taking aggressive pricing actions.

Because market conditions are uncertain, these and other factors could materially adversely affect our business.

Our reliance on third-party distributors and add-in-board partners (AIBs) subjects us to certain risks.

We market and sell our products directly and through third-party distributors and AIBs 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 or decided to market our competitors' products over our products, our ability to bring our products to market would be impacted and we would 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 twelve 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 would decline.

The recent earthquake and tsunami in Japan may have significant impacts on our supply chain or our customers, either of which could materially impact our business.

We currently rely on Japanese manufacturers and suppliers to provide certain key materials and components in support of our manufacturing operations, as do our third party wafer foundries and manufacturing suppliers. The recent earthquake and tsunami in Japan may have significant impacts on our supply chain. We continue to work closely with all of our suppliers to understand the potential future impacts of this natural disaster. If our suppliers or their suppliers experience capacity constraints or disruptions in their ability to supply materials or components to us due to damaged facilities, disruptions in electric power, shortages of fuel or key raw materials, or other consequences of this natural disaster, we may not be able to obtain sufficient supplies from other suppliers or locations, or we may be required to pay higher prices to obtain sufficient quantities of these materials or components. In either case, our business could be materially adversely affected.

We also have several customers with manufacturing operations located in Japan. The longer term effects of this natural disaster on our sales are difficult to predict. If our customers are unable to obtain sufficient quantities of materials and components they need to manufacture systems that include our products from their other suppliers for the same reasons, or if the demand for their products in Japan is substantially reduced, then they may postpone or cancel their orders of our products, which could also have a material adverse impact on our business.

Our worldwide operations are subject to political 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 us as well as third party manufacturing facilities, in China, Malaysia, Singapore and Taiwan. We also have international sales operations. International sales, as a percent of net revenue were 93% in the first quarter of 2011. We expect that international sales will continue to be a significant portion of total sales in the foreseeable future.

The political 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 achieving headcount reductions;
- 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 regulations and the Foreign Corrupt Practices Act.

In addition, our worldwide operations could be subject to natural disasters such as earthquakes, 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 or safety, natural disasters or general economic factors, 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, potentially longer payment cycles, potentially 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 economic and political conditions may adversely affect demand for our products.

Continued uncertainty over the worldwide economic environment may adversely impact consumer confidence and spending, causing our customers to postpone purchases. Moreover, 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 conflicts are unpredictable and we may not be able to foresee events that could have a material adverse effect on us. Also, the occurrence and threat of terrorist attacks have in the past, and may in the future, adversely affect demand for our products. Terrorist attacks may negatively affect our operations, directly or indirectly, and such attacks or related armed conflicts may directly impact our physical facilities or those of our suppliers or customers. Furthermore, these attacks 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 continue to adversely affect us.

We have costs, assets and liabilities that are denominated in foreign currencies, primarily the Canadian dollar. 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. In the past, the value of the U.S. dollar has fallen significantly, leading to increasingly unfavorable currency exchange rates on foreign denominated expenses. 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 channel 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 channel 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. We also sell products to consumers, which could increase our exposure to consumer actions such as product liability 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 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, or third parties may bring or have brought actions against us, based on allegations that we are infringing the intellectual property rights of others. If any such claims are asserted against us, 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. In the event that we do not obtain a license, these parties may file lawsuits against us seeking damages (potentially up to and including treble damages) or an injunction against the sale of our 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 the entry of an injunction against the manufacture and sale of some or all of our products, would 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.

Certain individuals have been charged by federal authorities with illegally trading in our stock using certain AMD confidential information.

Several individuals have pled guilty to conspiracy and securities fraud charges and, among other things, providing confidential information about us to a person who has been charged by federal authorities with illegally trading in our stock on the basis of that confidential information. In addition, one former employee has been charged in connection with ongoing proceedings relating to illegally trading in our stock using certain AMD confidential information. At this time, we cannot give any assurances as to whether any facts that may be discovered during the proceedings relating to this matter or other similar matters will be damaging to our business, results of operations or reputation.

Failures in the global credit markets have impacted and may continue to impact the liquidity of our auction rate securities.

As of April 2, 2011, the par value of all our auction rate securities, or ARS, was $65 million with an estimated fair value of $57 million. As of April 2, 2011, our investments in ARS included estimated fair values of approximately $32 million of student loan ARS and $25 million of municipal and corporate ARS. The uncertainties in the credit markets have affected all of our ARS and auctions for these securities have failed to settle on their respective settlement dates. The auctions failed because there was insufficient demand for these securities. A failed auction does not represent a default by the issuer of the ARS. For each unsuccessful auction, the interest rate is reset based on a formula set forth in each security, which is generally higher than the current market unless subject to an interest rate cap. When auctions for these securities fail, the investments may not be readily convertible to cash until a future auction of these investments is successful, a buyer is found outside of the auction process, the issuers of the ARS establish a different form of financing to replace these securities or redeem them, or final payment is due according to contractual maturities (currently, ranging from 2030 to 2050 for our ARS). Although we have had redemptions since the failed auctions began, the liquidity of these investments continues to be adversely impacted.

If market illiquidity does not continue to improve or worsens, we may be required to record additional impairment charges with respect to these investments in the future, which could adversely impact our results of operations.

We are subject to a variety of environmental laws that could result in liabilities.

Our operations and properties have in the past and continue to be subject to various United States and foreign environmental 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 us to obtain permits for our operations, including the discharge of air pollutants and wastewater. Although our management systems are designed to maintain compliance, we cannot assure you that we have been or will be at all times in complete compliance with such laws, regulations and permits. If we 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. We could also be held liable for any and all consequences arising out of exposure to hazardous materials used, stored, released, disposed of by us or located at, under or emanating from our facilities or other environmental or natural resource damage.

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.

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 in recent years restrictions on the use of lead, among other chemicals, in electronic products with other countries considering similar restrictions. These regulations affect semiconductor packaging. There is a risk that the cost, quality and manufacturing yields of lead-free products may be less favorable compared to lead-based products or that the transition to lead-free products may produce sudden changes in demand, which may result in excess inventory. The Dodd-Frank Wall Street Reform and Consumer Protection Act contains provisions to improve the transparency and accountability concerning the supply of minerals coming from the conflict zones of the Democratic Republic of Congo (DRC). As a result, the SEC is required to establish new annual disclosure and reporting requirements for those companies who use “conflict” minerals mined from the DRC and adjoining countries in their products. When these new requirements are implemented, they could affect the sourcing and availability of minerals used in the manufacture of semiconductor devices. As a result, there may only be a limited pool of suppliers who provide conflict free metals, and we cannot assure you that we will be able to obtain products in sufficient quantities or at competitive prices. Also, since our supply chain is complex, we may face reputational challenges with our customers and other stakeholders if we are unable to sufficiently verify the origins for all metals used in our products through the due diligence procedures that we implement.

Other regulatory requirements potentially affecting our back-end manufacturing processes and the design and marketing of our products are in development throughout the world. In addition, a number of jurisdictions including the EU, Australia and China are developing market entry requirements for computers based on the ENERGY STAR specification (Version 5.0) as well as additional limits. The proposed requirements, which have not yet been finalized, could potentially be approved and implemented as early as the second half of 2011. If such requirements are implemented in the proposed time frame and to the proposed specification there is the potential for certain of our microprocessor, chipset and GPU products, as incorporated in desktop and mobile PCs, being excluded from these markets which could materially adversely affect us.

While we have budgeted for foreseeable associated expenditures, we cannot assure you that future environmental legal requirements will not become more stringent or costly in the future. Therefore, we cannot assure you that our costs of complying with current and future environmental and health and safety laws, and our liabilities arising from past and future releases of, or exposure to, hazardous substances will not 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 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.

ITEM 6. EXHIBITS

10.1*	Wafer Supply Agreement Amendment No. 1 between AMD, GLOBALFOUNDRIES Inc., GLOBALFOUNDRIES U.S. Inc, GLOBALFOUNDRIES Singapore Pte. Ltd. dated April 2, 2011.
10.2	2011 Executive Incentive Plan.
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.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Portions of this Exhibit have been omitted pursuant to a request for confidential treatment. These portions have been filed separately with the Securities and Exchange Commission.

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SIGNATURE

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

ADVANCED MICRO DEVICES, INC.

Date: May 10, 2011

By: /S/ THOMAS J. SEIFERT

Thomas J. Seifert
Senior Vice President, Chief Financial Officer and Interim Chief Executive Officer Signing on behalf of the registrant and as the principal executive officer and principal financial and accounting officer

Exhibit 10.1

Execution Copy

WAFER SUPPLY AGREEMENT AMENDMENT NO. 1

This First Amendment to the WAFER SUPPLY AGREEMENT (this "**Amendment**"), dated as of March 29, 2011, amends that certain Wafer Supply Agreement, dated March 2, 2009, (the "**Agreement**") 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; (iii) subject to FoundryCo's guarantee obligations pursuant to Section 15.7 of the Agreement, GLOBALFOUNDRIES U.S. Inc., a Delaware corporation and a wholly owned subsidiary of FoundryCo ("**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; and (iv) subject to FoundryCo's guarantee obligations pursuant to Section 15.7 of the Agreement, GLOBALFOUNDRIES Singapore Pte. Ltd., a private limited Singapore company and a wholly owned subsidiary of FoundryCo ("**GFS**"), which, by executing this Amendment, is becoming 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 GFS' sales activities.

WHEREAS, the parties wish to modify certain pricing and other terms of the Wafer Supply Agreement with respect to MPU Products to be delivered by FoundryCo to AMD during 2011 as well as regarding certain payments to be made by AMD in 2012 relating to MPU Products; and

WHEREAS, the parties wish to permanently amend the Agreement with respect to GPU Products, Chipset Products (as defined below) and FoundryCo Sales Entities;

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

1. AMENDMENTS RELATED TO GPU PRODUCTS

1.1 Section 1.52.1

The following defined term shall be added to the Agreement immediately following Section 1.52 of the Agreement:

[****] = 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.

1.52.1 ***"GPU Plan of Record"*** shall mean a long-range planning document prepared by AMD, as amended from time to time as provided in Section 2.1(c), that outlines AMD's planned tape-out and production schedule for each GPU Product, and identifying each GPU Product Family.

1.2 Section 1.53.1

The following defined term shall be added to the Agreement immediately following Section 1.53 of the Agreement:

1.53.1 "***GPU Product Family***" means any group of GPU Products that are developed by AMD as part of a single product marketing and design cycle and that are generally differentiated by AMD from other GPU Products based on performance, power and cost, as identified by AMD in the GPU Plan of Record.

1.53.2 "***GPU Product Technology Readiness Condition"*** means, with respect to each GPU Product, a condition that shall be deemed to be satisfied if and when FoundryCo has achieved, on or before the GPU Product Technology Readiness Date, the passage of the certain [****] criteria which define a set of important parameters related to [****] milestones (the "**Critical Parameters**"). The definition of Critical Parameters for each GPU Product will be mutually agreed in good faith by AMD and FoundryCo. In the event that AMD shall change the GPU Plan of Record, the parties agree to meet in good faith to determine whether such change requires any corresponding changes to the Critical Parameters. FoundryCo and AMD will evaluate the achievement of the Critical Parameters in accordance with industry standard practice, and based on such evaluation will jointly and in good faith determine whether this condition is substantially or sufficiently satisfied for the purposes of Section 2.1(c)(ii)(A), (B) and (C).

1.53.3 "***GPU Product Technology Readiness Date"*** means, with respect to each GPU Product, a date to be mutually agreed in good faith by AMD and FoundryCo as the earliest date at which the parties will determine whether the GPU Product Technology Readiness Condition has been satisfied. Specifically, for the purposes of the GPU Volume Ramp Products, the GPU Product Technology Readiness Date shall be [****], provided that the parties will jointly evaluate by [****] whether or not FoundryCo will satisfy the GPU Product Technology Readiness Condition for the [****] GPU Product Family by [****], and if necessary, will discuss and implement an action plan that enables AMD to award GPU Volume Ramp Products to FoundryCo.

1.3 Section 2.1(c)

Section 2.1(c) of the Agreement shall be amended and restated in its entirety to read as follows:

(c) GPU Products.

i. AMD and FoundryCo each commits to, and the parties agree to work together to, [****] manufacture GPU Products via a high volume bulk process at the [****]nm Process Node and at all future smaller Process Nodes, with Specifications to be agreed

[****] = 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.

upon in advance by the parties in writing. AMD's obligations and commitments set forth below under this Section 2.1(c) are subject to the satisfaction by FoundryCo of the GPU Product Technology Readiness Condition applicable to any given GPU Product, on or before the GPU Product Technology Readiness Date applicable to such GPU Product. FoundryCo acknowledges and agrees that all GPU Product commitments of AMD are subject to the [****] process set forth in Exhibit B, which includes without limitation an analysis of FoundryCo's ability to manufacture any such GPU Products at [****].

ii. In order to assist FoundryCo to establish FoundryCo's ability to meet AMD's demand for GPU Products, AMD commits (subject to the condition set forth in Section 2.1(c)(i)) to have FoundryCo manufacture: [****] (collectively, these [****] GPU Products are the "**GPU Volume Ramp Products**"). AMD shall also (x) supply to FoundryCo or to [****], or (y) provide to FoundryCo a version of [****] or [****] in a [****] architecture so that FoundryCo can [****], in each case as the parties mutually agree is suitable [****] to support FoundryCo's manufacturing readiness for the [****] GPU Product Family.

A. In the event that FoundryCo has [****] achieved [****] of the Critical Parameters by the GPU Product Technology Readiness Date for the GPU Volume Ramp Products, then AMD shall [****] the GPU Volume Ramp Products at FoundryCo and shall [****] of AMD's requirements for the GPU Volume Ramp Products from FoundryCo.

B. In the event that FoundryCo has achieved [****] of the Critical Parameters by the GPU Product Technology Readiness Date for the GPU Volume Ramp Products, [****] has met [****] Critical Parameters to be [****] to [****] the GPU Product Technology Readiness Condition and [****] the [****] for each GPU [****] Product, then FoundryCo and AMD shall identify and mutually agree on [****] actions (the "[****] **Actions")** to be [****] in the shortest period of time (such time period to be agreed upon in advance) for each GPU Product (the "[****] **Time**").

(a) If FoundryCo completes [****] Actions within the [****] Time, then AMD shall [****] the GPU Volume Ramp Products at FoundryCo and shall [****] of AMD's requirements for the GPU Volume Ramp Products from FoundryCo.

(b) If FoundryCo completes [****] Actions after the [****] Time [****] before [****], then AMD shall use commercially reasonable efforts to [****] GPU Volume Ramp Products at FoundryCo and to [****] of its requirements for the GPU Volume Ramp Products at FoundryCo.

C. In the event that FoundryCo [****] achieve [****] a [****] number of Critical Parameters by the GPU Product Technology Readiness Date for the GPU Volume Ramp Products to be [****] to [****] the [****] for any such Product, then FoundryCo shall not be [****] in accordance with the procedures set forth in Exhibit B in accordance with Section 2.1(c)(i), and AMD may [****] for the GPU Volume Ramp Products.

D. In order to implement these commitments with respect to the GPU Volume Ramp Products, the parties further agree as follows:

(a) AMD may continue to work with other foundry partners to design and prepare to manufacture GPU Products from the [****] GPU Product Family, as long as such design efforts do not divert design and engineering resources from the joint development effort described in the following paragraph.

(b) Immediately upon completion of the design activity for the [****] currently code-named [****] which is currently scheduled to be completed [****], AMD and FoundryCo shall each commit [****] full-time-equivalent, highly qualified and experienced design engineers (including engineers currently committed to the [****] design efforts, or other engineers mutually acceptable to the other party), together with their associated support resources, to a joint AMD/FoundryCo effort to complete, on or before [****], the full suite of Intellectual Property required for [****] and [****] targeted to be manufactured at FoundryCo using FoundryCo's [****]nm technology.

(c) The process-design interaction for the [****] GPU Product Family will be validated using [****]; provided that any additional Intellectual Property specific to the GPU Volume Ramp Products that is required to be silicon verified may be verified using [****], with the cost to be [****].

iii. AMD agrees that, starting with the GPU Product Family currently code-named [****] AMD will purchase at least [****] percent ([****]%) of its requirements for GPU Products measured on a [****] basis (such minimum percentage, the "**GPU Minimum Percentage**") for the remaining duration of this Agreement. In order to achieve the GPU Minimum Percentage, AMD commits (subject to the condition set forth in Section 2.1(c)(i)) to have FoundryCo manufacture at least [****] GPU Products from each of the [****] and [****] GPU Product Families.

iv. For the [****] and [****] GPU Product Families, FoundryCo and AMD shall determine whether FoundryCo has [****],[****] or [****] the GPU Product Technology Readiness Condition for each GPU Product in the same manner set forth in Sections 2.1(c)(ii)(A), (B) and (C), with purchase commitments determined according to Section 2.1(c)(iii). This determination shall be made on a Product-by-Product basis and shall not affect such determination for any other GPU Product or change the GPU Minimum Percentage.

v. If for an applicable quarter it is determined that AMD has not (A) placed orders for manufacture by FoundryCo of the GPU Volume Ramp Products or the GPU Minimum Percentage of GPU Products starting with the [****] GPU Product Family, or (B) complied with any other requirements as set forth herein to enable FoundryCo the opportunity to manufacture the GPU Minimum Percentage throughout the entire duration of this Agreement, the parties agree to meet, discuss and implement a mutually acceptable corrective action plan to address such non-compliance and to enable FoundryCo to manufacture higher volumes of the GPU Products in the following quarters.

vi. Cooperation and Partnership on GPU Products. In order (A) to ensure the coordination of FoundryCo's technology roadmap and development and implementation of necessary process technology in a timely manner to intersect AMD's GPU Product roadmap on a schedule that will enable FoundryCo to establish Qualified Processes for GPU Products and satisfy the GPU Product Technology Readiness Condition for each GPU Product by the GPU Product Technology Readiness Date for such GPU Product, as provided in this Section 2.1(c), (B) to enable FoundryCo to meet AMD's requirements to manufacture GPU Products so that AMD will purchase the GPU Volume Ramp Products as well as purchase the GPU Minimum Percentage as anticipated in subsection (iii) above, and (C) to allow FoundryCo to compete for incremental GPU Products above the GPU Minimum Percentage, AMD and FoundryCo each commits to take the following steps with respect to GPU Products, with the intent of the parties to bring the same rigor and level of collaboration to the GPU migration process that currently exists between AMD and FoundryCo in their partnership to develop and qualify processes for MPU Products:

A. AMD shall share with FoundryCo on a timely basis AMD's GPU Product roadmap schedules, detailed GPU Product requirements, detailed technology needs, forecasts of volume requirements for all GPU Products by quarter, and all other pertinent information that AMD has that is related to AMD's product requirements and technology needs for the applicable GPU Products, including information regarding device targets, product performance requirements, and known process technology requirements (collectively, the "**GPU Product Roadmap Information**"). AMD agrees to deliver to FoundryCo the GPU Product Roadmap Information, together with all supporting information reasonably requested by FoundryCo, as early as practicable to ensure that FoundryCo has time to develop and qualify the processes required for FoundryCo to manufacture GPU Products for AMD in accordance with such roadmaps and this Section 2.1(c). AMD agrees to regularly update FoundryCo with additional GPU Product Roadmap Information consistent with the technology review and update process set forth in Schedule B to this Amendment. [****] In the event that, following the [****] described in Exhibit B, AMD selects a foundry partner other than FoundryCo to manufacture a particular GPU Product, AMD shall [****] GPU Product Roadmap Information on such GPU Product [****] such time that AMD has taped out such GPU Product at such other AMD foundry partner. In addition, AMD shall continuously [****] updated quarterly volume forecasts for each GPU Product [****] for as long as AMD is ordering such GPU Product from [****]. For the avoidance of doubt, AMD shall be required to [****] the GPU Product Roadmap Information, beginning on the date hereof, for all GPU Products, regardless of whether or not FoundryCo has qualified a process to produce such products and regardless of whether AMD has committed or intends to commit the production of all or some of its requirements for such GPU Products to one or more foundries other than FoundryCo.

B. AMD shall establish an annual GPU Plan of Record that includes identified GPU Products with quarterly wafer volumes sufficient to first achieve and then maintain the GPU Minimum Percentage as set forth above. FoundryCo acknowledges and agrees that AMD has sole discretion regarding the GPU Products it designs and decides to have manufactured, and as a result, subject to the obligations set forth in this Section 2.1, including meeting the GPU Minimum Percentage as set forth above, AMD may change the GPU Plan of Record in response to changes in the GPU Product market or in AMD's position in that market.

C. AMD and FoundryCo will establish separate GPU QTR/QBR and supporting meetings on a regular cadence (basis) to track the parties' product and process technology requirements and progress in order to achieve the GPU Product manufacturing and purchase commitments set forth in this Section 2.1(c) with the same rigor and level of collaboration as the parties maintain in the development and manufacture of MPU Products. Specifically, AMD and FoundryCo shall initially use such processes to refine the GPU Plan of Record with the goal of establishing FoundryCo's ability to manufacture GPU Products and meeting the GPU Minimum Percentage as soon as practicable.

D. The parties will develop formalized executive level oversight of the commitments set out in this Section 2.1(c), including a designated executive at each of AMD and FoundryCo to drive and track progress towards achieving the GPU Product manufacturing targets set forth in the GPU Plan of Record. In addition to the executive level oversight, each party shall document a process with senior management accountability to align mid-level management execution of the commitments set forth herein and coordinate communications between such mid-level management at each party. This alignment process shall include participation by non-operational executives of FoundryCo and AMD.

vii. For each GPU Product (including the first-tape out of such GPU Product), FoundryCo shall have a [****] in accordance with the process set forth in Exhibit B to manufacture such GPU Product. For the avoidance of doubt, the parties agree that FoundryCo shall have such [****] in accordance with the process set forth in Exhibit B with respect to each GPU Product (whether or not such GPU Product is the first GPU Product) at each [****] of [****].

viii. AMD agrees not to sell, transfer or otherwise dispose of all or substantially all of its or its Subsidiaries' assets related to GPU Products and related technology (including the equity interests of ATI Technologies ULC or its other subsidiaries that own such assets) to any person (other than to AMD or another of its Subsidiaries) without the consent of FoundryCo, unless the transferee (A) agrees to be bound by the provisions of this Agreement with respect to GPU Products, including FoundryCo's [****] with respect to each GPU Product and the commitments to purchase the GPU Volume Ramp Products as set forth in this Section 2.1(c), and (B) agrees to purchase, on an annual basis, GPU Products in an amount at least equal to the GPU Minimum Percentage.

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2. AMENDMENTS RELATED TO CHIPSET PRODUCTS

2.1 Section 1.29.1

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 utilizing 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.

2.2 Section 2.1(f)

Section 2.1 of the Agreement shall be amended by the addition of the following language as a new sub-Section 2.1(f), which shall read in its entirety as follows:

(f) Chipset Volumes

i. Each party commits to, and the parties agree to work together to, establish FoundryCo's ability to manufacture Chipset Products via a [****]nm bulk silicon process at the [****]nm Process Node and at all future smaller Process Nodes for which AMD may purchase Chipset Products, with Specifications to be agreed upon in advance by the parties in writing.

ii. AMD agrees that, beginning with the [****] family of Chipset Products (or, subject to the last clause of this paragraph (ii), any successor or replacement family of Chipset Products at the [****]nm and any smaller Process Node)[1], and continuing for the entire duration of this Agreement, AMD will purchase [****]% of its requirements (including the requirements of its Subsidiaries) for any new 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 2.1(f).

2.3 Section 7.1(c-2)

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:

[1] As of the effective date of this Amendment, the [****] Chipset Product on AMD's [****] is the one code-named [****].

(c-2) Chipset Product Pricing. The pricing for Chipset Products shall be based on [****]. The price for Engineering Wafers for Chipset Products shall be determined by [****].

3. AMENDMENTS RELATED TO MPU PRODUCT PRICING IN 2011

3.1 MPU Product Prices for 2011.

(a) Notwithstanding Section 7.1 and Exhibit A of the Agreement, the price for MPU Products delivered by FoundryCo to AMD in 2011 (including MPU Products in both [****] and [****] (as defined in Schedule D to this Amendment), and [****] containing MPU Products ("**PQUL Wafers**")) shall be as set forth in Schedule D to this Amendment.

(b) Payment by AMD of the purchase price set forth in Schedule D to this Amendment for MPU Products delivered in 2011 shall be, with respect to such MPU Products, in lieu of the payment of (A) the price for [****] containing [****] set forth in Section 1 of Exhibit A to this Agreement, and (B) the price for [****] MPU Products set forth in Section 4 of Exhibit A to the Agreement. Payments of the purchase prices set forth in Schedule D for MPU Products delivered in 2011, however, shall be exclusive of and shall not affect the obligation of AMD to pay for [****].

3.2 2011 Additional [****] Fixed Payments. In addition to the prices set forth for purchases by AMD of MPU Products slated for delivery in 2011, AMD agrees to pay FoundryCo certain additional fixed [****] payments (the "**2011 Additional** [****] **Fixed Payments**") as set forth in Schedule D.

3.3 Consequence of Failure to be in Commercial Production in 2011

(a) FoundryCo shall be deemed to be in "**Commercial Production in 2011**" of [****] MPU Products if either one of these events has occurred: (i) the achievement of the [****] milestone for the [****] (as defined in Schedule A to this Amendment); or (ii) AMD has ordered [****] MPU Product Production Wafers for delivery in [****] of 2011.

(b) In the event that FoundryCo does not enter into Commercial Production in 2011, then in lieu of AMD's obligation to pay for [****] MPU Products as set forth in Schedule D, FoundryCo may instead invoice any time after the [****] day of [****] of 2011, and before the [****] day of the [****], AMD will pay within forty-five (45) days of the invoice date, [****] Dollars ($[****]]), representing [****] percent ([****]%) of FoundryCo's [****] MPU Product fixed costs. FoundryCo acknowledges that if it does not achieve Commercial Production in 2011, then it will not have met the conditions to be entitled to receive the 2012 Additional [****] Payments (as defined below), and as a consequence the 2012 Additional [****] Payments will not have been earned and will not be payable.

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3.4 2012 Additional [****] Payments.

(a) Subject to the conditions set forth below, AMD will pay to FoundryCo the aggregate additional amount of [****] Dollars ($[****]), payable in [****] installments of [****] Dollars ($[****]) (collectively, the "**2012 Additional** [****] **Payments**"). The obligation to pay the 2012 Additional [****] Payments is contingent upon FoundryCo being in Commercial Production of [****] MPU Products in 2012, even if the Yields for such [****] MPU Products fall below the Target Yield Curve (as defined in Schedule D) for such [****] MPU Products in 2012.

(b) FoundryCo shall be deemed to be in "**Commercial Production of** [****] **MPU Products in 2012**" if FoundryCo has achieved Commercial Production in 2011 (as defined above), and on or after [****] fiscal 2012 FoundryCo continues to offer committed capacity to AMD to manufacture [****] MPU Product Production Wafers for delivery in 2012.

(c) Notwithstanding subsection 3.4(a) above, the 2012 Additional [****] payments are subject to reduction in the event that FoundryCo earns any Yield Bonus Revenue as set forth in Section 12 of Schedule D.

(d) Subject to the provisions of this Amendment, [****] days prior to the end of [****] in 2012, FoundryCo shall invoice, and AMD shall pay on or prior to the last day of [****], the applicable 2012 Additional [****] Payment.

3.5 Reversion to Existing Pricing Model for MPU Products in 2012. On and after January 1, 2012, except as set forth in Section 3.3 above, the parties will revert to the MPU Product pricing set forth in Section 7.1(a) and Exhibit A of the Agreement for all MPU Products.

3.6 Other Payment Obligations in 2011. During 2011, except as explicitly set forth in this Amendment, the parties will continue to perform their respective obligations under this Agreement, including forecasts, process implementation procedures, etc. The financial terms in Schedule D incorporate the payment of [****] Costs and [****] Costs under this Agreement, but will not modify any other [****] or [****] obligations of the parties under the Agreement. With respect to [****] Wafer Outs containing [****]nm MPU Products that were originally ordered by AMD for delivery in [****], [****], such [****] have been or will be invoiced at prices calculated according to Section 7.1(a) and Exhibit A of the Agreement, and the prices for [****] will not be modified by Schedule D of this Amendment.

4. AMENDMENTS RELATED TO FOUNDRYCO SALES ENTITIES

4.1 Section 1.48

Section 1.48 of the Agreement shall be amended and restated in its entirety to read as follows:

1.48 ***"FoundryCo Sales Entities"*** shall mean USOpCo, GFS, and any other direct or indirect wholly-owned subsidiaries of FoundryCo to which FoundryCo has

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delegated the responsibility to process purchase orders from AMD and to offer to sell and sell Products to AMD in accordance with this Agreement.

5. AMENDMENTS RELATED TO AUDIT PROVISIONS

5.1 Additional Financial Review Procedures. Because this Amendment has established MPU Product prices for 2011 on a [****] basis, rather than on a [****] basis, the operational monitoring of the Agreement in 2011 will focus on a process that includes monthly reporting of product shipments, payments, Yield performance, [****], and a [****] (of billing versus [****]). FoundryCo also agrees to support AMD's monthly S&OP process, annual business planning process and the long range planning process.

5.2 Additional FoundryCo Audit Rights. During 2011, FoundryCo shall have audit rights, consistent with Section 8.1(b) of the Agreement, to verify AMD's compliance with its obligations with respect to [****] and [****] inventories and dispositions thereof.

6. AMENDMENT RELATED TO ALLOCATION OF ADDITIONAL [****] EXPENSES IN 2011

6.1 Incremental FoundryCo [****] in 2011 for Implementing [****] Technology for AMD. During 2011 only, AMD may periodically identify and request that FoundryCo invest in additional [****] for the purpose of enhancing product performance or supporting very specific product features for the [****] MPU Products. In the case where this [****] is unique, unrelated to the established [****], and incremental to the FoundryCo base investment already disclosed to AMD as of the Effective Date of this Amendment, AMD acknowledges financial responsibility for the 2011 [****] associated with any such [****] requested and approved by AMD. AMD requests for such [****] will be made during the monthly meetings between the parties' [****], and the financial responsibility will be captured in the [****] process in 2011. As part of such [****], the parties will agree in advance on the applicable [****] costs to be passed through to AMD prior to FoundryCo's purchase of such [****]. After 2011, and for any [****] already incorporated into FoundryCo's budget for 2011 and requested as an incremental addition by AMD in 2011 as described above, the terms of the Agreement, rather than the terms of this Section 6 of the Amendment, shall apply.

7. AMENDMENTS RELATED TO DISPUTE RESOLUTION

7.1 Section 15.11 Governing Law; Dispute Resolution

Section 15.11(c) of the Agreement shall be amended and restated in its entirety to read 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

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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).

8. MISCELLANEOUS

Other than as expressly provided in this 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.

[****] = 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.

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

[Signature pages follow]

[****] = 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.

ADVANCED MICRO DEVICES, INC.

By: /s/ Thomas J. Seifert
Name: Thomas J. Seifert
Title: Senior Vice President, Chief Financial Officer and Interim Chief Executive Officer

Signature Page to Amendment to the Wafer Supply Agreement

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GLOBALFOUNDRIES INC.

By: /s/ Chia Song Hwee
Name: Chia Song Hwee
Title: Chief Operating Officer

Signature Page to Amendment to the Wafer Supply Agreement

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GLOBALFOUNDRIES U.S. INC.

By: /s/ Robert Krakauer
Name: Robert Krakauer
Title: CFO

Signature Page to Amendment to the Wafer Supply Agreement

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GLOBALFOUNDRIES SINGAPORE PTE. LTD.

By: /s/ Robert Krakauer
Name: Robert Krakauer
Title: CFO

Signature Page to Amendment to the Wafer Supply Agreement

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Exhibit 10.2

Advanced Micro Devices, Inc.

Executive Incentive Plan
(Approved by the Board of Directors on February 3, 2011)
(Approved by the Stockholders on May 3, 2011)

1. Purposes.

The purposes of the Advanced Micro Devices, Inc. (“AMD”) Executive Incentive Plan are to motivate the Company’s key employees to improve stockholder value by linking a portion of their cash compensation to the Company’s financial performance, reward key employees for improving the Company’s financial performance, and help attract and retain key employees. The Plan is intended to permit the payment of bonuses that qualify as performance-based compensation under Section 162(m) of the Code.

2. Definitions.

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

A. “Award” means, with respect to each Participant, any cash incentive payment made under the Plan for a Performance Period, including Awards that qualify as performance-based compensation under Section 162(m) of the Code.

B. “Code” means the Internal Revenue Code of 1986, as amended.

C. “Committee” means the Compensation Committee of AMD’s Board of Directors, or such other committee designated by that Board of Directors, which is authorized to administer the Plan under Section 3 hereof. With respect to payments hereunder intended to qualify as performance-based compensation under Section 162(m) of the Code, the Committee shall be comprised solely of two or more directors who are “outside directors” under Section 162(m) of the Code.

D. “Company” means AMD and any corporation or other business entity of which AMD (i) directly or indirectly has an ownership interest of 50% or more, or (ii) has a right to elect or appoint 50% or more of the board of directors or other governing body.

E. “Key Employee” means any employee of the Company whose performance the Committee determines can have a significant effect on the success of the Company.

F. “Participant” means any Key Employee to whom an Award is granted under the Plan.

G. “Performance Period” means any fiscal year of the Company or such other period as determined by the Committee.

H. “Plan” means this Plan, which shall be known as the AMD Executive Incentive Plan.

3. Administration.

A. The Plan shall be administered by the Committee. Subject to the requirements for qualifying payments hereunder as performance-based compensation under Section 162(m) of the Code, the Committee shall have the authority to:

(i) interpret and determine all questions of policy and expediency pertaining to the Plan;

(ii) adopt such rules, regulations, agreements and instruments as it deems necessary for its proper administration;

(iii) select Key Employees to receive Awards;

(iv) determine the terms of Awards;

(v) determine amounts subject to Awards (within the limits prescribed in the Plan);

(vi) determine whether Awards will be granted in replacement of or as alternatives to any other incentive or compensation plan of the Company or an acquired business unit;

(vii) grant waivers of Plan or Award conditions (other than Awards intended to qualify as performance-based compensation under Section 162(m) of the Code);

(viii) accelerate the payment of Awards (but with respect to Awards intended to qualify as performance-based compensation under Section 162(m) of the Code, only as permitted under that Section);

(ix) correct any defect, supply any omission, or reconcile any inconsistency in the Plan, any Award or any Award notice;

(x) take any and all other actions it deems necessary or advisable for the proper administration of the Plan;

(xi) adopt such Plan procedures, regulations, subplans and the like as it deems are necessary to enable Key Employees to receive Awards; and

(xii) amend the Plan at any time and from time to time, provided however that no amendment to the Plan shall be effective unless approved by the Company's stockholders, to the extent such stockholder approval is required under Section 162(m) of the Code.

B. The Committee may delegate its authority to grant and administer Awards to a separate committee; however, only the Committee may grant and administer Awards which are intended to qualify as performance-based compensation under Section 162(m) of the Code.

4. Eligibility.

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

5. Performance Goals.

A. The Committee shall set forth in writing objectively determinable performance goals ("Performance Goals") applicable to a Participant for a Performance Period prior to the commencement of such Performance Period, provided, however, that such goals may be established after the start of the Performance Period but, with respect to an Award that is intended to qualify as performance-based compensation under Section 162(m) of the Code, in no event later than the latest time permitted by Section 162(m) of the Code with respect to any payments intended to qualify as performance-based compensation under Section 162(m) of the Code (generally, no later than the earlier of (i) 90 days after the commencement of the Performance Period or (ii) the lapse of 25% of the Performance Period, and in any event while the outcome is substantially uncertain) (the " 162(m) Determination Date ").

B. Each Performance Goal shall relate to one or more of the following business criteria of the individual, the Company as a whole, any business unit of the Company, or any combination thereof, that are to be monitored during the fiscal year (or Performance Period):

- Net income
- Operating income
- Earnings before interest and taxes
- Earnings per share
- Return on investment
- Return on capital
- Return on invested capital
- Return on capital compared to cost of capital
- Return on capital employed
- Return on equity
- Return on assets
- Return on net assets
- Stockholder return
- Cash return on capitalization
- Revenue
- Revenue ratios (per employee or per customer)
- Stock price
- Market share
- Stockholder value
- Net cash flow
- Cash flow
- Cash flow from operations
- Cost reductions and cost ratios (per employee or per customer)
- New product releases
- Strategic positioning programs, including the achievement of specified milestones or the completion of specified projects.

Goals may be based on GAAP or non-GAAP measures as determined by the Committee and may also be based on performance relative to a peer group of companies. Unless otherwise stated, such a Performance Goal need not be based upon an increase or positive result under a particular business criterion and could include, for example, maintaining the status quo or limiting economic losses (measured, in each case, by reference to specific business criteria).

C. With respect to an Award that is intended to qualify as performance-based compensation under Section 162(m) of the Code, on or prior to the 162(m) Determination Date, the Committee shall establish in writing a bonus formula specifying the target level and/or other level(s) of performance that must be achieved with respect to each criterion that is identified in a Performance Goal in order for an Award to be payable and shall, for each Participant, establish in writing a target (and/or other level(s)) Award payable under the Plan for the Performance Period upon attainment of the Performance Goals.

D. In the event Performance Goals are based on more than one business criterion, the Committee may determine to make Awards upon attainment of the Performance Goal relating to any one or more of such criteria, provided the Performance Goals, when established, are stated as alternatives to one another at the time the Performance Goal is established.

6. Awards.

A. During any fiscal year of the Company, no Participant shall receive an Award of more than $10,000,000.

B. No Award that is intended to qualify as performance-based compensation under Section 162(m) of the Code shall be paid to a Participant unless and until the Committee makes a certification in writing with respect to the attainment of the Performance Goals to the extent required by Section 162(m) of the Code. Although the Committee may in its sole discretion eliminate or reduce an Award payable to a Participant pursuant to the applicable bonus formula, the Committee shall have no discretion to increase the amount of a Participant’s Award as determined under the applicable bonus formula.

C. Unless otherwise directed by the Committee, each Award shall be paid on the March 15 immediately following the end of the Performance Period to which such Award relates.

D. The payment of an Award requires that the Participant be on the Company’s payroll as of the date of payment of the Award. Subject to the requirements for qualifying payments hereunder as performance-based compensation under Section 162(m) of the Code, the Committee may make exceptions to this requirement in the case of change in control, retirement, death or disability, as determined by the Committee in its sole discretion, provided, however, in the case of retirement under an Award that is intended to qualify as performance-based compensation under Section 162(m) of the Code, an exception may be made by the Committee only if the performance goals for such qualifying payments have been satisfied based on actual performance through the end of the Performance Period (or if applicable, based on actual performance through the termination date), the amount is pro-rated based on the time employed during the Performance Period, and the payment is made at the same time similarly situated participants receive bonuses for such Performance Period.

E. The Company shall withhold all applicable federal, state, local and foreign taxes required by law to be paid or withheld relating to the receipt or payment of any Award.

F. At the discretion of the Committee, payment of an Award or any portion thereof may be deferred under a nonqualified deferred compensation plan maintained by the Committee until a time established by the Committee and in accordance with the terms of such plan.

7. General.

A. No Awards that are intended to qualify as performance-based compensation under Section 162(m) of the Code shall be paid under the Plan unless and until the Company's stockholders shall have approved the Plan and the business criteria set forth above as required by Section 162(m) of the Code. So long as the Plan shall not have been previously terminated by the Company, it shall be resubmitted for approval by the Company's stockholders in the fifth year after it shall have first been approved by the Company's stockholders, and no later than every fifth year thereafter. In addition, the Plan shall be resubmitted to the Company's stockholders for approval as required by Section 162(m) of the Code if it is amended in any way that changes the material terms of the Plan, including by materially modifying the business criteria set forth above, increasing the maximum Award payable under the Plan or changing the Plan's eligibility requirements.

B. Any rights of a Participant under the Plan shall not be assignable by such Participant, by operation of law or otherwise, except by will or the laws of descent and distribution. No Participant may create a lien on any funds or rights to which he or she may have an interest under the Plan, or which is held by the Company for the account of the Participant under the Plan.

C. Participation in the Plan shall not give any Key Employee any right to remain in the employ of the Company. Further, the adoption of this Plan shall not be deemed to give any Key Employee or other individual the right to be selected as a Participant or to be granted an Award.

D. The Plan shall constitute an unfunded, unsecured obligation of the Company to make bonus payments from its general assets in accordance with the provisions of the Plan. To the extent any person acquires a right to receive payments from the Company under this Plan, such rights shall be no greater than the rights of an unsecured creditor of the Company.

E. The Plan shall be governed by and construed in accordance with the laws of the State of California.

F. The Board may amend or terminate the Plan at any time and for any reason, subject to stockholder approval as described above.

Exhibit 31.1

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

I, Thomas J. Seifert, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Advanced Micro Devices, Inc.;

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):

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: May 10, 2011

/s/ Thomas J. Seifert

Thomas J. Seifert
Senior Vice President,
Chief Financial Officer,
Interim Chief Executive Officer

Exhibit 31.2

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

I, Thomas J. Seifert, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Advanced Micro Devices, Inc.;

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):

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: May 10, 2011

/s/ Thomas J. Seifert

Thomas J. Seifert
Senior Vice President,
Chief Financial Officer,
Interim Chief Executive Officer

Exhibit 32.1

Certification of Interim 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 quarterly period ended April 2, 2011 (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: May 10, 2011

/s/ Thomas J. Seifert
Thomas J. Seifert
Senior Vice President,
Chief Financial Officer,
Interim Chief Executive Officer

Exhibit 32.2

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 quarterly period ended April 2, 2011 (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: May 10, 2011

/s/ Thomas J. Seifert

Thomas J. Seifert
Senior Vice President,
Chief Financial Officer,
Interim Chief Executive Officer