Table of Contents

net loss for 2013 improved to $83 million compared to a net loss of $1.2 billion for 2012. Cash, cash equivalents and marketable securities, including long-term marketable securities, as of December 28, 2013 were $1.2 billion, the same as of December 29, 2012.

The financial results for the second half of 2013 were evidence of our transformation efforts, as we derived more than 30% of net revenues from semi-custom and embedded products. During the second half of 2013, we also began laying the foundation for execution of the third phase of our transformation plan, in which we intend to expand our business beyond a transitioning traditional PC industry by creating a more diverse product portfolio and expanding our revenue base into new high-growth adjacent markets. We seek to transform our business to attain approximately 50% of revenue from high-growth adjacent markets by the end of 2015.

GLOBALFOUNDRIES

Formation and Accounting

On March 2, 2009, we consummated the transactions contemplated by the Master Transaction Agreement among us, Advanced Technology Investment Company LLC (ATIC) and West Coast Hitech L.P. (WCH), pursuant to which we formed GF. In connection with the consummation of the transactions contemplated by the Master Transaction Agreement, AMD, ATIC and GF entered into a Wafer Supply Agreement (the WSA), a Funding Agreement (the Funding Agreement) and a Shareholders' Agreement (the Shareholders' Agreement) on March 2, 2009.

At GF's formation on March 2, 2009 and through December 26, 2009, GF was deemed a variable-interest entity and we were deemed to be GF's primary beneficiary. Accordingly, we consolidated GF under applicable accounting rules. As a result of certain GF governance changes, we deconsolidated GF and accounted for our GF ownership under the equity method of accounting as of December 27, 2009. Following the deconsolidation, GF became our related party.

In the first quarter of 2011, as a result of a contribution to GF by an affiliate of ATIC and certain GF governance changes noted above, our ownership in GF was diluted and we concluded that we no longer had the ability to exercise significant influence over GF. Accordingly, we changed our accounting for our investment in GF from the equity method to the cost method of accounting and recognized a dilution gain in investee of approximately $492 million. In the fourth quarter of 2011, we identified indicators of impairment in GF that were deemed other than temporary. We performed a valuation analysis and recorded a non-cash impairment charge of $209 million. The carrying value of our remaining investment in GF after the impairment charge was $278 million as of December 31, 2011.

On March 4, 2012, as partial consideration for certain rights received under a second amendment to the WSA, we transferred to GF all of the remaining capital stock of GF that we owned. In addition, as of March 4, 2012, the Funding Agreement was terminated and we were no longer party to the Shareholders' Agreement. As a result of these transactions, we no longer owned any GF capital stock as of March 4, 2012.

GF continues to be a related party of us because Mubadala Development Company PJSC's (Mubadala) and ATIC are affiliated with WCH, our largest stockholder. WCH and ATIC are wholly-owned subsidiaries of Mubadala.

Wafer Supply Agreement

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 we acquire a third-party business that manufactures microprocessor and APU products, we will have up to two years to transition the manufacture of such microprocessor and APU products to GF.

Table of Contents

The WSA terminates no later than March 2, 2024. GF has agreed to use commercially reasonable efforts to assist us to transition the supply of products to another provider and to continue to fulfill purchase orders for up to two years following the termination or expiration of the WSA. During the transition period, pricing for microprocessor and APU products will remain as set forth in the WSA, but our purchase commitments to GF will no longer apply.

On April 2, 2011, we entered into a first amendment to the WSA. The primary effect of the first amendment was to change the pricing methodology applicable to wafers delivered in 2011 for our microprocessors and APU products. The first amendment also modified our existing commitments regarding the production of certain GPU and chipset products at GF.

On March 4, 2012, we entered into a second amendment to the WSA. The primary effect of the second amendment was to modify certain pricing and other terms of the WSA applicable to wafers for our microprocessor and APU products, to be delivered by GF to us during 2012. Under the terms of the second amendment to the WSA, GF granted us rights to contract with another wafer foundry supplier with respect to specified 28nm products for a specified period of time (the limited waiver of exclusivity). In consideration for the limited waiver of exclusivity, we recorded a charge of $703 million in the first quarter of 2012, consisting of a $425 million cash payment and a $278 million non-cash charge representing the transfer to GF of our remaining investment in GF at fair value.

On December 6, 2012, we entered into a third amendment to the WSA. Pursuant to the third amendment, we modified our wafer purchase commitments for the fourth quarter of 2012 made pursuant to the second amendment to the WSA. In addition, 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 from the fourth quarter of 2012 through December 31, 2013. Pursuant to the third amendment, GF agreed to waive a portion of our wafer purchase commitments for the fourth quarter of 2012. In consideration for this waiver, we agreed to pay GF a fee of $320 million. As a result, we recorded a lower of cost or market charge of $273 million for the write-down of inventory to its market value in the fourth quarter of 2012. The cash impact of this $320 million fee was paid over several quarters, with $80 million paid on December 28, 2012, $40 million paid on April 1, 2013 and $200 million paid on December 31, 2013.

We are currently in the process of negotiating a fourth amendment to the WSA, and we expect that our future purchases from GF will continue to be material.

Our expenses related to GF’s wafer manufacturing were $962 million, $1.2 billion and $904 million in 2013, 2012 and 2011, respectively. Our expenses related to GF’s research and development activities were $16 million, $49 million and $79 million for 2013, 2012 and 2011, respectively.

Critical Accounting Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of our financial statements requires us to make estimates and judgments that affect the reported amounts in our consolidated financial statements. We evaluate our estimates on an on-going basis, including those related to our revenue, inventories, goodwill impairments and income taxes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of 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 the following critical accounting estimates are the most significant to the presentation of our financial statements and require the most difficult, subjective and complex judgments.

Table of Contents

Revenue Allowances. We record a provision for estimated sales returns and allowances on product sales for estimated future price reductions and other customer incentives in the same period that the related revenues are recorded. We base these estimates on actual historical sales returns, allowances, historical price reductions, market activity and other known or anticipated trends and factors. These estimates are subject to management's judgment and actual provisions could be different from our estimates and current provisions, resulting in future adjustments to our revenues and operating results.

Inventory Valuation. At each balance sheet date, we evaluate our ending inventories for excess quantities and obsolescence. This evaluation includes analysis of sales levels by product and projections of future demand. These projections assist us in determining the carrying value of our inventory. In addition, we write off inventories that are considered obsolete. We adjust the remaining specific inventory balances to approximate the lower of our standard manufacturing cost or market value. Among other factors, management considers forecasted demand in relation to the inventory on hand, competitiveness of product offerings, market conditions and product life cycles when determining obsolescence and market value. If, in any period, we anticipate future demand or market conditions to be less favorable than our previous estimates, additional inventory write-downs may be required and would be reflected in cost of sales in the period the revision is made. This would have a negative impact on our gross margin in that period. If in any period we are able to sell inventories that were not valued or that had been written off in a previous period, related revenues would be recorded without any offsetting charge to cost of sales, resulting in a net benefit to our gross margin in that period.

Goodwill. Goodwill represents the excess of the purchase price over the fair value of net tangible and identifiable intangible assets acquired. Goodwill is not amortized, but rather is tested for impairment at least annually, or more frequently if there are indicators of impairment present.

We perform an annual goodwill impairment analysis as of the first day of the fourth quarter of each year. We evaluate whether goodwill has been impaired at the reporting unit level by first determining whether the estimated fair value of the reporting unit is less than its carrying value and, if so, by determining whether the implied fair value of goodwill within the reporting unit is less than the carrying value. The implied fair value of a reporting unit is determined through the application of one or more valuation models common to our industry, including the income, market and cost approaches. While market valuation data for comparable companies is gathered and analyzed, we believe that there has not been sufficient comparability between the peer groups and the specific reporting units to allow for the derivation of reliable indications of value using a market approach. Therefore, we have ultimately employed the income approach which requires estimates of future operating results and cash flows of each of the reporting units, discounted using estimated discount rates. The key assumptions we have used to determine the fair value of our reporting units includes projected cash flows for the next 10 years and discount rates ranging from 13% in 2011 to 30% in 2013. Discount rates are based on our weighted-average cost of capital, adjusted for the risks associated with operations. A variance in the discount rate could have a significant impact on the amount of the goodwill impairment charge recorded, if any.

Based on the results of our annual analysis of goodwill in 2013 and 2012, each reporting unit's fair value exceeded its carrying value, indicating that there was no goodwill impairment.

For the annual goodwill impairment analysis in 2013, each reporting unit's estimated fair value exceeded its carrying value, ranging from approximately 35% to approximately 223%. The Computing Solutions reporting unit had the lowest excess of fair value over carrying value at 35% due to the decline in the PC market and increased competition. In estimating the fair value of our reporting units, we took into consideration the challenging industry and market trends that existed as of September 29, 2013, the date of the annual goodwill impairment test for each respective reporting unit.

Estimates of fair value for all of our reporting units can be affected by a variety of external and internal factors. Potential events or circumstances that could reasonably be expected to negatively affect the key assumptions we used in estimating the fair value of our Computing Solutions reporting unit include adverse

Table of Contents

changes in our industry, increased competition, an inability to successfully introduce new products in the marketplace or to achieve internal forecasts, and a decline in our stock price. If the estimated fair value of our Computing Solutions reporting unit declines due to any of these factors, we may be required to record future goodwill impairment charges.

Income Taxes. In determining taxable income for financial statement reporting purposes, we must make certain estimates and judgments. These estimates and judgments are applied in the calculation of certain tax liabilities and in the determination of the recoverability of deferred tax assets, which arise from temporary differences between the recognition of assets and liabilities for tax and financial statement reporting purposes.

We must assess the likelihood that we will be able to recover our deferred tax assets. If recovery is not likely, we must increase our charge to income tax expense, in the form of a valuation allowance, for the deferred tax assets that we estimate will not ultimately be recoverable. We consider past performance, future expected taxable income and prudent and feasible tax planning strategies in determining the need for a valuation allowance.

In addition, the calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax rules and the potential for future adjustment of our uncertain tax positions by the Internal Revenue Service or other taxing authority. If our estimates of these taxes are greater or less than actual results, an additional tax benefit or charge will result. We recognize potential accrued interest and penalties related to unrecognized tax benefits as interest expense and income tax expense.

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, comprised of x86 microprocessors, as standalone devices or as incorporated as an APU, chipsets, embedded processors and dense servers; and
- the Graphics and Visual Solutions segment, comprised of GPUs, including professional graphics, semi-custom SOC products, revenue from development services and royalties for game consoles.

In addition to these reportable segments, we have an All Other category, which is not a reportable segment. This category includes certain expenses and credits that were not allocated to any of the operating segments because management 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, net, a charge related to the limited waiver of exclusivity from GF and a net gain from licenses and settlement agreements regarding patent-related matters.

We also reported the results of former businesses in the All Other category because the operating results were not material.

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

We use a 52 or 53 week fiscal year ending on the last Saturday in December. The years ended December 28, 2013, December 29, 2012 and December 31, 2011 included 52 weeks, 52 weeks and 53 weeks, respectively. The extra week in 2011 did not have a material impact on our results of operations. References in this report to 2013, 2012 and 2011 refer to the fiscal year unless explicitly stated otherwise.

Table of Contents

The following table provides a summary of net revenue and operating income (loss) by segment and income (loss) from continuing operations before income taxes for 2013, 2012 and 2011.

	2013	2012	2011
		(In millions)	
Net revenue:			
Computing Solutions	$3,104	$ 4,005	$5,002
Graphics and Visual Solutions	2,193	1,417	1,565
All Other	2	—	1
Total net revenue	$5,299	$ 5,422	$6,568
Operating income (loss):			
Computing Solutions	$ (22)	$ (231)	$ 556
Graphics and Visual Solutions	216	105	51
All Other	(91)	(930)	(239)
Total operating income (loss)	$ 103	$(1,056)	$ 368
Interest income	5	8	10
Interest expense	(177)	(175)	(180)
Other income (expense), net	(5)	6	(199)
Dilution gain in investee, net	—	—	492
Income (loss) from continuing operations before income taxes	$ (74)	$(1,217)	$ 491

Computing Solutions

Computing Solutions net revenue of $3.1 billion in 2013 decreased by 22% compared to $4.0 billion in 2012 as a result of a 20% 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 and chipset products. Average selling price of all categories of products decreased in 2013 as compared to 2012. Unit shipments and average selling price for microprocessor products other than microprocessors for servers and for chipsets decreased primarily due to challenging market conditions and the increasing popularity of tablets as a consumer device of choice, which resulted in decreased demand for our products. Unit shipments and average selling price of our microprocessors for servers decreased primarily due to challenging market conditions.

Computing Solutions net revenue of $4.0 billion in 2012 decreased by 20% compared to $5.0 billion in 2011 as a result of a 14% decrease in unit shipments and a 7% decrease in average selling price. Unit shipments of all categories of products decreased in 2012, as compared to 2011. The decrease in the average selling price was primarily attributable to a decrease in average selling price of our microprocessors for desktop PCs and servers. Unit shipments and average selling price of our microprocessors for desktop PCs decreased due to challenging market conditions and the increasing popularity of tablets as a consumer device of choice, which resulted in decreased demand for our products. Unit shipments and average selling price of our microprocessors for servers decreased primarily due to challenging market conditions.

Computing Solutions operating loss was $22 million in 2013 compared to an operating loss of $231 million in 2012. The improvement in operating results was primarily due to a $753 million decrease in cost of sales, a $179 million decrease in marketing, general and administrative expenses and a $178 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 2013 compared to 2012 as well as the absence of the $273 million lower of cost or market charge related to the fee for GF's waiver of a portion of our obligations and an inventory write-down of approximately $100 million during the third quarter of 2012 as a result of lower than anticipated future demand for certain products, mainly first generation A-Series APU products, codenamed "Llano". In addition, operating loss for 2013 included a $57 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.

Table of Contents

Computing Solutions operating loss was $231 million in 2012 compared to operating income of $556 million in 2011. The decline in operating results was primarily due to the decrease in net revenue referenced above, partially offset by a $136 million decrease in marketing, general and administrative expenses, a $45 million decrease in research and development expenses and a $29 million decrease in cost of sales. Cost of sales decreased primarily due to lower unit shipments, partially offset by the $273 million lower of cost or market charge related to the fee for GF's waiver of a portion of our obligations and an inventory write-down of $100 million during the third quarter of 2012 as a result of lower than anticipated future demand for certain products, mainly first generation A-Series APU products. Marketing, general and administrative expenses and research and development expenses decreased for the reasons set forth under "Expenses," below.

Graphics and Visual Solutions

Graphics and Visual Solutions net revenue of $2.2 billion in 2013 increased by 55% compared to net revenue of $1.4 billion in 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 16% decrease in net revenue from sales of our GPU products. Net revenue from sales of GPU products decreased in 2013 compared to 2012 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.

Graphics and Visual Solutions net revenue of $1.4 billion in 2012 decreased by 9% compared to net revenue of $1.6 billion in 2011. The decrease was primarily due to a decrease in net revenue from sales of GPU products, partially offset by an increase in net revenue received in connection with the development and sale of game console systems that incorporate our graphics technology. Net revenue from sales of GPU products decreased due to lower unit shipments, partially offset by increased average selling price. GPU unit shipments decreased due to challenging market conditions. GPU average selling price increased primarily due to improved product mix.

Graphics and Visual Solutions operating income was $216 million in 2013 compared to $105 million in 2012. The improvement in operating results was primarily due to the increase in net revenue referenced above, partially offset by a $600 million increase in cost of sales, a $36 million increase in marketing, general and administrative expenses and a $29 million increase in research and development expenses. The increase in cost of sales was primarily due to the commencement of unit shipments of our semi-custom SOC products in the second quarter of 2013. Marketing, general and administrative expenses and research and development expenses increased for the reasons set forth under "Expenses" below.

Graphics and Visual Solutions operating income was $105 million in 2012 compared to $51 million in 2011. The improvement in operating results was primarily due to a $101 million decrease in cost of sales, a $60 million decrease in research and development expenses and a $41 million decrease in marketing, general and administrative expenses, partially offset by the decrease in net revenue referenced above. Cost of sales decreased primarily due to lower GPU shipments and correspondingly lower manufacturing costs. Marketing, general and administrative expenses and research and development expenses decreased for the reasons set forth under "Expenses" below.

All Other

All Other revenue pertains to results from former businesses, which were immaterial in 2013, 2012 and 2011.

All Other operating loss of $91 million in 2013 included stock-based compensation expense of $91 million, net restructuring and other special charges of $30 million and $18 million related to amortization of acquired intangible assets. During the fourth quarter of 2013, we entered into licenses and settlements regarding patent-related matters, for which we received in aggregate $48 million in net cash, which we recorded as a gain in operating expense.

Table of Contents

All Other operating loss of $930 million in 2012 included a $703 million charge related to the limited waiver of exclusivity from GF, $100 million of net restructuring charges, stock-based compensation expense of $97 million, $14 million related to amortization of acquired intangible assets and $6 million related to our acquisition of SeaMicro, Inc. (SeaMicro) in 2012.

All Other operating loss of $239 million in 2011 included $98 million of net restructuring charges, $90 million of stock-based compensation expense, $29 million related to amortization of acquired intangible assets and a $24 million charge recorded in connection with a payment to GF primarily related to certain GF manufacturing assets that did not benefit us.

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

The following is a summary of certain consolidated statement of operations data for 2013, 2012 and 2011.

	2013	2012	2011
	(In millions, except for percentages)		
Cost of sales	$ 3,321	$ 4,187	$ 3,628
Gross margin	1,978	1,235	2,940
Gross margin percentage	37%	23%	45%
Research and development	1,201	1,354	1,453
Marketing, general and administrative	674	823	992
Legal settlements, net	(48)	—	—
Amortization of acquired intangible assets	18	14	29
Restructuring and other special charges, net	30	100	98
Interest income	5	8	10
Interest expense	(177)	(175)	(180)
Other income (expense), net	(5)	6	(199)
Provision (benefit) for income taxes	9	(34)	(4)
Dilution gain in investee, net	$ —	$ —	$ 492

Gross Margin

Gross margin as a percentage of net revenue was 37% in 2013 compared to 23% in 2012. Gross margin in 2012 included a $703 million charge related to the limited waiver of exclusivity from GF, a lower of cost or market charge of $273 million 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 2012 compared to 37% in 2013. Gross margin in 2013 was adversely impacted by the lower average gross margins in our Graphics and Visual Solutions segment primarily driven by lower margin semi-custom SOC products, which we began shipping in the second quarter of 2013. Gross margin in 2012 was adversely impacted by an inventory write-down of $100 million during the third quarter of 2012 as a result of lower than anticipated future demand for certain products, mainly first generation A-Series APU products, codenamed “Llano,” which accounted for two gross margin percentage points. Gross margin in 2013 included a $57 million benefit from sales of this previously reserved inventory, which accounted for one gross margin percentage point.

Gross margin as a percentage of net revenue was 23% in 2012 compared to 45% in 2011. Gross margin in 2012 included a $703 million charge related to the limited waiver of exclusivity from GF, a lower of cost or market charge of $273 million and a $5 million charge recorded to cost of sales related to a legal settlement. Gross margin in 2011 included a $24 million charge recorded in connection with a payment to GF primarily related to certain GF manufacturing assets and a charge of approximately $5 million recorded to cost of sales related to a legal settlement. Absent the effects of the charges as described above, which we believe are not indicative of our ongoing operating performance, our gross margin would have been 41% in 2012 compared to

Table of Contents

45% in 2011. Gross margin in 2012 was also adversely impacted by the $100 million inventory write-down in the third quarter of 2012 as a result of lower than anticipated future demand for certain products, mainly first generation A-Series APU products as well as lower average selling price for microprocessor products.

Expenses

Research and Development Expenses

Research and development expenses of $1.2 billion in 2013 decreased by $153 million, or 11%, compared to $1.4 billion in 2012. The decrease was primarily due to a $178 million decrease in research and development expenses attributable to our Computing Solutions segment and a $4 million decrease in stock-based compensation expense recorded in the All Other category, partially offset by a $29 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 $157 million decrease in product engineering costs and a $41 million decrease in manufacturing process technology expenses, partially offset by a $20 million increase in other employee compensation and benefit expenses. The increase in research and development expenses attributable to our Graphics and Visual Solutions segment was primarily due to a $17 million increase in product engineering costs and a $14 million increase in other employee compensation and benefit expenses.

Research and development expenses of $1.4 billion in 2012, decreased by $99 million, or 7%, compared to $1.5 billion in 2011. The decrease was due to a $60 million decrease in research and development expenses attributable to our Graphics and Visual Solutions segment and a $45 million decrease in research and development expenses attributable to our Computing Solutions segment, partially offset by a $6 million increase in stock-based compensation expense recorded in the All Other category. Research and development expenses attributable to our Graphics and Visual Solutions segment decreased as a result of a $36 million decrease in product engineering costs, a $16 million decrease in other employee compensation and benefit expense and a $9 million decrease in manufacturing process technology expenses. The decrease in research and development expenses attributable to our Computing Solutions segment was primarily due to a $26 million decrease in other employee compensation and benefit expense, an $11 million decrease in manufacturing process technology expenses related to GF for our future products and a $9 million decrease in product engineering costs.

Marketing, General and Administrative Expenses

Marketing, general and administrative expenses of $674 million in 2013 decreased by $149 million, or 18%, compared to $823 million in 2012. The decrease was primarily due to a $179 million decrease in marketing, general and administrative expenses attributable to our Computing Solutions segment and a $6 million decrease in the All Other category due to the absence of SeaMicro acquisition-related costs recorded in 2012, partially offset by a $36 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 $101 million decrease in sales and marketing activities and an $82 million decrease in other general and administrative expenses, partially offset by a $5 million increase in other employee compensation and benefit expense. Marketing, general and administrative expenses attributable to our Graphics and Visual Solutions segment increased primarily due to a $46 million increase in other general and administrative expenses and a $4 million increase in other employee compensation and benefit expense, partially offset by a $12 million decrease in sales and marketing activities.

Marketing, general and administrative expenses of $823 million in 2012 decreased by $169 million, or 17%, compared to $992 million in 2011, reflecting the effect of the 2011 restructuring plan and our efforts to reduce operating expenses. The decrease was primarily due to a $136 million decrease in marketing, general and administrative expenses attributable to our Computing Solutions segment and a $41 million decrease in marketing, general and administrative expenses attributable to our Graphics and Visual Solutions segment,

Table of Contents

partially offset by a $6 million increase in corporate general and administrative expenses attributable to our SeaMicro acquisition, which we recorded in the All Other category. Marketing, general and administrative expenses attributable to our Computing Solutions segment decreased primarily due to a $111 million decrease in sales and marketing activities and a $22 million decrease in other general and administrative expenses. The decrease in marketing, general and administrative expenses attributable to our Graphics and Visual Solutions segment was a result of a $24 million decrease in other general and administrative expenses and a $16 million decrease in sales and marketing activities.

Legal Settlements

During the fourth quarter of 2013, we entered into licenses and settlement agreements regarding patent-related matters for which we received in aggregate $48 million in net cash, which we recorded as a gain in operating expenses. At the time we entered into the agreements, we did not have any future obligations that we were required to perform in order to earn the settlement payments. Accordingly, we recognized the entire settlement amount in our operating results for the fourth quarter of 2013.

Amortization of Acquired Intangible Assets

Amortization of acquired intangible assets was $18 million in 2013, $14 million in 2012 and $29 million in 2011. The increase from 2012 to 2013 was due to amortization of the intangible assets of SeaMicro, which we acquired in 2012. The decrease from 2011 to 2012 was due to the reduced amortization base amount of acquired intangible assets, partially offset by our SeaMicro acquisition.

Restructuring and Other Special Charges, 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 cash proceeds of $46 million in connection with the sale, which resulted in a $17 million gain that we recorded in the third quarter of 2013 and a deferred gain of $14 million (as of September 28, 2013) that we will amortize over the initial operating lease term. The initial operating lease term expires in September 2023 and provides for options to extend the operating lease for 4 years at the end of the initial lease term and for an additional 3.5 years thereafter.

In September 2013, we also sold an office building in Austin, Texas. We received net cash proceeds of $10 million in connection with the sale and recorded a $5 million gain in the third quarter of 2013.

In March 2013, we sold and leased back certain 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. The operating lease expires in March 2025 and provides for one 10-year optional renewal.

In March 2013, we also sold an office building in Markham, Ontario, Canada and leased back a portion of the original space through June 2013. 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.

The net charge of $24 million recognized in 2013 related to the real estate transactions described above is recorded in the “Restructuring and other special charges, net” line item on the 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

Table of Contents

approximately 14% as well as asset impairments and facility consolidations. We recorded restructuring expense in the fourth quarter of 2012 of approximately $90 million, which was primarily comprised of employee severance. The non-cash portion of the restructuring expense included approximately $4 million of asset impairments. In 2013, we incurred costs of $11 million related to facility consolidation and site closures, which were partially offset by the release of estimated employee-related severance costs of $5 million. The 2012 restructuring 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 workforce of approximately 13% and contract and program terminations. We recorded a $100 million restructuring charge in the fourth quarter of 2011, which consisted of $54 million for severance and costs related to the continuation of certain employee benefits, $45 million for contract or program termination costs and $1 million for asset impairments. In 2012, we recorded an additional $8 million for severance and costs related to the continuation of certain employee benefits. The 2011 restructuring plan was completed as of the end of the first quarter of 2012.

The following table provides a summary of the restructuring activities during 2013 and 2012 and the remaining related liabilities recorded in “Accrued and other current liabilities” and “Other long-term liabilities” on our consolidated balance sheet as of December 28, 2013:

	Severance and related benefits	Other exit Related Costs	Total
		(In millions)	
Balance at December 31, 2011	$ 22	$ 45	$ 67
Charges	95	5	100
Cash payments	(76)	(29)	(105)
Non-cash charges (reversals), net	—	(4)	(4)
Balance at December 29, 2012	41	17	58
Charges (reversals), net	(5)	11	6
Cash payments	(33)	(21)	(54)
Balance at December 28, 2013	$ 3	$ 7	$ 10

2008 Restructuring Plan

In 2011, we reversed approximately $2 million related to costs associated with the 2008 restructuring plan because the actual restoration costs for vacated facilities were lower than previously estimated.

The following table provides a summary of each major type of cost associated with the 2012, 2011 and 2008 restructuring plans for the periods presented:

	2013	2012	2011
		(In millions)	
Severance and benefits charges (reversals), net	$ (5)	$ 95	$54
Contract or program termination charges	—	—	45
Asset impairments	—	4	1
Facility consolidation and closure charges (reversals), net	11	1	(2)
Total	$ 6	$100	$98

Table of Contents

Interest Income

Interest income was $5 million in 2013 compared to $8 million in 2012. The decrease was primarily due to a decrease in average investments in marketable securities during 2013.

Interest income was $8 million in 2012 compared to $10 million in 2011. The decrease was primarily due to a decrease in cash, cash equivalents and marketable securities and a decrease in the weighted-average interest rate during 2012.

Interest Expense

Interest expense of $177 million in 2013 was relatively flat as compared to $175 million in 2012 and $180 million in 2011.

Other Income (Expense), Net

Other expense, net, in 2013 was $5 million compared to $6 million of other income, net, in 2012 and $199 million of other expense, net, in 2011.

In 2013, we recognized $5 million of other expense, net, primarily due to a $2 million loss from foreign currency exchange rate fluctuations and a $2 million realized loss on sale of our auction rate securities (ARS) investments.

In 2012, we recognized $6 million of other income, net, primarily due to other income recorded in the third quarter of 2012, partially offset by a $5 million loss from foreign currency exchange rate fluctuations and a $4 million other-than-temporary impairment charge related to one of our ARS investments.

In 2011, we recognized an impairment charge on our investment in GF of approximately $209 million and a $6 million loss related to our repurchase of $200 million in principal amount of our 6.00% Convertible Senior Notes due 2015 (6.00% Notes), which is a portion of our outstanding 6.00% Notes, partially offset by an $8 million gain on foreign currency exchange rate fluctuations.

Income Taxes

We recorded an income tax provision of $9 million in 2013 and an income tax benefit of $34 million and $4 million in 2012 and 2011, respectively.

The income tax provision in 2013 was primarily due to $9 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 $3 million of tax benefits for Canadian co-op credits and the monetization of certain U.S. tax credits.

The income tax benefit in 2012 was primarily due to a tax benefit of $36 million relating to our SeaMicro acquisition, a $1 million tax benefit for the tax effects of items credited directly to other comprehensive income, a $2 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 $14 million of foreign taxes in profitable locations.

The income tax benefit in 2011 was primarily due to tax benefits of $4 million from the monetization of U.S. and Canadian tax credits, a $4 million reversal of unrecognized tax benefits in foreign jurisdictions, primarily due to a favorable audit resolution in a foreign jurisdiction, net of $4 million of foreign taxes in profitable locations.

Table of Contents

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

On January 2, 2013 the American Taxpayer Relief Act of 2012 (the Act) was passed into law. The Act included a retroactive extension of the U.S. research credit for 2012. Since the effects of tax law changes are recognized in the first period which includes the date of enactment, the Act had no impact on our 2012 tax provision. The impact on our 2013 tax provision was immaterial due to the effects of the valuation allowance.

Stock-Based Compensation Expense

Stock-based compensation expense related to employee stock options, restricted stock and restricted stock units for the years ended December 28, 2013, December 29, 2012 and December 31, 2011 was allocated in our consolidated statements of operations as follows:

	2013	2012	2011
		(In millions)	
Cost of sales	$ 5	$ 8	$ 6
Research and development	48	52	46
Marketing, general and administrative	38	37	38
Total stock-based compensation expense, net of tax of $0	$91	$97	$90

During 2013, 2012 and 2011, we did not realize any excess tax benefits related to stock-based compensation and therefore we did not record any effects relating to financing cash flows.

Stock-based compensation expense of $91 million in 2013 decreased by $6 million as compared to $97 million in 2012. The decrease was primarily due to a lower weighted average grant date fair value and lower stock compensation expense as a result of our 2012 restructuring plan, partially offset by the additional expense related to stock options and restricted stock granted in connection with our SeaMicro acquisition.

Stock-based compensation expenses of $97 million in 2012 increased $7 million compared to $90 million in 2011. The increase was primarily due to the additional expense related to the equity grants made in connection with our SeaMicro acquisition and an increase in the number of employee stock options and restricted stock units that we granted, partially offset by the absence of a charge related to the acceleration of vesting of all unvested equity incentive awards held by our former Chief Executive Officer in the first quarter of 2011 as a result of his resignation from AMD, effective January 10, 2011, and a lower weighted-average estimated grant date fair value in 2012 as compared to 2011.

As of December 28, 2013, we had $26 million of total unrecognized compensation expense, net of estimated forfeitures, related to stock options that will be recognized over a weighted-average period of 1.90 years. Also, as of December 28, 2013, we had $112 million of total unrecognized compensation expense, net of estimated forfeitures, related to restricted stock and restricted stock units that will be recognized over a weighted-average period of 2.03 years.

International Sales

International sales as a percentage of net revenue were 85% in 2013, 92% in 2012 and 93% in 2011. The decrease in international sales as a percentage of net revenue in 2013 compared 2012 and 2011 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.

Table of Contents

FINANCIAL CONDITION

Liquidity

Our cash, cash equivalents and marketable securities, including long-term marketable securities, were $1.2 billion as of December 28, 2013 and December 29, 2012. During 2013, our $175 million payment related to GF's limited waiver of exclusivity and $40 million payment related to GF's waiver of a portion of our obligations for wafer purchase commitments for the fourth quarter of 2012 were partially offset by proceeds of $154 million related to building sales, net of purchases of property and equipment. Also, during the fourth quarter of 2013, we entered into licenses and settlement agreements regarding patent-related matters for which we received in aggregate $48 million in net cash. The percentage of cash, cash equivalents and marketable securities held domestically was 91% as of December 28, 2013.

Our long-term marketable securities currently consist of corporate bonds and money market funds. The corporate bonds have maximum stated maturities of two years. As of December 28, 2013, the fair value of these long-term marketable securities was $90 million. All of the long-term marketable securities were held in the United States.

Our intent is to hold our long-term marketable securities for greater than one year, and we do not intend to use them in current operations. During 2013, net proceeds from the maturity of our long-term marketable securities were $91 million. As a result of narrowing investment yields, we intend to continue to evaluate our investment strategy related to amounts we designate as long-term as such investments mature.

As of December 28, 2013, our total debt was $2.1 billion, which reflects a debt discount adjustment of $43 million on our 6.00% Notes and 8.125% Senior Notes due 2017 (8.125% Notes). In the fourth quarter of 2013, we established a senior secured asset based line of credit for a principal amount up to $500 million (Secured Revolving Line of Credit). As of December 28, 2013, our outstanding balance under our Secured Revolving Line of Credit was $55 million. We repurchased $50 million of outstanding principal amount of our 6.00% Notes (which is a portion of our outstanding 6.00% Notes). Subsequent to December 28, 2013, we repurchased an additional $64 million in principal amount of our 6.00% Notes.

For 2013, our net cash used in operating activities was $148 million and our non-GAAP free cash flow was negative $232 million. For 2012, our net cash used in operating activities was $338 million and our non-GAAP free cash flow was negative $471 million. Free cash flow is a non-GAAP measure which we calculate by adjusting GAAP net cash provided by (used in) operating activities for capital expenditures, which were $84 million for 2013 and $133 million for 2012. The improvement in our non-GAAP free cash flow for 2013 as compared to 2012 was primarily attributable to a $190 million decrease in net cash used in operating activities as well as a $49 million decrease in capital expenditures.

We calculate and communicate non-GAAP free cash flow because our management believes it is important for investors to understand the nature of these cash flows. Our calculation of non-GAAP free cash flow may or may not be consistent with the calculation of this measure by other companies in the same industry. Investors should not view non-GAAP free cash flow as an alternative to GAAP liquidity measures of cash flows from operating or financing activities.

In light of the macroeconomic environment, in the fourth quarter of 2012, we announced a restructuring plan to reduce our operating expenses and better position us competitively. As a result of our restructuring, we decreased operating expenses by approximately 31% from the first quarter of 2012 to the fourth quarter of 2013. With the impact of our restructuring plan, the liquidity provided by our Secured Revolving Line of Credit and the availability of external financing, we believe our cash, cash equivalents and marketable securities, including long-term marketable securities, balance will be sufficient to fund operations, including capital expenditures, over the next twelve months.

Table of Contents

We believe that in the event we decide to obtain additional 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, as amended, 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.

Auction Rate Securities

During 2013, we realized a loss of $2 million on sales of approximately $28 million of ARS. We no longer hold any ARS investments as of December 28, 2013.

Operating Activities

Net cash used in operating activities was $148 million in 2013. A net loss of $83 million in 2013 was adjusted for non-cash charges consisting primarily of $236 million of depreciation and amortization expenses, $91 million of stock-based compensation expenses, $31 million net loss on disposal of property, plant and equipment and $25 million of non-cash interest expenses related to our 6.00% Notes and 8.125% Notes. The net changes in operating assets as of December 28, 2013 compared to December 29, 2012 included an increase in inventories of $322 million, largely driven by an increase in Computing Solutions inventory as well as semi-custom SOC products due to our customers' next generation game console ramps, an increase in accounts receivable of $200 million, which was primarily due to higher sales during the fourth quarter of 2013 compared to the fourth quarter of 2012, an increase in other assets of $92 million, primarily due to new software licenses and an increase in prepaid expenses and other current assets of $11 million. Accounts payable, accrued and other liabilities increased by $266 million in 2013 as compared to 2012, primarily due to a $241 million increase in accounts payable driven by larger purchases of inventory to support higher sales during the fourth quarter of 2013 compared to the fourth quarter of 2012, a $36 million increase in deferred income on shipments to our distributor customers, and a $28 million increase in accrued compensation and benefits, partially offset by a $39 million decrease in other liabilities, primarily due to a decrease in restructuring accruals and payments for technology licenses. During 2013, our payables to GF, which included all amounts we owe to GF, decreased by $89 million as compared to 2012. The decrease was primarily due to payments of $175 million related to GF's limited waiver of exclusivity and $40 million related to GF's waiver of a portion of our obligations for wafer purchase commitments for the fourth quarter of 2012, partially offset by an increase of $126 million of payables related to wafer purchases.

Net cash used in operating activities was $338 million in 2012. A net loss of $1.2 billion in 2012 was adjusted for non-cash charges consisting primarily of a $278 million charge related to the limited waiver of exclusivity from GF, $260 million of depreciation and amortization expense, $97 million of stock-based compensation expense and $23 million of non-cash interest expense related to our 6.00% Notes and 8.125% Notes. These charges were partially offset by a benefit of $40 million for deferred income taxes. The net changes in operating assets as of December 29, 2012 compared to December 31, 2011 included a decrease in accounts receivable of $290 million and an increase in inventories of $83 million, which were primarily due to lower sales during 2012. During 2012, our payable to GF, which included all amounts that we owe to GF, increased by $277 million as compared to 2011. The increase was due to cash obligations of $240 million related to the third amendment to the WSA and $175 million related to the limited waiver of exclusivity, partially offset by a

Table of Contents

decrease of $138 million in the amount of billings related to wafer purchases. Accounts payable, accrued liabilities and other decreased by $232 million in 2012 as compared to 2011, primarily due to a $94 million decrease in accrued liabilities, a $92 million decrease in accounts payable and other current liabilities, a $23 million decrease in other liabilities, a $15 million decrease in deferred income on shipments to distributors and a $6 million decrease in accrued compensation and benefits.

Net cash provided by operating activities was $382 million in 2011. Net income of $491 million in 2011 was adjusted for non-cash charges consisting primarily of $317 million of depreciation and amortization expense, a $209 million impairment charge on our investment in GF, $90 million of stock based compensation expense, and $21 million of non-cash interest expense related to our 6.00% Notes and our 8.125% Notes. These charges were partially offset by recognition of a non-cash gain of $492 million in 2011 due to the dilution of our equity interest in GF. The net changes in operating assets at December 31, 2011 compared to December 25, 2010 included an increase in accounts receivable of $347 million, which included the non-cash impact of our previous financing arrangements with International Business Machines Corporation (IBM) and its affiliates. During 2011, IBM and its affiliates collected approximately $396 million from our distributor customers pursuant to these arrangements. Without considering the collection by these parties of the accounts receivables that we sold to them, our accounts receivable decreased $49 million in 2011 as compared to 2010. This decrease was primarily due to timing of sales and collections during 2011. There was also a decrease in prepaid expenses and other assets of $115 million primarily due to the receipt of the final settlement payment from Samsung of $117 million.

Investing Activities

Net cash provided by investing activities was $455 million in 2013 and primarily consisted of net proceeds of $301 million from the purchase, sale and maturity of available-for-sale securities and net proceeds of $154 million from sales and purchases of property, plant and equipment.

Net cash used in investing activities was $19 million in 2012. We had a net cash inflow of $404 million in 2012 from purchases, sales and maturity of available-for-sale securities, partially offset by a net cash outflow of $281 million related to our SeaMicro acquisition, a cash outflow of $133 million for purchases of property, plant and equipment and a cash outflow of $9 million related to other investing activities.

Net cash used in investing activities was $113 million in 2011. We had a net cash outflow of $234 million in 2011 from the purchase and sale of property, plant and equipment. The net cash outflows were partially offset by a net cash inflow of $140 million from purchase, sale, and maturity of available-for-sale securities.

Financing Activities

Net cash provided by financing activities was $13 million in 2013, primarily due to net proceeds from borrowings pursuant to our Secured Revolving Line of Credit of $55 million, net proceeds from U.S. government grants for research and development activities and foreign grants from the Canadian government for research and development activities related to our AMD APU products of $11 million and $3 million from the issuance of common stock under our stock-based compensation plan, partially offset by the repurchase of $50 million in principal amount of our 6.00% Notes (which is a portion of our outstanding 6.00% Notes) in open market transactions and $5 million in payments for capital lease obligations.

Net cash provided by financing activities was $37 million in 2012, primarily due to net proceeds from the issuance of our 7.50% Senior Notes due 2022 (7.50% Notes) of $491 million, $23 million from foreign grants from the Canadian government for research and development activities related to our AMD APU products and from the Malaysian and Chinese governments for our local microprocessor assembly, test and packaging facilities and $14 million from the issuance of common stock under our stock-based compensation plan, partially offset by our repayment of outstanding principal and accrued interest on our 5.75% Convertible Senior Notes due 2012 and repayment of capital lease obligations of $489 million.

Table of Contents

Net cash used in financing activities was $6 million in 2011 as a result of payments of $202 million to repurchase $200 million in principal amount of our 6.00% Notes (which is a portion of our outstanding 6.00% Notes). This amount was partially offset by $170 million of proceeds from our former financing arrangement with IBM and affiliates, $20 million in proceeds from foreign grants from the Canadian government for research and development activities related to our AMD APU products and from the Malaysian and Chinese governments for our local microprocessor assembly, test and packaging facilities, and $18 million from the issuance of common stock under our stock-based compensation plan.

During 2013, 2012 and 2011, we did not realize any excess tax benefit related to stock-based compensation. Therefore, we did not record any effects relating to financing cash flows for these periods.

Contractual Obligations

The following table summarizes our consolidated principal contractual cash obligations, as of December 28, 2013, and is supplemented by the discussion following the table:

	Payment due by period						
(In millions)	**Total**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019 and thereafter**
6.00% Notes[1]	$ 530	$ —	$530	$—	$—	$—	$ —
8.125% Notes[1]	500	—	—	—	500	—	—
7.75% Notes	500	—	—	—	—	—	500
7.50% Notes	500	—	—	—	—	—	500
Secured Revolving Line of Credit	55	55	—	—	—	—	—
Other long-term liabilities	136	—	67	39	29	—	1
Aggregate interest obligation[2]	858	149	127	117	115	76	274
Capital lease obligations[3]	19	6	6	6	1	—	—
Operating leases	388	59	51	43	40	39	156
Purchase obligations[4]	456	438	16	1	1	—	—
Obligations to GF[5]	450	450	—	—	—	—	—
Total contractual obligations	$4,392	$1,157	$797	$206	$686	$115	$ 1,431

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

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

(3) Includes principal and imputed interest.

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

(5) This amount includes all our contractual obligations to GF through the first quarter of 2014, including a $200 million payment made on December 31, 2013 relating to the $320 million fee due as consideration for a waiver from GF of our purchase commitments for the fourth quarter of 2012.

6.00% Convertible Senior Notes due 2015

On April 27, 2007, we issued $2.2 billion aggregate principal amount of our 6.00% Notes. Our 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 our 6.00% Notes are governed by an indenture dated April 27, 2007, by and between us and Wells Fargo Bank, N.A., as trustee.

Table of Contents

In 2013, we repurchased $50 million in principal amount of our 6.00% Notes in open market transactions for $53 million. As of December 28, 2013, the outstanding aggregate principal amount of our 6.00% Notes was $530 million and the remaining carrying value was approximately $517 million, net of debt discount of $13 million. Subsequent to December 28, 2013, we repurchased an additional $64 million in principal amount of our 6.00% Notes.

See Note 11 of "Notes to Consolidated Financial Statements" below, for additional information regarding our 6.00% Notes.

8.125% Senior Notes Due 2017

On November 30, 2009, we issued $500 million of our 8.125% Notes at a discount of 10.204%. Our 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. Our 8.125% Notes are governed by the terms of an indenture dated November 30, 2009 between us and Wells Fargo Bank, N.A., as trustee.

Starting 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 December 28, 2013, the outstanding aggregate principal amount of our 8.125% Notes was $500 million and the remaining carrying value was approximately $470 million, net of debt discount of $30 million.

See Note 11 of "Notes to Consolidated Financial Statements" below, for additional information regarding our 8.125% Notes.

7.75% Senior Notes Due 2020

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

Starting August 1, 2015, we may redeem our 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 December 28, 2013, the outstanding aggregate principal amount of our 7.75% Notes was $500 million.

See Note 11 of "Notes to Consolidated Financial Statements" below, for additional information regarding our 7.75% Notes.

Table of Contents

7.50% Senior Notes Due 2022

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

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

See Note 11 of "Notes to Consolidated Financial Statements" below, for additional information regarding our 7.50% Notes.

Potential Repurchase of Outstanding Notes

We may elect to purchase or otherwise retire our 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. Subsequent to December 28, 2013, we repurchased an additional $64 million in principal amount of our 6.00% Notes (which is a portion of our outstanding 6.00% Notes).

Secured Revolving Line of Credit

On November 12, 2013, we and our subsidiary, AMD International Sales & Service, Ltd. (together, the Borrowers), entered into a loan and security agreement (the Loan Agreement) for our Secured Revolving Line of Credit for a principal amount up to $500 million, with up to $75 million available for issuance of letters of credit, with a group of lenders and Bank of America, N.A., acting as agent for the lenders (the Agent). Our Secured Revolving Line of Credit matures on November 12, 2018. Borrowings under our Secured Revolving Line of Credit are limited to up to 85% of eligible account receivable minus certain reserves and may be used for general corporate purposes, including working capital needs.

The Borrowers can elect that the borrowings under our Secured Revolving Line of Credit may bear interest at a rate per annum equal to (a) London Interbank Offered Rate (LIBOR) plus an applicable margin ranging from 2.00% to 2.75%, or (b) (i) the greater of (x) the Agent's prime rate, (y) the federal funds rate as published by the Federal Reserve Bank of New York plus 0.50%, and (z) LIBOR for a one-month period plus 1.00%, plus (ii) an applicable margin ranging from 1.00% to 1.75%. The applicable margin to be applied to the borrowings under our Secured Revolving Line of Credit is dependent on the Borrowers achieving a certain fixed charge coverage ratio. Our Secured Revolving Line of Credit may be optionally prepaid or terminated or unutilized commitments may be reduced, in each case at any time without premium or penalty. In connection with our Secured Revolving Line of Credit, the Borrowers are required to pay an unused line fee equal to 0.50% per annum, payable monthly on the unused amount of the commitments under our Secured Revolving Line of Credit. The unused line fee decreases to 0.375% per annum when more than 50% of our Secured Revolving Line of Credit is utilized. The Borrowers will pay (i) a monthly fee on all letters of credit outstanding under our Secured Revolving Line of Credit equal to the applicable LIBOR margin and (ii) a fronting fee to the Agent equal to 0.125% of all such letters of credit, payable monthly in arrears.

The obligations under the Loan Agreement are secured by a first priority basis in the Borrowers' account receivable, inventory and certain deposit accounts and specified related assets.

The Loan Agreement contains covenants that place certain restrictions on the Borrowers' ability to, among other things, amend or modify certain terms of any debt of $50 million or more or subordinated debt, create or suffer to exist any liens upon accounts or inventory, sell or transfer any of Borrowers' accounts or inventory

Table of Contents

other than certain ordinary-course transfers, make certain changes to either Borrower's name or form or state of organization without notifying the Agent, or liquidate, dissolve, merge, combine or consolidate. Further restrictions apply during a domestic cash trigger period (a Domestic Cash Trigger Period), which occurs (i) upon an event of default or (ii) when the amount of domestic cash or cash equivalents held in certain accounts is at any time less than $500 million, and ends when both (a) no event of default has existed for 45 days and (b) the amount of domestic cash or cash equivalents held in such accounts has been equal to or greater than $500 million for 45 days. Such restrictions limit the Borrowers' ability to, among other things, allow certain subsidiaries that manufacture or process inventory for the Borrowers to borrow secured debt or unsecured debt beyond a certain amount, create any liens upon any of the Borrowers' property (other than customary permitted liens and liens on up to $1.5 billion of secured credit facilities debt (which amount includes our Secured Revolving Line of Credit)), declare or make any distributions, create any encumbrance on the ability of a subsidiary to make any upstream payments, make asset dispositions other than certain ordinary course dispositions, make certain loans, make payments with respect to subordinated debt or certain borrowed money prior to its due date, become a party to certain agreements restricting the Borrowers' ability to incur or repay debt, grant liens, make distributions, or modify loan agreements or enter into any non-arm's-length transaction with an affiliate.

During a Domestic Cash Trigger Period, the Borrowers are required to maintain a fixed charge coverage ratio each four-fiscal quarter period ending on and after March 29, 2014.

At December 28, 2013, the outstanding loan balance under our Secured Revolving Line of Credit was $55 million, with an interest rate of 2.75%, and up to $445 million remained available for future borrowings. As of December 28, 2013, we were in compliance with all required covenants stated in the Loan Agreement.

The agreements governing our 6.00% Notes, 8.125% Notes, 7.75% Notes and 7.50% and our Secured Revolving Line of Credit 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 or the lenders under the Secured Revolving Line of Credit to declare all amounts outstanding under those borrowing arrangements to be immediately due and payable.

Other Long-Term Liabilities

Other long-term liabilities in the contractual obligations table above primarily consists of $131 million of payments due under certain software and technology licenses that will be paid through 2017 and $4 million of payments related to employee compensation and benefit obligations that will be paid through 2019 and beyond.

Other long-term liabilities in the contractual obligations table above exclude amounts recorded on our consolidated balance sheet that do not require us to make cash payments, which, as of December 28, 2013, primarily consisted of $23 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 2013. Also excluded from other long-term liabilities in the contractual obligations table above is $8 million deferred rent related to our facilities in Sunnyvale, California, $5 million restructuring accruals related to our 2012 restructuring plan, and $3 million of non-current unrecognized tax benefits, which is included in the caption "Other long-term liabilities" on our consolidated balance sheet as of December 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 December 28, 2013, we had aggregate outstanding capital lease obligations of $16 million for one of our facilities in Canada, which is payable in monthly installments through 2017.

Table of Contents

Operating Leases

We lease certain of our facilities, and in some jurisdictions, we lease the land on which these 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 1 to 5 years. Total future non-cancelable lease obligations as of December 28, 2013 were $388 million, including approximately $322 million of future lease payments and estimated operating costs related to real estate in Austin, Texas, Sunnyvale, California and Singapore that we sold and leased back.

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 December 28, 2013, total non-cancelable purchase obligations were $456 million.

Obligations to GF

Obligations to GF represent all of our contractual obligations to GF, including approximately $250 million for inventory purchases during the first quarter of 2014 and other payables under the WSA as described below.

Pursuant to 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 for this waiver, we agreed to pay GF a fee of $320 million. The cash impact of this $320 million fee was paid over several quarters, with $80 million paid on December 28, 2012, $40 million paid on April 1, 2013 and $200 million paid on December 31, 2013.

We are currently in the process of negotiating a fourth amendment to the WSA, and we expect that our future purchases from GF will continue to be material.

Off-Balance Sheet Arrangements

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

Table of Contents

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Interest Rate Risk. Our exposure to market risk for changes in interest rates relates primarily to our investment portfolio and long-term debt. We usually invest our cash in investments with short maturities or with frequent interest reset terms. Accordingly, our interest income fluctuates with short-term market conditions. As of December 28, 2013, our investment portfolio consisted primarily of time deposits, commercial paper and corporate bonds. These investments were highly liquid. Due to the relatively short, weighted-average maturity of our investment portfolio and the current low interest rate environment, our exposure to interest rate risk is minimal.

As of December 28, 2013, all of our outstanding debt had fixed interest rates. Consequently, our exposure to market risk for changes in interest rates on reported interest expense and corresponding cash flows is minimal.

We will continue to monitor our exposure to interest rate risk.

Default Risk. We mitigate default risk in our investment portfolio by investing in only high credit quality securities and by constantly positioning our portfolio to respond to a significant reduction in a credit rating of any investment issuer or guarantor. Our portfolio includes investments in debt and marketable equity securities with active secondary or resale markets to ensure portfolio liquidity. We are averse to principal loss and strive to preserve our invested funds by limiting default risk and market risk.

We actively monitor market conditions and developments specific to the securities and security classes in which we invest. We believe that we take a conservative approach to investing our funds in that we invest only in highly-rated debt securities with relatively short maturities and do not invest in securities we believe involve a higher degree of risk. As of December 28, 2013, substantially all of our investments in debt securities were A rated by at least one of the rating agencies. While we believe we take prudent measures to mitigate investment related risks, such risks cannot be fully eliminated as there are circumstances outside of our control.

During 2013, we realized a loss of $2 million on sales of approximately $28 million of ARS. We no longer hold any ARS investments as of December 28, 2013.

The following table presents the cost basis, fair value and related weighted-average interest rates by year of maturity for our investment portfolio and debt obligations as of December 28, 2013:

	2014	2015	2016	2017	2018	2019 and thereafter	Total	2013 Fair Value
	(In millions, except for percentages)							
Investment Portfolio								
Cash equivalents:								
Fixed rate amounts	$ 421	$ —	$—	$ —	$—	$ —	$ 421	$ 421
Weighted-average rate	0.14%	—	—	—	—	—	0.14%	
Variable rate amounts	$ 19	$ —	$—	$ —	$—	$ —	$ 19	$ 19
Weighted-average rate	5.46%	—	—	—	—	—	5.46%	
Marketable securities								
Fixed rate amounts	$ 228	$ —	$—	$ —	$—	$ —	$ 228	$ 228
Weighted-average rate	0.34%	—	—	—	—	—	0.34%	
Long-term investments:								
Fixed rate amounts	$ 60	$ 28	$—	$ —	$—	$ —	$ 88	$ 88
Weighted-average rate	0.44%	0.61%	—	—	—	—	0.49%	
Variable rate amounts	$ 20	$ —	$—	$ —	$—	$ —	$ 20	$ 20
Weighted-average rate	0.03%	—	—	—	—	—	0.03%	
Total Investment Portfolio	$ 748	$ 28	$—	$ —	$—	$ —	$ 776	$ 776
Debt Obligations								
Fixed rate amounts	$ 55	$ 517	$—	$ 470	$—	$ 1,000	$2,042	$ 2,132
Weighted-average effective interest rate	2.75%	8.00%	— %	10.00%	— %	7.63%	8.08%	7.74%
Total Debt Obligations	**$ 55**	**$ 517**	**$—**	**$ 470**	**$—**	**$ 1,000**	**$2,042**	**$ 2,132**

Table of Contents

Foreign Exchange Risk. As a result of our foreign operations, we incur costs and we carry assets and liabilities that are denominated in foreign currencies, primarily the Canadian dollar, while sales of products are primarily denominated in U.S. dollars.

We maintain a foreign currency hedging strategy, which uses derivative financial instruments to mitigate the risks associated with changes in foreign currency exchange rates. This strategy takes into consideration all of our exposures. We do not use derivative financial instruments for trading or speculative purposes.

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

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

The following table provides information about our foreign currency forward contracts as of December 28, 2013 and December 29, 2012. All of our foreign currency forward contracts mature within 12 months.

	December 28, 2013			December 29, 2012		
	Notional Amount	Average Contract Rate	Estimated Fair Value Gain (Loss)	Notional Amount	Average Contract Rate	Estimated Fair Value Gain (Loss)
	(In millions except contract rates)					
Foreign currency forward contracts:						
Canadian Dollar	$ 124	1.0409	$ (4)	$ 142	0.9993	$ —
Total	**$ 124**		**$ (4)**	**$ 142**		**$ —**