

[Table of Contents](#)**PART I****ITEM 1. BUSINESS****Cautionary Statement Regarding Forward-Looking Statements**

The statements in this report include forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on current expectations and beliefs and involve numerous risks and uncertainties that could cause actual results to differ materially from expectations. These forward-looking statements speak only as of the date hereof or as of the dates indicated in the statements and should not be relied upon as predictions of future events, as we cannot assure you that the events or circumstances reflected in these statements will be achieved or will occur. You can identify forward-looking statements by the use of forward-looking terminology including “believes,” “expects,” “may,” “will,” “should,” “seeks,” “intends,” “plans,” “pro forma,” “estimates,” “anticipates,” or the negative of these words and phrases, other variations of these words and phrases or comparable terminology. The forward-looking statements relate to, among other things: the timing, features and functionality of our future products; future patent applications; demand for our products; the growth, change and competitive landscape of the markets in which we participate; the nature and extent of our future payments to GLOBALFOUNDRIES Inc. (GF) and the materiality of these payments; the materiality of our future purchases from GF; sales patterns of our semi-custom System-on-Chip (SoC) products; consumer PC market conditions; the success of our transformation strategy; our ability to transform our business to attain revenue from high-growth markets; expected Enterprise, Embedded and Semi-Custom segment research and development costs; expected restructuring charge and cash payments to be made in connection with our restructuring plan announced in October 2014 (the 2014 Restructuring Plan); expected benefits of the 2014 Restructuring Plan and our transformation initiatives; suitability and adequacy of our existing facilities; the level of international sales as compared to total sales; our ability to reduce our unrecognized tax benefits over the next twelve months; that other unrecognized tax benefits will not materially change in the next 12 months; that our cash, cash equivalents and marketable securities balances, the savings from our 2014 Restructuring Plan and our senior secured asset based line of credit will be sufficient to fund our operations including capital expenditures over the next 12 months; our ability to obtain sufficient external financing on favorable terms, or at all; our dependence on a small number of customers; our hedging strategy; and our expenditures related to environmental compliance and conflict minerals disclosure requirements. Material factors that could cause actual results to differ materially from current expectations include, without limitation, the following: Intel Corporation’s dominance of the microprocessor market and its aggressive business practices may limit our ability to compete effectively; we rely on GF to manufacture most of our microprocessor and APU products and certain of our GPU and semi-custom products. If GF is not able to satisfy our manufacturing requirements, our business could be adversely impacted; 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; failure to achieve expected manufacturing yields for our products could negatively impact our financial results; 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; if we cannot generate sufficient revenue and operating cash flow or obtain external financing, we may face a cash shortfall and be unable to make all of our planned investments in research and development or other strategic investments; we may not be able to successfully implement our business strategy to refocus our business to address markets beyond our core PC market to high-growth adjacent markets; the completion and impact of the 2014 Restructuring Plan and our transformation initiatives could adversely affect us; global economic uncertainty may adversely impact our business and operating results; we may not be able to generate sufficient cash to service our debt obligations or meet our working capital requirements; 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; the agreements governing our notes and our senior secured asset based line of credit for a principal amount up to \$500 million (Secured Revolving Line of Credit) impose restrictions on us that may adversely affect our ability to operate our business; the markets in which our products are sold are highly competitive; the loss of a significant customer may have a material adverse effect on us; our receipt of

[Table of Contents](#)

revenue from our semi-custom SoC products is dependent upon our technology being designed into third-party products and the success of those products; the demand for our products depends in part on the market conditions in the industries into which they are sold. Fluctuations in demand for our products or a market decline in any of these industries could have a material adverse effect on our results of operations; our ability to design and introduce new products in a timely manner is dependent upon third-party intellectual property; we depend on third-party companies for the design, manufacture and supply of motherboards, BIOS software and other computer platform components to support our business; 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; we may incur future impairments of goodwill; uncertainties involving the ordering and shipment of our products could materially adversely affect us; our reliance on third-party distributors and AIB partners subjects us to certain risks; our inability to continue to attract and retain qualified personnel may hinder our product development programs; in the event of a change of control, we may not be able to repurchase our outstanding debt as required by the applicable indentures and our Secured Revolving Line of Credit, which would result in a default under the indentures and our Secured Revolving Line of Credit; 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; our business is dependent upon the proper functioning of our internal business processes and information systems and modification or interruption of such systems may disrupt our business, processes and internal controls; data breaches and cyber-attacks could compromise our intellectual property or other sensitive information and cause significant damage to our business and reputation; our operating results are subject to quarterly and seasonal sales patterns; if essential equipment or materials are not available to manufacture our products, we could be materially adversely affected; if our products are not compatible with some or all industry-standard software and hardware, we could be materially adversely affected; costs related to defective products could have a material adverse effect on us; 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; we outsource to third parties certain supply-chain logistics functions, including portions of our product distribution, transportation management and information technology support services; acquisitions could disrupt our business, harm our financial condition and operating results or dilute, or adversely affect the price of, our common stock; our worldwide operations are subject to political, legal and economic risks and natural disasters, which could have a material adverse effect on us; worldwide political conditions may adversely affect demand for our products; unfavorable currency exchange rate fluctuations could adversely affect us; our inability to effectively control the sales of our products on the gray market could have a material adverse effect on us; 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 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; a variety of environmental laws that we are subject to could result in additional costs and liabilities; higher health care costs and labor costs could adversely affect our business; and, our business is subject to potential tax liabilities.

For a discussion of the factors that could cause actual results to differ materially from the forward-looking statements, see "Part I, Item 1A-Risk Factors" and the "Financial Condition" section set forth in "Part II, Item 7-Management's Discussion and Analysis of Financial Condition and Results of Operations," or MD&A, beginning on page 41 below and such other risks and uncertainties as set forth below in this report or detailed in our other Securities and Exchange Commission (SEC) reports and filings. We assume no obligation to update forward-looking statements.

General

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

- x86 microprocessors, as standalone devices or as incorporated as an accelerated processing unit (APU), chipsets, discrete graphics processing units (GPUs) and professional graphics; and

[Table of Contents](#)

- server and embedded processors, dense servers, semi-custom System-on-Chip (SoC) products and technology for game consoles.

For financial information about geographic areas and for segment information with respect to revenues and operating results, refer to the information set forth in Note 12 of our consolidated financial statements, beginning on page 95 below.

Additional Information

We were incorporated under the laws of Delaware on May 1, 1969 and became a publicly held company in 1972. Our common stock was listed on the New York Stock Exchange from 1979 until the close of trading on December 31, 2014. On January 2, 2015, we transferred the listing of our common stock to The Nasdaq Stock Market under the symbol “AMD”. Our mailing address and executive offices are located at One AMD Place, Sunnyvale, California 94088, and our telephone number is (408) 749-4000. References in this Annual Report on Form 10-K to “AMD,” “we,” “us,” “management,” “our” or the “Company” mean Advanced Micro Devices, Inc. and our consolidated subsidiaries.

AMD, the AMD Arrow logo, ATI, the ATI logo, AMD Athlon, AMD Opteron, AMD Phenom, AMD Sempron, AMD Turion, FirePro, CrossFire, Radeon, Geode, SeaMicro and combinations thereof are trademarks of Advanced Micro Devices, Inc. Microsoft, Windows, Xbox360 and Xbox One are registered trademarks of Microsoft Corporation in the United States and/or other jurisdictions. PlayStation is a registered trademark of Sony Computer Entertainment, Inc. Wii and Wii U are registered trademarks of Nintendo of America, Inc. ARM and Cortex are registered trademarks of ARM Limited (or its subsidiaries).

Other names are for informational purposes only and are used to identify companies and products and may be trademarks of their respective owners.

Web Site Access to Our SEC Filings and Corporate Governance Documents

On the Investor Relations pages of our Web site, www.amd.com, we post links to our filings with the SEC, our Principles of Corporate Governance, our Code of Ethics for our executive officers and all other senior finance executives, our “Worldwide Standards of Business Conduct,” which applies to our Board of Directors and all of our employees, and the charters of the Audit and Finance, Compensation, Nominating and Corporate Governance and Innovation and Technology committees of our Board of Directors. Our filings with the SEC are posted as soon as reasonably practical after they are electronically filed with, or furnished to, the SEC. You can also obtain copies of these documents by writing to us at: Secretary, AMD, 7171 Southwest Parkway, M/S B100.2, Austin, Texas 78735, or emailing us at: Corporate.Secretary@amd.com. All of these documents and filings are available free of charge.

If we make substantive amendments to our Code of Ethics or grant any waiver, including any implicit waiver, to our principal executive officer, principal financial officer, principal accounting officer, controller or persons performing similar functions, we intend to disclose the nature of such amendment or waiver on our Web site or in a Current Report on Form 8-K in accordance with applicable rules and regulations.

The information contained on our Web site is not incorporated by reference in, or considered to be a part of, this report.

Our Industry

We are a global semiconductor company. Semiconductors are components used in a variety of electronic products and systems. An integrated circuit (IC) is a semiconductor device that consists of many interconnected transistors on a single chip. Since the invention of the transistor in 1948, improvements in IC process and design technologies have led to the development of smaller, more complex and more reliable ICs at a lower cost-per-function.

[Table of Contents](#)

Computing and Graphics

The x86 Microprocessor and Chipset Markets

Central Processing Unit (CPU). A microprocessor is an IC that serves as the CPU of a computer. It generally consists of hundreds of millions or billions of transistors that process data and control other devices in the system, acting as the “brain” of the computer. The performance of a microprocessor is a critical factor impacting the performance of computing and entertainment platforms, such as desktop PCs, notebooks, tablets and workstations. The principal elements used to measure CPU performance are work-per-cycle (or how many instructions are executed per cycle), clock speed (representing the rate at which a CPU’s internal logic operates, measured in units of gigahertz, or billions of cycles per second) and power consumption. Other factors impacting microprocessor performance include the number and type of cores in a microprocessor, the bit rating of the microprocessor, memory size and data access speed.

Developments in IC design and manufacturing process technologies have resulted in significant advances in microprocessor performance. As businesses and consumers require greater performance from their computer systems due to the growth of digital data and increasingly sophisticated software applications, semiconductor companies are designing and developing multi-core microprocessors, where multiple processor cores are placed on a single die or in a single processor. Multi-core microprocessors offer enhanced overall system performance and efficiency because computing tasks can be spread across two or more processing cores, each of which can execute a task at full speed. Multi-core microprocessors can increase performance of a computer system without greatly increasing the total amount of power consumed and the total amount of heat emitted. Businesses and consumers also require computer systems with improved power management technology, which helps them to reduce the power consumption of their computer systems and lower total cost of ownership.

Accelerated Processing Unit (APU) and System-on-Chip (SoC). Consumers increasingly demand computing devices, including desktop and notebooks PCs, and smaller form factors, such as tablets and 2-in-1s (PCs that can function both as a notebook or a tablet), with improved end-user experience, system performance and energy efficiency. Consumers also continue to demand thinner and lighter mobile devices, with better performance and longer battery life. We believe that a computing architecture that optimizes the use of its components can provide these improvements.

An APU is a processing unit that integrates a CPU and a GPU onto one chip (or one piece of silicon), along with, in some cases, other special-purpose components. This integration enhances system performance by “offloading” selected tasks to the best-suited component (i.e., the CPU or the GPU) to optimize component use, increasing the speed of data flow between the CPU and GPU through shared memory and allowing the GPU to function as both a graphics engine and an application accelerator. Having the CPU and GPU on the same chip also typically improves energy efficiency by, for example, eliminating connections between discrete chips.

An SoC is a type of IC with a CPU, GPU and other components, such as a memory controller and peripheral management, comprising a complete computing system on a single chip. By combining all of these elements as an SoC, system performance and energy efficiency is improved, similar to an APU.

Heterogeneous System Architecture (HSA) describes an industry standard that is an overarching design for having combinations of CPU and GPU processor cores operate as a unified, integrated engine that shares system responsibilities and resources. We are a founding member of the HSA Foundation, a non-profit organization established to define and promote this open standards-based approach to heterogeneous computing. Heterogeneous computing allows for the elevation of the GPU to the same level of the CPU for memory access, queuing and execution. In other words, rather than having a CPU as a master and other various processors as subordinates, these CPU and GPU processing units can be referred to as “compute cores” (where each core is capable of running at least one process in its own context and virtual memory space, independently from other cores). Heterogeneous computing also allows software programmers to develop applications that more fully utilize the full compute capabilities of APUs and SoCs.

[Table of Contents](#)

Chipset. A chipset is a generic term referring to a collection of system level components that manage data flow among a microprocessor or microprocessors, memory and peripherals (such as CD ROM drives, DVD drives and USB peripherals). Chipsets perform essential logic functions, balance a system's performance and provide system control and power management functions. Some chipsets have graphics capabilities by including an integrated graphics processor (IGP) within the chipset. A chipset with an IGP is known as an IGP chipset. IGP chipsets can offer a lower cost, reduced power alternative and are often also used in smaller form factors. Systems that are powered by an APU or by a CPU and discrete GPU combination often do not have a chipset and instead use an AMD Controller Hub chip to perform the functions of a chipset. As a result, we believe that either an APU and AMD Controller Hub chip combination or an SoC, which already includes a chipset, will eventually replace the market for IGP chipsets.

Our x86 Microprocessor and Chipset Products

Our microprocessors are incorporated into computing platforms, which are a collection of technologies that are designed to work together to provide a more complete computing solution and to enable and advance the computing components. We believe that integrated, balanced computing platforms consisting of microprocessors, chipsets and GPUs that work together at the system level bring end users improved system stability, increased performance and enhanced power efficiency. In addition, we believe our customers also benefit from an all-AMD platform (consisting of an APU or CPU, a discrete GPU and a chipset or an AMD Fusion Controller Hub chip), as we are able to optimize interoperability, provide them with a single point of contact for the key platform components and enable them to bring the platforms to market faster in a variety of client and server system form factors.

We currently base our microprocessors and chipsets on the x86 instruction set architecture and AMD's Direct Connect Architecture, which connects an on-chip memory controller and input/output (I/O) channels directly to one or more microprocessor cores. We typically integrate two or more processor cores onto a single die, and each core has its own dedicated cache, which is memory that is located on the semiconductor die, permitting quicker access to frequently used data and instructions. Some of our microprocessors have additional levels of cache such as L2, or second-level cache, and L3, or third-level cache, to enable faster data access and higher performance.

We focus on continually improving the energy efficiency of our products through our design principles and innovations in power management technology. To that end, we offer CPUs, GPUs, APUs, SoCs and chipsets with multiple low power states that utilize lower clock speeds and voltages to reduce processor power consumption during active and idle times. The use of intelligent, dynamic power management is designed to create lower energy use by allowing compute applications to be completed quickly and efficiently, enabling a return to the ultra-low power idle state.

Desktop. Our APUs for desktop PCs consist primarily of the AMD A-Series and AMD E-Series APUs. We also offer AMD FX CPUs for the enthusiast market. In January 2014, we launched the AMD A10-7850K and A10-7700K, formerly codenamed "Kaveri," for desktops. "Kaveri" is the world's first APU to include HSA features, AMD TrueAudio technology for improved fidelity and immersive audio and the HD gaming experience of AMD's Mantle application programming interface (API). Our Mantle API is designed to allow game developers to take greater advantage of the full capability of our Graphic Core Next (GCN) architecture. Our GCN is our new approach to the design of a consumer GPU. In July 2014, we expanded our desktop AMD A-Series APU with the AMD A10-7800 APU, our high performance APU. We also introduced the AMD A8-7600, AMD A6-7400K and AMD A4-7300 APUs, which are designed to allow consumers to upgrade their application and office experience on their desktop PC. The latest generation of our AMD FX CPUs is based on the "Piledriver" x86 multi-core architecture. Our AMD FX CPUs are designed for multitasking, high resolution gaming and HD media processing and come in eight-, six- and quad-core versions.

Notebook and 2-in-1s. In response to consumer demand, we continue to invest in designing and developing high performing and low power notebook PC platforms. Our APUs for notebook PCs consist

[Table of Contents](#)

primarily of performance AMD A-Series APUs and AMD E-Series APUs. These APUs combine discrete-level AMD Radeon™ graphics, dedicated HD video processing and multi-core CPU processors on a single chip and are designed to maximize performance and energy efficiency. In April 2014, we announced our 2014 mainstream and low-power APUs and mobile APUs, formerly codenamed “Beema” and “Mullins,” respectively, which feature up to four newly-designed x86 CPU cores with AMD Radeon graphics and a hardware-level data security solution based on the ARM® Cortex®-A5, all on a single SoC. In June 2014, we introduced our 2014 Performance Mobile APUs, formerly codenamed “Kaveri,” designed for ultrathin and high-performance mobile PCs. As part of the 2014 Performance Mobile APUs, we introduced the AMD FX APU designed for enthusiast-level performance for gaming and multitasking. Also, in June 2014, we announced our new AMD Pro A-Series APUs with HSA features designed for commercial notebook PCs.

Chipsets. Our portfolio of chipset products includes chipsets with and without IGPs for desktop and notebook PCs and servers, as well as AMD Controller Hub-based chipsets for our APUs. We offer AMD 9-Series and AMD A88X, A85X, A78, A75, A68H, A58 and A55 for desktop PCs, and we offer AMD A76M chipsets for notebook PCs. We also offer AMD 785E, SR5690, 780E and M690T chipsets for our embedded products.

Graphics Market

The semiconductor graphics market addresses the need for improved visual processing in various computing devices. Many consumers value a rich visual experience to enable a more compelling and immersive experience, and, for these consumers, the PC is evolving from a traditional data processing and communications device to an entertainment platform. As a result, visual realism and graphical display capabilities are key product differentiation elements among computing devices. This has led to increasing creation and use of processing-intensive multimedia content for computing devices, including playing games, capturing TV and other multimedia content, viewing online videos, photo editing and managing digital content. In turn, these trends have contributed to higher consumer demand for performance graphics solutions and manufacturers designing computing devices with these capabilities.

Our APUs deliver visual processing functionality for value and mainstream PCs by integrating a CPU and a GPU on a single chip, while discrete GPUs (which are also known as dedicated GPUs) are on a separate chip from the CPU and are specifically architected for higher performance graphics processing. Heavy computational workloads have traditionally been processed on a CPU, but we believe that the industry is shifting to a new computing paradigm that increasingly relies more on a discrete GPU or an APU. AMD Accelerated Parallel Processing or GPGPU (General Purpose GPU) refers to a set of advanced hardware and software technologies that enable discrete AMD GPUs, working in concert with the CPU, to accelerate applications beyond traditional graphics and video processing by allowing the discrete GPU and the CPU to process information cooperatively. In addition, computing devices with HSA features run computationally-intensive tasks more efficiently, which we believe provides a superior application experience to the end user.

Our Graphics Products

Our graphics products can be found in an APU, GPU, SoC or a combination of a GPU with one of the other foregoing products working in tandem. Our customers generally use our graphics solutions to increase the speed of rendering images and to help improve image resolution and color definition. We develop our graphics products for use in various computing devices and entertainment platforms, including desktop PCs, notebook PCs, 2-in-1s and professional workstations. With each of our graphics products, we have available drivers and supporting software packages that enable the effective use of these products under a variety of operating systems and applications. In addition, our recent generation graphics products have Linux® driver support.

Discrete Desktop Graphics. We offer discrete graphics products for gaming, multimedia, editing photos and videos as well as other graphic-intensive applications on desktop platforms. Our discrete GPUs for desktop

[Table of Contents](#)

PCs include the AMD Radeon R7 and R9 series, AMD Radeon HD 8000 series, AMD Radeon 7000 series and AMD Radeon HD 6000 series. In February 2014, we introduced two new additions to the R7 series—the AMD Radeon R7 250X and R7 265. In March 2014, we added the AMD Radeon R9 280 to the R9 Series, and more recently in April 2014, we introduced the AMD Radeon R9 295X2, powered by two AMD Radeon R9 295 GPUs on a single card designed for gamers and PC enthusiasts. All models of our AMD Radeon R7 and R9 series graphic cards support our Mantle API.

Discrete Notebook Graphics. Our discrete GPUs for notebooks are designed to address graphics performance, visual experience, power efficiency, dedicated memory support and ease of design integration, all of which are key considerations for notebook manufacturers. The AMD lineup of discrete GPUs for notebooks includes the AMD Radeon HD 7000M series and AMD Radeon HD 6000M series. In January 2014, we introduced the AMD Radeon R9, R7 and R5 M200 Series, our new family of discrete GPUs for notebooks designed with support for Mantle API.

Professional Graphics. Our AMD FirePro™ family of professional graphics products consists of 3D and 2D multi-view graphics cards and GPUs that we designed for integration in mobile and desktop workstations, as well as commercial PCs. We designed our AMD FirePro 3D graphics cards for demanding applications, such as those found in the computer aided design (CAD) and digital content creation (DCC) markets, with drivers specifically tuned for maximum performance, stability and reliability across a wide range of software packages. We designed our AMD FirePro 2D graphics cards with dual- and quad-display outputs for financial and corporate environments.

We also provide the AMD FirePro S-Series GPU products for the server market, where we target high performance computing (HPC) and virtual desktop infrastructure (VDI) use cases. In April 2014, we launched the AMD FirePro W9100 professional graphics cards for next-generation workstations with ultra-high resolution and multi-display capabilities. In June 2014, we launched the AMD FirePro W8100 professional graphics card designed for the next generation 4K CAD and media and entertainment workflows, engineering analysis and supercomputing applications. In August 2014, we introduced new additions to the next generation AMD FirePro professional graphics family, the AMD FirePro W2100, AMD FirePro W4100, AMD FirePro W5100 and AMD FirePro W7100. Additionally, we announced the AMD FirePro S9150 Server GPU in August 2014, designed for large scale multi-GPU support and the AMD FirePro S9100 in October 2014, designed for high visualization, high throughput and multi-tasking.

Enterprise, Embedded and Semi-Custom

The Enterprise, Embedded and Semi-Custom Markets

Server. A server is a computer system that performs services for connected customers as part of a client-server architecture. Many servers are designed to run an application or applications often for extended periods of time with minimal human intervention. Examples of servers include web servers, e-mail servers and print servers. These servers can run a variety of applications, including business intelligence, enterprise resource planning, customer relationship management and advanced scientific or engineering models to solve advanced computational problems in disciplines ranging from financial modeling to weather forecasting to oil and gas exploration. Servers are also used in cloud computing, which is a computing model where data, applications and services are delivered over the internet or an intranet. Today's data centers require new technologies and configuration models to meet the demand driven by the staggering amount of data that needs to be stored, accessed and managed. Servers must be efficient, scalable and adaptable to meet the compute characteristics of new and changing workloads.

Embedded. Embedded products address computing needs in PC-adjacent markets, such as industrial control and automation, digital signage, point of sale/self-service kiosks, medical imaging, set-top box and casino gaming machines as well as enterprise class telecommunications, networking, security, storage systems and “thin clients” (which are computers that serve as an access device on a network). Typically, our embedded products are used in applications that require high to moderate levels of performance, where key features may include

[Table of Contents](#)

mobility, relatively low power, small form factor, and 24x7 operations. High performance graphics are increasingly important in many embedded systems. Support for Linux, Windows and other operating systems as well as for increasingly sophisticated applications are also critical for some customers. Other requirements may include meeting rigid specifications for industrial temperatures, shock, vibration and reliability. The embedded market has moved from developing proprietary, custom designs to leveraging industry-standard instruction set architectures and processors as a way to help reduce costs and speed time to market.

Semi-Custom. We have leveraged our core IP, including our graphics and processing technologies developed for the PC market, to develop semi-custom solutions for customers who want differentiation in their products, including today's leading game console manufacturers. In this market, semiconductor suppliers work alongside game console manufacturers to enhance the visual performance and overall user experience for game console customers. This same type of collaborative development approach can also address customer needs in many other markets beyond game consoles, leveraging our existing IP to create a variety of products tailored to a specific customer's needs, ranging from complex fully-customized SoCs to more modest adaptations and integrations of existing CPU, APU or GPU products.

Our Enterprise, Embedded and Semi-Custom Products

Server Processors. Our microprocessors for server platforms currently include:

- The AMD Opteron™ X-Series includes small-core x86 APUs and CPUs that are ideal for next-generation scale-out Web and cloud applications ranging from big data analytics to image processing, multimedia content delivery and hosting.
- AMD Opteron 6300 Series processors, which are designed to meet the demanding performance per-watt, per-dollar requirements that are at the heart of server buying decisions. The AMD Opteron 6338P (12 core) and 6370P (16 core) processors are optimized to handle the heavily virtualized workloads found in enterprise environments. These processors feature the “Piledriver” core and are fully socket and software compatible with the existing AMD Opteron 6300 Series.

During 2014, we began sampling the AMD Opteron A1100 Series processor, our first 64-bit ARM-based server processor based on 28nm technology. AMD Opteron A-Series processors combine AMD's expertise in delivering server-class silicon with ARM's trademark low-power architecture. These products are designed to bring the experience and technology portfolio of an established server processor vendor to the ARM ecosystem and complement our AMD Opteron x86 server processors. The first AMD Opteron A-Series processors are expected to launch later in 2015.

Dense Server Systems. In addition, to offering microprocessors for servers, we offer dense server systems, designed to reduce power consumption and improve space efficiency for data centers. Our dense server products currently include the SeaMicro SM15000™ server, as well as the SeaMicro Freedom™ Fabric Storage series of storage enclosures. SeaMicro dense servers incorporate our proprietary fabric technology, the Freedom™ supercomputer fabric, which interconnects hundreds of card-sized motherboards, eliminating top-of-rack switches, terminal servers, hundreds of cables and thousands of unnecessary components for a more efficient and simple operational environment. We designed this fabric to reduce data center power consumption while providing low latency and higher bandwidth interconnections.

Embedded Processors. Our embedded processors are increasingly driving intelligence into new areas of our lives, from smart TVs and set-top boxes to interactive digital signage, casino gaming, and medical imaging. These products are designed to support greater connectivity and productivity, and we believe they are a strong driver for the “internet of things” and “surround computing” areas in the computing industry. Our processor products for embedded platforms include the following:

- Our second generation AMD Embedded R-Series APU and CPU launched in May 2014, formerly codenamed “Bald Eagle,” supports HSA and was designed for processing performance, power

[Table of Contents](#)

efficiency and multimedia immersion in mid-to high-end visual and parallel compute-intensive embedded applications.

- The AMD Embedded G-Series SoC platform is a high-performance, low-power design offering ultra-low power consumption and advanced graphics performance. In June 2014, we announced our AMD Embedded G-Series SoC, formerly codenamed “Steppe Eagle,” designed for rugged and harsh environments such as ATMs, kiosks, automation, medical equipment and gaming machines. Also in June 2014, we introduced another AMD Embedded G-Series CPU, formerly codenamed “Crowned Eagle,” for networking and communications infrastructure applications that require high performance at low cost and low power.
- The AMD Embedded Radeon™ E-Series GPU family includes a broad array of discrete GPU products designed to provide immersive graphics and enhanced parallel compute capabilities for the embedded market. The AMD Embedded Radeon E8860 GPU is the industry’s first discrete graphics card for embedded applications based on GCN architecture, delivering 3D and 4K graphics to embedded gaming machines, digital signage, medical imaging, commercial aerospace, and other embedded applications.

In October 2014, we began sampling our first 64-bit ARM Cortex-A57-based AMD Embedded R-Series SoC, codenamed “Hierofalcon.” The AMD Embedded R-Series SoC platform is designed for embedded data center applications, communications infrastructure and industrial solutions and is expected to ship in the first half of 2015.

Semi-Custom. Our semi-custom products are tailored, high-performance customer-specific solutions based on AMD’s CPU, GPU and multi-media technologies. We work closely together with our customers to define solutions to precisely match the requirements of the device or application. Historically we have leveraged our core graphics processing technology into the game console market by licensing our graphic technology in game consoles such as the Microsoft® Xbox 360™ and Nintendo Wii and Wii U. In the fourth quarter of 2013, Sony launched its Sony Playstation®4 and Microsoft launched its Microsoft® Xbox One. Both of these next-generation game consoles are powered by AMD semi-custom SoC products.

Marketing and Sales

We sell our products through our direct sales force and through independent distributors and sales representatives in both domestic and international markets. Our sales arrangements generally operate on the basis of product forecasts provided by the particular customer, but do not typically include any commitment or requirement for minimum product purchases. We primarily use purchase orders, sales order acknowledgments and contractual agreements as evidence of our sales arrangements. Our agreements typically contain standard terms and conditions covering matters such as payment terms, warranties and indemnities for issues specific to our products.

We generally warrant that our products sold to our customers will conform to our approved specifications and be free from defects in material and workmanship under normal use and service for one year. Subject to certain exceptions, we also offer a three-year limited warranty to end users for only those CPU and AMD A-Series APU products purchased as individually packaged products, commonly referred to as “processors in a box” and for PC workstation products. We have also offered extended limited warranties to certain customers of “tray” microprocessor products for each of our business units and/or workstation graphics products who have written agreements with us and target their computer systems at the commercial and/or embedded markets.

We market and sell our latest products under the AMD trademark and some legacy graphics products under the ATI trademark. Our desktop PC product brands for microprocessors are AMD A-Series, AMD E-Series, AMD FX CPU, AMD Athlon CPU and APU and AMD Sempron APU and CPU. Our notebook and 2-in-1s for microprocessors are AMD A-Series, AMD E-Series, AMD C-Series, AMD Z-Series, AMD FX APU, AMD Phenom, AMD Athlon CPU and APU, AMD Turion and AMD Sempron APU and CPU. Our server brand for

[Table of Contents](#)

microprocessors is AMD Opteron. We sell dense server systems products under the SeaMicro brand, including the SM15000 series and Freedom Fabric Storage series for storage systems. We also sell low-power versions of our AMD Opteron, AMD Athlon and AMD Sempron, as well as AMD Geode, AMD R-Series and G-Series processors as embedded processor solutions. Our product brand for the consumer graphics market is AMD Radeon. Our product brand for professional graphics products is AMD FirePro. We also market and sell our chipsets under the AMD trademark.

We market our products through our direct marketing and co-marketing programs. In addition, we have cooperative advertising and marketing programs with customers and third parties, including market development programs, pursuant to which we may provide product information, training, marketing materials and funds. Under our co-marketing development programs, eligible customers can use market development funds as reimbursement for advertisements and marketing programs related to our products and third-party systems integrating our products, subject to meeting defined criteria.

Customers

Our microprocessor customers consist primarily of original equipment manufacturers (OEMs), original design manufacturers (ODMs), system builders and independent distributors in both domestic and international markets. ODMs provide design and/or manufacturing services to branded and unbranded private label resellers, OEMs and system builders. Our graphics product customers include the foregoing as well as add-in-board manufacturers (AIBs).

Customers of our chipset products consist primarily of PC and server OEMs, often through ODMs or other contract manufacturers, who build the OEM motherboards, as well as desktop and server motherboard manufacturers who incorporate chipsets into their channel motherboards.

We work closely with our customers to define product features, performance and timing of new products so that the products we are developing meet our customers' needs. We also employ application engineers to assist our customers in designing, testing and qualifying system designs that incorporate our products. We believe that our commitment to customer service and design support improves our customers' time-to-market and fosters relationships that encourage customers to use the next generation of our products.

We work closely with our customers to create differentiated products that leverage our CPU, GPU and APU technology. In some cases, customers of our semi-custom products pay us non-recurring engineering fees for design and development services and a purchase price for the resulting semi-custom products.

Collectively, our top five customers accounted for approximately 61% of our net revenue during the year ended 2014. In 2014, Hewlett-Packard Company, Microsoft Corporation and Sony Corporation each accounted for more than 13% of our consolidated net revenues. Sales to Hewlett-Packard consisted primarily of products from our Computing and Graphics segment. Sales to Microsoft and Sony consisted primarily of products from our Enterprise, Embedded and Semi-Custom segment. Five customers, including Hewlett-Packard, accounted for approximately 54% of the net revenue attributable to our Computing and Graphics segment. In addition, five customers, including Sony, Microsoft and Hewlett-Packard, accounted for approximately 90% of the net revenue attributable to our Enterprise, Embedded and Semi-Custom segment. A loss of any of these customers would have a material adverse effect on our business.

Original Equipment Manufacturers

We focus on three types of OEM customers: multi-nationals, selected regional accounts and target market customers. Large multi-nationals and regional accounts are our core OEM customers. Our OEM customers include numerous foreign and domestic manufacturers of servers and workstations, desktops, notebooks, PC motherboards and game consoles.

[Table of Contents](#)

Third-Party Distributors

Our authorized channel distributors resell to sub-distributors and mid-sized and smaller OEMs and ODMs. Typically, distributors handle a wide variety of products, including those that compete with our products. Distributors typically maintain an inventory of our products. In most instances, our agreements with distributors protect their inventory of our products against price reductions and provide return rights with respect to any product that we have removed from our price book that is not more than 12 months older than the manufacturing code date. In addition, some agreements with our distributors may contain standard stock rotation provisions permitting limited levels of product returns.

Add-in-Board (AIB) Manufacturers and System Integrators

We offer component-level graphics and chipset products to AIB manufacturers who in turn build and sell board-level products using our technology to system integrators (SIs), and to retail buyers. Our agreements with AIBs protect their inventory of our products against price reductions. We also sell directly to our SI customers. SIs typically sell from positions of regional or product-based strength in the market. They usually operate on short design cycles and can respond quickly with new technologies. SIs often use discrete graphics solutions as a means to differentiate their products and add value to their customers.

Competition

Generally, the IC industry is intensely competitive. Products typically compete on timely product introductions, product quality (including enabling state-of-the art visual experiences), power consumption (including battery life), reliability, processor clock speed, performance, size (or form factor), selling, price, cost, adherence to industry standards (and the creation of open industry standards), level of integration, software and hardware compatibility and stability, brand recognition and availability. Technological advances in the industry result in frequent product introductions, regular price reductions and short product life cycles for some products, and increased product capabilities that may result in significant performance improvements. Our ability to compete depends on our ability to develop, introduce and sell new products or enhanced versions of existing products on a timely basis and at competitive prices, while reducing our costs.

Competition in the Microprocessor and Chipset Market

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

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

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

Intel exerts substantial influence over computer manufacturers and their channels of distribution through various brand and other marketing programs. As a result of Intel's position in the microprocessor market, Intel

[Table of Contents](#)

has been able to control x86 microprocessor and computer system standards and benchmarks and to dictate the type of products the microprocessor market requires of us. Intel also dominates the computer system platform, which includes core logic chipsets, graphics chips, motherboards and other components necessary to assemble a computer system. OEMs that purchase microprocessors for computer systems are highly dependent on Intel, less innovative on their own and, to a large extent, are distributors of Intel technology. Additionally, Intel is able to drive de facto standards and specifications for x86 microprocessors that could cause us and other companies to have delayed access to such standards.

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

Intel's position in the microprocessor market and IGP chipset market, its introduction of competitive new products, its existing relationships with top-tier OEMs and its aggressive marketing and pricing strategies could result in lower unit sales and a lower average selling price for our products, which could have a material adverse effect on us.

Other competitors include a variety of companies providing or developing ARM-based designs at relatively low cost and low power processors for the computing market including netbooks, tablets and thin-client form factors, as well as dense servers, set-top boxes and gaming consoles. ARM Holdings designs and licenses its ARM architecture to third parties, including us, and offers supporting software and services. Our ability to compete with companies who use ARM-based solutions depends on our ability to timely design and bring to market energy-efficient, high-performing products at an attractive price point.

In the chipset market, our competitors include suppliers of IGP chipsets. PC manufacturers use IGP chipsets because they cost less than traditional discrete GPUs while offering acceptable graphics performance for most mainstream PC users. Intel also leverages its dominance in the microprocessor market to sell its IGP chipsets. Intel manufactures and sells IGP chipsets bundled with their microprocessors and is our main competitor in this market.

Competition in the Graphics Markets

In the graphics market, our competitors include suppliers of discrete graphics, embedded graphics processors and IGP chipsets. Intel manufactures and sells embedded graphics processors and IGP chipsets, and is a dominant competitor with respect to this portion of our business. Higher unit shipments of our APUs and Intel's integrated graphics may drive computer manufacturers to reduce the number of systems they build paired with discrete graphics components, particularly for notebooks, because they may offer satisfactory graphics performance for most mainstream PC users, at a lower cost. Intel could take actions that place our discrete GPUs and IGP chipsets at a competitive disadvantage such as 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.

Our principal competitor in the graphics market is Nvidia. AMD and Nvidia are the two principal players offering discrete graphics solutions. Other competitors include a number of smaller companies, which may have greater flexibility to address specific market needs, but less financial resources to do so, especially as we believe that the growing complexity of graphics processors and the associated research and development costs represent an increasingly higher barrier to entry in this market. In the semi-custom game console products, where graphics performance is critical, we compete against primarily Nvidia, and also compete against Imagination Technology Group.

[Table of Contents](#)

Research and Development

We focus our research and development activities on improving and enhancing product design. One main area of focus is on delivering the next generation of products with greater system level integration of the CPU and GPU and transforming our products into SoCs, with, in each case, improved system performance and performance-per-watt characteristics. For example, we are focusing on improving the battery life of our microprocessors and APU products for notebooks and the power efficiency of our microprocessors for servers. We are also focusing on delivering a range of low-power integrated platforms to serve key markets, including commercial clients, mobile computing and gaming and media computing, as well as developing an HSA, which is designed for software developers to easily program APUs by combining scalar processing on the CPU with parallel processing on the GPU, all while providing high bandwidth access to memory at low power. We believe that these integrated platforms will bring customers better time-to-market and increased performance and energy efficiency. We also work with industry leaders on process technology, software and other functional intellectual property and we work with others in the industry, public foundations, universities and industry consortia to conduct early stage research and development.

Our research and development expenses for 2014, 2013 and 2012 were approximately \$1.1 billion, \$1.2 billion and \$1.4 billion, respectively. For more information, see “Part II, Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations,” below.

We conduct product and system research and development activities for our products in the United States with additional design and development engineering teams located in China, Canada, India, Singapore, Taiwan and Israel.

Manufacturing Arrangements and Assembly and Test Facilities

Third-Party Wafer Foundry Facilities

GLOBALFOUNDRIES Inc. On March 2, 2009, we entered into a Wafer Supply Agreement (the WSA) with GLOBALFOUNDRIES Inc. (GF). The WSA governs the terms by which we purchase products manufactured by GF, a related party to us. Pursuant to the WSA, we are required to purchase all of our microprocessor and APU product requirements from GF with limited exceptions. For more information about the WSA, see “Part II, Item 7-Management’s Discussion and Analysis of Financial Condition and Results of Operations-GLOBALFOUNDRIES,” below. GF currently manufactures wafers for our products on 300 millimeter wafers primarily in technologies ranging from 32nm to 28nm.

Taiwan Semiconductor Manufacturing Company. We also have foundry arrangements with Taiwan Semiconductor Manufacturing Company (TSMC) for the production of wafers for certain products. We are in production in TSMC’s 300 millimeter fabrication facilities in technologies ranging from 65nm to 28nm.

Other Third-Party Manufacturers. We outsource board-level graphics product manufacturing to third-party manufacturers. We also outsource board-level and system-level product manufacturing to third-party manufacturers for our SeaMicro dense server and storage products.

Assembly, Test, Mark and Packaging Facilities

We own and operate two assembly, test, mark and packaging facilities. Some wafers for our products are delivered from third-party foundries to our assembly, test, mark and packaging facilities. Our assembly, test, mark and packaging facilities are described in the chart set forth below:

Facility Location	Approximate Manufacturing Area Square Footage	Activity
Penang, Malaysia	150,000	Assembly, Test, Mark & Packaging
Suzhou, China	100,000	Assembly, Test, Mark & Packaging

[Table of Contents](#)

The remaining wafers for our products are delivered from third-party foundries to our test, assembly and packaging partners located in the Asia-Pacific region who package and test our final semiconductor products.

Intellectual Property and Licensing

We rely on contracts and intellectual property rights to protect our products and technologies from unauthorized third-party copying and use. Intellectual property rights include copyrights, patents, patent applications, trademarks, trade secrets and maskwork rights. As of December 27, 2014, we had approximately 4,900 patents in the United States and approximately 1,200 patent applications pending in the United States. In certain cases, we have filed corresponding applications in foreign jurisdictions. We expect to file future patent applications in both the United States and abroad on significant inventions, as we deem appropriate. We do not believe that any individual patent, or the expiration of any patent, is or would be material to our business.

As is typical in the semiconductor industry, we have numerous cross-licensing and technology exchange agreements with other companies under which we both transfer and receive technology and intellectual property rights. One such agreement is the cross license agreement that we entered into with Intel on November 11, 2009. Under the cross license agreement, we granted to Intel and Intel granted to us, non-exclusive, royalty-free licenses to all of each other's patents that were first filed no later than November 11, 2014 and each party can exploit these patents anywhere in the world for making and selling certain semiconductor- and electronic-related products. Under the cross license agreement, Intel has rights to make semiconductor products for third parties, but the third-party product designs are not licensed as a result of such manufacture. We have rights to perform assembly and testing for third parties but not rights to make semiconductor products for third parties. The term of the cross license agreement continues until the expiration of the last to expire of the licensed patents, unless earlier terminated. A party can terminate the cross license agreement or the rights and licenses of the other party if the other party materially breaches the cross license agreement and does not correct the noticed material breach within 60 days. Upon such termination, the terminated party's license rights terminate but the terminating party's license rights continue, subject to that party's continued compliance with the terms of the cross license agreement. The cross license agreement will automatically terminate if a party undergoes a change of control (as defined in the cross license agreement), and both parties' licenses will terminate. Upon the bankruptcy of a party, that party may assume, but may not assign, the cross license agreement, and in the event that the cross license agreement cannot be assumed, the cross license agreement and the licenses granted will terminate.

Backlog

Sales are made primarily pursuant to purchase orders for current delivery or agreements covering purchases over a period of time. Some of these orders or agreements may be revised or canceled without penalty. Generally, in light of current industry practice, we do not believe that such orders or agreements provide meaningful backlog figures or are necessarily indicative of actual sales for any succeeding period.

Seasonality

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

Employees

As of December 27, 2014, we had approximately 9,700 employees.

Environmental Regulations

Many aspects of our business operations and products are regulated by domestic and international environmental laws and regulations. These regulations include limitations on discharge of pollutants to air, water,

[Table of Contents](#)

and soil; remediation requirements; product chemical content limitations; manufacturing chemical use and handling restrictions; pollution control requirements; waste minimization considerations; and requirements with respect to treatment, transport, storage and disposal of solid and hazardous wastes. If we fail to comply with any applicable environmental regulations, we may be subject to fines, suspension of production, alteration of our manufacturing processes, import/export restrictions, sales limitations and/or criminal and civil liabilities. Existing or future regulations could require us to procure expensive pollution abatement or remediation equipment, to modify product designs or to incur other expenses to comply with environmental regulations. Any failure to adequately control the use, disposal, storage or discharge of hazardous substances could expose us to future liabilities that could have a material adverse effect on our business. We believe we are in material compliance with applicable environmental requirements and do not expect those requirements to result in material expenditures in the foreseeable future.

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

Recent U.S. legislation includes disclosure and reporting requirements for companies who use “conflict” minerals that originate from the Democratic Republic of Congo or adjoining countries. We will likely incur additional costs associated with complying with these 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 are likely to encounter challenges to satisfy those customers who require that all of the components of our products are certified as “conflict free.” If we cannot satisfy these customers, they may choose a competitor’s products.

A number of jurisdictions including the EU, Australia and China are developing or have finalized market entry or public procurement regulations for computers and servers based on ENERGY STAR specifications as well as additional energy consumption limits. There is the potential for certain of our products being excluded from some of these markets which could materially adversely affect us.

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. See also, “Item 3-Legal Proceedings-Environmental Matters,” below.

[Table of Contents](#)
ITEM 1A. RISK FACTORS

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

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

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

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

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

Intel exerts substantial influence over computer manufacturers and their channels of distribution through various brand and other marketing programs. As a result of Intel's 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 and specifications for x86 microprocessors that could cause us and other companies to have delayed access to such standards.

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

Intel could also take actions that place our discrete GPUs at a competitive disadvantage, including giving one or more of our competitors in the graphics market, such as Nvidia Corporation, preferential access to its proprietary graphics interface or other useful information.

[Table of Contents](#)

Intel's position in the microprocessor market and integrated graphics chipset market, its introduction of competitive new products, its existing relationships with top-tier OEMs and its aggressive marketing and pricing strategies could result in lower unit sales and a lower average selling price for our products, which could have a material adverse effect on us.

We rely on GF to manufacture most of our microprocessor and APU products and certain of our GPU and semi-custom 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 or implementing advanced leading-edge process technologies needed to manufacture future generations of our products, manufacture our products on a timely basis at competitive prices or meet our capacity requirements, then we may experience delays in product launches, supply shortages for certain products or increased costs and our business could be materially adversely affected.

Further, if our requirements are less than the number of wafers that we may commit to purchase from GF, we could have excess inventory or higher inventory unit costs, both of which will adversely impact our gross margin and our results of operations.

We are currently in the process of negotiating a fifth amendment to the WSA, and we expect that our future purchases from GF will continue to be material. If we do not successfully conclude our negotiations, it could have a material adverse impact on our gross margin and our results of operations.

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

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

We rely on third-party wafer foundries to fabricate the silicon wafers for all of our products. We also rely on third-party manufacturers to assemble, test, mark and pack 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.