ADVANCED MICRO DEVICES INC
Form 10-Q
October 30, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended September 28, 2013

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

Indicate the number of shares outstanding of the registrant s common stock, $0.01 par value, as of October 28, 2013: 723,686,830

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Advanced Micro Devices, Inc.

Condensed Consolidated Statements of Operations

(Unaudited)

	Quarter Ended		Nine Months Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
	(In millions, except per share amounts)			
Net revenue	$ 1,461	$ 1,269	$ 3,710	$ 4,267
Cost of sales	940	877	2,285	3,210
Gross margin	521	392	1,425	1,057
Research and development	288	328	908	1,041
Marketing, general and administrative	155	188	505	630
Amortization of acquired intangible assets	5	4	14	9
Restructuring and other special charges (gains), net	(22)	3	30	11
Operating income (loss)	95	(131)	(32)	(634)
Interest income	1	2	4	6
Interest expense	(47)	(44)	(133)	(130)
Other income (expense), net	2	16	(3)	10
Income (loss) before income taxes	51	(157)	(164)	(748)
Provision (benefit) for income taxes	3		8	(38)
Net income (loss)	$ 48	$ (157)	$ (172)	$ (710)
Net income (loss) per share				
Basic	$ 0.06	$ (0.21)	$ (0.23)	$ (0.96)
Diluted	$ 0.06	$ (0.21)	$ (0.23)	$ (0.96)
Shares used in per share calculation:				
Basic	757	745	753	739
Diluted	764	745	753	739

See accompanying notes to condensed consolidated financial statements.

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Advanced Micro Devices, Inc.

Condensed Consolidated Statements of Comprehensive Income (Loss)

(Unaudited)

	Quarter Ended		Nine Months Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
	(In millions)			
Net income (loss)	$ 48	$ (157)	$ (172)	$ (710)
Other comprehensive income (loss):				
Unrealized gains (losses) on cash flow hedges:				
Unrealized gains (losses) arising during the period, net of tax effects of $0, $1, $(2) and $1	3	3		3
Reclassification adjustment for (gains) losses realized and included in net income (loss), net of tax effects of zero	1		1	1
Total other comprehensive income	4	3	1	4
Total comprehensive income (loss)	$ 52	$ (154)	$ (171)	$ (706)

See accompanying notes to condensed consolidated financial statements.

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Advanced Micro Devices, Inc.

Condensed Consolidated Balance Sheets

(Unaudited)

	September 28, 2013	December 29, 2012*
	(In millions, except par value amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 543	$ 549
Marketable securities	517	453
Total cash and cash equivalents and marketable securities	1,060	1,002
Accounts receivable, net	873	630
Inventories, net	922	562
Prepaid expenses and other current assets	84	71
Total current assets	2,939	2,265
Long-term marketable securities	121	181
Property, plant and equipment, net	358	658
Acquisition related intangible assets, net	82	96
Goodwill	553	553
Other assets	264	247
Total assets	$ 4,317	$ 4,000
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 574	$ 278
Payable to GLOBALFOUNDRIES	495	454
Accrued liabilities	528	489
Deferred income on shipments to distributors	139	108
Current portion of long-term debt and capital lease obligations	5	5
Other current liabilities	21	63
Total current liabilities	1,762	1,397
Long-term debt and capital lease obligations, less current portion	2,044	2,037
Other long-term liabilities	77	28
Commitments and contingencies (See Note 10)		
Stockholders equity:		
Capital stock:		
Common stock, par value $0.01; 1,500 shares authorized on September 28, 2013 and December 29, 2012; shares issued: 733 shares on September 28, 2013 and 722 shares on December 29, 2012; shares outstanding: 723 shares on September 28, 2013 and 713 shares on December 29, 2012	7	7
Additional paid-in capital	6,872	6,803
Treasury stock, at cost (10 shares on September 28, 2013 and 9 shares on December 29, 2012)	(111)	(109)
Accumulated deficit	(6,332)	(6,160)
Accumulated other comprehensive loss	(2)	(3)
Total stockholders equity	434	538

Total liabilities and stockholders equity	$ 4,317	$ 4,000

* Amounts were derived from the December 29, 2012 audited consolidated financial statements.

See accompanying notes to condensed consolidated financial statements.

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Advanced Micro Devices, Inc.

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	Nine Months Ended	
	September 28, 2013	September 29, 2012
	(In millions)	
Cash flows from operating activities:		
Net loss	$ (172)	$ (710)
Adjustments to reconcile net loss to net cash used in operating activities:		
Non-cash portion of the limited waiver of exclusivity from GLOBALFOUNDRIES		278
Depreciation and amortization	182	194
Net loss on disposals of property, plant and equipment	30	
Benefit for deferred income taxes		(41)
Stock-based compensation expense	67	74
Non-cash interest expense	18	17
Other	1	(1)
Changes in operating assets and liabilities:		
Accounts receivable	(242)	237
Inventories	(360)	(266)
Prepaid expenses and other current assets	(18)	(30)
Other assets	(67)	(13)
Payable to GLOBALFOUNDRIES	41	271
Accounts payable, accrued liabilities and other	351	(62)
Net cash used in operating activities	(169)	(52)
Cash flows from investing activities:		
Acquisition of SeaMicro, Inc., net of cash acquired		(281)
Purchases of property, plant and equipment	(63)	(111)
Proceeds from sale of property, plant and equipment	238	
Purchases of available-for-sale securities	(985)	(749)
Proceeds from sales and maturities of available-for-sale securities	969	1,091
Other		(23)
Net cash provided by (used in) investing activities	159	(73)
Cash flows from financing activities:		
Proceeds from borrowings, net of issuance cost		491
Net proceeds from foreign grants	6	18
Proceeds from issuance of common stock	3	12
Repayments of debt and capital lease obligations	(4)	(488)
Other	(1)	(1)
Net cash provided by financing activities	4	32
Net decrease in cash and cash equivalents	(6)	(93)
Cash and cash equivalents at beginning of period	549	869
Cash and cash equivalents at end of period	$ 543	$ 776

See accompanying notes to condensed consolidated financial statements.

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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 and nine months ended September 28, 2013 shown in this report are not necessarily indicative of results to be expected for the full year ending December 28, 2013. 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 29, 2012.

The Company uses a 52 or 53 week fiscal year ending on the last Saturday in December. The quarters and nine months ended September 28, 2013 and September 29, 2012 each consisted of 13 and 39 weeks, respectively.

Principles of Consolidation. The condensed consolidated financial statements include the Company s accounts and those of its wholly-owned subsidiaries. Upon consolidation, all significant intercompany accounts and transactions are eliminated.

Recently Adopted Accounting Standards. In February 2013, the FASB issued Accounting Standard Update (ASU) 2013-02, Comprehensive Income (Topic 220) - Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income, which requires an entity to present the effect on the line items of net income of significant amounts reclassified out of accumulated other comprehensive income, but only if the item reclassified is required under GAAP to be reclassified to net income in its entirety in the same reporting period. ASU 2013-02 became effective for fiscal years and interim periods within those years beginning after December 15, 2012. The Company adopted this standard during the first quarter of 2013. The adoption of this standard only impacted the presentation of the Company s condensed consolidated financial statements.

NOTE 2. GLOBALFOUNDRIES

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

Second Amendment to Wafer Supply Agreement. On March 4, 2012, the Company entered into a second amendment to the WSA with GF. The primary effect of this second amendment was to modify certain pricing and other terms of the WSA applicable to wafers for the Company s microprocessor and accelerated processing unit (APU) products to be delivered by GF to the Company during 2012.

The second amendment also granted the Company certain rights to contract with another wafer foundry supplier with respect to specified 28nm products for a specified period of time. In consideration for these rights, the Company agreed to pay GF $425 million and transfer to GF all of the capital stock of GF that it owned. As a result of the Company receiving these rights in the first quarter of 2012, the Company recorded a charge related to this limited waiver of exclusivity from GF of $703 million consisting of the $425 million cash payment and a $278 million non-cash charge representing the carrying and fair value of the capital stock that the Company transferred to GF. Pursuant to the second amendment, the Company paid the full amount of $425 million by December 31, 2012. Of this amount, the final portion of $175 million was paid during the Company s first fiscal quarter of 2013.

Third Amendment to Wafer Supply Agreement. On December 6, 2012, the Company entered into a third amendment to the WSA with GF. Pursuant to the third amendment, the Company modified its wafer purchase commitments for the fourth quarter of 2012 under the second amendment to the WSA. In addition, the Company agreed to certain pricing and other terms of the WSA applicable to wafers for the Company s microprocessor and APU products to be delivered by GF to the Company during 2013 and through December 31, 2013. Pursuant to the third amendment, the Company committed to purchase a fixed number of production wafers at negotiated prices in the fourth quarter of 2012 and through December 31, 2013. GF agreed to waive a portion of the Company s wafer purchase commitments for the fourth quarter of 2012. In consideration of this waiver, the Company agreed to pay GF a fee of $320 million, of which $80 million was paid on December 31, 2012 and $40 million was paid on April 1, 2013, with the remaining $200 million payable by December 31, 2013, pursuant to a promissory note issued by the Company to GF. As a result, the Company recorded a lower of cost or market, or LCM charge, of $273 million for the write-down of inventory to its market value in the fourth quarter of 2012.

GF is a related party of the Company. The Company s total purchases from GF related to wafer manufacturing and research and development activities in the quarter and nine months ended September 28, 2013 were approximately $221 million and $746 million, respectively. The Company s total purchases from GF related to wafer manufacturing and research and development activities during the quarter and nine months ended September 29, 2012 were approximately $263 million and $1,098 million, respectively.

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The Company s current estimates for wafer purchase obligations to GF under the WSA, as amended, are approximately $1.15 billion in 2013 and $250 million in the first quarter of 2014. The Company is not able to meaningfully quantify or estimate its purchase obligations to GF beyond the first quarter of 2014, but it expects that its future purchases from GF will continue to be material.

NOTE 3. Sale and Leaseback Transactions

In September 2013, the Company sold a light industrial building in Singapore and leased back a portion of the original space. The Company received net proceeds of $46 million in connection with the sale. The difference between the net proceeds and the $15 million carrying value of property sold resulted in a $17 million gain recorded by the Company in the third quarter of 2013 and a $14 million gain deferred as of September 28, 2013 that will be amortized over the initial lease term. The initial lease term expires in September 2023 and provides for options to extend the lease for 4 years, at the end of the initial lease term, and for an additional 3.5 years thereafter. The Company accounted for the lease as an operating lease.

In September 2013, the Company also sold an office building in Austin, Texas. The Company received net proceeds of $10 million in connection with the sale and recorded a $5 million gain in the third quarter of 2013, primarily related to the difference between the sale proceeds and the $5 million carrying value of the property sold.

In March 2013, the Company sold and leased back land and office buildings in Austin, Texas. The Company received net proceeds of $164 million in connection with the sale and recorded a $52 million charge in the first quarter of 2013, primarily related to the difference between the sale proceeds and the $216 million carrying value of the property sold. The lease expires in March 2025 and provides for one 10-year optional renewal. The Company accounted for the lease as an operating lease.

In March 2013, the Company also sold an office building in Markham, Ontario, Canada and leased back a portion of the original space. The Company received net proceeds of $13 million in connection with the sale and recorded a $6 million gain in the first quarter of 2013, primarily related to the difference between the sale proceeds and the $7 million carrying value of the property sold. The lease was to expire in March 2014 but contained an early termination provision, which the Company exercised effective June 30, 2013. While occupied, the Company accounted for the lease as an operating lease.

The $22 million gain recognized in the third quarter of 2013 and the net charge of $24 million related to the real estate transactions described above for the first nine months of 2013 are recorded as Restructuring and other special charges (gains), net on the condensed consolidated statements of operations.

NOTE 4. Supplemental Balance Sheet Information

Accounts Receivable

	September 28, 2013	December 29, 2012
	(In millions)	
Accounts receivable	$ 874	$ 632
Allowance for doubtful accounts	(1)	(2)
Total accounts receivable, net	$ 873	$ 630

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Inventories

	September 28, 2013	December 29, 2012
	(In millions)	
Raw materials	$ 30	$ 29
Work in process	667	357
Finished goods	225	176
Total inventories, net	$ 922	$ 562

Property, Plant and Equipment

	September 28, 2013	December 29, 2012
	(In millions)	
Land and land improvements	$ 7	$ 31
Buildings and leasehold improvements	238	591
Equipment	1,505	1,585
Construction in progress	16	11
	1,766	2,218
Accumulated depreciation and amortization	(1,408)	(1,560)
Total property, plant and equipment, net	$ 358	$ 658

Accrued Liabilities

	September 28, 2013	December 29, 2012
	(In millions)	
Accrued compensation and benefits	$ 190	$ 158
Marketing programs and advertising expenses	158	160
Software technology and licenses payable	21	18
Other	159	153
Total accrued liabilities	$ 528	$ 489

NOTE 5. Net Income (Loss) Per Share

Basic net income (loss) 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 initial GF transaction in 2009. The warrants became exercisable on July 24, 2009.

Diluted net income (loss) per share is computed based on the weighted average number of shares outstanding plus any potentially dilutive shares outstanding. Potentially dilutive shares include stock options, restricted stock units and shares issuable upon the conversion of convertible debt.

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

	Quarter Ended		Nine Months Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
	(In millions, except per share amounts)			
Numerator Net income (loss):				
Numerator for basic and diluted net income (loss) per share	$ 48	$ (157)	$ (172)	$ (710)
Denominator Weighted average shares				
Denominator for basic net income (loss) per share	757	745	753	739
Effect of potentially dilutive shares:				
Employee stock options and restricted stock units	7			
Denominator for diluted net income (loss) per share	764	745	753	739
Net income (loss) per share:				
Basic	$ 0.06	$ (0.21)	$ (0.23)	$ (0.96)
Diluted	$ 0.06	$ (0.21)	$ (0.23)	$ (0.96)

Potential shares from outstanding stock options and restricted stock awards totaling approximately 53 million were not included in the net income per share calculation for the third quarter of 2013 because their inclusion would have been anti-dilutive.

Potential shares from outstanding stock options and restricted stock awards totaling approximately 61 million were not included in the net loss per share calculation for the nine months ended September 28, 2013 because their inclusion would have been anti-dilutive.

Potential shares (i) from outstanding stock options and restricted stock awards totaling approximately 71 million and (ii) issuable under the 5.75% Convertible Senior Notes due 2012 (5.75% Notes) totaling 12 million were not included in the net loss per share calculation for the third quarter of 2012 because their inclusion would have been anti-dilutive.

Potential shares (i) from outstanding stock options and restricted stock awards totaling approximately 62 million and (ii) issuable under the 5.75% Notes totaling 20 million were not included in the net loss per share calculation for the nine months ended September 29, 2012 because their inclusion would have been anti-dilutive.

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NOTE 6. Financial Instruments

Available-for-sale securities held by the Company as of September 28, 2013 and December 29, 2012 were as follows:

	September 28, 2013	December 29, 2012
	(In millions)	
Fair Value		
Classified as cash equivalents:		
Money market funds	$	$ 402
Commercial paper	150	75
Time deposits	25	
Total classified as cash equivalents	$ 175	$ 477
Classified as current marketable securities:		
Commercial paper	$ 452	$ 324
Time deposits	50	100
Auction rate securities	15	28
Marketable equity security		1
Total classified as current marketable securities	$ 517	$ 453
Classified as long-term marketable securities:		
Money market funds	$	$ 13
Corporate bonds	121	168
Total classified as long-term marketable securities	$ 121	$ 181
Classified as other assets:		
Money market funds	$ 18	$ 10
Mutual funds	13	14
Total classified as other assets	$ 31	$ 24

The amortized cost of available-for-sale securities approximates the fair value for all periods presented.

As of September 28, 2013 and December 29, 2012, the Company had approximately $18 million and $10 million of available-for-sale investments in money market funds used as collateral for leased buildings and letter of credit deposits, which were included in other assets on the Company s condensed consolidated balance sheets. The Company is restricted from accessing these deposits.

At September 28, 2013 and December 29, 2012, the Company had approximately $13 million and $14 million of available-for-sale investments in mutual funds held in a Rabbi trust established for the Company s deferred compensation plan, which were included in other assets on the Company s condensed consolidated balance sheets. The Company is restricted from accessing these investments.

There were no sales of available-for-sale securities during the third quarter of 2013. The Company did not realize any gain or loss on sales of approximately $14 million of available-for-sale securities during the nine months ended September 28, 2013. The cost of securities sold is determined based on the specific identification method.

The carrying value of the Company s remaining auction rate securities (ARS) holdings as of September 28, 2013 was $15 million (par value $22 million). The Company has the intent and believes it has the ability to sell these ARS within the next 12 months.

At September 28, 2013, $121 million of investments were classified as long-term marketable securities. The Company s intent is to hold such investments for greater than one year, and the Company does not intend to use them in current operations. As a result of narrowing investment yields, the Company will continue to re-evaluate its investment strategy related to amounts designated as long-term as such investments mature.

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All contractual maturities of the Company s available-for-sale marketable debt securities as of September 28, 2013 were within one year, except those for ARS and certain long-term marketable securities. The Company s ARS have stated maturities ranging from January 2036 to December 2050. The Company s long-term marketable securities currently consist of corporate bonds. The corporate bonds have maximum stated maturities of two years. Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations without call or prepayment penalties.

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)		
September 28, 2013				
Assets				
Classified as cash equivalents:				
Commercial paper	$ 150	$	$ 150	$
Time deposits	25		25	
Total classified as cash equivalents	$ 175	$	$ 175	$
Classified as current marketable securities:				
Commercial paper	$ 452	$	$ 452	$
Time deposits	50		50	
Auction rate securities	15			15
Total classified as current marketable securities	$ 517	$	$ 502	$ 15
Classified as long-term marketable securities:				
Corporate bonds	$ 121	$	$ 121	$
Total classified as long-term marketable securities	$ 121	$	$ 121	$
Classified as other assets:				
Money market funds	$ 18	$ 18	$	$
Mutual funds	13	13		
Total classified as other assets	$ 31	$ 31	$	$
Total assets measured at fair value	**$ 844**	**$ 31**	**$ 798**	**$ 15**
Liabilities				
Classified as accrued liabilities Foreign currency derivative contracts	$ (1)	$	$ (1)	$
Total liabilities measured at fair value	$ (1)	$	$ (1)	$
December 29, 2012				

Assets				
Classified as cash equivalents:				
Money market funds	$ 402	$ 402	$	$
Commercial paper	75		75	
Total classified as cash equivalents	$ 477	$ 402	$ 75	$
Classified as current marketable securities:				
Commercial paper	$ 324	$	$ 324	$
Time deposits	100		100	

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Auction rate securities		28						28
Marketable equity security		1		1				
Total classified as current marketable securities	$	453	$	1	$	424	$	28
Classified as long-term marketable securities:								
Money market funds	$	13	$	13	$		$	
Corporate bonds		168				168		
Total classified as long-term marketable securities	$	181	$	13	$	168	$	
Classified as other assets:								
Money market funds	$	10	$	10	$		$	
Mutual funds		14		14				
Total classified as other assets	$	24	$	24	$		$	
Total assets measured at fair value	**$**	**1,135**	**$**	**440**	**$**	**667**	**$**	**28**

With the exception of its long-term debt, the Company carries its financial instruments at fair value. Investments in money market funds, commercial paper, time deposits, marketable equity securities, corporate bonds, mutual funds and foreign currency derivative contracts are 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 short-term investments are valued using broker reports that utilize quoted market prices for identical or comparable instruments. Brokers gather observable inputs for all of the Company s fixed income securities from a variety of industry data providers and other third-party sources. The Company s Level 2 long-term investments are valued using broker reports that utilize a third-party professional pricing service that gathers information from multiple market sources and integrates relevant credit information, observed market movements and sector news into their pricing evaluation. The Company validates, on a sample basis, the derived prices provided by the brokers by comparing their assessment of the fair values of the Level 2 long-term investments against the fair values of the portfolio balances of another third-party professional s pricing services, other than that utilized by the brokers, that use a similar technique as the brokers to derive pricing as described above. 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 Company did not have any transfers between Level 1 and Level 2 of the fair value hierarchy during the quarters or nine months ended September 28, 2013 and September 29, 2012.

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 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 since February 2008. 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 September 28, 2013 and December 29, 2012, 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 analyses indicated that the fair value of the ARS remained relatively unchanged as of September 28, 2013 when compared to the fair value as of December 29, 2012. As of September 28, 2013, these Level 3 ARS accounted for approximately one percent of the Company s total cash, cash equivalents and current marketable securities.

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

	Quarter Ended		Nine Months Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
	(In millions)			
Beginning balance	$ 15	$ 32	$ 28	$ 38
Redemptions			(13)	(6)
Ending balance	$ 15	$ 32	$ 15	$ 32

The Company s significant inputs and assumptions used in the discounted cash flow model to determine the fair value of its ARS are listed below:

	September 28, 2013	December 29, 2012
Discount rate for periodic interest payments	0.63%	0.84%
Discount rate for principal repayments	1.26%	1.31%
Liquidity discount	0.90%	0.90%
Credit discount	2.00% to 12.00%	2.00% to 12.00%
Estimated period (years)	17 to 20 years	17 to 20 years

Significant increases (decreases) in the significant inputs and assumptions above in isolation would result in a significantly lower (higher) fair value measurement. There is no interrelationship between changes in the inputs.

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:

	September 28, 2013		December 29, 2012	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	(In millions)			
Long-term debt (excluding capital leases)	$ 2,031	$ 2,105	$ 2,019	$ 1,837

The fair value of the Company s short-term and long-term debt, Level 2 financial instruments, was estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities. The fair value of the Company s accounts receivable, accounts payable and other short-term obligations approximate their carrying value based on existing payment terms.

NOTE 7. Income Taxes

The Company recorded an income tax provision of $3 million in the third quarter of 2013 and did not record any income tax provision in the third quarter of 2012. For the nine months ended September 28, 2013, the Company recorded an income tax provision of $8 million. For the nine months ended September 29, 2012, the Company recorded an income tax benefit of $38 million.

In the third quarter of 2013, the income tax provision of $3 million was due to $2 million of foreign taxes in profitable locations and $1 million related to the reversal of previously recognized tax benefits associated with other comprehensive income. The $8 million income tax provision recorded in the nine months ended September 28, 2013 was due to $7 million of foreign taxes in profitable locations and $3 million related to the reversal of previously recognized tax benefits associated with other comprehensive income offset by $2 million of tax benefits for Canadian co-op credits and monetization of U.S. tax credits.

In the third quarter of 2012, the Company did not record any income tax provision due to foreign taxes in profitable locations of $2 million offset by $1 million tax benefit for the tax effects of items credited directly to other comprehensive income and $1 million of Canadian tax benefits from co-op tax credits. The $38 million income tax benefit recorded in the nine months ended September 29, 2012 was due to a tax benefit of $36 million relating to the SeaMicro acquisition, a $2 million tax benefit for the tax effects of items credited directly to other comprehensive income, a $1 million tax benefit for Canadian co-op tax credits and a $9 million tax benefit associated with the successful negotiation of a tax holiday in a foreign jurisdiction net of $10 million of foreign taxes in profitable locations.

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Purchase accounting for the SeaMicro acquisition required the establishment of a deferred tax liability related to the book tax basis differences of identifiable intangible assets that increased goodwill. The deferred tax liability created an additional source of U.S. future taxable income which resulted in a release of a portion of the Company s U.S. valuation allowance. This resulted in a discrete income tax benefit of approximately $36 million in the first quarter of 2012.

As of September 28, 2013, substantially all of the Company s U.S. and Canadian deferred tax assets, net of deferred tax liabilities, continue to be subject to a valuation allowance. The realization of these assets is dependent on substantial future taxable income which at September 28, 2013, in management s estimate, is not more likely than not to be achieved.

The Company s unrecognized tax benefits increased by $2 million during the third quarter of 2013 for unrecognized tax benefits in foreign jurisdictions. The total gross unrecognized tax benefits as of September 28, 2013 were approximately $56 million. The Company has recognized $3 million of liabilities for unrecognized tax benefits as of September 28, 2013. There were no material changes to accrued interest or penalties in the third quarter of 2013.

During the twelve months beginning September 28, 2013, the Company believes that it is reasonably possible that there will be no material changes in its unrecognized tax benefits. However, the resolution and/or closure of open audits are highly uncertain.

NOTE 8. Segment Reporting

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

The Company uses the following two reportable segments:

- the Computing Solutions segment, which includes x86 microprocessors, as standalone devices or as incorporated as an APU, chipsets, embedded processors and dense servers; and
- the Graphics and Visual Solutions segment, which includes graphics processing units (GPU), including professional graphics, and semi-custom System-on-Chip (SOC) products, as well as revenue received in connection with development services and game console royalties.

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, employee stock-based compensation expense, restructuring and other special charges (gains), net, and a charge related to the limited waiver of exclusivity from GF.

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

	Quarter Ended		Nine Months Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
	(In millions)			
Net revenue:				
Computing Solutions	$ 790	$ 927	$ 2,382	$ 3,176
Graphics and Visual Solutions	671	342	1,328	1,091
Total net revenue	$ 1,461	$ 1,269	$ 3,710	$ 4,267
Operating income (loss):				

Computing Solutions	$ 22	$ (114)	$ (15)	$ 92
Graphics and Visual Solutions	79	18	95	83
All Other	(6)	(35)	(112)	(809)
Total operating income (loss)	$ 95	$ (131)	$ (32)	$ (634)

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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:

	Quarter Ended		Nine Months Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
	(In millions)			
Cost of sales	$ 1	$ 2	$ 4	$ 6
Research and development	12	15	35	40
Marketing, general and administrative	10	10	28	28
Stock-based compensation expense, net of tax of $0	$ 23	$ 27	$ 67	$ 74

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

Stock Options

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

	Quarter Ended		Nine Months Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
Expected volatility	57.98%	54.81%	58.71%	53.04%
Risk-free interest rate	1.05%	0.57%	0.75%	0.55%
Expected dividends	0.00%	0.00%	0.00%	0.00%
Expected life	3.83 years	3.79 years	3.83 years	3.79 years

For the quarters ended September 28, 2013 and September 29, 2012, the Company granted 4,647,000 and 2,186,000 employee stock options with weighted average grant date fair values per share of $1.62 and $1.67, respectively. For the nine months ended September 28, 2013 and September 29, 2012, the Company granted 5,974,000 and 9,232,000 employee stock options, respectively, with weighted average grant date fair values per share of $1.52 and $2.16, respectively. In addition, during the nine months ended September 29, 2012, the Company granted unvested employee stock options to purchase approximately 4,792,000 shares of the Company s common stock upon the closing of the SeaMicro acquisition on March 23, 2012, with weighted average grant date fair values per share of $6.60.

Restricted Stock and Restricted Stock Units

For the quarters ended September 28, 2013 and September 29, 2012, the Company granted 8,702,000 and 673,000 restricted stock units, respectively, with weighted average grant date fair values per share of $3.89 and $4.17, respectively. For the nine months ended September 28, 2013 and September 29, 2012, the Company granted 25,299,000 and 14,709,000 restricted stock units, respectively, with weighted average grant date fair values per share of $3.78 and $5.92, respectively. In addition, during the nine months ended September 29, 2012, the Company granted approximately 322,000 shares of restricted stock upon the closing of the SeaMicro acquisition on March 23, 2012, with weighted average grant date fair values per share of $4.03.

Performance-based Restricted Stock Units

On July 22, 2013, the Company granted 2,450,000 performance-based restricted stock units (the pRSUs) to specified officers of the Company. Each pRSU award reflects a target number of shares (Target Shares) that may be issued to the award recipient before adjusting based on the Company s financial performance and market conditions. The actual number of shares the recipient receives is determined at the end of the specified performance period based on the actual financial results

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achieved by the Company versus certain pre-established Company financial performance goals. Those goals are AMD s non-GAAP operating income plus interest expense over an 18-month performance period and total shareholder return (TSR) relative to the S&P 500 IT Sector over the same 18-month performance period. Depending on the results achieved during this time, the actual number of shares that a grant recipient receives at the end of the period may range from 0% to 200% of the Target Shares granted, based on the calculations described below.

The non-GAAP operating income plus interest expense goal was established at the inception of the award. At the end of the performance period, the number of actual shares to be awarded varies between 0%, if performance is below the minimum level, and 160%, if performance is at or above the maximum level. For performance between the minimum level and the maximum level, a proportionate percentage between 40% and 160% is applied based on relative performance between the minimum and the maximum levels.

The number of shares to be awarded at the end of the 18 month period is adjusted by a TSR modifier. The TSR modifier varies between 75% for stock performance at or below the minimum level and 125% at or above the maximum level. For performance between the minimum level and the maximum level, a proportionate TSR modifier between 75% and 125% is applied based on relative performance between the minimum and the maximum levels.

The earned shares vest 50% on June 30, 2015, six months after the performance period, and the remaining 50% on June 30, 2016. Target Shares subject to pRSU awards do not have dividend equivalent rights and do not have the voting rights of common stock until earned and issued, following the end of the applicable requisite service period. The expense for these awards, net of estimated forfeitures, is recorded over the requisite service period based on the number of Target Shares that are expected to be earned and the achievement of the non-GAAP operating income plus interest expense goal during the performance period. The Company estimates the fair value of the pRSUs using a Monte Carlo simulation model, as the TSR modifier contains a market condition. The weighted-average grant date fair value per share of these pRSUs was $4.07. The following weighted-average assumptions, in addition to projections of market conditions, were used to measure the weighted-average fair value:

Expected volatility	57.46%
Risk-free interest rate	0.20%
Expected dividends	0.00%
Expected life	1.44 years

NOTE 10. Commitments and Contingencies

Warranties and Indemnities

The Company generally warrants that its products sold to its customers will conform to the Company s approved specifications and be free from defects in material and workmanship under normal use and service for one year. Subject to certain exceptions, the Company also offers a three-year limited warranty to end users for only those microprocessor and AMD APU products that are commonly referred to as processors in a box and has also 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 estimated liability for product warranty during the quarters and nine months ended September 28, 2013 and September 29, 2012 were as follows:

	Quarter Ended		Nine Months Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
	(In millions)			
Beginning balance	$ 14	$ 18	$ 16	$ 20
New warranties issued	7	6	19	22
Settlements	(6)	(7)	(17)	(23)
Changes in liability for pre-existing warranties, including expirations			(3)	(2)
Ending balance	$ 15	$ 17	$ 15	$ 17

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

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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

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

NOTE 11. Hedging Transactions and Derivative Financial Instruments

The following table shows the amount of gain (loss) included in accumulated other comprehensive income (loss), the amount of gain (loss) reclassified from accumulated other comprehensive income (loss) and included in earnings related to the foreign currency forward contracts designated as cash flow hedges and the amount of gain (loss) included in other income (expense), net, related to contracts not designated as hedging instruments, which was allocated in the condensed consolidated statement of operations:

	Quarter Ended		Nine Months Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
	(In millions)			
Foreign Currency Forward Contracts				
Contracts designated as cash flow hedging instruments				
Other comprehensive income (loss)	$ 3	$ 3	$ (1)	$ 4
Research and development	(1)		(1)	(1)
Contracts not designated as hedging instruments				
Other income (expense), net	$ 1	$ 2	$ (1)	$ 2

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:

	September 28, 2013	December 29, 2012
	(In millions)	
Foreign Currency Forward Contracts		
Contracts designated as cash flow hedging instruments	$ (1)	$
Contracts not designated as hedging instruments	$	$

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

As of September 28, 2013 and December 29, 2012, the notional values of the Company s outstanding foreign currency forward contracts were $128 million and $142 million, respectively. All the contracts mature within 12 months, and upon maturity, the amounts recorded in accumulated other comprehensive income (loss) are expected to be reclassified into earnings. The Company hedges its exposure to the variability in future cash flows for forecasted transactions over a maximum of 12 months. As of September 28, 2013, the Company s outstanding contracts were in a $1 million net loss position. The Company is required to post collateral should the derivative contracts be in a net loss position exceeding certain thresholds. As of September 28, 2013, the Company was not required to post any collateral.

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NOTE 12. Restructuring

2012 Restructuring Plan

In the fourth quarter of 2012, the Company implemented a restructuring plan designed to improve the Company s cost structure and to strengthen its competitiveness in core growth areas. The plan primarily involved a workforce reduction of approximately 14% as well as asset impairments and facility consolidations. In the second quarter of 2013, the Company incurred costs of $10 million related to its exit from a portion of its facility in Sunnyvale, California, partially offset by the release of employee severance costs of $5 million. The plan was completed as of the end of the third quarter of 2013.

2011 Restructuring Plan

In the fourth quarter of 2011, the Company initiated a restructuring plan to strengthen its competitive positioning, implement a more competitive cost structure and conduct a workforce rebalancing to better address faster growing market segments. The plan included a reduction of the Company s global workforce by 13% and contract and program terminations. The plan was completed as of the end of the first quarter of 2012.

The following table provides a summary of the activity related to the 2012 and 2011 restructuring plans and the related liabilities recorded in Other current liabilities on the Company s consolidated balance sheets remaining as of September 28, 2013:

	Severance and related benefits	Other exit related costs	Total
		(In millions)	
Balance as of December 29, 2012	$ 41	$ 17	$ 58
Charges (reversals), net	(5)	10	5
Cash payments	(33)	(19)	(52)
Balance as of September 28, 2013	$ 3	$ 8	$ 11

NOTE 13. Accumulated Other Comprehensive Income (Loss)

The table below summarizes the changes in accumulated other comprehensive income (loss) by component for the quarters and nine months ended September 28, 2013 and September 29, 2012.

	Quarter Ended				Nine Months Ended			
	September 28, 2013		September 29, 2012		September 28, 2013		September 29, 2012	
	Unrealized gains (losses) on cash flow hedges	Total	Unrealized gains (losses) on cash flow hedges	Total	Unrealized gains (losses) on cash flow hedges	Total	Unrealized gains (losses) on cash flow hedges	Total
				(In millions)				
Beginning balance	$ (6)	$ (6)	$ (4)	$ (4)	$ (3)	$ (3)	$ (5)	$ (5)
Unrealized gains (losses) arising during the period, net of tax effects	3	3	3	3			3	3
Reclassification adjustment for (gains) losses realized and included in net income (loss), net of tax effects	1	1			1	1	1	1
Total other comprehensive income	4	4	3	3	1	1	4	4

Ending balance	$ (2)	$ (2)	$ (1)	$ (1)	$ (2)	$ (2)	$ (1)	$ (1)

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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, 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: demand for our products; the growth, change and competitive landscape of the markets in which we participate; our ability to obtain sufficient external financing on favorable terms, or at all; the nature and extent of our future payments to GLOBALFOUNDRIES Inc. (GF) under the wafer supply agreement (WSA) and the materiality of these payments; that consumer PC market conditions will remain challenging; the level of international sales as compared to total sales; our ability to sell our auction rate securities within the next twelve months; that our cash, cash equivalents and marketable securities balance and available external financing will be sufficient to fund our operations, including capital expenditures, over the next twelve months; our hedging strategy; our longer-term strategy to attain approximately 50% of our revenue from semi-custom System-on-Chip (SOC) products, embedded products and other faster growth markets over the next tow years; that as we transition to our semi-custom business model, royalty revenue will decline and gross margin for the semi-custom SOC products will be lower than our overall gross margin; and our dependence on a small number of customers for our computing solutions and graphics products, including our semi-custom SOC products. 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); GF s manufacturing yields and wafer volumes; 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 long-term strategy; our ability to continue to invest in research and development; the expected demand for computers, graphic digital devices, gaming systems and servers containing our products; 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 will require additional funding and may be unable to raise sufficient capital on favorable terms, or at all; that customers stop buying our products or materially reduce their operations or demand for our products; 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 foundry suppliers will be unable to transition our products to advanced manufacturing process technologies in a timely and effective way or 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 GF microprocessor manufacturing facilities; that our requirements for wafers will be less than the fixed number of wafers that we agreed to purchase from GF or GF encounters problems that significantly reduce the number of functional die we receive from each wafer; that we are unable to successfully implement our long-term business strategy; that we inaccurately estimate the quantity or type of products that our customers will want in the future or will ultimately end up purchasing, resulting in excess or obsolete inventory; that we are unable to manage the risks related to the use of our third-party distributors and add-in-board (AIB) partners or offer the appropriate incentives to focus them on the sale of our products; that we may be unable to maintain the level of investment in research and development that is required to remain competitive; 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; that global business and economic conditions, including consumer PC market conditions, will not improve or will worsen; 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 36 and the Financial Condition section beginning on page 29 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 29, 2012 and December 31, 2011, and for each of the three years in the period ended December 29, 2012 as filed in our Annual Report on Form 10-K for the year ended December 29, 2012.

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Overview

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

- x86 microprocessors, as standalone devices or as incorporated as an accelerated processing unit (APU), chipsets, embedded processors and dense servers; and
- graphics processing units (GPU), including professional graphics, semi-custom SOC products and technology for game consoles.

In this section, we will describe the general financial condition and the results of operations of Advanced Micro Devices, Inc. and its wholly-owned subsidiaries, including a discussion of our results of operations for the quarter and nine months ended September 28, 2013 compared to the quarter ended June 29, 2013 and the quarter and nine months ended September 29, 2012, an analysis of changes in our financial condition and a discussion of our contractual obligations. References in this report to us, our or AMD include these consolidated operating results.

During the third quarter of 2013, we continued to execute our three-step plan to restructure, accelerate and transform our business in response to the changing dynamics of the market. We have completed restructuring activities, the first step of our plan, which were designed to reduce operating costs and improve efficiency. These efforts led to decreased operating expenses, which were $426 million in the third quarter of 2013 compared to $488 million in the second quarter of 2013. Operating expenses have decreased approximately 30% since we first implemented our restructuring plan in the fourth quarter of 2012. We returned to profitability in the third quarter of 2013 with operating income of $95 million and net income of $48 million in the third quarter of 2013 compared to an operating loss of $29 million and a net loss of $74 million in the second quarter of 2013. Operating income and net income in the third quarter of 2013 included the impact of a $19 million benefit from sales of previously reserved inventory, and operating income and net income in the second quarter of 2013 included the impact of a similar $11 million benefit.

We also continued to make progress on the second step of our plan in the third quarter of 2013, accelerating our business by executing on our product roadmap. As part of the 2013 Elite Mobility processor family, we launched our new quad-core processor, the AMD Elite Quad-Core A4-1350 APU, for small screen touch notebooks, tablets and hybrids. With respect to our graphics products, we announced our AMD Radeon R7 and R9 series graphics cards designed for enthusiast gamers. These graphic cards also support our Mantle technology, which allows game developers to more easily take advantage of the full capability of our graphic core architecture. Lastly, the third quarter of 2013 results showed progress toward the third phase of our plan, transforming our business to attain approximately 50% of revenue from high-growth adjacent markets over the next two years. In the third quarter of 2013, net revenue from sales of our semi-custom SOC products and embedded products represented more than 30% of total net revenue. As part of this growth, we extended our embedded SOC product portfolio with the launch of a new low power AMD G-Series SOC for fanless designs.

Net revenue for the third quarter of 2013 was $1.46 billion, a 15% increase from the third quarter of 2012 and a 26% increase compared to the second quarter of 2013. The quarter-over-quarter increase was the result of a 110% increase in Graphics and Visual Solutions segment net revenue, which was offset by a 6% decrease in Computing Solutions segment net revenue. The increase in Graphics and Visual Solutions segment revenue was driven by higher revenue from sales of our semi-custom SOC products. Our Computing Solutions segment results reflect the changing dynamics of the consumer PC market, including a weaker consumer notebook market and the increasing popularity of tablets as a consumer device of choice. Computing Solutions segment net revenue decreased due to lower unit shipments of our microprocessors for notebooks and chipset products, which were partially offset by higher desktop unit shipments. We continue to focus on our balance of cash, cash equivalents and marketable securities, including long-term marketable securities, which were $1.2 billion as of September 28, 2013, a slight increase from June 29, 2013. These results were positively impacted by $56 million of cash proceeds that we received in the third quarter of 2013 from certain real estate transactions occurring in Singapore and Austin, Texas.

Critical Accounting Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles (GAAP). The preparation of our financial statements requires us to make estimates and judgments that affect the reported amounts in our condensed consolidated financial statements. We evaluate our estimates on an on-going basis, including those related to our net revenue, inventories, asset impairments and income taxes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying

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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 quarter and nine months ended September 28, 2013 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 29, 2012.

During our fourth quarter of 2013, pursuant to our accounting policy, we will perform an annual goodwill impairment analysis. If there are declines in our market capitalization, business climate or operating results, we may incur impairment charges that could be material.

Results of Operations

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

We use the following two reportable segments:

- the Computing Solutions segment, which includes x86 microprocessors, as standalone devices or as incorporated as an APU, chipsets, embedded processors and dense servers; and
- the Graphics and Visual Solutions segment, which includes GPUs, including professional graphics, and semi-custom SOC products, as well as revenue received in connection with development services and game console royalties.

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 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, employee stock-based compensation expense, restructuring and other special charges (gains), net and a charge related to the limited waiver of exclusivity from GF.

We use a 52 or 53 week fiscal year ending on the last Saturday in December. The quarters ended September 28, 2013, June 29, 2013 and September 29, 2012 consisted of 13 weeks. The nine months ended September 28, 2013 and September 29, 2012 consisted of 39 weeks.

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

	Quarter Ended			Nine Months Ended	
	September 28, 2013	June 29, 2013	September 29, 2012	September 28, 2013	September 29, 2012
			(In millions)		
Net revenue:					
Computing Solutions	$ 790	$ 841	$ 927	$ 2,382	$ 3,176
Graphics and Visual Solutions	671	320	342	1,328	1,091
Total net revenue	$ 1,461	$ 1,161	$ 1,269	$ 3,710	$ 4,267
Operating income (loss):					
Computing Solutions	$ 22	$ 2	$ (114)	$ (15)	$ 92
Graphics and Visual Solutions	79		18	95	83
All Other	(6)	(31)	(35)	(112)	(809)
Total operating income (loss)	$ 95	$ (29)	$ (131)	$ (32)	$ (634)

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Computing Solutions

Computing Solutions net revenue of $790 million in the third quarter of 2013 decreased by 15% compared to net revenue of $927 million in the third quarter of 2012 as a result of a 12% decrease in unit shipments and a 4% decrease in average selling price. The decrease in unit shipments was primarily attributable to lower unit shipments of our microprocessors for servers and notebooks, and chipset products. The decrease in the average selling price was primarily attributable to a lower average selling price of our microprocessor products for notebooks and chipset products, partially offset by a higher average selling price of our microprocessors for servers. Unit shipments and average selling price of our products decreased due to challenging consumer PC market conditions and the increasing popularity of tablets as a consumer device of choice, which resulted in decreased demand for our products.

Computing Solutions net revenue of $790 million in the third quarter of 2013 decreased by 6% compared to $841 million in the second quarter of 2013 as a result of a 3% decrease in unit shipments and a 3% decrease in average selling price. The decrease in unit shipments was primarily attributable to lower unit shipments of our microprocessors for notebooks and chipset products, partially offset by higher unit shipments for desktops. The decrease in average selling price was primarily attributable to a decrease in average selling price for our chipset products and microprocessor for notebooks, partially offset by higher average selling price for our microprocessor for servers. Unit shipments and average selling price of our products decreased due to challenging consumer PC market conditions and the increasing popularity of tablets as a consumer device of choice, which resulted in decreased demand for our products.

Computing Solutions net revenue of $2,382 million for the first nine months of 2013 decreased by 25% compared to net revenue of $3,176 million for the first nine months of 2012 as a result of a 20% decrease in unit shipments and a 6% decrease in average selling price. Unit shipments and average selling price of all categories of products decreased due to challenging consumer PC market conditions and the increasing popularity of tablets as a consumer device of choice, which resulted in decreased demand for our products.

Computing Solutions operating income was $22 million in the third quarter of 2013 compared to operating loss of $114 million in the third quarter of 2012. The improvement in operating results was primarily due to a $191 million decrease in cost of sales, a $45 million decrease in marketing, general and administrative expenses and a $39 million decrease in research and development expenses, partially offset by the decrease in net revenue referenced above. Cost of sales decreased primarily due to lower unit shipments in the third quarter of 2013 compared to the third quarter of 2012. In addition, operating loss for the third quarter of 2012 included an inventory write-down of approximately $100 million primarily consisting of first generation A-Series APUs. Operating income for the third quarter of 2013 included a $19 million benefit from sales of inventory that had been previously reserved in the third quarter of 2012. Marketing, general and administrative expenses and research and development expenses decreased for the reasons set forth under Expenses, below.

Computing Solutions operating income was $22 million in the third quarter of 2013 compared to operating income of $2 million in the second quarter of 2013. The improvement in operating results was primarily due to a $38 million decrease in cost of sales, a $23 million decrease in marketing, general and administrative expenses and an $11 million decrease in research and development expenses, partially offset by the decrease in net revenue referenced above. Cost of sales decreased primarily due to lower unit shipments in the third quarter of 2013 compared to the second quarter of 2013. In addition, operating income for the third quarter of 2013 included a $19 million benefit from sales of inventory that had been previously reserved in the third quarter of 2012, as compared to a similar $11 million benefit in operating income for the second quarter of 2013. Marketing, general and administrative expenses and research and development expenses decreased for the reasons set forth under Expenses, below.

Computing Solutions operating loss was $15 million in the first nine months of 2013 compared to operating income of $92 million in the first nine months of 2012. The decline in operating results was primarily due to the decrease in revenue referenced above, partially offset by a $410 million decrease in cost of sales, a $146 million decrease in research and development expenses and a $133 million decrease in marketing, general and administrative expenses. Cost of sales decreased primarily due to lower unit shipments in the first nine months of 2013 compared to the first nine months of 2012. In addition, operating income for the first nine months of 2012 included an inventory write-down of approximately $100 million primarily consisting of first generation A-Series APUs. Operating loss for the first nine months of 2013 included a $50 million benefit from sales of inventory that had been previously reserved in the third quarter of 2012. Research and development expenses and marketing, general and administrative expenses decreased for the reasons set forth under Expenses, below.

Graphics and Visual Solutions

Graphics and Visual Solutions net revenue of $671 million in the third quarter of 2013 increased by 96% compared to net revenue of $342 million in the third quarter of 2012. The increase was primarily due to net revenue from sales of semi-custom SOC products, partially offset by a decrease in net revenue from sales of our GPU products and a decrease in game console royalties. Net revenue from sales of GPU products decreased due to lower unit shipments as well as a decrease in average selling price. GPU unit shipments decreased due to challenging consumer PC market conditions, which adversely impacted demand, and average selling price decreased due to product mix. Net revenue from game

console royalties decreased as we transitioned to our semi-custom business model and began shipping a greater number of semi-custom SOC products.

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Graphics and Visual Solutions net revenue of $671 million in the third quarter of 2013 increased by 110% compared to net revenue of $320 million in the second quarter of 2013. The increase was due to an increase in net revenue received in connection with sales of our semi-custom SOC products, which we began shipping in the second quarter of 2013, driven by higher unit shipments, partially offset by a decrease in net revenue from sales of our GPU products. Net revenue from sales of GPU products decreased due to lower unit shipments as well as lower average selling price. GPU unit shipments and average selling price decreased as customers began transitioning to our new AMD Radeon R7 and R9 Series graphics cards in the third quarter of 2013.

Graphics and Visual Solutions net revenue of $1,328 million in the first nine months of 2013 increased by 22% compared to net revenue of $1,091 million in the first nine months of 2012. The increase was primarily due to net revenue received in connection with sales of our semi-custom SOC products, which we began shipping in the second quarter of 2013, partially offset by a decrease in net revenue from sales of our GPU products as well as a decrease in game console royalties. Net revenue from sales of GPU products decreased due to lower unit shipments partially offset by higher average selling price. GPU unit shipments decreased due to challenging consumer PC market conditions, which adversely impacted demand. GPU average selling price increased primarily due to improved product mix. Net revenue from game console royalties decreased as we transitioned to our semi-custom business model and began shipping a greater number of semi-custom SOC products.

Graphics and Visual Solutions operating income was $79 million in the third quarter of 2013 compared to operating income of $18 million in the third quarter of 2012. The improvement in operating results was primarily due to the increase in net revenue referenced above, partially offset by a $255 million increase in cost of sales and a $12 million increase in marketing, general and administrative expenses. The increase in cost of sales was primarily due to unit shipments of our semi-custom SOC products in the third quarter of 2013. Marketing, general and administrative expenses increased for the reasons set forth under Expenses, below.

Graphics and Visual Solutions operating income was $79 million in the third quarter of 2013 compared to breakeven operating income in the second quarter of 2013. The improvement in operating results was primarily due to the increase in net revenue referenced above and an $11 million decrease in research and development expenses, partially offset by a $275 million increase in cost of sales and a $7 million increase in marketing, general and administrative expenses. The increase in cost of sales was primarily due to an increase in unit shipments of our semi-custom SOC products in the third quarter of 2013 compared to the second quarter of 2013. Research and development expenses decreased and marketing, general and administrative expenses increased for the reasons set forth under Expenses, below.

Graphics and Visual Solutions operating income was $95 million in the first nine months of 2013 compared to operating income of $83 million in the first nine months of 2012. The improvement in operating results was primarily due to the increase in net revenue referenced above, partially offset by a $194 million increase in cost of sales, an $18 million increase in research and development expenses, and a $14 million increase in marketing, general and administrative expenses. The increase in cost of sales was primarily due to unit shipments of our semi-custom SOC products in the first nine months of 2013. Research and development expenses and marketing, general and administrative expenses increased for the reasons set forth under Expenses below.

As we transition to shipping a greater number of our semi-custom SOC products, we expect the proportion of net revenue from royalty payments to total net revenue to decline.

All Other

All Other operating loss of $6 million in the third quarter of 2013 included stock-based compensation expense of $23 million, net restructuring and other special gains of $22 million and $5 million related to amortization of acquired intangible assets.

All Other operating loss of $31 million in the second quarter of 2013 primarily included stock-based compensation expense of $20 million, net restructuring and other special charges of $5 million and $4 million related to amortization of acquired intangible assets.

All Other operating loss of $112 million in the first nine months of 2013 primarily included stock-based compensation expense of $67 million, net restructuring and other special charges of $30 million and $14 million related to amortization of acquired intangible assets.

International Sales

International sales as a percentage of net revenue were 82% in the third quarter of 2013, 92% in the third quarter of 2012 and 93% in the second quarter of 2013. The decrease in international sales as a percentage of net revenue in the third quarter of 2013 compared to the third quarter of 2012 and the second quarter of 2013 was primarily driven by an increase in net revenue from domestic sales of our semi-custom SOC products. We expect that international sales will continue to be a significant portion of total sales in the foreseeable future. Substantially all of our sales transactions were denominated in U.S. dollars.

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Comparison of Gross Margin, Expenses, Interest Income, Interest Expense, Other Income (Expense), Net, and Income Taxes

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

	Quarter Ended			Nine Months Ended	
	September 28, 2013	June 29, 2013	September 29, 2012	September 28, 2013	September 29, 2012
	(In millions except for percentages)				
Cost of sales	$ 940	$ 702	$ 877	$ 2,285	$ 3,210
Gross margin	521	459	392	1,425	1,057
Gross margin percentage	36%	40%	31%	38%	25%
Research and development	288	308	328	908	1,041
Marketing, general and administrative	155	171	188	505	630
Amortization of acquired intangible assets	5	4	4	14	9
Restructuring and other special charges (gains), net	(22)	5	3	30	11
Interest income	1	2	2	4	6
Interest expense	(47)	(42)	(44)	(133)	(130)
Other income (expense), net	2	(2)	16	(3)	10
Provision (benefit) for income taxes	3	3		8	(38)

Gross Margin

Gross margin as a percentage of net revenue was 36% in the third quarter of 2013 compared to 31% in the third quarter of 2012. Gross margin in the third quarter of 2012 was adversely impacted by an inventory write-down of approximately $100 million, primarily consisting of first generation A-Series APUs, which accounted for eight gross margin percentage points. Gross margin in the third quarter of 2013 included a $19 million benefit from sales of inventory that was previously reserved in the third quarter of 2012, which accounted for one gross margin percentage point. Gross margin in the third quarter of 2013 was adversely impacted by lower average gross margins in our Graphics and Visual Solutions segment driven by lower margin semi-custom SOC products.

Gross margin as a percentage of net revenue was 36% in the third quarter of 2013 compared to 40% in the second quarter of 2013. The decline in gross margin was primarily due to lower average gross margins in our Graphics and Visual Solutions segment driven by lower margin semi-custom SOC products. Gross margin in the third quarter of 2013 included a $19 million benefit from sales of inventory that was previously reserved in the third quarter of 2012, which accounted for one gross margin percentage point as compared to a similar $11 million benefit in the second quarter of 2013, which also accounted for one gross margin percentage point.

Gross margin as a percentage of net revenue was 38% in the first nine months of 2013 compared to 25% in the first nine months of 2012. Gross margin in the first nine months of 2012 included a $703 million charge related to the limited waiver of exclusivity from GF and a $5 million charge recorded to cost of sales related to a legal settlement. Absent the effect of these charges, which we believe are not indicative of our ongoing operating performance, our gross margin would have been 41% in the first nine months of 2012. The decline in gross margin was primarily due to lower average gross margins in our Graphics and Visual Solutions segment driven by lower margin semi-custom SOC products. In addition, gross margin in the first nine months of 2012 was adversely impacted by an inventory write-down of $100 million, primarily consisting of first generation A-Series APUs, which accounted for two gross margin percentage points. Gross margin in the first nine months of 2013 included a $50 million benefit from sales of inventory that was previously reserved in the third quarter of 2012, which accounted for one gross margin percentage point.

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Expenses

Research and Development Expenses

Research and development expenses of $288 million in the third quarter of 2013 decreased by $40 million, or 12%, compared to $328 million in the third quarter of 2012, as we fully realized the benefits from the 2012 restructuring plan. The decrease was primarily due to a $39 million decrease in research and development expenses attributable to our Computing Solutions segment as a result of a $43 million decrease in product engineering and design costs, partially offset by a $4 million increase in other employee compensation and benefit expense.

Research and development expenses of $288 million in the third quarter of 2013 decreased by $20 million, or 6%, compared to $308 million in the second quarter of 2013. The decrease was primarily due to an $11 million decrease in research and development expenses attributable to our Computing Solutions segment and an $11 million decrease in research and development expense attributable to our Graphics and Visual Solutions segment. Research and development expenses attributable to our Computing Solutions segment decreased primarily due to a $10 million decrease in other employee compensation and benefit expense. Research and development expenses attributable to our Graphics and Visual Solutions segment decreased primarily due to a $5 million decrease in product engineering and design costs and a $4 million decrease in other employee compensation and benefit expense.

Research and development expenses of $908 million in the first nine months of 2013 decreased by $133 million, or 13%, compared to $1,041 million in the first nine months of 2012, as we fully realized the benefits from the 2012 restructuring plan. The decrease was primarily due to a $146 million decrease in research and development expenses attributable to our Computing Solutions segment and a $5 million decrease in stock-based compensation expense recorded in the All Other category, partially offset by an $18 million increase in research and development expenses attributable to our Graphics and Visual Solutions segment. Research and development expenses attributable to our Computing Solutions segment decreased as a result of a $120 million decrease in product engineering and design costs and a $35 million decrease in manufacturing process technology expenses related to GF, partially offset by a $9 million increase in other employee compensation and benefit expense. The increase in research and development expenses attributable to our Graphics and Visual Solutions segment was primarily due to a $10 million increase in other employee compensation and benefit expense and a $6 million increase in product engineering and design costs.

Marketing, General and Administrative Expenses

Marketing, general and administrative expenses of $155 million in the third quarter of 2013 decreased by $33 million, or 18%, compared to $188 million in the third quarter of 2012, as we fully realized the benefits from the 2012 restructuring plan. The decrease was primarily due to a $45 million decrease in marketing, general and administrative expenses attributable to our Computing Solutions segment, partially offset by a $12 million increase in marketing, general and administrative expenses attributable to our Graphics and Visual Solutions segment. Marketing, general and administrative expenses attributable to our Computing Solutions segment decreased primarily due to a $25 million decrease in sales and marketing activities and a $20 million decrease in other general and administrative expenses. Marketing, general and administrative expenses attributable to our Graphics and Visual Solutions segment increased primarily due to a $15 million increase in other general and administrative expenses, partially offset by a $3 million decrease in sales and marketing activities.

Marketing, general and administrative expenses of $155 million in the third quarter of 2013 decreased by $16 million, or 9%, compared to $171 million in second quarter of 2013. The decrease was primarily due to a $23 million decrease in marketing, general and administrative expenses attributable to our Computing Solutions segment, partially offset by a $7 million increase in marketing, general and administrative expenses attributable to our Graphics and Visual Solutions segment. Marketing, general and administrative expenses attributable to our Computing Solutions segment decreased primarily due to a $14 million decrease in sales and marketing activities and a $7 million decrease in other general and administrative expenses. Marketing, general and administrative expenses attributable to our Graphics and Visual Solutions segment increased primarily due to a $7 million increase in other general and administrative expenses.

Marketing, general and administrative expenses of $505 million in the first nine months of 2013 decreased by $125 million, or 20%, compared to $630 million in the first nine months of 2012, as we fully realized the benefits from the 2012 restructuring plan. The decrease was primarily due to a $133 million decrease in marketing, general and administrative expenses attributable to our Computing Solutions segment and a $6 million decrease in stock-based compensation expense recorded in the All Other category, partially offset by a $14 million increase in marketing, general and administrative expenses attributable to our Graphics and Visual Solutions segment. Marketing, general and administrative expenses attributable to our Computing Solutions segment decreased primarily due to an $82 million decrease in sales and marketing activities and a $53 million decrease in other general and administrative expenses. Marketing, general and administrative expenses attributable to our Graphics and Visual Solutions segment increased primarily due to a $24 million increase in other general and administrative expenses, partially offset by a $13 million decrease in sales and marketing activities.

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Restructuring and Other Special Charges (Gains), Net

Sale and Leaseback Transactions

In September 2013, we sold a light industrial building in Singapore and leased back a portion of the original space. We received net proceeds of $46 million in connection with the sale. The difference between the net proceeds and the $15 million carrying value of property sold resulted in a $17 million gain that we recorded in the third quarter of 2013 and a $14 gain deferred as of September 28, 2013 that we will amortize over the initial lease term. The initial lease term expires in September 2023 and provides for options to extend the lease for 4 years, at the end of the initial lease term, and for an additional 3.5 years thereafter. We accounted for the lease as an operating lease.

In September 2013, we also sold an office building in Austin, Texas. We received net proceeds of $10 million in connection with the sale and recorded a $5 million gain in the third quarter of 2013, primarily related to the difference between the sale proceeds and the $5 million carrying value of the property sold.

In March 2013, we sold and leased back land and office buildings in Austin, Texas. We received net cash proceeds of $164 million in connection with the sale and recorded a $52 million charge in the first quarter of 2013, primarily related to the difference between the sale proceeds and the $216 million carrying value of the property sold. The lease expires in March 2025 and provides for one 10-year optional renewal. We accounted for the transaction as an operating lease.

In March 2013, we also sold an office building in Markham, Ontario, Canada and leased back a portion of the original space. We received net cash proceeds of $13 million in connection with the sale and recorded a $6 million gain in the first quarter of 2013, primarily related to the difference between the sale proceeds and the $7 million carrying value of the property sold. The lease was to expire in March 2014 but contained an early termination provision, which we exercised effective June 30, 2013. While occupied, we accounted for the lease as an operating lease.

The $22 million gain recognized in the third quarter of 2013 and the net charge of $24 million recognized in the first nine months of 2013 related to the real estate transactions described above are recorded in the Restructuring and other special charges (gains), net line item on the condensed consolidated statements of operations.

Effects of Restructuring Plans

2012 Restructuring Plan

In the fourth quarter of 2012, we implemented a restructuring plan designed to improve our cost structure and to strengthen our competitiveness in core growth areas. The plan primarily involved a workforce reduction of approximately 14% as well as asset impairments and facility consolidations. In the second quarter of 2013, we incurred costs of $10 million related to the exit of a portion of our facility in Sunnyvale, California, partially offset by the release of employee severance costs of $5 million. The plan was completed as of the end of the third quarter of 2013.

2011 Restructuring Plan

In the fourth quarter of 2011, we initiated a restructuring plan to strengthen our competitive positioning, implement a more competitive cost structure and conduct a workforce rebalancing to better address faster growing market segments. The plan included a reduction of our global workforce by 13% and contract and program terminations. The plan was completed as of the end of the first quarter of 2012.

The following table provides a summary of the activity related to the 2012 and 2011 restructuring plans and the remaining related liabilities recorded in Other current liabilities on our condensed consolidated balance sheet as of September 28, 2013:

	Severance and related benefits	Other exit related costs	Total
		(In millions)	
Balance as of December 29, 2012	$ 41	$ 17	$ 58
Charges (reversals), net	(5)	10	5

Cash payments	(33)	(19)	(52)
Balance as of September 28, 2013	$ 3	$ 8	$ 11

Interest Expense

Interest expense of $47 million in the third quarter of 2013 increased by $3 million compared to $44 million in the third quarter of 2012 due to a tax-related interest expense.

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Interest expense of $47 million in the third quarter of 2013 increased by $5 million compared to $42 million in the second quarter of 2013 due to a tax-related interest expense.

Interest expense of $133 million in the first nine months of 2013 increased by $3 million compared to $130 million in the first nine months of 2012 due to a tax-related interest expense.

Other Income (Expense), Net

Other income, net, of $2 million in the third quarter of 2013 decreased by $14 million compared to $16 million in the third quarter of 2012 mainly due to $15 million of other income recorded during the third quarter of 2012.

Other income, net, of $2 million in the third quarter of 2013 compared to $2 million of other expense, net, in the second quarter of 2013 resulted primarily from fluctuations of foreign currency exchange rates.

Other expense, net, in the first nine months of 2013 was $3 million compared to $10 million of other income, net, in the first nine months of 2012 mainly due to $15 million of other income recorded during the third quarter of 2012.

Income Taxes

We recorded an income tax provision of $3 million in the third quarter of 2013 and did not record any income tax provision in the third quarter of 2012. For the nine months ended September 28, 2013, we recorded an income tax provision of $8 million. For the nine months ended September 29, 2012, we recorded an income tax benefit of $38 million.

In the third quarter of 2013, the income tax provision of $3 million was due to $2 million of foreign taxes in profitable locations and $1 million related to the reversal of previously recognized tax benefits associated with other comprehensive income. The $8 million income tax provision recorded in the nine months ended September 28, 2013 was due to $7 million of foreign taxes in profitable locations and $3 million related to the reversal of previously recognized tax benefits associated with other comprehensive income, offset by $2 million of tax benefits for Canadian co-op credits and monetization of U.S. tax credits.

In the third quarter of 2012,we did not record any income tax provision due to foreign taxes in profitable locations of $2 million offset by a $1 million tax benefit for the tax effects of items credited directly to other comprehensive income and $1 million of Canadian tax benefits from co-op tax credits. The $38 million income tax benefit recorded in the nine months ended September 29, 2012 was due to a tax benefit of $36 million relating to the SeaMicro acquisition, a $2 million tax benefit for the tax effects of items credited directly to other comprehensive income, a $1 million tax benefit for Canadian co-op tax credits and a $9 million tax benefit associated with the successful negotiation of a tax holiday in a foreign jurisdiction, net of $10 million of foreign taxes in profitable locations.

Purchase accounting for the SeaMicro acquisition required the establishment of a deferred tax liability related to the book tax basis differences of identifiable intangible assets that increased goodwill. The deferred tax liability created an additional source of U.S. future taxable income which resulted in a release of a portion of our U.S. valuation allowance. This resulted in a discrete income tax benefit of approximately $36 million in the first quarter of 2012.

As of September 28, 2013, substantially all of our U.S. and Canadian deferred tax assets, net of deferred tax liabilities, continue to be subject to a valuation allowance. The realization of these assets is dependent on substantial future taxable income which at September 28, 2013, in our estimate, is not more likely than not to be achieved.

Our gross unrecognized tax benefits increased by $2 million during the third quarter of 2013 due to unrecognized tax benefits in foreign jurisdictions. The total gross unrecognized tax benefits as of September 28, 2013 were approximately $56 million. We have recognized $3 million of liabilities for unrecognized tax benefits as of September 28, 2013. There were no material changes to accrued interest or penalties in the third quarter of 2013.

During the twelve months beginning September 28, 2013, we believe that it is reasonably possible that there will be no material changes in our unrecognized tax benefits. However, the resolution and/or closure of open audits are highly uncertain.

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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:

	Quarter Ended			Nine Months Ended	
	September 28, 2013	June 29, 2013	September 29, 2012	September 28, 2013	September 29, 2012
	(In millions)				
Cost of sales	$ 1	$ 1	$ 2	$ 4	$ 6
Research and development	12	10	15	35	40
Marketing, general and administrative	10	9	10	28	28
Stock-based compensation expense, net of tax of $0	$ 23	$ 20	$ 27	$ 67	$ 74

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

Stock-based compensation expense of $23 million in the third quarter of 2013 decreased by $4 million compared to $27 million in the third quarter of 2012. The decrease was primarily due to a lower weighted average grant date fair value and the effect of the 2012 restructuring plan.

Stock-based compensation expense of $23 million in the third quarter of 2013 increased by $3 million compared to $20 million in the second quarter of 2013 mainly due to timing of the grants.

Stock-based compensation expense of $67 million in the first nine months of 2013 decreased by $7 million compared to $74 million in the first nine months of 2012. The decrease was primarily due to a lower weighted average grant date fair value and the effect of the 2012 restructuring plan, partially offset by the additional expense related to stock options and restricted stock granted in connection with the SeaMicro acquisition on March 23, 2012.

FINANCIAL CONDITION

Liquidity

As of September 28, 2013, our cash, cash equivalents and marketable securities of approximately $1.1 billion remained flat compared to December 29, 2012. During the first nine months ended September 28, 2013, our cash proceeds from sales of property and equipment of $238 million were partially offset by a $215 million payment related to our take-or-pay obligation to GF and cash outflow of $63 million for purchases of property, plant and equipment. The percentage of cash, cash equivalents and marketable securities held domestically was 88% as of September 28, 2013.

Our debt and capital lease obligations as of September 28, 2013 were $2.05 billion, which reflected a debt discount adjustment of $49 million on our 6.00% Convertible Senior Notes due 2015 (6.00% Notes) and 8.125% Senior Notes due 2017 (8.125% Notes).

For the nine months ended September 28, 2013, our net cash used in operating activities was $169 million and our non-GAAP free cash flow was negative $232 million. For the nine months ended September 29, 2012, our net cash used in operating activities was $52 million and our non-GAAP free cash flow was negative $163 million. Free cash flow is a non-GAAP measure which we calculated by adjusting GAAP net cash provided by (used in) operating activities for capital expenditures, which were $63 million for the first nine months of 2013 and $111 million for the first nine months of 2012. Compared to our non-GAAP free cash flow of negative $163 million for the first nine months of 2012, the decrease in our non-GAAP free cash flow for the first nine months of 2013 was primarily attributable to a decrease in cash flow from operating activities, partially offset by a $48 million decrease in capital expenditures.

With available external financing, we believe our cash, cash equivalents and marketable securities balance will be sufficient to fund operations, including capital expenditures, over the next twelve months.

We believe that in the event we decide to obtain external 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. We cannot assure you that macroeconomic conditions will improve, and they could worsen. If market conditions do not improve or deteriorate, we may be limited in our ability to access the capital markets to meet liquidity needs on favorable terms or at all, which could adversely affect our liquidity and financial condition, including our ability to refinance maturing liabilities.

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Auction Rate Securities (ARS)

As a result of the uncertainties in the credit markets, all of our ARS were negatively affected, and since February 2008, auctions for these securities failed to settle on their respective settlement dates. However, there have been no defaults on these securities, and we have received all interest payments as they became due.

As of September 28, 2013, the par value of our ARS was $22 million, with an estimated fair value of $15 million. Total ARS, at fair value, represented 1% of our total investment portfolio as of September 28, 2013.

Based on 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 current marketable securities as of September 28, 2013. We have the intent and believe we have the ability to sell these securities within the next 12 months.

Operating Activities

Net cash used in operating activities was $169 million in the first nine months of 2013. A net loss of $172 million was adjusted for non-cash charges consisting primarily of $182 million of depreciation and amortization expense, $67 million of employee stock-based compensation expense, a $30 million net loss on disposal of property, plant and equipment and $18 million of non-cash interest expense related to our 6.00% Notes and 8.125% Notes. The net changes in operating assets as of September 28, 2013 compared to December 29, 2012 included an increase in inventories of $360 million, largely driven by our customers next generation game console ramps and preparation for fourth quarter shipments of our new graphics products, an increase in accounts receivable of $242 million, which was primarily due to higher sales during the first nine months of 2013, an increase in other assets of $67 million, primarily due to new software licenses, and an increase in prepaid expenses and other current assets of $18 million. During the first nine months of 2013, accounts payable, accrued liabilities and other increased by $351 million, primarily due to a $296 million increase in accounts payable driven by timing of purchases and payments, a $32 million increase in accrued compensation and benefits and a $31 million increase in deferred income on shipments to our distributor customers, partially offset by a $10 million decrease in accrued and other current liabilities. Payables to GF, which included all amounts we owe to GF, increased by $41 million. The increase was primarily due to an increase of $256 million of payables related to wafer purchases, offset by payments of $175 million related to the limited waiver of exclusivity from GF and $40 million related to our take-or-pay obligation to GF.

Net cash used in operating activities was $52 million in the first nine months of 2012. A net loss of $710 million was adjusted for non-cash charges consisting primarily of a $278 million related to the limited waiver of exclusivity from GF, $194 million of depreciation and amortization expense, $74 million of stock-based compensation expense and $17 million of non-cash interest expense related to our 6.00% Notes and 8.125% Notes. These charges were partially offset by $41 million of benefit for deferred income taxes. The net changes in operating assets as of September 29, 2012 compared to December 31, 2011 included a decrease in accounts receivable of $237 million and an increase in inventories of $266 million, which were primarily due to lower sales during the first nine months of 2012. During the first nine months of 2012, payables to GF increased by $271 million. The increase was primarily due to an increase of $46 million of payables related to wafer purchases and the remaining cash obligations of $225 million related to the limited waiver of exclusivity from GF. Accounts payable, accrued liabilities and other decreased by $62 million primarily due to a $75 million decrease in accrued and other current liabilities, a $41 million decrease in other liabilities and a $13 million decrease in deferred income on shipments to distributors, partially offset by a $42 million increase in accounts payable and a $26 million increase in accrued compensation and benefits.

Investing Activities

Net cash provided by investing activities was $159 million in the first nine months of 2013. A cash inflow from sales of property, plant and equipment of $238 million, which consisted primarily of net cash proceeds from the real estate transactions in Austin, Texas of $179 million, in Singapore of $46 million and in Markham, Ontario, Canada of $13 million, was partially offset by a cash outflow of $63 million for purchases of property, plant and equipment and a net cash outflow of $16 million from purchases, sales and maturity of available for sale securities.

Net cash used in investing activities was $73 million in the first nine months of 2012. A net cash outflow of $281 million related to the acquisition of SeaMicro, a cash outflow of $111 million for purchases of property, plant and equipment and a cash outflow of $23 million related to other investing activities, were partially offset by a net cash inflow of $342 million from purchases, sale and maturity of available for sale securities.

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Financing Activities

Net cash provided by financing activities was $4 million in the first nine months of 2013, primarily due to $6 million in net proceeds from U.S. government grants for research and development activities and $3 million from the exercise of employee stock options, partially offset by repayment of capital lease obligations of $4 million.

Net cash provided by financing activities was $32 million in the first nine months of 2012, primarily due to net proceeds from the issuance of our 7.50% Senior Notes due 2022 (7.50% Notes) of $491 million, net proceeds from foreign government grants of $18 million and $12 million from the exercise of employee stock options, partially offset by our repayment of outstanding principal and accrued interest of our 5.75% Notes and capital lease obligations of $488 million.

During the first nine months of 2013 and 2012, 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 September 28, 2013, and is supplemented by the discussion following the table:

		Payment due by period					
(In millions)	**Total**	**Remainder of 2013**	**2014**	**2015**	**2016**	**2017**	**2018 and thereafter**
6.00% Convertible Senior Notes due 2015 [1]	$ 580	$	$	$ 580	$	$	$
8.125% Senior Notes due 2017 [1]	500					500	
7.75% Senior Notes due 2020	500						500
7.50% Senior Notes due 2022	500						500
Aggregate interest obligation [2]	824	38	152	128	117	115	274
Other long-term liabilities	50		5	32	10	1	2
Capital lease obligations [3]	20	1	6	6	6	1	
Operating leases	400	16	59	50	42	39	194
Purchase obligations [4]	733	552	168	13			
Obligations to GF [5]	865	615	250				
Total contractual obligations	$ 4,972	$ 1,222	$ 640	$ 809	$ 175	$ 656	$ 1,470

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

(1) 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.

(2) Includes principal and imputed interest.

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

(4) This amount includes all our contractual obligations to GF through the first quarter of 2014. We are not currently able to meaningfully quantify or estimate our purchase obligations to GF beyond the first quarter of 2014, but we expect that our future purchases from GF will continue to be material.

(5)
6.00% Convertible Senior Notes due 2015

On April 27, 2007, we issued $2.2 billion aggregate principal amount of the 6.00% Notes. 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 dated April 27, 2007, by and between us and Wells Fargo Bank, National Association, as trustee.

As of September 28, 2013, the outstanding aggregate principal amount of our 6.00% Notes was $580 million, and the remaining carrying value was approximately $563 million, net of debt discount of $17 million.

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8.125% Senior Notes Due 2017

On November 30, 2009, we issued $500 million of the 8.125% Notes 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 dated November 30, 2009 between us and Wells Fargo Bank, National Association, as trustee.

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%

As of September 28, 2013, the outstanding aggregate principal amount of our 8.125% Notes was $500 million, and the remaining carrying value was approximately $468 million, net of debt discount of $32 million.

7.75% Senior Notes Due 2020

On August 4, 2010, we issued $500 million of the 7.75% Senior Notes Due 2020 (7.75% Notes). 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 dated August 4, 2010 between us and Wells Fargo Bank, National Association, as trustee.

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%
On August 1, 2018 and thereafter	100.000%

As of September 28, 2013, the outstanding aggregate principal amount of our 7.75% Notes was $500 million.

7.50% Senior Notes Due 2022

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

As of September 28, 2013, the outstanding aggregate principal amount of our 7.50% Notes was $500 million.

The agreements governing our 6.00% Notes, 8.125% Notes, 7.75% Notes and 7.50% Notes contain cross-default provisions whereby a default under one agreement would likely result in cross defaults under agreements covering other borrowings. The occurrence of a default under any of these borrowing arrangements would permit the applicable note holders to declare all amounts outstanding under those borrowing arrangements to be immediately due and payable.

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Potential Repurchase of Outstanding Notes

We may elect to purchase or otherwise retire the 6.00% Notes, 8.125% Notes, 7.75% Notes and 7.50% 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.

Other Long-Term Liabilities

Other long-term liabilities in the contractual obligations table above primarily consists of $47 million of payments due under certain software and technology licenses that will be paid through 2017 and $2 million of payments related to employee benefit obligations that will be paid through 2018 and beyond.

Other long-term liabilities in the contractual obligations table above exclude amounts recorded on our condensed consolidated balance sheet that do not require us to make cash payments, which, as of September 28, 2013, primarily consisted of $24 million of deferred gains resulting from certain real estate transactions that occurred in Sunnyvale, California in 1998, in Markham, Ontario, Canada in 2008 and in Singapore in the third quarter of 2013. Also excluded from other long-term liabilities in the contractual obligations table able is $3 million of non-current unrecognized tax benefits, which is included in the caption Other long-term liabilities on our condensed consolidated balance sheet as of September 28, 2013. This amount represents a potential cash payment 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 September 28, 2013, we had aggregate outstanding capital lease obligations of $18 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 2025. We lease certain manufacturing and office equipment for terms ranging from one to five years. Total future non-cancelable lease obligations as of September 28, 2013 were $400 million, including approximately $331 million of future lease payments and estimated operating costs related to the real estate transactions that occurred in Austin, Texas, Sunnyvale, California and Singapore.

Purchase Obligations

Our purchase obligations primarily include our obligations to purchase wafers and substrates from third parties, excluding our wafer purchase commitments to GF under the WSA. As of September 28, 2013, total non-cancelable purchase obligations were $733 million.

Obligations to GF

Obligations to GF represent all our contractual obligations to GF, including approximately $415 million for our wafer purchase commitments for the remainder of 2013 and $250 million for the first quarter of 2014, and other payables under the WSA as described below. We are not currently able to meaningfully quantify or estimate our purchase obligations to GF beyond the first quarter of 2014, but we expect that our future purchases from GF will continue to be material.

Under the third amendment to the WSA, GF agreed to waive a portion of our wafer purchase commitments for the fourth quarter of 2012. In consideration of this waiver, we agreed to pay GF a fee of $320 million, of which $80 million was paid on December 31, 2012 and $40 million was paid on April 1, 2013, with the remaining $200 million payable by December 31, 2013, pursuant to a promissory note issued by us to GF.

Off-Balance Sheet Arrangements

As of September 28, 2013, we had no off-balance sheet arrangements.

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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 29, 2012.

There have not been any material changes in market risk since December 29, 2012.

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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 Chief Executive Officer and Chief Financial Officer as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of September 28, 2013, the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

There was no change in our internal controls over financial reporting during our third quarter of 2013 that materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1A. RISK FACTORS

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

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

Intel Corporation has 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.

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. Original Equipment Manufacturers (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 has substantially greater financial resources than we do and accordingly spends substantially greater amounts on marketing and research and development than we do. We expect Intel to maintain its 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 also leverages its dominance in the microprocessor market to sell its integrated graphics 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. 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.

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 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.

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

Our success depends to a significant extent on the development, qualification, implementation and acceptance of new product designs and improvements that provide value to our customers. Our ability to develop, qualify and distribute new products and related technologies to meet evolving industry requirements, at prices acceptable to our customers and on a timely basis are significant factors in determining our competitiveness in our target markets. For example, form factors have increasingly shifted from desktop PCs to mobile PCs, and tablets have been one of the fastest growing form factors. Also, ARM-based processors are being used in mobile and embedded electronics products as relatively low cost and small microprocessors and also in form factors such as laptops, tablets and smartphones. Historically, a significant portion of our Computing Solutions revenue has been related to desktop PCs. Currently, a significant portion of our business is focused on the legacy PC portions of the market, projected to have slowing growth over the next several years. To the extent consumers adopt new form factors and have different requirements than those consumers in the PC market, PC sales could be negatively impacted, which could negatively impact our business. If we fail to or are delayed in developing, qualifying or shipping new products or technologies that provide value to our customers and address these new trends, we may lose competitive positioning, which could cause us to lose market share and require us to discount the selling prices of our products. Although we make substantial investments in research and development, we cannot be certain that we will be able to develop, obtain or successfully implement new products and technologies on a timely basis.

Delays in developing, qualifying or shipping new products can also cause us to miss our customers product design windows or, in some cases, result in penalties. 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.

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 or other strategic investments.

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

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terms of such financing. Credit agency downgrades may also impact relationships with our suppliers, who may limit our credit lines. For example, in the first quarter of 2013, Moody s lowered our senior unsecured debt rating to B2 from B1. Furthermore, in the first quarter of 2013, Standard & Poor lowered our senior unsecured debt rating to B from BB. Our inability to obtain needed financing or to generate sufficient cash from operations may require us to abandon projects or curtail planned investments in research and development or other strategic initiatives. If we curtail planned investments in research and development or abandon projects, our products may fail to remain competitive and our business would be materially adversely affected.

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 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. If we experience supply constraints from our third-party manufacturing suppliers, we may be required to allocate the affected products amongst our customers, which could have a material adverse effect on our relationships with these customers and on our financial condition. In addition, if we are unable to meet customer demand due to fluctuating or late supply from our manufacturing suppliers, it could result in lost sales and have a material adverse effect on our business.

We do not have long-term commitment contracts with some of our third-party manufacturing suppliers. We obtain some of these manufacturing services on a purchase order basis and these manufacturers are not required to provide us with any specified minimum quantity of product beyond the quantities in an existing purchase order. Accordingly, we depend on these suppliers to allocate to us a portion of their manufacturing capacity sufficient to meet our needs, to produce products of acceptable quality and at acceptable manufacturing yields and to deliver those products to us on a timely basis and at acceptable prices. The manufacturers we use also fabricate wafers and assemble, test and package products for other companies, including certain of our competitors. They could choose to prioritize capacity for other 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, are unable to secure necessary raw materials from their suppliers or suffer any other disruption or reduction in efficiency, we may encounter supply delays or disruptions. If we are unable to secure sufficient or reliable supplies of products, our ability to meet customer demand may be adversely affected and this could materially affect our business.

If we transition the production of some of our products to new manufacturers, we may experience delayed product introductions, lower yields or poorer performance of our products. If we experience problems with product quality or are unable to secure sufficient capacity from a particular third-party 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.

We rely on GF to manufacture most of our microprocessor and APU products. If GF is not able to satisfy our manufacturing requirements, our business could be adversely impacted.

The WSA governs the terms by which we purchase products manufactured by GF. Pursuant to the WSA, we are required to purchase all of our microprocessor and APU product requirements from GF with limited exceptions. If GF is unable to achieve anticipated manufacturing yields, remain competitive using advanced process technologies, manufacture our products on a timely basis, or meet our capacity requirements, then we may experience delays in product launches or supply shortages for certain products and our business could be materially adversely affected.

On December 6, 2012, we entered into a third amendment to the WSA with GF. Pursuant to the third amendment, we agreed to certain pricing and other terms of the WSA applicable to wafers for our microprocessor and APU products to be delivered by GF to us through December 31, 2013. In addition, we committed to purchase a fixed number of production wafers at negotiated prices through December 31, 2013. If GF encounters any problems that significantly reduce the number of functional die we receive from each wafer, then under our fixed wafer price arrangement, this will have the effect of increasing our per-unit cost for our products and could also reduce the number of products available for sale to our customers, which may

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have an adverse impact on our results of operations. In addition, if our requirements are less than the fixed number of wafers that we agreed to purchase, we could have excess inventory or higher inventory unit costs, both of which will adversely impact our gross margin and our results of operations.

In addition, GF has relied on Advanced Technology Investment Company (ATIC) for its funding needs. If ATIC fails to adequately fund GF on a timely basis, or at all, GF s ability to manufacture products for us could be materially adversely affected.

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

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

We may not be able to successfully implement our long-term business strategy.

We are implementing a long-term business strategy to refocus our business to address markets beyond our core PC market to the faster growing low power or dense server, embedded and ultraportable and ultra-low-power markets. Currently, a significant portion of our business is focused on the legacy PC portions of the market, projected to have slowing growth over the next several years. The goal of our long-term strategy is to derive approximately 50% of our revenue from our semi-custom SOC products, embedded products and other adjacent, faster growth markets in the next two years. In the third quarter of 2013, net revenue from sales of our semi-custom SOC products and embedded products represented more than 30% of total net revenue. Despite our efforts, we may not be able to effectively implement our strategy in a timely manner to exploit potential market opportunities or meet competitive challenges. We currently anticipate that gross margin for our semi-custom SOC products will be lower than our overall gross margin. However, if demand for these products is below our expectations, or we are not able to improve cost efficiencies of this business model, we may not realize benefits from our long-term business strategy.

Moreover, our business strategy is dependent on creating products that anticipate customer requirements and emerging industry trends. There can be no assurances that our new strategic direction will result in innovative products and technologies that provide value to our customers. In addition, we may be entering markets where current and new competitors may be able to adapt more quickly to customer requirements and emerging technologies. We cannot assure you that we will be able to compete successfully against current or new competitors who may have stronger positions in these new markets. We may face delays or disruptions in research and development efforts, or we may be required to significantly invest greater resources in research and development than anticipated.

In the fourth quarter of 2012, we implemented a restructuring plan designed to improve our cost structure and to strengthen our competitiveness in core growth areas, which was completed in the third quarter of 2013. The plan primarily involved a workforce reduction of approximately 14% as well as asset impairments and facility consolidations. If we do not manage these headcount reductions and other cost-cutting measures effectively, our ability to implement our new business strategy could be adversely impacted.

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

Uncertain global economic conditions have in the past and may in the future adversely impact our business. Uncertainty in the worldwide economic environment may negatively impact consumer confidence and spending causing our customers to postpone purchases. For example, our revenue in the second half of 2012 and in the first nine months of 2013 was adversely affected, in part, by the overall weakness in the global economy and weak consumer demand for end-user PC products, which impacted sales. We believe that consumer PC market conditions will remain challenging.

In addition, during challenging economic times, our current or potential future customers may experience cash flow problems and as a result may modify, delay or cancel plans to purchase our products. Additionally, if our customers are not successful in generating sufficient revenue or

are unable to secure financing, they may not be able to pay, or may delay payment of, accounts receivable that they owe us. The risk related to our customers potentially defaulting on or delaying payments to us is increased because we expect that a small number of customers will continue to account for a substantial part of our revenue. Any inability of our current or potential future customers to pay us for our products may adversely affect our earnings and cash flow. Moreover, our key suppliers may reduce their output or become insolvent, thereby adversely impacting our ability to manufacture our products. In addition, uncertain economic conditions may make it more difficult for us to raise funds through borrowings or private or public sales of debt or equity securities.

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.

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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 September 28, 2013 were $2.05 billion, which reflects the debt discount adjustment on our 6.00% Notes and our 8.125% Notes.

Our substantial indebtedness may:

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

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

The indentures governing our 8.125% Notes, 7.75% Notes and 7.50% 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, 7.50% 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, 7.50% Notes or 6.00% Notes accelerate the repayment of borrowings, we cannot assure you that we will have sufficient assets to repay those borrowings.

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

The markets in which our products are sold are very competitive, and delivering the latest and best products to market on a timely basis is critical to achieving revenue growth. We believe that the main factors that determine our product competitiveness are timely product introductions, product quality (including enabling state of the art visual experience), 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.

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We expect that competition will continue to be intense due to rapid technological changes, frequent product introductions by our competitors of products that may provide better performance or may include additional features that render our products uncompetitive and aggressive pricing by competitors, especially during challenging economic times. Some competitors may have greater access or rights to companion technologies, including interface, processor and memory technical information. With the introduction of our APU products and other competing solutions, we believe that demand for additional discrete graphic cards may decrease in the future due to both the improvement of the quality of our competitor s integrated graphics and the graphics performance of our APUs. If competitors introduce competitive new products into the market before us, demand for our products could be adversely impacted and our business could be adversely affected.

We are implementing a long-term business strategy to refocus our business to address markets beyond our core PC market to the faster growing low power or dense server, embedded and ultraportable and ultra-low-power markets. Our business strategy is dependent on creating products that anticipate customer requirements and emerging industry trends. However, we are entering markets with new and different competitors who may be able to adapt more quickly to customer requirements and emerging technologies. We cannot assure you that we will be able to compete successfully against current or new competitors who may have stronger positions in these new markets.

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

Collectively, our top five customers accounted for approximately 60% of our net revenue in the third quarter of 2013. On a segment basis, during the third quarter of 2013, five customers accounted for approximately 58% of the net revenue of our Computing Solutions segment and five customers accounted for approximately 81% of the net revenue of our Graphics and Visual Solutions 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 key customers decides to stop buying our products, or if one of these customers materially reduces its operations or its demand for our products, our business would be materially adversely affected.

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

The revenue that we receive from our semi-custom SOC products is in the form of non-recurring engineering fees charged to third parties for design and development services and revenue received in connection with sales of our semi-custom SOC products to these third parties. We also receive royalties paid to us by third parties in connection with sales of their products that incorporate our technology. Any royalty revenue is directly related to sales of the third-party s products and reflective of their success in the market. Moreover, we have no control over the marketing efforts of these third parties, and we cannot make any assurances that sales of their products will be successful in current or future fiscal years. Consequently, the semi-custom SOC product and royalty revenue expected by us may not be fully realized, and our operating results may be adversely affected. In addition, we expect that as we continue to transition to a semi-custom business model, royalties paid to us by third parties in connection with sales of their products that incorporate our technology will decline.

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.

A significant portion of our business is currently dependent upon the market for desktop and mobile PCs and servers. Form factors have increasingly shifted from desktop PCs to mobile PCs, with tablets being one of the fastest growing form factors. Historically, a significant portion of our Computing Solutions revenue has been related to desktop PCs. Currently, a significant portion of our business is focused on the legacy PC portions of the market, projected to have slowing growth over the next several years. Industry-wide fluctuations in the computer marketplace have materially adversely affected us in the past and may materially adversely affect us in the future. For example, our revenue in the second half of 2012 and the first nine months of 2013 was adversely affected, in part, by the overall weakness in the global economy and weak consumer demand for end-user PC products, which impacted sales. We believe that consumer PC market conditions will remain challenging.

In addition, during the third quarter of 2013, we ramped sales of our semi-custom SOC products. Specifically, in the third quarter of 2013, net revenue from sales of our semi-custom SOC products and embedded products represented more than 30% of total net revenue. The success of our semi-custom SOC products is dependent on consumer market conditions, including the success of the Sony PS4™ and Microsoft Xbox One game console systems.

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. Furthermore, certain product features may rely on intellectual property acquired from third parties. The design requirements necessary to meet consumer demand for more features and greater functionality from semiconductor products may exceed the capabilities of the third-party intellectual property or development tools available to us. If the third-party intellectual property that we use becomes unavailable or fails to produce designs that meet customer demands, our business could be materially adversely affected.

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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, GPU and APU offerings. We also rely on our AIBs to support our GPU and APU businesses. 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 support for our products or other software vendors do not design and develop software to run on our products, our ability to sell our products could be materially adversely affected.

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

If we are unable to successfully implement our cost cutting efforts, our business could be materially adversely affected.

In the fourth quarter of 2012, we implemented a restructuring plan designed to improve our cost structure and to strengthen our competitiveness in core growth areas, which was completed in the third quarter of 2013. The plan primarily involved a workforce reduction of approximately 14% as well as asset impairments and facility consolidations. Although the restructuring actions have resulted in operational savings, primarily in operating expenses, we cannot assure you that we will be able to maintain the level of operational savings that we achieved. In addition, we may experience unanticipated effects from our headcount reductions causing harm to our business and customer relationships.

We may incur future impairments of goodwill.

During the fourth quarter of 2013, we will perform an annual goodwill impairment analysis. If there are declines in our market capitalization, business climate and operating results, we may incur impairment charges that could be material, which may have a material adverse effect on our business.

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

Much of our future success depends upon the continued service of numerous qualified engineering, marketing, sales and executive personnel. If we are not able to continue to attract, train and retain qualified personnel necessary for our business, the progress of our product development programs could be hindered, and we could be materially adversely affected.

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, 8.125% Notes and 7.50% 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 indenture governing our 6.00% Notes also requires us to offer to repurchase these securities upon certain change of control events. As of September 28, 2013, the aggregate outstanding principal amount of the outstanding 8.125% Notes, 7.75% Notes, 7.50% Notes and 6.00% Notes was $2.1 billion. Future debt agreements may contain similar provisions. We may not have the financial resources to repurchase our outstanding notes.

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

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

- substantial declines in average selling prices;

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- 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; and
- excess inventory levels in the channels of distribution, including those of our customers.

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. For example, our revenue in the second half of 2012 and the first nine months of 2013 was adversely affected, in part, by the overall weakness in the global economy and weak consumer demand for end-user PC products, which impacted sales. We believe that consumer PC market conditions will remain challenging.

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

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, European sales have been weaker during the summer months. In addition, with respect to our semi-custom SOC products for game consoles, we expect sales patterns to follow the seasonal trends of a consumer business with sales in the first half of the year being lower than sales in the second half of the year. Many of the factors that create and affect 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. We also depend on a limited number of suppliers to provide the majority of certain types of integrated circuit packages for our microprocessors, 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 products are currently available from only a limited number of sources. Because some of the equipment and materials that we and our third-party manufacturing suppliers purchase are complex, it is sometimes difficult to substitute one supplier for another.

From time to time, suppliers may extend lead times, limit supply or increase prices due to capacity constraints or other factors. Also, some of these materials and components may be subject to rapid changes in price and availability. Interruption of supply or increased demand in the industry could cause shortages and price increases in various essential materials. Dependence on a sole supplier or a limited number of suppliers exacerbates these risks. If we are unable to procure certain of these materials for our back-end manufacturing operations, or our third-party foundries or manufacturing suppliers are unable to procure materials for manufacturing our products, our business would be materially adversely affected.

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 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 6.00% Notes may dilute the ownership interests of our existing stockholders. The conversion of 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 6.00% Notes. Any sales in the public market of our common stock issuable upon conversion of the 6.00% Notes could adversely affect prevailing market prices of our common stock. In addition, the conversion of the 6.00% Notes into cash and shares of our common stock could depress the price of our common stock.

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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.

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

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

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

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

We may be subject to disruptions, failures or cyber-attacks in our information technology systems and network infrastructures that could have a material adverse effect on us.

We maintain and rely extensively on information technology systems and network infrastructures for the effective operation of our business. We also hold large amounts of data in various data center facilities around the world about us, our customers, suppliers, partners and other third parties, which our business depends upon. A disruption, infiltration or failure of our information technology systems or any of our data centers as a result of software or hardware malfunctions, computer viruses, cyber-attacks, employee theft or misuse, power disruptions, natural disasters or accidents could cause breaches of data security and loss of critical data, which in turn could materially adversely affect our business. Our security procedures, such as virus protection software and our business continuity planning, such as our disaster recovery policies and back-up systems, may not be adequate or implemented properly to fully address the adverse effect of such events, which could adversely impact our operations. We could be subject to litigation and our reputation and brand could be harmed if our information technology

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systems are compromised and sensitive or confidential information about our customers, suppliers, partners and other third parties is lost or misappropriated. In addition, our business could be adversely affected to the extent we do not make the appropriate level of investment in our technology systems as our technology systems become out-of-date or obsolete and are not able to deliver the type of data integrity and reporting we need to run our business. Furthermore, when we implement new systems, modify or upgrade existing systems, we could be faced with temporary or prolonged disruptions that could adversely affect our business. Also, implementing new systems, modifying or upgrading our existing systems could be very costly.

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 in part on customers estimates of demand for their products, which may not accurately predict the quantity or type of our products that our customers will want in the future or ultimately end up purchasing. Our ability to forecast demand is even further complicated when we sell indirectly through distributors, as our forecasts for demand are then based on estimates provided by multiple parties.

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 and because we believe that consumer PC market conditions will remain challenging, these and other factors could materially adversely affect our business.

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

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

Additionally, distributors and AIBs typically maintain an inventory of our products. In most instances, our agreements with distributors protect their inventory of our products against price reductions, as well as provide return rights for any product that we have removed from our price book and that is not more than 12 months older than the manufacturing code date. Some agreements with our distributors also contain standard stock rotation provisions permitting limited levels of product returns. Our agreements with AIBs protect their inventory of our products against price reductions. We defer the gross margins on our sales to distributors and AIBs, resulting from both our deferral of revenue and related

product costs, until the applicable products are re-sold by the distributors or the AIBs. However, in the event of a significant decline in the price of our products, the price protection rights we offer would materially adversely affect us because our revenue and corresponding gross margin would decline.

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Acquisitions could disrupt our business, harm our financial condition and operating results or dilute, or adversely affect the price of, our common stock.

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

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

We maintain operations around the world, including in the United States, Canada, Europe and Asia. We rely on third-party wafer foundries in Europe and Asia. Nearly all product assembly and final testing of our products is performed at manufacturing facilities, operated by us as well as third-party manufacturing facilities, in China, Malaysia and Taiwan. We also have international sales operations. International sales, as a percent of net revenue, were 82% in the third quarter of 2013. We expect that international sales will continue to be a significant portion of total sales in the foreseeable future.

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

- expropriation;
- changes in a specific country s or region s political or economic conditions;
- changes in tax laws, trade protection measures and import or export licensing requirements;
- difficulties in protecting our intellectual property;
- difficulties in managing staffing and exposure to different employment practices and labor laws;
- changes in foreign currency exchange rates;
- restrictions on transfers of funds and other assets of our subsidiaries between jurisdictions;
- changes in freight and interest rates;

disruption in air transportation between the United States and our overseas facilities;

loss or modification of exemptions for taxes and tariffs; and

compliance with U.S. laws and regulations related to international operations, including export control and economic sanctions laws and regulations and the Foreign Corrupt Practices Act.

In addition, our worldwide operations (or those of our business partners) could be subject to natural disasters such as earthquakes, tsunamis, flooding, typhoons and volcanic eruptions that disrupt manufacturing or other operations. For example, our Sunnyvale operations are located near major earthquake fault lines in California. Any conflict or uncertainty in the countries in which we operate, including public health issues (for example an outbreak of a contagious disease such as Avian Influenza or the SARS virus), safety issues, natural disasters, fire, disruptions of service from utilities, nuclear power plant accidents or general economic or political 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, longer payment cycles, increased taxes, restrictions on the repatriation of funds and the burdens of complying with a variety of foreign laws, any of which could ultimately have a material adverse effect on our business.

Worldwide political conditions may adversely affect demand for our products.

Worldwide political conditions may create uncertainties that could adversely affect our business. The United States has been and may continue to be involved in armed conflicts that could have a further impact on our sales and our supply chain. The consequences of armed conflict, political instability or civil or military unrest are unpredictable, and we may not be able to

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foresee events that could have a material adverse effect on us. Terrorist attacks or other hostile acts may negatively affect our operations, or adversely affect demand for our products, and such attacks or related armed conflicts may impact our physical facilities or those of our suppliers or customers. Furthermore, these attacks or hostile acts may make travel and the transportation of our products more difficult and more expensive, which could materially adversely affect us. Any of these events could cause consumer spending to decrease or result in increased volatility in the United States economy and worldwide financial markets.

Unfavorable currency exchange rate fluctuations could adversely affect us.

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

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

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

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

We rely on a combination of protections provided by contracts, including confidentiality and nondisclosure agreements, copyrights, patents, trademarks and common law rights, such as trade secrets, to protect our intellectual property. However, we cannot assure you that we will be able to adequately protect our technology or other intellectual property from third-party infringement or from misappropriation in the United States and abroad. Any patent licensed by us or issued to us could be challenged, invalidated or circumvented or rights granted there under may not provide a competitive advantage to us. Furthermore, patent applications that we file may not result in issuance of a patent or, if a patent is issued, the patent may not be issued in a form that is advantageous to us. Despite our efforts to protect our intellectual property rights, others may independently develop similar products, duplicate our products or design around our patents and other rights. In addition, it is difficult to monitor compliance with, and enforce, our intellectual property on a worldwide basis in a cost-effective manner. In jurisdictions where foreign laws provide less intellectual property protection than afforded in the United States and abroad, our technology or other intellectual property may be compromised, and our business would be materially adversely affected.

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

From time to time, we are a defendant or plaintiff in various legal actions. 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 of, or third parties may bring or have brought, actions against us and/or against our customers based on allegations that we are infringing or contributing to the infringement of the intellectual property rights of others. If any such claims are asserted, we may seek to obtain a license under the third parties intellectual property rights. We cannot assure you that we will be able to obtain all of the necessary licenses on satisfactory terms, if at all. In the event that we do not obtain a license, these parties may file lawsuits against us or our customers seeking damages (potentially up to and including treble damages) or an injunction

against the sale of products that

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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 could have a material adverse effect on us. We could decide, in the alternative, to redesign our products or to resort to litigation to challenge such claims. Such challenges could be extremely expensive and time-consuming regardless of their merit, could cause delays in product release or shipment and/or could have a material adverse effect on us. We cannot assure you that litigation related to our intellectual property rights or the intellectual property rights of others can always be avoided or successfully concluded.

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

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

As of September 28, 2013, the par value of all our auction rate securities, or ARS, was $22 million with an estimated fair value of $15 million. Our ARS consist 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 since February 2008. 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 2036 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 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.

The conflict minerals-related provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act as well as a variety of environmental laws that we are subject to could result in additional costs and 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 restrictions on the use of lead and other materials in electronic products. Other countries have also implemented similar restrictions. These regulations affect semiconductor devices and packaging. As regulations restricting materials in electronic products continue to increase around the world, there is a risk that the cost, quality and manufacturing yields of products that are subject to these restrictions, may be less favorable compared to products that are not subject to such restrictions, or that the transition to compliant products may produce sudden changes in demand, which may result in excess inventory.

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In August 2012, the SEC adopted its final rule to implement Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act regarding disclosure and reporting requirements for companies who use conflict minerals mined from the Democratic Republic of Congo and adjoining countries in their products, whether or not these products are manufactured by third parties. As there are many sources of these materials, these new requirements are unlikely to affect the sourcing of minerals used in the manufacture of semiconductor devices but will add additional costs associated with complying with the disclosure requirements, such as costs related to determining the source of any conflict minerals used in our products, auditing the process and reporting to our customers and the U.S. government. Also, since our supply chain is complex, we may face reputational challenges if we are unable to sufficiently verify the origins of the subject minerals. Moreover, we may encounter challenges to satisfy those customers who require that all of the components of our products are certified as conflict free, and if we cannot satisfy these customers, they may choose a competitor s products. Our first conflict minerals report covering the calendar year from January 1, 2013 to December 31, 2013 is due to the SEC on May 31, 2014.

A number of jurisdictions including the EU, Australia and China are developing or have finalized market entry or public procurement regulations for computers and servers based on ENERGY STAR specifications as well as additional energy consumption limits. To the extent such regulations do not contain recommended modifications as proposed by us or industry associations, there is the potential for certain of our microprocessor, chipset and GPU products, as incorporated in desktop and mobile PCs, workstations, servers and other information and communications technology products being excluded from some of 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.

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ITEM 5. OTHER INFORMATION

On October 24, 2013, our Board of Directors (the Board) approved amendments to our Code of Ethics for Executive Officers and Senior Finance Executives (the Code of Ethics). The Code of Ethics was amended to, among other things, set forth a schedule listing the executive officers and senior finance executives governed by the Code of Ethics and to harmonize conflicts of interest principles in the Code of Ethics with those set forth in the Company s Worldwide Standards of Business Conduct (the WWSBC). The Board also approved amendments to the WWSBC, which applies to our directors, officers and employees, as well as third parties who perform work for or on behalf of us. These amendments, among others, clarify our position on facilitating payments under the Federal Corrupt Practices Act (FCPA); promote readability and highlight priority areas (such as protection of confidential information) by re-ordering the topics presented in the WWSBC; and provide additional and more detailed direction regarding our Anti-Corruption Guidelines, designed to align to the FCPA, UK Bribery Act, Brazil Clean Companies law and Russia s Federal Anti-Corruption Law.

The foregoing summary of the amendments to the Code of Ethics and the WWSBC is subject to and qualified in its entirety by reference to the full text of the Code of Ethics and the WWSBC, each as so amended, copies of which have been posted on the Investor Relations section of our website at www.amd.com and are incorporated by reference into this Item 5.

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ITEM 6. EXHIBITS

31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

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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.

October 30, 2013

By: /s/ Devinder Kumar
Devinder Kumar
Senior Vice President and Chief Financial Officer

Signing on behalf of the registrant and as the principal financial and accounting officer