ITEM 7.MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the consolidated financial statements as ofDecember 26, 2015 and December 27, 2014 and for each of the three years in the period ended December 26, 2015 and related notes, which are included in this Annual Report on Form 10-K as well as with the other sections of this Annual Report on Form 10-K, including "Part I, Item 1: Business," "Part II, Item 6: Selected Financial Data" and "Part II, Item 8: Financial Statements and Supplementary Data."

Introduction

We are a global semiconductor company primarily offering:

(i) x86 microprocessors, as a standalone central processing unit (CPU) or as incorporated into an accelerated processing unit (APU), chipsets, and discrete graphics processing units (GPUs) for the consumer, commercial and professional graphics markets; and

(ii) server and embedded CPUs, GPUs and APUs, and semi-custom System-on-Chip (SoC) products and technology for game consoles.

In this MD&A, we will describe the results of operations and the financial condition for us and our consolidated subsidiaries, including a discussion of our results of operations for 2015 compared to 2014 and 2014 compared to 2013, an analysis of changes in our financial condition and a discussion of our contractual obligations and off balance sheet arrangements.

Overview

We faced a challenging business environment in 2015. The impact of global macro-economic conditions, especially the volatility in the Greater China region contributed to a decrease in demand for our products. Additionally, competitive pressures contributed to an overall challenging year. We also experienced reduced demand from our Original Equipment Manufacturers ("OEM") customers in advance of the launch of Microsoft Windows® 10. Net revenue for 2015 was approximately $4.0 billion, a decrease of 28% compared to 2014 net revenue of $5.5 billion. The decrease in net revenue from 2014 was due to a 42% decrease in Computing and Graphics segment revenue and an 8% decrease in Enterprise, Embedded and Semi-Custom segment revenue. Computing and Graphics segment revenue declined year-over-year primarily due to lower client processor sales. Enterprise, Embedded and Semi-Custom segment revenue declined year-over-year primarily due to lower server and embedded revenue and lower game console royalties, partially offset by higher semi-custom SoC sales. Gross margin, as a percentage of net revenue for 2015, was 27% compared to 33% in 2014. Gross margin in 2015 was adversely impacted by an inventory write-down of $65 million, which was primarily the result of lower anticipated demand for older-generation APUs and a technology node transition charge of $33 million. The impact of the write-down accounted for approximately two gross margin percentage points and the technology node transition charge accounted for approximately one gross margin percentage point. Gross margin in 2015 was also adversely impacted by a lower proportion of revenue from Computing and Graphics segment due to lower sales which has a higher average gross margin than our Enterprise, Embedded and Semi-Custom segment and due to lower game console royalties. Gross margin in 2014 included a $58 million lower of cost or market inventory adjustment, which accounted for one gross margin percentage point, and a $27 million benefit from technology licensing revenue, which accounted for less than one gross margin percentage point. Operating loss for 2015 was $481 million compared to an operating loss of $155 million in 2014. The decline in operating performance in 2015 compared to 2014 was primarily due to a decrease in net revenue and in gross margin as described above.

Despite the challenging business environment, we made important changes to our business. During 2015, we continued to focus on introducing a more diverse product portfolio. As part of our long-term strategy to deliver great products, we introduced a number of new products in 2015 including, our 6th Generation AMD A-Series mobile processors (formerly codenamed "Carrizo") in a SoC design and introduced a desktop A-series processor, the AMD A10-7870K APU. We also introduced the A8-7670K APU designed to support Windows® 10, mainstream workloads and online gaming. With respect to our graphics products, we introduced the new AMD Radeon™ R9 Fury X and R9 Fury graphics, the AMD Radeon R7 300 and R9 300 series graphics as well as the AMD Radeon M300 series graphics to reinforce our graphics leadership in both power efficiency for notebooks and best-in class performance for desktops. We also expanded our AMD FirePro™ server GPU family by introducing the AMD FirePro S9170, designed for high performance compute (HPC) environments. The AMD FirePro S9170 is based on second-generation AMD Graphics Core Next (GCN) GPU architecture and a unified scalable GPU optimized for graphics and compute. We announced the AMD FirePro W4300 graphics card designed for Computer-Aided Design (CAD) for both small and full-size workstations. We also launched the AMD Radeon R9 Nano, a small-form-factor mini-ITX enthusiast graphics card designed to deliver energy efficiency and performance for ultra-high resolutions, improved virtual reality experiences and smoother gameplay. With respect to our embedded products, we introduced the AMD Embedded R-Series SOC processor designed for digital signage, retail signage, medical imaging, electronic gaming, media storage and communications and networking.

During 2015, we continued to focus on reducing our expenses. Our operating expenses in 2015 decreased to $1.56 billion, from $1.99 billion in 2014. Our operating expenses in 2014 included a goodwill impairment charge of $233 million. We also took steps to simplify our business and better align resources around our priorities and business outlook. In the third quarter of 2015, we implemented a restructuring plan (2015 Restructuring Plan). The 2015 Restructuring Plan provides for a workforce reduction of approximately 5% and includes organizational actions such as outsourcing certain IT services and application development. The 2015 Restructuring Plan also anticipates a charge for the consolidation of certain real estate facilities. We realized operational savings, primarily in operating expenses, of approximately $8 million in 2015. We expect the 2015 Restructuring Plan to result in operational savings, primarily in operating expenses, of approximately $48 million in 2016.

On October 15, 2015, we entered into an Equity Interest Purchase Agreement (the Equity Interest Purchase Agreement) with Nantong Fujitsu Microelectronics Co., Ltd., a Chinese joint stock company (JV Party), under which we will sell to JV Party a majority of the equity interests in AMD Technologies (China) Co. Ltd., a wholly-foreign owned enterprise incorporated as a limited liability company (the Chinese Target Company), and Advanced Micro Devices Export Sdn. Bhd., a Malaysian limited liability company (the Malaysian Target Company and, together with the Chinese Target Company, the Target Companies), thereby forming two joint ventures (collectively, the JVs) with JV Party in a transaction valued at approximately $436 million (the Transaction). The JV Party will acquire 85% of the equity interests in each JV for approximately $371 million and we estimate we will receive approximately $320 million cash, net of taxes and other customary expenses. After closing, JV Party's affiliates will own 85% of the equity interests in each JV while certain of our subsidiaries will own the remaining 15%. The Transaction will result in the JVs providing assembly, testing, marking, packing and packaging services (ATMP) to us. We plan to account for our investment in the JVs under the equity method of accounting.

Our cash, cash equivalents and marketable securities as of December 26, 2015 were $785 million compared to $1.0 billion as of December 27, 2014. Total debt as of December 26, 2015 was $2.26 billion, compared to $2.2 billion as of December 27, 2014.

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 (currently known as Mubadala Technology Investments LLC (Mubadala Tech) 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, Mubadala Tech 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 Mubadala Tech 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 (Mubadala) and Mubadala Tech are affiliated with WCH, our largest stockholder. WCH and Mubadala Tech 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, and a certain portion of our GPU 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.

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.

Third Amendment to Wafer Supply Agreement. 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.

Fourth Amendment to Wafer Supply Agreement. On March 30, 2014, we entered into a fourth amendment to the WSA. The primary effect of the fourth amendment was to establish volume purchase commitments and fixed pricing for the 2014 calendar year as well as to modify certain other terms of the WSA applicable to wafers for some of our microprocessor, graphics processor and semi-custom game console products to be delivered by GF to us during the 2014 calendar year.

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

As of December 26, 2015, certain wafer deliveries under the fifth amendment to the WSA have been delayed until fiscal 2016. As ofDecember 26, 2015, purchase obligations for fiscal 2016 were approximately $248 million, of which approximately $185 million, consisting of wafers and research and development activities, were received by December 31, 2015.

We generally negotiate our purchase commitments with GF on an annual basis and as such we cannot meaningfully quantify or estimate our future purchase obligations to GF. We are currently in the process of negotiating a sixth amendment to the WSA, and we expect that our future purchases from GF will continue to be material.

Our total purchases from GF related to wafer manufacturing and research and development activities were approximately$0.9 billion for 2015 and approximately $1 billion for each 2014 and 2013, respectively.

Equity Interest Purchase Agreement

On October 15, 2015, we entered into an Equity Interest Purchase Agreement (the Equity Interest Purchase Agreement) with Nantong Fujitsu Microelectronics Co., Ltd., a Chinese joint stock company (JV Party), under which we will sell to JV Party a majority of the equity interests in AMD Technologies (China) Co. Ltd., a wholly-foreign owned enterprise incorporated as a limited liability company (the Chinese Target Company), and Advanced Micro Devices Export Sdn. Bhd., a Malaysian limited liability company (the Malaysian Target Company and, together with the Chinese Target Company, the Target Companies), thereby forming two joint ventures (collectively, the JVs) with JV Party in a transaction valued at approximately $436 million (the Transaction). The JV Party will acquire 85% of the equity interests in each JV for approximately $371 million and we estimate we will receive approximately $320 million cash, net of taxes and other customary expenses. After closing, JV Party's affiliates will own 85% of the equity interests in each JV while certain of our subsidiaries will own the remaining 15%. The Transaction will result in the JVs providing assembly, testing, marking, packing and packaging services (ATMP) to us. We plan to account for our investment in the JVs under the equity method of accounting.

The Equity Interest Purchase Agreement also has related agreements including: (i) with respect to the Malaysian Target Company, a Shareholders' Agreement, and with respect to the Chinese Target Company, a Joint Venture Contract governing the joint venture relationships from and after the Closing, (ii) an IP License Agreement, (iii) a Manufacturing Services Agreement, (iv) a Transition Services Agreement, and (v) a Trademark License Agreement.

The transaction is expected to close in the first half of 2016, pending all regulatory and other approvals.

As a result of the decision to form the above JVs, the balance sheet as of December 26, 2015, reflects held-for-sale accounting of the ATMP assets and liabilities which requires reclassification of such financial amounts to current assets and current liabilities. We reclassified $183 million to other current assets and $79 million to other current liabilities. Asset balances reclassified into other current assets primarily consist of property, plant, and equipment of $110 million, goodwill of $42 million and inventory of $15 million. Liability balances reclassified into other current liabilities primarily consist of accounts payable of $70 million. The balances included in the final gain/(loss) calculation, at closing, are likely to be different due to normal operational activities occurring through the closing date.

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 U.S. generally accepted accounting principles (U.S. GAAP). The preparation of our financial statements requires us to make estimates and judgments that affect the reported amounts in our 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.

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, historical 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 revenue and operating results.

Inventory Valuation. At each balance sheet date, we evaluate our ending inventories for excess quantities and obsolescence based on projected sales outlook. This evaluation includes analysis of historical 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 we consider 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 down 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 present value of estimated future cash flows. Cash flow projections are based on management's estimates of revenue growth rates and operating margins, taking into consideration industry and market condition. 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% to 35% from 2013 to 2015. The discount rate used is based on the weighted-average cost of capital adjusted for the relevant risk associated with business-specific characteristics and the uncertainty related to the reporting unit's ability to execute on the projected cash flows. A variance in the discount rate could have a significant impact on the amount of the goodwill impairment charge recorded, if any.

Estimating the fair value of a reporting unit is judgmental in nature and involves the use of significant estimates and assumptions. These estimates and assumptions include revenue growth rates and operating margins used to calculate projected future cash flows, risk-adjusted discount rates, future economic and market conditions and the determination of appropriate comparable publicly-traded companies. In addition, we make certain judgments and assumptions in allocating shared assets and liabilities to individual reporting units to determine the carrying amount of each reporting unit.

Based on the results of our annual analysis of goodwill in 2015, each reporting unit's fair value exceeded its carrying value, ranging from approximately 17% to approximately 196%. The Computing and Graphics reporting unit had the lowest excess of fair value over carrying value at 17%, however there is no goodwill within this reporting unit. In estimating the fair value of our reporting units, we took into consideration the challenging industry and market trends that existed as of September 27, 2015, the date of the annual goodwill impairment test for each respective reporting unit.

Based on the results of our annual goodwill impairment analysis in 2014, we determined that the carrying value of the Computing and Graphics reporting unit exceeded its estimated fair value and accordingly an impairment charge of $233 million was recorded, which represented the entire goodwill balance within this reporting unit. The remaining two reporting units' estimated fair values exceeded their carrying value, ranging from approximately 156% to approximately 209%. In estimating the fair value of our reporting units, we took into consideration the challenging industry and market trends that existed as of September 28, 2014, the date of the annual goodwill impairment test for each respective reporting unit.

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

Estimates of fair value for all or our reporting units can be affected by a variety of external and internal factors. Potential events or circumstance that could reasonably be expected to negatively affect the key assumptions we used in estimating the fair value of our reporting units include adverse 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 reporting units declines due to any of these factors, we may be required to record future goodwill impairment.

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 the interest and penalties related to unrecognized tax benefits as interest expense and income tax expense, respectively.

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. In connection with our continued strategic transformation, effective July 1, 2014, we realigned our organizational structure. As a result of this organizational change, we have the following two reportable segments:

- the Computing and Graphics segment, which primarily includes desktop and notebook processors and chipsets, discrete GPUs and professional graphics; and
- the Enterprise, Embedded and Semi-Custom segment, which primarily includes server and embedded processors, semi-custom SoC products, engineering services and royalties.

In addition to these reportable segments, we have an All Other category, which is not a reportable segment. This category primarily includes certain expenses and credits that are not allocated to any of the reportable segments because management does not consider these expenses and credits in evaluating the performance of the reportable segments. Also included in this category are amortization of acquired intangible assets, employee stock-based compensation expense, restructuring and other special charges, net, technology node transition charge, workforce rebalancing severance charges, goodwill impairment charge, significant or unusual lower of cost or market inventory adjustments 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 26, 2015, December 27, 2014 and December 28, 2013 each included 52 weeks. References in this report to 2015, 2014 and 2013 refer to the fiscal year unless explicitly stated otherwise.

The following table provides a summary of net revenue and operating income (loss) by segment and income (loss) before income taxes for 2015, 2014 and 2013. The results prior to July 1, 2014 have been recast to reflect our new reportable segments.

	2015	2014	2013
		(In millions)	
Net revenue:			
Computing and Graphics	$ 1,805	$ 3,132	$ 3,720
Enterprise, Embedded and Semi-Custom	2,186	2,374	1,577
All Other	—	—	2
Total net revenue	$ 3,991	$ 5,506	$ 5,299
Operating income (loss):			
Computing and Graphics	$ (502)	$ (76)	$ (101)
Enterprise, Embedded and Semi-Custom	215	399	295
All Other	(194)	(478)	(91)
Total operating income (loss)	$ (481)	$ (155)	$ 103
Interest expense	(160)	(177)	(177)
Other income expense, net	(5)	(66)	—
Loss before income taxes	$ (646)	$ (398)	$ (74)

Computing and Graphics

Computing and Graphics net revenue of $1.8 billion in 2015 decreased by 42% compared to $3.1 billion in 2014 as a result of a 44% decrease in unit shipments, partially offset by a 3% increase in average selling price. Unit shipments of all our Computing and Graphics products decreased. The decrease in unit shipments of all categories of products was due to lower demand caused by challenging global macro economic conditions, especially in the Greater China region, in addition to increased competitive pressures and reduced demand from our OEM customers in advance of the Microsoft Windows® 10 operating system. The increase in average selling price was primarily attributable to an increase in average selling price of our notebook GPU products and AIB products due to a favorable shift in our product mix, partially offset by a decrease in average selling price of our notebook microprocessor products and chipset products.

Computing and Graphics net revenue of $3.1 billion in 2014 decreased by 16% compared to $3.7 billion in 2013 as a result of a 27% decrease in unit shipments, partially offset by a 15% increase in average selling price. The decrease in unit shipments was primarily attributable to lower unit shipments of our microprocessor products for desktop and notebook PCs and chipsets due to challenging consumer PC market conditions and our chipsets being integrated into our APU products. The increase in average selling price was primarily attributable to an increase in average selling price of our microprocessor products due to improved product mix of our microprocessor products for desktop and notebook PCs.

Computing and Graphics operating loss was $502 million in 2015 compared to $76 million in 2014. The decline in operating results was primarily due to the decrease in net revenue referenced above, partially offset by a $696 million decrease in cost of sales, a $120 million decrease in research and development expenses and an $84 million decrease in marketing, general and administrative expenses. Cost of sales decreased primarily due to lower unit shipments in 2015 compared to 2014, partially offset by an inventory write-down of $52 million as a result of lower anticipated demand for primarily older-generation APU products.

Operating loss in 2014 included a $19 million benefit from technology licensing revenue. Research and development expenses and marketing, general and administrative expenses decreased for the reasons set forth under “Expenses,” below.

Computing and Graphics operating loss was $76 million in 2014 compared to an operating loss of $101 million in 2013. The improvement in operating results was primarily due to a $323 million decrease in cost of sales, a $201 million decrease in research and development expenses and an $89 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 unit shipments in 2014 compared to 2013. Operating loss in 2014 included a $19 million benefit from technology licensing revenue. In addition, operating loss in 2013 included a $57 million benefit from sales of inventory that had been previously reserved in the third quarter of 2012, as compared to a similar $8 million benefit in 2014. Research and development expenses and marketing, general and administrative expenses decreased for the reasons set forth under “Expenses,” below.

Enterprise, Embedded and Semi-Custom

Enterprise, Embedded and Semi-Custom net revenue of $2.2 billion in 2015 decreased by 8% compared to net revenue of $2.4 billion in 2014. The decrease was primarily due to a decrease in net revenue received in connection with lower unit shipments of our server and embedded products due primarily to increased competitive pressures, as well as due to the decrease in net revenue from certain royalty arrangements and a decrease in non-recurring engineering (NRE) revenue. The decrease in net revenue was partially offset by an increase in net revenue received in connection with higher unit shipments of our semi-custom SoC products.

Enterprise, Embedded and Semi-Custom net revenue of $2.4 billion in 2014 increased by 51% compared to net revenue of $1.6 billion in 2013. The increase was primarily due to an increase in net revenue received in connection with higher unit shipments of our semi-custom SoC products, which we began shipping in the second quarter of 2013.

Enterprise, Embedded and Semi-Custom operating income was $215 million in 2015 compared to $399 million in 2014. The decline in operating results was primarily due to the decrease in net revenue referenced above and a $16 million increase in research and development expenses, partially offset by a $19 million decrease in marketing, general and administrative expenses and a $2 million decrease in cost of sales. The decrease in cost of sales was primarily due to a decrease in unit shipments of our server and embedded products in 2015 compared to 2014, largely offset by a technology node transition charge of $33 million and an inventory write-down of $13 million. Marketing, general and administrative expenses decreased and research and development expenses increased for the reasons set forth under “Expenses” below.

Enterprise, Embedded and Semi-Custom operating income was $399 million in 2014 compared to $295 million in 2013. The improvement in operating results was primarily due to the increase in net revenue referenced above, partially offset by a $614 million increase in cost of sales, a $64 million increase in research and development expenses and a $15 million increase in marketing, general and administrative expenses. The increase in cost of sales was primarily due to an increase in unit shipments of our semi-custom SoC products in 2014 compared to 2013. In addition, operating income in 2014 included an $8 million benefit from technology license revenue. Research and development expenses and marketing, general and administrative expenses increased for the reasons set forth under “Expenses” below.

All Other

All Other revenue pertains to results from former businesses, which were immaterial in 2015, 2014 and 2013.

All Other operating loss of $194 million in 2015 primarily included restructuring and other special charges, net of $129 million and stock-based compensation expense of $63 million. Restructuring and other special charges, net of $129 million included $76 million related to our decision to exit from the dense server systems business, $37 million related to our 2015 Restructuring Plan and $16 million related to our 2014 Restructuring Plan.

All Other operating loss of $478 million in 2014 included a goodwill impairment charge of $233 million, stock-based compensation expense of $81 million, net restructuring and other special charges of $71 million, lower of cost or market inventory adjustment of $58 million, $14 million related to workforce rebalancing severance charges, $14 million related to amortization of acquired intangible assets and $7 million related to other expenses.

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 an offset to operating expenses.

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

The following is a summary of certain consolidated statement of operations data for 2015, 2014 and 2013.

	2015	2014	2013
	(In millions, except for percentages)		
Cost of sales	$ 2,911	$ 3,667	$ 3,321
Gross margin	1,080	1,839	1,978
Gross margin percentage	27%	33%	37%
Research and development	947	1,072	1,201
Marketing, general and administrative	482	604	674
Amortization of acquired intangible assets	3	14	18
Restructuring and other special charges, net	129	71	30
Goodwill impairment charge	—	233	—
Legal settlements, net	—	—	(48)
Interest expense	(160)	(177)	(177)
Other expense, net	(5)	(66)	—
Provision (benefit) for income taxes	$ 14	$ 5	$ 9

Gross Margin

Gross margin as a percentage of net revenue was 27% in 2015 compared to 33% in 2014. Gross margin in 2015 was adversely impacted by an inventory write-down of $65 million, which was primarily the result of lower anticipated demand for older-generation APUs and a technology node transition charge of $33 million. The impact of the write-down accounted for approximately two gross margin percentage points and the technology node transition charge accounted for approximately one gross margin percentage point. Gross margin in 2015 was also adversely impacted by a lower proportion of revenue from Computing and Graphics segment due to lower sales which has a higher average gross margin than our Enterprise, Embedded and Semi-Custom segment and also by lower game console royalties. Gross margin in 2014 included a $58 million lower of cost or market inventory adjustment, which accounted for one gross margin percentage point, and a $27 million benefit from technology licensing revenue, which accounted for less than one gross margin percentage point.

Gross margin as a percentage of net revenue was 33% in 2014 compared to 37% in 2013. Gross margin in 2014 included a $58 million lower of cost or market inventory adjustment, which accounted for one gross margin percentage point, and a $27 million benefit from technology licensing revenue, which accounted for less than one gross margin percentage point. Gross margin in 2013 included a $57 million benefit from sales of inventory that was previously reserved in the third quarter of 2012, which accounted for one gross margin percentage point as compared to $8 million in 2014 which had a less than one percentage point impact. Gross margin in 2014 was adversely impacted by lower average gross margins in our Enterprise, Embedded and Semi-Custom segment driven by increased sales of lower margin semi-custom SoC products.

Expenses

Research and Development Expenses

Research and development expenses of $947 million in 2015 decreased by $125 million, or 12%, compared to $1.1 billion in 2014. The decrease was primarily due to a $120 million decrease in research and development expenses attributable to our Computing and Graphics segment and a $21 million decrease in the All Other category primarily related to a $9 million workforce rebalancing severance charge recorded in 2014 and an $8 million decrease in stock-based compensation expenses. The decrease was partially offset by a $16 million increase in research and development expenses attributable to our Enterprise, Embedded and Semi-Custom segment. Research and development expenses attributable to our Computing and Graphics segment decreased primarily due to a $116 million decrease in product engineering and design costs and a $4 million decrease in other employee compensation and benefit expenses. Research and development expenses attributable to our Enterprise, Embedded and Semi-Custom segment increased primarily due to a $17 million increase in product engineering and design costs.

Research and development expenses of $1.1 billion in 2014 decreased by $129 million, or 11%, compared to $1.2 billion in 2013. The decrease was primarily due to a $201 million decrease in research and development expenses attributable to our Computing and Graphics segment, partially offset by a $64 million increase in research and development expenses attributable to our Enterprise, Embedded and Semi-Custom segment and a $9 million increase in the All Other category related to a workforce rebalancing severance charge recorded in the first quarter of 2014. Research and development expenses attributable to our Computing and Graphics segment decreased primarily due to a $171 million decrease in product engineering and design costs, a $22 million decrease in other employee compensation and benefit expenses and a $10 million decrease in manufacturing process technology expenses. Research and development expenses attributable to our Enterprise, Embedded and Semi-Custom segment, where we expect to continue to increase our investment, increased primarily due to a $59 million increase in product engineering and design costs and a $3 million increase in other employee compensation and benefit expenses.

Marketing, General and Administrative Expenses

Marketing, general and administrative expenses of $482 million in 2015 decreased by $122 million, or 20%, compared to $604 million in 2014. The decrease was primarily due to an $84 million decrease in marketing, general and administrative expenses attributable to our Computing and Graphics segment, a $19 million decrease in marketing, general and administrative expenses attributable to our Enterprise, Embedded and Semi-Custom segment and a $19 million decrease in the All Other category primarily related to a $5 million workforce rebalancing severance charge recorded in 2014 and a $10 million decrease in stock-based compensation expenses. Marketing, general and administrative expenses attributable to our Computing and Graphics segment decreased primarily due to a $62 million decrease in sales and marketing expenses and a $22 million decrease in other general and administrative expenses. Marketing, general and administrative expenses attributable to our Enterprise, Embedded and Semi-Custom segment decreased primarily due to a $5 million decrease in sales and marketing expenses and a $14 million decrease in other general and administrative expenses.

Marketing, general and administrative expenses of $604 million in 2014 decreased by $70 million, or 10%, compared to $674 million in 2013. The decrease was primarily due to an $89 million decrease in marketing, general and administrative expenses attributable to our Computing and Graphics segment, partially offset by a $15 million increase in marketing, general and administrative expenses attributable to our Enterprise, Embedded and Semi-Custom segment and a $5 million increase in the All Other category related to a workforce rebalancing severance charge recorded in the first quarter of 2014. Marketing, general and administrative expenses attributable to our Computing and Graphics segment decreased primarily due to a $61 million decrease in sales and marketing expenses and a $25 million decrease in other general and administrative expenses. Marketing, general and administrative expenses attributable to our Enterprise, Embedded and Semi-Custom segment increased primarily due to an $8 million increase in sales and marketing expenses and a $5 million increase in other general and administrative expenses.

Legal Settlements

As of December 26, 2015, the Italian tax authorities had concluded their audit of our subsidiaries' activities in Italy for the years 2003 through 2013. We have agreed to a settlement of $11 million in taxes and penalties, which was reflected in full in the 2015 tax provision and $2 million in interest.

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 an offset to 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 $3 million in 2015, $14 million in 2014 and $18 million in 2013. The decrease from 2014 to 2015 was due to the impairment of intangible assets as a result of our exit from the dense server systems business in the first quarter of 2015. The decrease from 2013 to 2014 was due to the reduced amortization base amount of acquired intangible assets of ATI.

Restructuring and Other Special Charges, Net

Effects of Restructuring Plans

2015 Restructuring Plan

In the third quarter of 2015, we implemented a restructuring plan (2015 Restructuring Plan) focused on our ongoing efforts to simplify our business and better align resources around our priorities and business outlook. The 2015 Restructuring Plan involves a reduction of global headcount by approximately 5% and includes organizational actions such as outsourcing certain IT services and application development. During 2015, we recorded a $37 million restructuring charge, which consisted of approximately $27 million of severance and benefit costs, approximately $1 million of facilities related consolidation charges and approximately $9 million of intangible asset related charges associated with the impairment of certain software licenses that have ongoing payment obligations. The 2015 Restructuring Plan resulted in total cash payments of $14 million in 2015. We expect the 2015 Restructuring Plan will likely result in total cash payments of approximately $14 million in 2016. We expect actions associated with the 2015 Restructuring Plan to be substantially completed by the end of the third quarter of 2016.

The following table provides a summary of the restructuring activities during 2015 and the related liabilities recorded in "Other current liabilities" and "Other long-term liabilities" on our consolidated balance sheets as of December 26, 2015:

	Severance and related benefits	Other exit related costs	Total
		(In millions)	
Balance as of June 27, 2015	$ —	$ —	$ —
Charges (reversals), net	27	10	37
Cash payments	(13)	(1)	(14)
Non-cash charges	—	(9)	(9)
Balance as of December 26, 2015	$ 14	$ —	$ 14

2014 Restructuring Plan

In the fourth quarter of 2014, we implemented a restructuring plan (2014 Restructuring Plan) designed to improve operating efficiencies. The 2014 Restructuring Plan involved a reduction of global headcount by approximately 6% and an alignment of our real estate footprint with our reduced headcount. We recorded a $57 million restructuring charge in the fourth quarter of 2014, which consisted of $44 million for severance and costs related to the continuation of certain employee benefits, $6 million for contract or program termination costs, $1 million for facilities related costs and $6 million for asset impairments, a non-cash charge. During 2015, we recorded a $16 million restructuring charge, which consisted of $5 million non-cash charge related to asset impairments, $2 million for severance and related benefits and $9 million for facilities related costs. The 2014 Restructuring Plan was substantially completed by the end of the third quarter of 2015.

The following table provides a summary of the restructuring activities during 2015 and the related liabilities recorded in "Other current liabilities" and "Other long-term liabilities" on our consolidated balance sheets as of December 26, 2015:

	Severance and related benefits	Other exit related costs	Total
		(In millions)	
Balance as of December 27, 2014	$ 26	$ 13	$ 39
Charges (reversals), net	2	14	16
Cash payments	(23)	(7)	(30)
Non-cash charges	—	(5)	(5)
Balance as of December 26, 2015	$ 5	$ 15	$ 20

2012 Restructuring Plan

In the fourth quarter of 2012, we implemented a restructuring plan designed to improve our cost structure and to strengthen our competitiveness in core growth areas. The plan primarily involved a workforce reduction of approximately 14% as well as asset impairments and facility consolidations. 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 2014 and 2013, we incurred costs of $3 million and $11 million, respectively, related to facility consolidation and site closures, which were partially offset by the release of employee-related severance costs of $2 million and $5 million, respectively. The 2012 restructuring plan was substantially completed as of the end of the third quarter of 2013.

Dense Server Systems Business Exit

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

Executive Officer Separation

In the fourth quarter of 2014, we recorded other special charges of $13 million. The amount primarily included $10 million due to the departure of our former CEO, of which $5 million was related to cash and $5 million was related to stock-based compensation expense. The amount is recorded under “Restructuring and other special charges, net” on the consolidated statements of operations.

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 is being amortized 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.

Interest Expense

Interest expense of $160 million in 2015 decreased by $17 million compared to $177 million in 2014, primarily due to timing of issuances of new debt and repurchases of other debt in 2014.

Interest expense of $177 million in 2014 was flat compared to $177 million in 2013.

Other Expense, Net

Other expense, net, in 2015 was $5 million compared to $66 million of other expense, net, in 2014 and $0 million of other expense, net, in 2013.

In 2015, we recognized $5 million of other expense, net, primarily due to a loss from foreign currency exchange rate fluctuations.

In 2014, we recognized $66 million of other expense, net, primarily due to a $61 million loss from debt repurchases and a $7 million loss from foreign currency exchange rate fluctuations, partially offset by $3 million interest income.

In 2013, we recognized $0 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, offset by $5 million interest income.

Income Taxes

We recorded an income tax provision of $14 million, $5 million and $9 million in 2015, 2014 and 2013, respectively.

The income tax provision in 2015 was primarily due to $16 million of foreign taxes in profitable locations, offset by $2 million of tax benefits for Canadian tax credits and the monetization of certain U.S. tax credits.

The income tax provision in 2014 was primarily due to $7 million of foreign taxes in profitable locations, offset by $2 million of tax benefits for Canadian tax credits and the monetization of certain U.S. tax credits.

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 tax credits and the monetization of certain U.S. tax credits.

As of December 26, 2015, 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 26, 2015, in management's estimate, is not more likely than not to be achieved.

As of December 26, 2015, the Italian tax authorities had concluded their audit of our subsidiaries' activities in Italy for the years 2003 through 2013. We have agreed to a settlement of $11 million in taxes and penalties, which was reflected in full in the 2015 tax provision, and $2 million in interest.

Stock-Based Compensation Expense

We allocated stock-based compensation expense related to employee stock options, restricted stock and restricted stock units for the years ended December 26, 2015, December 27, 2014 and December 28, 2013 in our consolidated statements of operations as follows:

	2015	2014	2013
		(In millions)	
Cost of sales	$ 3	$ 3	$ 5
Research and development	36	44	48
Marketing, general and administrative	24	34	38
Total stock-based compensation expense, net of tax of $0	$ 63	$ 81	$ 91

During 2015, 2014 and 2013, 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 $63 million in 2015 decreased by $18 million as compared to $81 million in 2014. The decrease was primarily due to a lower weighted average grant date fair value and the effect of the 2015 and 2014 Restructuring Plans.

Stock-based compensation expense of $81 million in 2014 decreased by $10 million as compared to $91 million in 2013. The decrease was primarily due to lower expense related to stock options and restricted stock granted in connection with our SeaMicro acquisition as most awards became fully vested during 2014 and lower stock compensation expense as a result of our 2014 Restructuring Plan.

As of December 26, 2015, we had $11 million of total unrecognized compensation expense, net of estimated forfeitures, related to stock options that will be recognized over a weighted-average period of 2.30 years. Also, as of December 26, 2015, we had $88 million of total unrecognized compensation expense, net of estimated forfeitures, related to restricted stock and restricted stock units including performance-based restricted stock units that will be recognized over a weighted-average period of 1.99 years.

International Sales

International sales as a percentage of net revenue were 75% in 2015, 81% in 2014 and 85% in 2013. The decrease in international sales as a percentage of net revenue in 2015 compared 2014 was primarily driven by a decrease in sales in China. The decrease in international sales as a percentage of net revenue in 2014 compared to 2013 was primarily driven by an increase in net revenue from domestic sales of our semi-custom SoC products. We expect that international sales will continue to be a significant portion of total sales in the foreseeable future. Substantially all of our sales transactions were denominated in U.S. dollars.

FINANCIAL CONDITION

Liquidity

Our cash and cash equivalents and marketable securities consisted of money market funds and commercial paper. As of December 26, 2015, our cash, cash equivalents and marketable securities of $785 million were lower compared to $1.0 billion as of December 27, 2014. The decrease was primarily due to lower sales and the timing of related collections and the timing of accounts payable payments made. During 2015, we used $96 million for purchases of property, plant and equipment. The percentage of cash and cash equivalents held domestically was 88% as of December 26, 2015 and 89% as of December 27, 2014.

Our debt and capital lease obligations as of December 26, 2015 were $2.3 billion as compared to $2.2 billion as of December 27, 2014. During 2015, we received $100 million net proceeds from our Secured Revolving Line of Credit, of which $42 million was used to repay the remaining aggregate principal amount of our 6.00% Notes.

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

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. Uncertain global economic conditions have in the past adversely impacted, and may in the future adversely impact, our business. If market conditions deteriorate, we may be limited in our ability to access the capital markets to meet liquidity needs on favorable terms or at all, which could adversely affect our liquidity and financial condition, including our ability to refinance maturing liabilities.

Operating Activities

Net cash used in operating activities was $226 million in 2015 compared to $98 million in 2014. The increase in cash used in operating activities was primarily due to lower cash collections during 2015 compared 2014 driven by lower sales compared to 2014, partially offset by lower other operating expenses and labor cost as a result of restructuring actions and the absence of the final $200 million cash payment made in the first quarter of 2014 related to GF's waiver of a portion of our obligations for wafer purchase commitments.

Net cash used in operating activities was $98 million in 2014 compared to $148 million in 2013. The decrease in cash used in operating activities was primarily due to higher cash collections during 2014 compared 2013 driven by slightly higher sales compared to2013, partially offset by the $113 million prepayments to GF in the fourth quarter of 2014.

Investing Activities

Net cash provided by investing activities was $147 million in 2015, which consisted of a net cash inflow of $235 million from purchases, sales and maturities of available for sale securities, partially offset by a net cash outflow of $88 million for purchases and sales of property, plant and equipment.

Net cash used in investing activities was $12 million in 2014, which consisted of a cash outflow of $95 million for purchases of property, plant and equipment, offset by a net cash inflow of $83 million from purchases, sales and maturities of available for sale securities.

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

Financing Activities

Net cash provided by financing activities was $59 million in 2015, primarily due to net proceeds from borrowings pursuant to our Secured Revolving Line of Credit of $100 million, of which $42 million was used to repay the remaining aggregate principal amount of our 6.00% Notes during the second quarter of 2015. In addition, during 2015, we received $5 million from the exercise of employee stock options.

Net cash provided by financing activities was $46 million in 2014, primarily due to net proceeds from borrowings pursuant to our 6.75% Notes of $589 million, our 7.00% Notes of $491 million and our Secured Revolving Line of Credit of $75 million, partially offset by $518 million in payments to repurchase a portion of our 6.00% Notes, $522 million in payments to repurchase our 8.125% Notes, $48 million in payments to repurchase a portion of our 7.75% Notes, $24 million in payments to repurchase a portion of our 7.50% Notes and $3 million in payments for capital lease obligations. During 2014, we also received $4 million from the exercise of employee stock options.

Net cash provided by financing activities was $13 million in 2013, primarily due to net proceeds of $55 million from borrowings pursuant to our Secured Revolving Line of Credit, $3 million from the issuance of common stock under our stock-based compensation plan and $10 million from other financing activities, including 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. The cash inflows were 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.

During 2015, 2014 and 2013, 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 ofDecember 26, 2015, and is supplemented by the discussion following the table:

	Payment due by period						
(In millions)	**Total**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021 and thereafter**
6.75% Notes	$ 600	$ —	$ —	$ —	$ 600	$ —	$ —
7.75% Notes	450	—	—	—	—	450	—
7.50% Notes	475	—	—	—	—	—	475
7.00% Notes	500	—	—	—	—	—	500
Secured Revolving Line of Credit	230	230	—	—	—	—	—
Other long-term liabilities	42	—	35	5	—	—	2
Aggregate interest obligation(1)	889	148	148	148	128	106	211
Operating leases	306	51	50	45	28	26	106
Purchase obligations(2)	319	254	7	32	26	—	—
Obligations to GF(3)	248	248	—	—	—	—	—
Total contractual obligations(4)	$ 4,059	$ 931	$ 240	$ 230	$ 782	$ 582	$ 1,294

(1) Represents estimated aggregate interest obligations for our outstanding debt obligations that are payable in cash, excluding non-cash amortization of debt issuance costs.

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

(3) Includes our purchase obligations to GF for wafer manufacturing and research and development activities and reflects the impact of wafer receipts under the fifth amendment to the WSA delayed into fiscal 2016. As of December 26, 2015, purchase obligations for fiscal 2016 were approximately $248 million, of which approximately $185 million, consisting of wafers and research and development activities, were received by December 31, 2015. We generally negotiate our purchase commitments with GF on an annual basis and as such we cannot meaningfully quantify or estimate our future purchase obligations to GF. We are currently in the process of negotiating a sixth amendment to the WSA, and we expect that our future purchases from GF will continue to be material.

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

6.00% Convertible Senior Notes due 2015

On April 27, 2007, we issued $2.2 billion aggregate principal amount of our 6.00% Notes. In 2015, we paid off the remaining$42 million in aggregate principal amount of our 6.00% Notes in cash. As of December 26, 2015, we did not have any 6.00% Notes outstanding.

6.75% Senior Notes Due 2019

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

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

As of December 26, 2015, the outstanding aggregate principal amount of our 6.75% Notes was$600 million.

See Note 10 of “Notes to Consolidated Financial Statements” below, for additional information regarding our 6.75% Notes.

7.75% Senior Notes Due 2020

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

From 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 26, 2015, the outstanding aggregate principal amount of our 7.75% Notes was$450 million.

See Note 10 of “Notes to Consolidated Financial Statements” below, for additional information regarding our 7.75% Notes.

7.50% Senior Notes Due 2022

On August 15, 2012, we issued $500 million of our 7.50% Notes. Our 7.50% Notes are our general unsecured senior obligations. Interest is payable on February 15 and August 15 of each year beginning February 15, 2013 until the maturity date of August 15, 2022. The 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.

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

As of December 26, 2015, the outstanding aggregate principal amount of our 7.50% Notes was$475 million.

See Note 10 of “Notes to Consolidated Financial Statements” below, for additional information regarding our 7.50% Notes.

7.00% Senior Notes Due 2024

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

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

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

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

As of December 26, 2015, the outstanding aggregate principal amount of our 7.00% Notes was$500 million.

See Note 10 of “Notes to Consolidated Financial Statements” below, for additional information regarding our 7.00% Notes.

Potential Repurchase of Outstanding Notes

We may elect to purchase or otherwise retire our 6.75% Notes, 7.75% Notes, 7.50% Notes and 7.00% Notes with cash, stock or other assets from time to time in open market or privately negotiated transactions, either directly or through intermediaries, or by tender offer when we believe the market conditions are favorable to do so.

Secured Revolving Line of Credit

Loan and Security Agreement

We and our subsidiary, AMD International Sales & Service, Ltd. (together, the Borrowers), entered into a loan and security agreement on November 12, 2013, as amended on December 11, 2014 (the Loan Agreement) for our Secured Revolving Line of Credit for a principal amount of 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 had a maturity date of November 12, 2018. Borrowings under our Secured Revolving Line of Credit were limited to up to 85% of eligible account receivable minus certain reserves and may be used for general corporate purposes, including working capital needs.

Amended and Restated Loan and Security Agreement

On April 14, 2015, the Borrowers and ATI Technologies ULC (together with the Borrowers, the Loan Parties), amended and restated the Loan Agreement (the Amended and Restated Loan Agreement) by and among the Loan Parties, the financial institutions party thereto from time to time as lenders (the Lenders) and the Agent.

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

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

The Borrowers may elect a per annum interest rate equal to (a) the London Interbank Offered Rate (LIBOR) plus the applicable margin set forth in the applicable chart below (the "Applicable Margin") as determined by the average availability under the Secured Revolving Line of Credit and the fixed charge coverage ratio for the most recently ended four-fiscal quarter period; or (b) (i) the greatest 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) the Applicable Margin.

Applicable Margin, if average availability is equal to or greater than 66.66% of the total commitment amount and the fixed charge coverage ratio for the most recently ended four-fiscal quarter period is greater than or equal to 1.25 to 1.00, is 0.25% for Base Rate Revolver Loans and 1.25% for LIBOR Revolver Loans. Otherwise, Applicable Margin is determined in accordance with the below table:

Level	Average Availability for Last Fiscal Month	Base Rate Revolver Loans: Applicable Margin	LIBOR Revolver Loans: Applicable Margin
I	greater than or equal to 66.66% of the Revolver Commitment	0.5%	1.5%
II	greater than or equal to 33.33% of the Revolver Commitment, less than 66.66%	0.75%	1.75%
III	less than 33.33% of the Revolver Commitment	1%	2%

The Secured Revolving Line of Credit may be optionally prepaid or terminated, and unutilized commitments may be reduced at any time, in each case without premium or penalty. In connection with the Secured Revolving Line of Credit, the Borrowers will pay an unused line fee equal to 0.375% per annum, payable monthly on the unused amount of the commitments under the Secured Revolving Line of Credit. The unused line fee decreases to 0.25% per annum when 35% or more of the Secured Revolving Line of Credit is utilized. The Borrowers will pay (i) a monthly fee on all letters of credit outstanding under the 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 Amended and Restated Loan Agreement contains covenants that place certain restrictions on the Loan Parties' ability to, among other things, allow certain of the Company's subsidiaries that manufacture or process inventory for the Loan Parties to borrow secured debt or unsecured debt beyond a certain amount, 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 Loan Parties' accounts or inventory other than certain ordinary-course transfers and certain supply chain finance arrangements, make certain changes to any Loan Party's name or form or state of organization without notifying the Agent, liquidate, dissolve, merge, amalgamate, combine or consolidate, or become a party to certain agreements restricting the Loan Parties' ability to incur or repay debt, grant liens, make distributions, or modify loan agreements.

Further restrictions apply when certain payment conditions (the Payment Conditions) are not satisfied with respect to specified transactions, events or payments. The Payment Conditions include that (i) no default or event of default exists and (ii) at all times during the 45 consecutive days immediately prior to such transaction, event or payment and on a pro forma basis after giving effect to such transaction, event or payment and any incurrence or repayment of indebtedness in connection therewith, the Loan Parties' Excess Cash Availability (as defined in the Amended and Restated Loan Agreement) is greater than the greater of 20% of the total commitment amount and $100 million. Such restrictions limit the Loan Parties' ability to, among other things, create any liens upon any of the Loan Parties' property other than customary permitted liens and liens on up to $1.5 billion of secured credit facilities debt (which amount includes the Secured Revolving Line of Credit), declare or make cash distributions, create any encumbrance on the ability of a subsidiary to make any upstream payments, make asset dispositions other than certain ordinary course dispositions and certain supply chain finance arrangements, make certain loans, make payments with respect to subordinated debt or certain borrowed money prior to its due date or become a party to certain agreements restricting the Loan Parties' ability to enter into any non arm's-length transaction with an affiliate.

The Loan Parties are required to repurchase, redeem, defease, repay, create a segregated account for the repayment of, or request Agent to reserve a sufficient available amount under the Secured Revolving Line of Credit for the repayment of, all debt for borrowed money exceeding $50 million, by no later than 60 days prior to its maturity date (not including the Secured Revolving Line of Credit). Any reserved funds for this purpose would not be included in domestic cash calculations.

In addition, if at any time the Loan Parties' Excess Cash Availability is less than the greater of 15% of the total commitment amount and $75 million, the Loan Parties must maintain a minimum fixed charge coverage ratio of 1.00 to 1.00 until (i) no event of default exists and (ii) the Loan Parties' Excess Cash Availability is greater than the greater of 15% of the total commitment amount and $75 million for 45 consecutive days.

The events of default under the Amended and Restated Loan Agreement include, among other things, payment defaults, the inaccuracy of representations or warranties, defaults in the performance of affirmative and negative covenants, bankruptcy and insolvency related defaults, a cross-default related to indebtedness in an aggregate amount in excess of $50 million, judgments entered against a Loan Party in an amount that exceeds cumulatively $50 million, certain ERISA events and events related to Canadian defined benefits plans and a change of control. When a Payment Condition has not been satisfied, additional events of default include, among other things, a loss, theft damage or destruction with respect to any collateral if the amount not covered by insurance exceeds $50 million.

First Amendment to Amendment and Restated Loan and Security Agreement

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

A t December 26, 2015 and December 27, 2014, the Secured Revolving Line of Credit had an outstanding loan balance of$230 million and $130 million, respectively, at an interest rate of 4.00% and 4.25%, respectively. At December 26, 2015, the Secured Revolving Line of Credit also had$16 million related to outstanding Letters of Credit, and up to $87 million available for future borrowings. We report our intra-period changes in our revolving credit balance on a net basis in our consolidated statement of cash flows as we intend the period of the borrowings to be brief, repaying borrowed amounts within 90 days. As of December 26, 2015, we were in compliance with all required covenants stated in the Loan Agreement.

The agreements governing the 6.75% Notes, 7.75% Notes, 7.50% Notes, 7.00% Notes and the Secured Revolving Line of Credit contain cross-default provisions whereby a default under one agreement would likely result in cross defaults under agreements covering other borrowings. The occurrence of a default under any of these borrowing arrangements would permit the applicable note holders or the lenders under the Secured Revolving Line of Credit to declare all amounts outstanding under those borrowing arrangements to be immediately due and payable.

Other Long-Term Liabilities

Other long-term liabilities in the contractual obligations table above primarily consisted of $40 million of payments due under certain software and technology licenses that will be paid through 2018.

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 26, 2015, primarily consisted of $18 million of deferred gains resulting from certain real estate transactions that occurred in Sunnyvale, California in 1998, in Markham, Ontario, Canada in 2015 and 2008 and in Singapore in 2013. Accruals related to facility consolidation and site closure costs under our restructuring plans of $7 million, deferred rent related to our facilities in Sunnyvale, California of $6 million and operating lease accruals of $5 million are excluded from other long-term liabilities in the contractual obligations table above as they are included in the operating leases obligations. Also excluded from other long-term liabilities in the contractual obligations table above are $4 million of environmental reserves and $4 million of non-current unrecognized tax benefits, which represent potential cash payments that could be payable by us upon settlements with the related authorities. We have not included these amounts in the contractual obligations table above because we cannot make reasonably reliable estimates regarding the timing of the settlements with the related authorities, if any.

Capital Lease Obligations

We terminated our capital lease obligations and entered into a non-cancelable operating lease agreement related to one of our facilities in Markham, Ontario, Canada during 2015. As of December 26, 2015, we did not have any capital lease obligations outstanding.

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 2028. We lease certain manufacturing and office equipment for terms ranging from one to five years. Total future non-cancelable lease obligations as of December 26, 2015 were $306 million, including approximately $251 million of future lease payments and estimated operating costs related to real estate transactions that occurred in Austin, Texas, Sunnyvale, California, Markham, Canada and Singapore.

Purchase Obligations

Our purchase obligations primarily include our obligations to purchase wafers and substrates from third parties, excluding our wafer purchase commitments to GF under the WSA. As of December 26, 2015, total non-cancelable purchase obligations were $319 million.

Obligations to GF

Obligations to GF represent all of our expected cash payments to GF based on wafer receipts and research and development activities. As ofDecember 26, 2015, purchase obligations for fiscal 2016 were approximately $248 million, of which amount wafers and research and development activities of approximately $185 million were received by December 31, 2015. We are currently in the process of negotiating a sixth 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 26, 2015, we had no off-balance sheet arrangements.

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 26, 2015, our investment portfolio consisted primarily of commercial paper. 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 26, 2015, the majority 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 26, 2015, 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.

There were no sales of available-for-sale securities during 2015.

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 26, 2015:

	2016	2017	2018	2019	2020	2021 and thereafter	Total	2015 Fair Value
				(In millions, except for percentages)				
Investment Portfolio								
Cash equivalents:								
Fixed rate amounts	$ 376	$ —	$ —	$ —	$ —	$ —	$ 376	$ 376
Weighted-average rate	0.27%	—	—	—	—	—	0.27%	0.27%
Total Investment Portfolio	**$ 376**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 376**	**$ 376**
Debt Obligations								
Fixed rate amounts	$ —	$ —	$ —	$ 600	$ 450	$ 975	$ 2,025	$ 1,372
Weighted-average effective interest rate	—%	—%	—%	6.75%	7.75%	7.24%	6.88%	10.64%
Variable rate amounts	$ 230	$ —	$ —	$ —	$ —	$ —	$ 230	$ 230
Weighted-average effective interest rate	4.00%	—%	—%	—%	—%	—%	—%	4.00%
Total Debt Obligations	**$ 230**	**$ —**	**$ —**	**$ 600**	**$ 450**	**$ 975**	**$ 2,255**	**$ 1,602**

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, 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. 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.