

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 28, 2020

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number **001-07882**

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

Delaware
(State or other jurisdiction of
incorporation or organization)

94-1692300
(I.R.S. Employer
Identification No.)

2485 Augustine Drive
Santa Clara, California 95054
(Address of principal executive offices)

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

N/A
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value	AMD	The Nasdaq Global Select Market

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 (the Exchange Act) during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>	Non-accelerated filer	<input type="checkbox"/>
Smaller reporting company	<input type="checkbox"/>	Emerging growth company	<input type="checkbox"/>		<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of the registrant's common stock, \$0.01 par value, as of April 24, 2020: 1,171,190,397

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Advanced Micro Devices, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended	
	March 28, 2020	March 30, 2019
	(In millions, except per share amounts)	
Net revenue	\$ 1,786	\$ 1,272
Cost of sales	968	751
Gross profit	818	521
Research and development	442	373
Marketing, general and administrative	199	170
Licensing gain	—	(60)
Operating income	177	38
Interest expense	(13)	(27)
Other income (expense), net	4	(7)
Income before income taxes and equity loss	168	4
Provision for (benefit from) income taxes	6	(13)
Equity loss in investee	—	(1)
Net income	\$ 162	\$ 16
Earnings per share		
Basic	\$ 0.14	\$ 0.01
Diluted	\$ 0.14	\$ 0.01
Shares used in per share calculation		
Basic	1,170	1,044
Diluted	1,224	1,094

See accompanying notes.

Advanced Micro Devices, Inc.
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

	Three Months Ended	
	March 28, 2020	March 30, 2019
	(In millions)	
Net income	\$ 162	\$ 16
Other comprehensive income (loss), net of tax of zero:		
Net unrealized gains (losses) on cash flow hedges:		
Net unrealized gains (losses) arising during the period	(17)	5
Net losses reclassified into income	3	2
Total change in unrealized gains (losses) on cash flow hedges	(14)	7
Total comprehensive income	<u>\$ 148</u>	<u>\$ 23</u>

See accompanying notes.

Advanced Micro Devices, Inc.
Condensed Consolidated Balance Sheets
(Unaudited)

	March 28, 2020	December 28, 2019
	(In millions, except par value amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,330	\$ 1,466
Marketable securities	55	37
Accounts receivable, net	1,691	1,859
Inventories, net	1,056	982
Prepayment and receivables—related parties	17	20
Prepaid expenses and other current assets	241	233
Total current assets	4,390	4,597
Property and equipment, net	540	500
Operating lease right-of-use assets	221	205
Goodwill	289	289
Investment: equity method	58	58
Other assets	366	379
Total assets	\$ 5,864	\$ 6,028
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 653	\$ 988
Payables to related parties	187	213
Accrued liabilities	1,070	1,084
Other current liabilities	75	74
Total current liabilities	1,985	2,359
Long-term debt, net	488	486
Long-term operating lease liabilities	211	199
Other long-term liabilities	143	157
Contingencies (See Note 11)		
Stockholders' equity:		
Capital stock:		
Common stock, par value \$0.01; shares authorized: 2,250; shares issued: 1,176 and 1,175; shares outstanding: 1,171 and 1,170	12	12
Additional paid-in capital	10,026	9,963
Treasury stock, at cost (shares issued: 5 and 5)	(54)	(53)
Accumulated deficit	(6,933)	(7,095)
Accumulated other comprehensive loss	(14)	—
Total stockholders' equity	3,037	2,827
Total liabilities and stockholders' equity	\$ 5,864	\$ 6,028

See accompanying notes.

Advanced Micro Devices, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended	
	March 28, 2020	March 30, 2019
	(In millions)	
Cash flows from operating activities:		
Net income	\$ 162	\$ 16
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	68	46
Stock-based compensation	59	41
Amortization of debt discount and issuance costs	4	9
Amortization of operating lease right-of-use assets	10	9
Loss on debt redemption	—	8
Loss on sale/disposal of property and equipment	18	6
Other	3	(1)
Changes in operating assets and liabilities:		
Accounts receivable, net	168	(5)
Inventories, net	(74)	(110)
Prepayment and receivables—related parties	3	(4)
Prepaid expenses and other assets	(31)	(14)
Payables to related parties	(26)	(6)
Accounts payable, accrued liabilities and other	(429)	(208)
Net cash used in operating activities	(65)	(213)
Cash flows from investing activities:		
Purchases of property and equipment	(55)	(62)
Purchases of available-for-sale debt securities	(55)	(231)
Proceeds from maturity of available-for-sale debt securities	37	93
Collection of deferred proceeds on sale of receivables	—	25
Other	—	2
Net cash used in investing activities	(73)	(173)
Cash flows from financing activities:		
Repayments of debt	—	(164)
Proceeds from warrant exercise	—	449
Proceeds from sales of common stock through employee equity plans	3	1
Other	(1)	—
Net cash provided by financing activities	2	286
Net decrease in cash, cash equivalents, and restricted cash	(136)	(100)
Cash, cash equivalents, and restricted cash at beginning of period	1,470	1,083
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 1,334</u>	<u>\$ 983</u>
Supplemental cash flow information:		
Non-cash investing and financing activities:		
Purchases of property and equipment, accrued but not paid	\$ 99	\$ 62
Transfer of assets for the acquisition of property and equipment	\$ 13	\$ —
Issuance of treasury stock to partially settle debt	\$ —	\$ 7
Non-cash activities for leases:		
Operating lease right-of-use assets acquired by assuming related liabilities	\$ 25	\$ 3
Reconciliation of cash, cash equivalents, and restricted cash		
Cash and cash equivalents	\$ 1,330	\$ 978
Restricted cash included in Prepaid expenses and other current assets	4	5
Total cash, cash equivalents, and restricted cash	<u>\$ 1,334</u>	<u>\$ 983</u>

See accompanying notes.

Advanced Micro Devices
Condensed Consolidated Statements of Stockholders' Equity
(Unaudited)

	Three Months Ended	
	March 28, 2020	March 30, 2019
	(In millions)	
Capital stock		
Common stock		
Balance, beginning of period	\$ 12	\$ 10
Issuance of common stock upon warrant exercise	—	1
Balance, end of period	\$ 12	\$ 11
Additional paid-in capital		
Balance, beginning of period	\$ 9,963	\$ 8,750
Common stock issued under employee equity plans	3	1
Stock-based compensation	59	41
Issuance of common stock upon warrant exercise	—	448
Issuance of common stock warrant	1	—
Issuance of treasury stock to partially settle debt	—	5
Other	—	1
Balance, end of period	\$ 10,026	\$ 9,246
Treasury stock		
Balance, beginning of period	\$ (53)	\$ (50)
Issuance of treasury stock to partially settle debt	—	2
Other	(1)	—
Balance, end of period	\$ (54)	\$ (48)
Accumulated deficit		
Balance, beginning of period	\$ (7,095)	\$ (7,436)
Net income	162	16
Balance, end of period	\$ (6,933)	\$ (7,420)
Accumulated other comprehensive income (loss)		
Balance, beginning of period	\$ —	\$ (8)
Other comprehensive income (loss)	(14)	7
Balance, end of period	(14)	(1)
Total stockholders' equity	<u>\$ 3,037</u>	<u>\$ 1,788</u>

See accompanying notes.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

NOTE 1. Basis of Presentation and Significant Accounting Policies

Basis of Presentation. The accompanying unaudited condensed consolidated financial statements of Advanced Micro Devices, Inc. and its subsidiaries (the Company or AMD) have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. The results of operations for the three months ended March 28, 2020 shown in this report are not necessarily indicative of results to be expected for the full year ending December 26, 2020. In the opinion of the Company's management, the information contained herein reflects all adjustments necessary for a fair presentation of the Company's results of operations, financial position, cash flows and stockholders' equity. All such adjustments are of a normal, recurring nature. The unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended December 28, 2019. Certain prior period amounts have been reclassified to conform to current period presentation.

The Company uses a 52 or 53 week fiscal year ending on the last Saturday in December. The three months ended March 28, 2020 and March 30, 2019 each consisted of 13 weeks.

Principles of Consolidation. The condensed consolidated financial statements include the Company's accounts and those of its wholly-owned subsidiaries. All inter-company accounts and transactions have been eliminated in consolidation.

Significant Accounting Policies. There have been no material changes to the Company's significant accounting policies in Note 2 - Summary of Significant Accounting Policies, of the Notes to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 28, 2019.

Recently Adopted Accounting Standards

Financial Instruments. In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments—Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*. This standard changes the methodology for measuring credit losses on financial instruments and the timing of when such losses are recorded. The Company adopted this standard in the first quarter of 2020 using the modified retrospective adoption method. This standard did not have an impact on the condensed consolidated financial statements upon adoption.

Recently Issued Accounting Standards

Income Taxes. In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. This standard simplifies the accounting for income taxes by eliminating certain exceptions to the guidance in Topic 740 related to the approach for intra-period tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The new guidance also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill and allocating consolidated income taxes to separate financial statements of entities not subject to income tax. This standard is effective for fiscal years beginning after December 15, 2020, with early adoption permitted. While most aspects of this standard are prospective, upon adoption, the Company must apply certain aspects of this standard retrospectively for all periods presented while other aspects are applied on a modified retrospective basis through a cumulative-effect adjustment to accumulated deficit as of the beginning of the fiscal year of adoption. The Company is currently evaluating the impact of this new standard on its condensed consolidated financial statements.

There were no other significant updates to the recently issued accounting standards other than as disclosed above.

Although there are several other new accounting pronouncements issued by the FASB, the Company does not believe any of these accounting pronouncements had or will have a material impact on its condensed consolidated financial statements.

NOTE 2. Supplemental Balance Sheet Information***Accounts Receivable, net***

As of March 28, 2020 and December 28, 2019, Accounts receivable, net included unbilled accounts receivable of \$188 million and \$197 million, respectively. Unbilled receivables primarily represent work completed on semi-custom products under non-cancellable purchase orders that have no alternative use to the Company at contract inception, for which revenue has been recognized but not yet invoiced to customers. All unbilled accounts receivable are expected to be billed and collected within twelve months.

Inventories, net

	March 28, 2020	December 28, 2019
	(In millions)	
Raw materials	\$ 88	\$ 94
Work in process	740	691
Finished goods	228	197
Total inventories, net	<u>\$ 1,056</u>	<u>\$ 982</u>

Property and Equipment, net

	March 28, 2020	December 28, 2019
	(In millions)	
Leasehold improvements	\$ 199	\$ 203
Equipment	999	951
Construction in progress	136	114
Property and equipment, gross	1,334	1,268
Accumulated depreciation	(794)	(768)
Total property and equipment, net	<u>\$ 540</u>	<u>\$ 500</u>

Other Assets

	March 28, 2020	December 28, 2019
	(In millions)	
Software technology and licenses, net	\$ 194	\$ 210
Other	172	169
Total other assets	<u>\$ 366</u>	<u>\$ 379</u>

Accrued Liabilities

	March 28, 2020	December 28, 2019
	(In millions)	
Accrued compensation and benefits	\$ 205	\$ 285
Marketing programs and advertising expenses	478	454
Other	387	345
Total accrued liabilities	<u>\$ 1,070</u>	<u>\$ 1,084</u>

Remaining Performance Obligations

Revenue allocated to remaining performance obligations that are unsatisfied (or partially unsatisfied) as of March 28, 2020 is \$484 million, which may include amounts received from customers but not yet earned and amounts that will be invoiced and recognized as revenue in future periods associated with any combination of development services, IP licensing and product revenue. The Company expects to recognize \$211 million of such amounts as revenue in the next 12 months.

The revenue allocated to remaining performance obligations did not include amounts which have an original expected contractual duration of less than one year.

NOTE 3. Equity Joint Ventures**ATMP Joint Ventures**

The Company holds a 15% equity interest in two joint ventures (collectively, the ATMP JV) with Tongfu Microelectronics Co., Ltd, a Chinese joint stock company, and as such, the ATMP JV is a related party of the Company. The Company has no obligation to fund the ATMP JV. The Company accounts for its equity interests in the ATMP JV under the equity method of accounting due to its significant influence over the ATMP JV. As of both March 28, 2020 and December 28, 2019, the carrying value of the Company's investment in the ATMP JV was \$58 million.

The ATMP JV provides assembly, test, mark and packaging (ATMP) services to the Company. The Company assists the ATMP JV in its management of certain raw material inventory. The purchases from and resales to the ATMP JV of inventory under the Company's inventory management program are reported within purchases and resales with the ATMP JV and do not impact the Company's condensed consolidated statement of operations.

The Company's total purchases from the ATMP JV during the three months ended March 28, 2020 and March 30, 2019 amounted to \$151 million and \$132 million, respectively. As of March 28, 2020 and December 28, 2019, the amounts payable to the ATMP JV were \$187 million and \$213 million, respectively, and are included in Payables to related parties on the Company's condensed consolidated balance sheets. The Company's resales to the ATMP JV during the three months ended March 28, 2020 and March 30, 2019 amounted to \$7 million and \$26 million, respectively. As of March 28, 2020 and December 28, 2019, the Company had receivables from the ATMP JV of \$4 million and \$7 million, respectively, included in Prepayment and receivables—related parties on the Company's condensed consolidated balance sheets.

THATIC Joint Ventures

In February 2016, the Company and Higon Information Technology Co., Ltd. (THATIC), a third-party Chinese entity (JV Partner), formed a joint venture comprised of two separate legal entities, China JV1 and China JV2 (collectively, the THATIC JV). The Company's equity share in China JV1 and China JV2 is a majority and minority interest, respectively, funded by the Company's contribution of certain of its patents. The JV Partner is responsible for the initial and on-going financing of the THATIC JV's operations. The Company has no obligations to fund the THATIC JV. The Company does not consolidate either of these entities and accounts for its investments in the THATIC JV under the equity method of accounting. The THATIC JV is a related party of the Company.

The Company's share in the net losses of the THATIC JV for the three months ended March 28, 2020 is not recorded in the Company's condensed consolidated statements of operations since the Company is not obligated to fund the THATIC JV's losses in excess of the Company's investment in the THATIC JV, which was zero as of March 28, 2020.

In February 2016, the Company licensed certain of its intellectual property (Licensed IP) to the THATIC JV for a total of \$293 million in license fees payable over several years upon achievement of certain milestones. The Company also expects to receive a royalty based on the sales of the THATIC JV's products to be developed on the basis of such Licensed IP. The Company classifies Licensed IP income and royalty income, associated with the February 2016 agreement, as licensing gain within operating income. The Company recognized \$60 million as licensing gain associated with the Licensed IP during the three months ended March 30, 2019.

In March 2017, the Company entered into a development and intellectual property agreement (Development and IP) with the THATIC JV, and also expects to receive a royalty based on the sales of the THATIC JV's products to be

developed on the basis of such agreement. The Company classifies Development and IP income and royalty income, associated with the March 2017 agreement, as revenue once earned.

In addition, from time to time, the Company entered into certain agreements with the THATIC JV to provide other services primarily related to research and development.

The Company's receivable from the THATIC JV for the above agreements was \$13 million as of both March 28, 2020 and December 28, 2019, and was included in Prepayment and receivables—related parties on its condensed consolidated balance sheets.

In June 2019, the U.S. Commerce Department's Bureau of Industry and Security added certain Chinese entities to the Entity List, including THATIC and the THATIC JV. The Company is complying with U.S. law pertaining to the Entity List designation.

NOTE 4. Debt and Secured Revolving Facility

Debt

2.125% Convertible Senior Notes Due 2026

In September 2016, the Company issued \$805 million in aggregate principal amount of 2.125% Convertible Senior Notes which mature on September 1, 2026 (2.125% Notes). As of March 28, 2020, the Company had \$251 million aggregate principal amount of its 2.125% Notes outstanding.

Pursuant to the indenture governing the 2.125% Notes, holders of the 2.125% Notes may convert them at their option during certain time periods and upon the occurrence of certain events, including: during any calendar quarter commencing after the calendar quarter ending on September 30, 2016 (and only during such calendar quarter), if the last reported sale price of the Company's common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day (equivalent to an initial conversion price of approximately \$8.00 per share of common stock).

The above event was met during the first calendar quarter of 2020 and as a result, the 2.125% Notes are convertible at the option of the holder from April 1, 2020 until June 30, 2020.

The Company may not redeem the 2.125% Notes prior to the maturity date, and no sinking fund is provided for the 2.125% Notes.

The Company's current intent is to deliver shares of its common stock upon conversion of the 2.125% Notes. The Company continued to classify the carrying value of the liability component of the 2.125% Notes as long-term debt and the equity component of the 2.125% Notes as permanent equity on its condensed consolidated balance sheet as of March 28, 2020.

The 2.125% Notes consisted of the following:

	March 28, 2020	December 28, 2019
	(In millions)	
Principal	\$ 251	\$ 251
Unamortized debt discount ⁽¹⁾	(71)	(73)
Unamortized debt issuance costs	(3)	(3)
Net carrying amount	<u>\$ 177</u>	<u>\$ 175</u>
Carrying amount of the equity component, net ⁽²⁾	<u>\$ 95</u>	<u>\$ 95</u>

⁽¹⁾ Included in the condensed consolidated balance sheets within Long-term debt, net and amortized over the remaining life of the notes using the effective interest rate method.

⁽²⁾ Included in the condensed consolidated balance sheets within additional paid-in capital, net of \$3 million in equity issuance costs as of March 28, 2020 and December 28, 2019.

Based on the closing price of the Company's common stock of \$46.58 on March 27, 2020, the last trading day of the three months ended March 28, 2020, the if-converted value of the 2.125% Notes exceeded its principal amount by approximately \$1.2 billion.

The effective interest rate of the liability component of the 2.125% Notes is 8%. This interest rate was based on the interest rates of similar liabilities at the time of issuance that did not have associated conversion features.

7.50% Senior Notes Due 2022

On August 15, 2012, the Company issued \$500 million of its 7.50% Senior Notes due 2022 (7.50% Notes). As of March 28, 2020, the outstanding aggregate principal amount of the 7.50% Notes was \$312 million.

Potential Repurchase of Outstanding Notes

The Company may elect to purchase or otherwise retire the 7.50% Notes and 2.125% 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 the Company believes the market conditions are favorable to do so.

Secured Revolving Facility

On June 7, 2019, the Company entered into a secured revolving credit facility for up to \$500 million (the Secured Revolving Facility) pursuant to a credit agreement by and among the Company, as borrower, the lenders party thereto and Wells Fargo Bank, National Association, as administrative agent (the Credit Agreement). The Secured Revolving Facility consists of a \$500 million, five-year secured revolving loan facility, including a \$50 million swingline subfacility and a \$75 million sublimit for letters of credit. The Company's obligations under the Credit Agreement are secured by a lien on substantially all the Company's property, other than intellectual property.

The Credit Agreement also provides the ability to increase the Secured Revolving Facility or incur incremental term loans or other incremental equivalent debt by an amount not to exceed certain amounts as set forth in the Credit Agreement. The Company's available borrowings under the Secured Revolving Facility are also subject to reduction by an amount equal to the net cash proceeds of (i) any debt issuances not permitted by the Secured Revolving Facility and (ii) any non-ordinary course asset sales, in excess of \$250 million, if such net cash proceeds are not reinvested by the Company within twelve months of receipt.

As of March 28, 2020, there were no borrowings outstanding under the Credit Agreement, and the Company was in compliance with all required covenants under the Credit Agreement. As of March 28, 2020, the Company had \$14 million of letters of credit outstanding under the Credit Agreement.

As a precautionary measure given the current market environment, on April 6, 2020, the Company borrowed \$200 million under the Credit Agreement via the LIBOR rate loan option. The borrowing carries an annual interest rate of 2.37% through the maturity date of July 6, 2020.

NOTE 5. Financial Instruments

Fair Value Measurements

Financial Instruments Recorded at Fair Value on a Recurring Basis

Financial assets and liabilities measured and recorded at fair value on a recurring basis as of March 28, 2020 and December 28, 2019 are summarized below:

	Total Fair Value	Cash and Cash Equivalents	Marketable Securities	Other Current Assets	Other Current Liabilities
(In millions)					
March 28, 2020					
Level 1 ⁽¹⁾					
Government money market funds	\$ 1	\$ 1	\$ —	\$ —	\$ —
Total level 1	\$ 1	\$ 1	\$ —	\$ —	\$ —
Level 2 ⁽²⁾					
Commercial paper	\$ 349	\$ 294	\$ 55	\$ —	\$ —
Foreign currency derivative contracts	13	—	—	—	13
Total level 2	\$ 362	\$ 294	\$ 55	\$ —	\$ 13
Total	\$ 363	\$ 295	\$ 55	\$ —	\$ 13
December 28, 2019					
Level 1 ⁽¹⁾					
Government money market funds	\$ 1	\$ 1	\$ —	\$ —	\$ —
Total level 1	\$ 1	\$ 1	\$ —	\$ —	\$ —
Level 2 ⁽²⁾					
Commercial paper	\$ 37	\$ —	\$ 37	\$ —	\$ —
Foreign currency derivative contracts	4	—	—	2	2
Total level 2	\$ 41	\$ —	\$ 37	\$ 2	\$ 2
Total	\$ 42	\$ 1	\$ 37	\$ 2	\$ 2

(1) Level 1 fair value estimates are based on quoted prices for identical instruments in active markets.

(2) Level 2 fair value estimates are based on quoted prices for identical or comparable instruments in markets that are not active or comparable instruments in active markets.

In addition to the amounts presented above, as of both March 28, 2020 and December 28, 2019, the Company had \$4 million of investments in government money market funds, used as collateral for letters of credit deposits, which were included in Other current assets on the Company's condensed consolidated balance sheets. As of March 28, 2020 and December 28, 2019, the Company also had \$33 million and \$30 million, respectively, of investments in mutual funds held in a Rabbi trust established for the Company's deferred compensation plan, which were included in Other assets on the Company's condensed consolidated balance sheets. These government money market funds and mutual funds are classified within Level 1 because they are valued using quoted prices for identical instruments in active markets. Their amortized cost approximates the fair value for all periods presented. The Company is restricted from accessing these investments.

Financial Instruments Not Recorded at Fair Value on a Recurring Basis

The Company carries its financial instruments at fair value with the exception of its debt. Financial instruments that are not recorded at fair value are measured at fair value on a quarterly basis for disclosure purposes. The carrying amounts and estimated fair values of the Company's financial instruments not recorded at fair value are as follows:

	March 28, 2020		December 28, 2019	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	(In millions)			
Long-term debt, net ⁽¹⁾	\$ 488	\$ 1,810	\$ 486	\$ 1,823

⁽¹⁾ Carrying amounts of long-term debt are net of unamortized debt issuance costs of \$4 million as of both March 28, 2020 and December 28, 2019, and net of unamortized debt discount associated with the 2.125% Notes of \$71 million as of March 28, 2020 and \$73 million as of December 28, 2019. The carrying amounts above do not include the equity component related to the conversion feature of the 2.125% Notes of \$95 million as of both March 28, 2020 and December 28, 2019.

The estimated fair value of the Company's long-term debt is based on Level 2 inputs. The Company's 2.125% Notes, included in Long-term debt, net above, were convertible at the option of the holder as of March 28, 2020. The estimated fair value of the 2.125% Notes considers the relationship between the Company's stock price of \$46.58 as of March 27, 2020, the last trading day of the three months ended March 28, 2020 and the equivalent initial conversion price of approximately \$8.00 per share of common stock.

The fair value of the Company's accounts receivable, accounts payable and other short-term obligations approximate their carrying value based on existing payment terms.

Hedging Transactions and Derivative Financial Instruments

Cash Flow Hedges Designated as Accounting Hedges and Foreign Currency Forward Contracts Not Designated as Accounting Hedges

The Company hedges its exposure to foreign currency exchange rate risk related to future forecasted transaction cash flows denominated in currencies other than U.S. Dollars over a maximum of 12 months. The contracts generally mature within 12 months, and, upon maturity, the amounts recorded in Accumulated other comprehensive income (loss) are expected to be reclassified into earnings.

The Company also enters into foreign currency forward contracts to reduce the short-term effects of foreign currency fluctuations on certain receivables or payables denominated in currencies other than U.S. Dollars. These forward contracts generally mature within 3 months. The gains or losses on these contracts are recognized in other income (expense), net in the condensed consolidated statements of operations based on the changes in fair value.

As of March 28, 2020 and December 28, 2019, the notional values of the Company's outstanding foreign currency forward contracts were \$583 million and \$739 million, respectively. Unrealized and realized gains and losses for these contracts were not material for the three months ended March 28, 2020 and March 30, 2019.

NOTE 6. Accumulated Other Comprehensive Income (Loss)

The table below summarizes the changes in accumulated other comprehensive income (loss) for the quarters ended March 28, 2020 and March 30, 2019:

	Three Months Ended	
	March 28, 2020	March 30, 2019
	(In millions)	
Beginning balance	\$ —	\$ (8)
Net unrealized gains (losses) on cash flow hedges arising during the period	(17)	5
Net losses reclassified into income	3	2
Total other comprehensive income (loss)	(14)	7
Ending balance	\$ (14)	\$ (1)

NOTE 7. Earnings Per Share

Basic earnings per share is computed based on the weighted average number of common shares outstanding.

Diluted earnings per share is computed based on the weighted average number of common shares outstanding plus potentially dilutive shares outstanding during the period. Potentially dilutive shares are determined by applying the treasury stock method to the assumed exercise of outstanding stock options, the assumed vesting of outstanding restricted stock units, the assumed issuance of common shares under the stock purchase plan, and the assumed exercise of warrants issued to purchase the Company's common stock. Potentially dilutive shares issuable upon conversion of the 2.125% Notes are calculated using the if-converted method.

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

	Three Months Ended	
	March 28, 2020	March 30, 2019
	(In millions, except per share amounts)	
Numerator		
Net income for basic earnings per share	\$ 162	\$ 16
Effect of potentially dilutive shares:		
Interest expense related to the 2.125% Notes	4	—
Net income for diluted earnings per share	<u>\$ 166</u>	<u>\$ 16</u>
Denominator		
Basic weighted average shares	1,170	1,044
Effect of potentially dilutive shares:		
Employee equity plans and warrants	23	50
2.125% Notes	31	—
Diluted weighted average shares	<u>1,224</u>	<u>1,094</u>
Earnings per share:		
Basic	\$ 0.14	\$ 0.01
Diluted	<u>\$ 0.14</u>	<u>\$ 0.01</u>

Potential shares from employee equity plans and the conversion of the 2.125% Notes totaling 103 million shares for the three months ended March 30, 2019 were not included in the earnings per share calculation because their inclusion would have been anti-dilutive.

NOTE 8. Common Stock and Employee Equity Plans

Shares of common stock outstanding were as follows:

	Three Months Ended	
	March 28, 2020	March 30, 2019
	(In millions)	
Number of shares outstanding		
Balance, beginning of period	1,170	1,005
Common stock issued under employee equity plans	1	1
Issuance of common stock upon warrant exercise	—	75
Issuance of treasury stock to partially settle debt	—	1
Balance, end of period	<u>1,171</u>	<u>1,082</u>

Stock-based compensation expense was allocated in the condensed consolidated statements of operations as follows:

	Three Months Ended	
	March 28, 2020	March 30, 2019
	(In millions)	
Cost of sales	\$ 2	\$ 1
Research and development	37	27
Marketing, general and administrative	20	13
Total	\$ 59	\$ 41

NOTE 9. Income Taxes

For the three months ended March 28, 2020, the Company recorded an income tax expense of \$6 million associated with foreign income taxes and withholding taxes.

For the three months ended March 30, 2019, the Company recorded an income tax benefit of \$13 million associated with a credit to U.S. taxes due a reduction of U.S. income taxes accrued in the prior year.

As of March 28, 2020, substantially all the Company's U.S. and foreign deferred tax assets, net of deferred tax liabilities, were subject to valuation allowances. After evaluating all available evidence, the Company determined that the valuation allowances should be maintained.

The Company's total gross unrecognized tax benefits were \$66 million as of March 28, 2020. The Company has foreign and U.S. state tax audits in process at any one point in time. It is reasonably possible the Company may have tax audits close in the next 12 months that could materially change the balance of the uncertain tax benefits; however, the timing of tax audit closures and settlements are uncertain.

NOTE 10. Segment Reporting

Management, including the Chief Operating Decision Maker, who is the Company's Chief Executive Officer, reviews and assesses operating performance using segment net revenue and operating income (loss). These performance measures include the allocation of expenses to the operating segments based on management's judgment. The Company has the following two reportable segments:

- the Computing and Graphics segment, which primarily includes desktop and notebook processors and chipsets, discrete and integrated graphics processing units (GPUs), data center and professional GPUs and development services. The Company also licenses portions of its IP portfolio; and
- the Enterprise, Embedded and Semi-Custom segment, which primarily includes server and embedded processors, semi-custom System-on-Chip (SoC) products, development services and technology for game consoles. The Company also licenses portions of its IP portfolio.

In addition to these reportable segments, the Company has 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. This category primarily includes stock-based compensation expense.

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

	Three Months Ended	
	March 28, 2020	March 30, 2019
	(In millions)	
Net revenue:		
Computing and Graphics	\$ 1,438	\$ 831
Enterprise, Embedded and Semi-Custom	348	441
Total net revenue	\$ 1,786	\$ 1,272
Operating income (loss):		
Computing and Graphics	\$ 262	\$ 16
Enterprise, Embedded and Semi-Custom	(26)	68
All Other ⁽¹⁾	(59)	(46)
Total operating income	\$ 177	\$ 38

(1) For the three months ended March 28, 2020, All Other operating loss was related to stock-based compensation expense. All Other operating loss of \$46 million for the three months ended March 28, 2019 consisted of \$41 million stock-based compensation expense and \$5 million contingent loss accrual on a legal matter.

NOTE 11. Contingencies

Shareholder Derivative Lawsuits (Wessels, Hamilton and Ha)

On March 20, 2014, a purported shareholder derivative lawsuit captioned *Wessels v. Read, et al.*, Case No. 1:14 cv-262486 (Wessels) was filed against the Company (as a nominal defendant only) and certain of its directors and officers in the Santa Clara County Superior Court of the State of California. The complaint purports to assert claims against the Company and certain individual directors and officers for breach of fiduciary duty, waste of corporate assets and unjust enrichment. The complaint seeks damages allegedly caused by alleged materially misleading statements and/or material omissions by the Company and the individual directors and officers regarding its 32nm technology and "Llano" product, which statements and omissions, the plaintiffs claim, allegedly operated to artificially inflate the price paid for the Company's common stock during the period. On April 27, 2015, a similar purported shareholder derivative lawsuit captioned *Christopher Hamilton and David Hamilton v. Barnes, et al.*, Case No. 5:15-cv-01890 (Hamilton) was filed against the Company (as a nominal defendant only) and certain of its directors and officers in the United States District Court for the Northern District of California.

On September 29, 2015, a similar purported shareholder derivative lawsuit captioned *Jake Ha v Caldwell, et al.*, Case No. 3:15-cv-04485 (Ha) was filed against the Company (as a nominal defendant only) and certain of its directors and officers in the United States District Court for the Northern District of California. The lawsuit also seeks a court order voiding the stockholder vote on the Company's 2015 proxy. The case was transferred to the judge handling the Hamilton Lawsuit and is now Case No. 4:15-cv-04485. The Wessels, Hamilton and Ha shareholder derivative lawsuits were stayed pending resolution of a class action lawsuit captioned *Hatamian v. AMD, et al.*, C.A. No. 3:14-cv-00226 filed against the Company in the United States District Court for the Northern District of California (the Hatamian Lawsuit). The Hatamian Lawsuit asserted claims against the Company and certain of its officers for alleged violations of Section 10(b) of the Exchange Act of 1934, as amended (the Exchange Act), and SEC Rule 10b-5 concerning certain statements regarding its 32nm technology and "Llano" products. On October 9, 2017, the parties signed a definitive settlement agreement resolving the Hatamian Lawsuit and submitted it to the Court for approval. Under the terms of this agreement, the settlement was funded entirely by certain of the Company's insurance carriers and the defendants continued to deny any liability or wrongdoing. On March 2, 2018, the court approved the settlement and entered a final judgment in the Hatamian Lawsuit.

On January 30, 2018, the Wessels and Hamilton plaintiffs amended their complaints. On February 2, 2018, the Ha plaintiff also filed an amended complaint. On February 22, 2018, the Company filed motions to dismiss the Hamilton and Ha plaintiffs' amended complaints. On April 2, 2018, the Company filed a demurrer seeking to dismiss the Wessels amended complaint. On July 23, 2018, the Santa Clara Superior Court sustained the Company's demurrer in the Wessels case, dismissing all claims in that matter with prejudice. The Wessels plaintiff filed a Notice of Appeal on September 27, 2018. On October 4, 2018, the Federal Court issued an order dismissing the Hamilton and Ha amended complaints. The Hamilton plaintiffs filed a Notice of Appeal on October 8, 2018, and the Ha plaintiffs filed a Notice of

Appeal on October 15, 2018. On November 19, 2018, the Hamilton and Ha plaintiffs filed a motion seeking summary reversal of the order dismissing their claims. The Company opposed this motion on December 13, 2018, and the Court denied it on February 25, 2019. The Wessels appeal is currently pending. On March 16, 2020, the Ninth Circuit reversed and remanded the district court's dismissal of the Hamilton complaint and affirmed the district court's dismissal of the Ha complaint.

Based upon information presently known to management, the Company believes that the potential liability, if any, stemming from the above matters will not have a material adverse effect on its financial condition, cash flows or results of operations.

Dickey Litigation

On October 26, 2015, a putative class action complaint captioned *Dickey et al. v. AMD*, No. 15-cv-04922 was filed against the Company in the United States District Court for the Northern District of California. Plaintiffs allege that the Company misled consumers by using the term "eight cores" in connection with the marketing of certain AMD FX CPUs that are based on the Company's "Bulldozer" core architecture. The plaintiffs allege these products cannot perform eight calculations simultaneously, without restriction. The plaintiffs seek to obtain damages under several causes of action for a nationwide class of consumers who allegedly were deceived into purchasing certain Bulldozer-based CPUs that were marketed as containing eight cores. The plaintiffs also seek attorneys' fees. On December 21, 2015, the Company filed a motion to dismiss the complaint, which was granted on April 7, 2016. The plaintiffs then filed an amended complaint with a narrowed putative class definition, which the Court dismissed upon the Company's motion on October 31, 2016. The plaintiffs subsequently filed a second amended complaint, and the Company filed a motion to dismiss the second amended complaint. On June 14, 2017, the Court issued an order granting in part and denying in part the Company's motion to dismiss, and allowing the plaintiffs to move forward with a portion of their complaint. On March 27, 2018, plaintiffs filed their motion for class certification. On January 17, 2019, the Court granted plaintiffs' motion for class certification. The class definition does not encompass the Company's Ryzen or EPYC processors. On January 31, 2019, the Company filed a petition in the Ninth Circuit Court of Appeals, seeking review of certain aspects of the January 17, 2019 class certification order. On May 9, 2019, the parties attended mediation and reached a tentative settlement. On June 3, 2019, the Ninth Circuit Court of Appeals denied the Company's petition seeking appellate review of the January 17, 2019 class certification order. On August 9, 2019, the parties executed a formal settlement agreement. On August 23, 2019, plaintiffs filed their motion for preliminary approval of the settlement agreement. On October 4, 2019, the Court granted the motion for preliminary approval of the settlement agreement. On February 21, 2020, the Court granted the plaintiff's motion for final approval of the settlement agreement. On February 28, 2020, the Court issued a final order and judgment.

The settlement of the above matter did not have a material adverse effect on the Company's financial condition, cash flows or results of operations.

Monterey Research Litigation

On November 15, 2019, Monterey Research, LLC filed a patent infringement complaint against the Company in the United States District Court for the District of Delaware. Monterey Research alleges that the Company infringes six U.S. patents: 6,534,805 (related to SRAM cell design); 6,629,226 (related to read interface protocols); 6,651,134 (related to memory devices); 6,765,407 (related to programmable digital circuits); 6,961,807 (related to integrated circuits and associated memory systems); and 8,373,455 (related to output buffer circuits). Monterey Research seeks unspecified monetary damages, enhanced damages, interest, fees, expenses, costs, and injunctive relief against the Company. On January 22, 2020, the Company filed a motion to dismiss part of Monterey Research's complaint. On February 5, 2020, Monterey Research filed an amended complaint. On February 19, 2020, the Company filed a renewed motion to dismiss part of Monterey Research's complaint.

Based upon information presently known to management, the Company believes that the potential liability, if any, stemming from the above matters will not have a material adverse effect on its financial condition, cash flows or results of operations.

Other Legal Matters

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

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

The statements in this report include forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on current expectations and beliefs and involve numerous risks and uncertainties that could cause actual results to differ materially from expectations. These forward-looking statements speak only as of the date hereof or as of the dates indicated in the statements and should not be relied upon as predictions of future events, as we cannot assure you that the events or circumstances reflected in these statements will be achieved or will occur. You can identify forward-looking statements by the use of forward-looking terminology including "believes," "expects," "may," "will," "should," "seeks," "intends," "plans," "pro forma," "estimates," "anticipates," "designed," or the negative of these words and phrases, other variations of these words and phrases or comparable terminology. The forward-looking statements relate to, among other things: demand for AMD's products; the growth, change and competitive landscape of the markets in which AMD participates; expected seasonality trends; that unbilled accounts receivables are expected to be billed and collected within twelve months; the expected amounts to be received by AMD under the IP licensing agreement and AMD's expected royalty payments from future product sales of China JVs' products to be developed on the basis of such licensed IP; the level of international sales as compared to total sales; that AMD's cash, cash equivalents and marketable securities balances together with the availability under that certain revolving credit facility (Secured Revolving Facility) made available to AMD and certain of its subsidiaries under the Credit Agreement, will be sufficient to fund AMD's operations including capital expenditures over the next 12 months; AMD's ability to obtain sufficient external financing or external financing on favorable terms; AMD's expectation that based on the information presently known to management, the potential liability related to AMD's current litigation will not have a material adverse effect on its financial condition, cash flows or results of operations; that the COVID-19 pandemic will continue to impact our business; ongoing and increase in costs related to IT network security; and a small number of customers will continue to account for a substantial part of AMD's revenue in the future. These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from current expectations. For a discussion of the factors that could cause actual results to differ materially from the forward-looking statements, see "Part II, Item 1A—Risk Factors and such other risks and uncertainties as set forth below in this report or detailed in our other Securities and Exchange Commission (SEC) reports and filings. Many of these risks and uncertainties may be exacerbated by the COVID-19 pandemic and any worsening of the global business and economic environment as a result. We assume no obligation to update forward-looking statements, except as may be required by law.

AMD, the AMD Arrow logo, ATI, and the ATI logo, Athlon, EPYC, Radeon, Ryzen and combinations thereof, are trademarks of Advanced Micro Devices, Inc. Microsoft and Xbox One are trademarks or registered trademarks of Microsoft Corporation in the United States and other jurisdictions. Other names are for informational purposes only and are used to identify companies and products and may be trademarks of their respective owners. "Zen" is a codename for an AMD architecture, and is not a product name.

The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements and related notes included in this report and our audited consolidated financial statements and related notes as of December 28, 2019 and December 30, 2018, and for each of the three years for the period ended December 28, 2019 as filed in our Annual Report on Form 10-K for the fiscal year ended December 28, 2019.

Overview

We are a global semiconductor company primarily offering:

- x86 microprocessors, as standalone devices or as incorporated into an accelerated processing unit (APU), chipsets, discrete and integrated graphics processing units (GPUs), data center and professional GPUs, and development services; and
- server and embedded processors, semi-custom System-on-Chip (SoC) products, development services and technology for game consoles.

We also license portions of our intellectual property (IP) portfolio.

In this section, we will describe the general financial condition and the results of operations of Advanced Micro Devices, Inc. and its wholly-owned subsidiaries (collectively, "us," "our" or "AMD"), including a discussion of our results

of operations for the three months ended March 28, 2020 compared to the prior year period, an analysis of changes in our financial condition and a discussion of our contractual obligations.

Net revenue for the three months ended March 28, 2020 was \$1.8 billion, a 40% increase compared to the prior year period. The increase was primarily due to a 73% increase in Computing and Graphics net revenue, partially offset by a 21% decrease in Enterprise, Embedded and Semi-Custom net revenue. The increase in Computing and Graphics segment net revenue was primarily due to higher sales of our Ryzen™ processors and Radeon™ products channel sales. The decrease in Enterprise, Embedded and Semi-Custom net revenue was primarily due to lower semi-custom revenue, partially offset by higher EPYC™ server processor revenue. Our operating income for the three months ended March 28, 2020 was \$177 million compared to operating income of \$38 million for the prior year period. Our net income for the three months ended March 28, 2020 was \$162 million compared to net income of \$16 million for the prior year period.

Cash, cash equivalents and marketable securities as of March 28, 2020 were \$1.4 billion, compared to \$1.5 billion as of December 28, 2019.

We continue to monitor the outbreak of the novel coronavirus (COVID-19) on our business. We have complied with shelter-in-place and other government-enacted stay-at-home orders. While many of our offices around the world remain open to enable critical on-site business functions in accordance with local government guidelines, the majority of our employees have been working from home. While the COVID-19 outbreak has impacted our business operations and practices, and we expect it to continue to impact our business, we experienced limited financial disruption during the first quarter of 2020 from COVID-19.

During the first quarter of 2020, we experienced some disruptions to parts of our supply chain. We continue to monitor demand signals as we adjust our supply chain requirements based on changing customer needs and demands. We also experienced some softness in PC related sales in China, one of the largest global markets for desktop and notebook PCs, during the first quarter of 2020. Although component and system demand sales from on-line vendors were relatively strong, off-line channel sales were weaker than expected as many retail locations across China were closed during the first quarter of 2020. We continue to assess our product roadmaps to make any adjustments that may be necessary to address the geographic and market demand shifts caused by COVID-19. Also, during the first quarter of 2020, we experienced some delays in payments from customers due to the COVID-19 outbreak.

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

Results of Operations

We report our financial performance based on the following two reportable segments: the Computing and Graphics segment and the Enterprise, Embedded and Semi-Custom segment.

Additional information on our reportable segments is contained in Note 10 - Segment Reporting of the Notes to Condensed Consolidated Financial Statements (Part I, Financial Information of this Form 10-Q).

Our operating results tend to vary seasonally. Historically, our net revenue has been generally higher in the second half of the year than in the first half of the year, although market conditions and product transitions could impact these trends.

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

	Three Months Ended	
	March 28, 2020	March 30, 2019
	(In millions)	
Net revenue:		
Computing and Graphics	\$ 1,438	\$ 831
Enterprise, Embedded and Semi-Custom	348	441
Total net revenue	<u>\$ 1,786</u>	<u>\$ 1,272</u>
Operating income (loss):		
Computing and Graphics	\$ 262	\$ 16
Enterprise, Embedded and Semi-Custom	(26)	68
All Other	(59)	(46)
Total operating income	<u>\$ 177</u>	<u>\$ 38</u>

Computing and Graphics

Computing and Graphics net revenue of \$1.4 billion for the three months ended March 28, 2020 increased by 73%, compared to net revenue of \$831 million for the prior year period, primarily as a result of a 38% increase in unit shipments and a 19% increase in average selling price. The increase in unit shipments was primarily due to higher demand for our Ryzen processors and Radeon channel products. The increase in average selling price was primarily driven by a richer mix of client processors from higher sales of our Ryzen processors which have a higher average selling price.

Computing and Graphics operating income was \$262 million for the three months ended March 28, 2020, compared to operating income of \$16 million for the prior year period. The increase in operating income was primarily driven by higher sales which more than offset higher operating expenses. Operating expenses increased for the reasons outlined under "Expenses" below.

Enterprise, Embedded and Semi-Custom

Enterprise, Embedded and Semi-Custom net revenue of \$348 million for the three months ended March 28, 2020 decreased by 21%, compared to net revenue of \$441 million for the prior year period, primarily as a result of lower semi-custom revenue, partially offset by higher sales of our EPYC server processors.

Enterprise, Embedded and Semi-Custom operating loss was \$26 million for the three months ended March 28, 2020 compared to operating income of \$68 million for the prior year period. The decrease in operating income was primarily due to the recognition of a \$60 million licensing gain in the prior year period and higher operating expenses in the current period. Operating expenses increased for the reasons outlined under "Expenses" below.

All Other

All Other operating loss consisted of \$59 million of stock-based compensation expense for the three months ended March 28, 2020, and \$41 million of stock-based compensation expense and a \$5 million contingent loss in connection with a legal matter for the prior year period.

International Sales

International sales as a percentage of net revenue were 82% for the three months ended March 28, 2020 and 77% for the prior year period. 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.

Comparison of Gross Margin, Expenses, Licensing Gain, Interest Expense, Other Expense and Income Taxes

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

	Three Months Ended	
	March 28, 2020	March 30, 2019
	(Dollars in millions)	
Cost of sales	\$ 968	\$ 751
Gross profit	818	521
Gross margin percentage	46%	41%
Research and development	442	373
Marketing, general and administrative	199	170
Licensing gain	—	(60)
Interest expense	(13)	(27)
Other income (expense), net	4	(7)
Provision for (benefit from) income taxes	6	(13)

Gross Margin

Gross margin as a percentage of net revenue was 46% for the three months ended March 28, 2020, compared to 41% for the prior year period. The improvement in gross margin was primarily driven by a higher proportion of sales of Ryzen and EPYC processors, which have a higher gross margin than the corporate average.

Expenses

Research and Development Expenses

Research and development expenses of \$442 million for the three months ended March 28, 2020 increased by \$69 million, or 18%, compared to \$373 million for the prior year period, primarily due to an increase in product development costs in both the Computing and Graphics and Enterprise and Embedded and Semi-Custom segments as well as an increase in stock-based compensation expense.

Marketing, General and Administrative Expenses

Marketing, general and administrative expenses of \$199 million for the three months ended March 28, 2020 increased by \$29 million, or 17%, compared to \$170 million for the prior year period, primarily due to an increase in go to market activities in both the Computing and Graphics and Enterprise, Embedded and Semi-Custom segments.

Licensing Gain

During the three months ended March 30, 2019, we recognized \$60 million as licensing gain associated with licensed IP to the THATIC JV. See Note 3 - Equity Joint Ventures of the Notes to Condensed Consolidated Financial Statements (Part 1, Financial Information of this Form 10-Q) for additional information. We did not recognize a licensing gain in the current quarter.

Interest Expense

Interest expense for the three months ended March 28, 2020 was \$13 million compared to \$27 million for the prior year period. The decrease was primarily due to lower debt balances.

Other Income (Expense), Net

Other income, net was \$4 million for the three months ended March 28, 2020, compared to Other expense, net of \$7 million for the prior year period. The change was due primarily to the recognition of a loss on extinguishment of debt of \$8 million in the prior year period.

Provision for (Benefit from) Income Taxes

For the three months ended March 28, 2020, we recorded an income tax expense of \$6 million associated with foreign income taxes and withholding taxes.

For the prior year period, we recorded an income tax benefit of \$13 million associated with a credit to U.S. taxes due to a reduction of U.S. income taxes accrued in the prior year.

We regularly evaluate the realizability of our net deferred tax assets. As of March 28, 2020, substantially all our U.S. and foreign deferred tax assets, net of deferred tax liabilities, were subject to valuation allowances. If our financial results continue to improve, our assessment of the realization of our net deferred tax assets could result in the release of some or all the valuation allowances. Such a release would result in a material non-cash income tax benefit in our condensed consolidated statement of operations in the period of release and the recording of additional deferred tax assets on our condensed consolidated balance sheet. There is a reasonable possibility that within the next several quarters, sufficient positive evidence becomes available to reach a conclusion that all or a significant portion of the valuation allowances against our US net deferred tax assets would no longer be required.

FINANCIAL CONDITION

Liquidity and Capital Resources

As of March 28, 2020, our cash, cash equivalents and marketable securities were \$1.4 billion, compared to \$1.5 billion as of December 28, 2019. The percentage of cash and cash equivalents held domestically was 90% as of both March 28, 2020 and December 28, 2019.

Our operating, investing and financing activities for the three months ended March 28, 2020 compared to the prior year period are as described below:

	Three Months Ended	
	March 28, 2020	March 30, 2019
	(In millions)	
Net cash provided by (used in):		
Operating activities	\$ (65)	\$ (213)
Investing activities	\$ (73)	\$ (173)
Financing activities	\$ 2	\$ 286

The aggregate principal amount of our outstanding debt obligations was \$563 million as of both March 28, 2020 and December 28, 2019.

As a precautionary measure given the current market environment, on April 6, 2020, we borrowed \$200 million under the Credit Agreement via the LIBOR rate loan option (refer to Note 4 - Debt and Secured Revolving Facility of the Notes to Condensed Consolidated Financial Statements). The borrowing carries an annual interest rate of 2.37% through the maturity date of July 6, 2020.

We believe our cash, cash equivalents and marketable securities balance along with our Secured Revolving Facility will be sufficient to fund operations, including capital expenditures, over the next 12 months. We believe we will be able to access the capital markets should we require additional funds. However, we cannot assure that such funds will be available on favorable terms, or at all.

Operating Activities

Net cash used in operating activities was \$65 million for the three months ended March 28, 2020 compared to net cash used in operating activities of \$213 million for the prior year period. The decrease was primarily due to higher net income compared with the prior year period, offset by changes in working capital.

Investing Activities

Net cash used in investing activities was \$73 million for the three months ended March 28, 2020, which primarily consisted of \$55 million for purchases of available-for-sale debt securities and \$55 million for purchases of property and equipment, partially offset by \$37 million for maturities of available-for-sale debt securities.

Net cash used in investing activities was \$173 million for the three months ended March 30, 2019, which primarily consisted of \$231 million for purchases of available-for-sale debt securities and \$62 million for purchases of property and equipment, partially offset by \$93 million for maturities of available-for-sale debt securities.

Financing Activities

Net cash provided by financing activities was \$2 million for the three months ended March 28, 2020, which primarily consisted of a cash inflow of \$3 million from exercises of stock options under our stock-based compensation equity plans.

Net cash provided by financing activities was \$286 million for the three months ended March 30, 2019, which primarily consisted of a cash inflow of \$449 million from the warrant exercised by West Coast Hitech L.P., partially offset by \$164 million paid for the redemption of our 6.75% Senior Notes due 2019 (6.75% Senior Notes) and the repurchase of our 7.50% Senior Notes due 2020 (7.50% Senior Notes) and 7.00% Senior Notes due 2024 (7.00% Notes).

Contractual Obligations

There were no material changes in our contractual obligations from those disclosed in our Annual Report on Form 10-K for the fiscal year ended December 28, 2019.

Refer to Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources" in our Annual Report on Form 10-K for the fiscal year ended December 28, 2019 for details of our contractual obligations.

Off-Balance Sheet Arrangements

As of March 28, 2020, we had no off-balance sheet arrangements.

Critical Accounting Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP). The preparation of our financial statements requires us to make estimates and judgments that affect the reported amounts in our condensed consolidated financial statements. We evaluate our estimates on an on-going basis, including those related to our net revenue, inventories, asset impairments and income taxes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of our assets and liabilities. Although actual results have historically been reasonably consistent with management's expectations, the actual results may differ from these estimates or our estimates may be affected by different assumptions or conditions.

Management believes there have been no significant changes for the three months ended March 28, 2020 to the items that we disclosed as our critical accounting estimates in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of our Annual Report on Form 10-K for the fiscal year ended December 28, 2019.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Reference is made to "Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risk," in our Annual Report on Form 10-K for the fiscal year ended December 28, 2019.

There have not been any material changes in interest rate risk, default risk or foreign exchange risk since December 28, 2019.

ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports made under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of March 28, 2020, the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

There was no change in our internal controls over financial reporting for our three months ended March 28, 2020 that materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION**ITEM 1. LEGAL PROCEEDINGS**

For a discussion of our legal proceedings, refer to Note 11 - Contingencies of the Notes to Condensed Consolidated Financial Statements (Part I, Item 1 of this Form 10-Q).

ITEM 1A. RISK FACTORS

The risks and uncertainties described below are not the only ones we face. If any of the following risks actually occurs, our business, financial condition or results of operations could be materially adversely affected. In addition, you should consider the interrelationship and compounding effects of two or more risks occurring simultaneously. Many of the risks and uncertainties described below may be exacerbated by the COVID-19 pandemic and any worsening of the global business and economic environment as a result.

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

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

Intel exerts substantial influence over computer manufacturers and their channels of distribution through various brand and other marketing programs. As a result of Intel's position in the microprocessor market, Intel has been able to control x86 microprocessor and computer system standards and benchmarks and to dictate the type of products the microprocessor market requires of us. Intel also dominates the computer system platform, which includes core logic chipsets, graphics chips, networking devices (wired and wireless), non-volatile storage and other components necessary to assemble a computer system. Additionally, Intel is able to drive de facto standards and specifications for x86 microprocessors that could cause us and other companies to have delayed access to such standards.

As long as Intel remains in this dominant position, we may be materially adversely affected by Intel's business practices, including rebating and allocation strategies and pricing actions, designed to limit our market share and margins; product mix and introduction schedules; product bundling, marketing and merchandising strategies; exclusivity payments to its current and potential customers, retailers and channel partners; de facto control over industry standards, and heavy influence on PC manufacturers and other PC industry participants, including motherboard, memory, chipset and basic input/output system (BIOS) suppliers and software companies as well as the graphics interface for Intel platforms; and marketing and advertising expenditures in support of positioning the Intel brand over the brand of its original equipment manufacturer OEM customers and retailers.

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

Intel could also take actions that place our discrete graphics processing units (GPUs) at a competitive disadvantage, including giving one or more of our competitors in the graphics market, such as Nvidia Corporation, preferential access to its proprietary graphics interface or other useful information. Also, Intel has announced that it is developing their own high-end discrete GPUs. Intel's position in the microprocessor market and integrated graphics chipset market, its introduction of competitive new products, its existing relationships with top-tier OEMs, and its aggressive marketing and pricing strategies could result in lower unit sales and lower average selling prices for our products, which could have a material adverse effect on us.

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

We rely on third-party wafer foundries to fabricate the silicon wafers for all of our products. We also rely on third-party manufacturers to assemble, test, mark and pack (ATMP) our products. It is important to have reliable relationships

with all of these third-party manufacturing suppliers to ensure adequate product supply to respond to customer demand.

We cannot guarantee that these manufacturers or our other third-party manufacturing suppliers will be able to meet our near-term or long-term manufacturing requirements. If we experience supply constraints from our third-party manufacturing suppliers, we may be required to allocate the affected products amongst our customers, which could have a material adverse effect on our relationships with these customers and on our financial condition. In addition, if we are unable to meet customer demand due to fluctuating or late supply from our manufacturing suppliers, it could result in lost sales and have a material adverse effect on our business.

We do not have long-term commitment contracts with some of our third-party manufacturing suppliers. We obtain some of these manufacturing services on a purchase order basis and these manufacturers are not required to provide us with any specified minimum quantity of product beyond the quantities in an existing purchase order. Accordingly, we depend on these suppliers to allocate to us a portion of their manufacturing capacity sufficient to meet our needs, to produce products of acceptable quality and at acceptable manufacturing yields and to deliver those products to us on a timely basis and at acceptable prices. The manufacturers we use also fabricate wafers and ATMP products for other companies, including certain of our competitors. They could choose to prioritize capacity for other customers, increase the prices that they charge us on short notice or reduce or eliminate deliveries to us, which could have a material adverse effect on our business.

Other risks associated with our dependence on third-party manufacturers include limited control over delivery schedules and quality assurance, lack of capacity in periods of excess demand, misappropriation of our intellectual property, dependence on several small undercapitalized subcontractors and limited ability to manage inventory and parts. Moreover, if any of our third-party manufacturers suffer any damage to facilities, lose benefits under material agreements, experience power outages, lack sufficient capacity to manufacture our products, encounter financial difficulties, are unable to secure necessary raw materials from their suppliers or suffer any other disruption or reduction in efficiency, we may encounter supply delays or disruptions. If we are unable to secure sufficient or reliable supplies of products, our ability to meet customer demand may be adversely affected and this could materially affect our business.

If we transition the production of some of our products to new manufacturers, we may experience delayed product introductions, lower yields or poorer performance of our products. If we experience problems with product quality or are unable to secure sufficient capacity from a particular third-party manufacturer, or if we for other reasons cease utilizing one of those suppliers, we may be unable to secure an alternative supply for any specific product in a short time frame. We could experience significant delays in the shipment of our products if we are required to find alternative third-party manufacturers, which could have a material adverse effect on our business.

We are a party to a wafer supply agreement (WSA) with GLOBALFOUNDRIES, Inc. (GF) that governs the terms by which we purchase products manufactured by GF and is in place until 2024. 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 manufactured at process nodes larger than 7 nanometer (nm), with limited exceptions. We have agreed to minimum annual wafer purchase targets through 2021. If we fail to meet the agreed wafer purchase target during a calendar year, we will be required to pay to GF a portion of the difference between our actual wafer purchases and the applicable annual purchase target. If our actual wafer requirements are less than the number of wafers required to meet the applicable annual wafer purchase target, we could have excess inventory or higher inventory unit costs, both of which may adversely impact our gross margin and our results of operations. We could experience significant delays in the shipment of our products if we are required to find alternative third-party manufacturers, which could have a material adverse effect on our business.

We are party to two ATMP joint ventures (collectively, the ATMP JVs) with Tongfu Microelectronics Co., Ltd. The majority of our ATMP services are provided by the JVs and there is no guarantee that the JVs will be able to fulfill our long-term ATMP requirements. If we are unable to meet customer demand due to fluctuating or late supply from the ATMP JVs, it could result in lost sales and have a material adverse effect on our business.

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

Semiconductor manufacturing yields are a result of both product design and process technology, which is typically proprietary to the manufacturer, and low yields can result from design failures, process technology failures or a combination of both. Our third-party foundries are responsible for the process technologies used to fabricate silicon wafers. If our third-party foundries experience manufacturing inefficiencies or encounter disruptions, errors or difficulties during production, we may fail to achieve acceptable yields or experience product delivery delays. We cannot be certain that our third-party foundries will be able to develop, obtain or successfully implement leading-edge process

technologies needed to manufacture future generations of our products profitably or on a timely basis or that our competitors will not develop new technologies, products or processes earlier. Moreover, during periods when foundries are implementing new process technologies, their manufacturing facilities may not be fully productive. A substantial delay in the technology transitions to smaller process technologies could have a material adverse effect on us, particularly if our competitors transition to more cost effective technologies before us. For example, we are presently focusing our 7 nanometer (nm) product portfolio on Taiwan Semiconductor Co., Ltd.'s (TSMC) 7nm process. If TSMC is not able to manufacture our 7nm products in sufficient quantities to meet customer demand, it could have a material adverse effect on our business.

Any decrease in manufacturing yields could result in an increase in per unit costs, which would adversely impact our gross margin and/or force us to allocate our reduced product supply amongst our customers, which could harm our relationships and reputation with our customers and materially adversely affect our business.

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

Our success depends to a significant extent on the development, qualification, implementation and acceptance of new product designs and improvements that provide value to our customers. Our ability to develop, qualify and distribute, and have manufactured, new products and related technologies to meet evolving industry requirements, at prices acceptable to our customers and on a timely basis are significant factors in determining our competitiveness in our target markets. As consumers have new product feature preferences or have different requirements than those consumers in the PC market, PC sales could be negatively impacted, which could adversely impact our business. Our product roadmap includes our next generation AMD Ryzen™, AMD Radeon™ and AMD EPYC™ processors using 7nm+ process technology. We cannot assure you that our efforts to execute our product roadmap will result in innovative products and technologies that provide value to our customers. If we fail to or are delayed in developing, qualifying or shipping new products or technologies that provide value to our customers and address these new trends or if we fail to predict which new form factors consumers will adopt and adjust our business accordingly, we may lose competitive positioning, which could cause us to lose market share and require us to discount the selling prices of our products. Although we make substantial investments in research and development, we cannot be certain that we will be able to develop, obtain or successfully implement new products and technologies on a timely basis or that they will be well-received by our customers. Moreover, our investments in new products and technologies involve certain risks and uncertainties and could disrupt our ongoing business. New investments may not generate sufficient revenue, may incur unanticipated liabilities and may divert our limited resources and distract management from our current operations. We cannot be certain that our ongoing investments in new products and technologies will be successful, will meet our expectations and will not adversely affect our reputation, financial condition and operating results.

Delays in developing, qualifying or shipping new products can also cause us to miss our customers' product design windows or, in some cases, breach contractual obligations or cause us to pay penalties. If our customers do not include our products in the initial design of their computer systems or products, they will typically not use our products in their systems or products until at least the next design configuration. The process of being qualified for inclusion in a customer's system or product can be lengthy and could cause us to further miss a cycle in the demand of end-users, which also could result in a loss of market share and harm our business. We also depend on the success and timing of our customers' platform launches. If our customers delay their product launches or if our customers do not effectively market their platforms with our products, it could result in a delay in bringing our products to market and cause us to miss a cycle in the demand of end-users, which could materially adversely affect our business. In addition, market demand requires that products incorporate new features and performance standards on an industry-wide basis. Over the life of a specific product, the sale price is typically reduced over time. The introduction of new products and enhancements to existing products is necessary to maintain the overall corporate average selling price. If we are unable to introduce new products with sufficiently high sale prices or to increase unit sales volumes capable of offsetting the reductions in the sale prices of existing products over time, our business could be materially adversely affected.

If we cannot generate sufficient revenue and operating cash flow or obtain external financing, we may face a cash shortfall and be unable to make all of our planned investments in research and development or other strategic investments.

Our ability to fund research and development expenditures depends on generating sufficient revenue and cash flow from operations and the availability of external financing, if necessary. Our research and development expenditures, together with ongoing operating expenses, will be a substantial drain on our cash flow and may decrease our cash balances. If new competitors, technological advances by existing competitors, or other competitive factors require us

to invest significantly greater resources than anticipated in our research and development efforts, our operating expenses would increase. If we are required to invest significantly greater resources than anticipated in research and development efforts without an increase in revenue, our operating results could decline.

We regularly assess markets for external financing opportunities, including debt and equity financing. Additional debt or equity financing may not be available when needed or, if available, may not be available on satisfactory terms. The health of the credit markets may adversely impact our ability to obtain financing when needed. Any downgrades from credit rating agencies such as Moody's or Standard & Poor's may adversely impact our ability to obtain external financing or the terms of such financing. Credit agency downgrades or concerns regarding our credit worthiness may impact relationships with our suppliers, who may limit our credit lines. Our inability to obtain needed financing or to generate sufficient cash from operations may require us to abandon projects or curtail planned investments in research and development or other strategic initiatives. If we curtail planned investments in research and development or abandon projects, our products may fail to remain competitive and our business would be materially adversely affected.

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

We depend on a small number of customers for a substantial portion of our business and we expect that a small number of customers will continue to account for a significant part of our revenue in the future. If one of our key customers decides to stop buying our products, or if one of these customers materially reduces its operations or its demand for our products, our business would be materially adversely affected.

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

The revenue that we receive from our semi-custom SoC products is in the form of non-recurring engineering fees charged to third parties for design and development services and revenue received in connection with sales of our semi-custom SoC products to these third parties. As a result, our ability to generate revenue from our semi-custom products depends on our ability to secure customers for our semi-custom design pipeline, our customers' desire to pursue the project, and our semi-custom SoC products being incorporated into those customer's products. Any revenue from sales of our semi-custom SoC products is directly related to sales of the third-party's products and reflective of their success in the market. Moreover, we have no control over the marketing efforts of these third parties, and we cannot make any assurances that sales of their products will be successful in current or future years. Consequently, the semi-custom SoC product revenue expected by us may not be fully realized and our operating results may be adversely affected.

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

Uncertain global economic conditions have in the past and may in the future adversely impact our business, including, without limitation, a slowdown in the Chinese economy, one of the largest global markets for desktop and notebook PCs. Uncertainty in the worldwide economic environment may negatively impact consumer confidence and spending causing our customers to postpone purchases. In addition, during challenging economic times, our current or potential future customers may experience cash flow problems and as a result may modify, delay or cancel plans to purchase our products. Additionally, if our customers are not successful in generating sufficient revenue or are unable to secure financing, they may not be able to pay, or may delay payment of, accounts receivable that they owe us. The risk related to our customers' potentially defaulting on or delaying payments to us is increased because we expect that a small number of customers will continue to account for a substantial part of our revenue. Any inability of our current or potential future customers to pay us for our products may adversely affect our earnings and cash flow. Moreover, our key suppliers may reduce their output or become insolvent, thereby adversely impacting our ability to manufacture our products. In addition, uncertain economic conditions may make it more difficult for us to raise funds through borrowings or private or public sales of debt or equity securities.

The ongoing novel coronavirus (COVID-19) pandemic could materially adversely affect our business, financial condition and results of operations.

The outbreak of COVID-19 has caused world, national and local governments to implement, numerous measures including quarantines, closure of non-essential businesses, travel bans, and restrictions related to social gathering and mobility. While we did not experience a significant financial disruption during the first quarter of 2020 from COVID-19, we have experienced and expect to continue to experience disruptions to our business as these measures have, and will continue to have, an effect on our business operations and practices.

While many of our offices around the world remain open to enable critical on-site business functions in compliance with government guidelines, the majority of our employees have been working from home. It is uncertain as to when the measures put in place to attempt to contain the spread of COVID-19 will be lifted or whether there will be additional measures put into place. If COVID-19 continues to spread, we may need to further limit operations or implement limitations that may impact our business. If our employees are not able to perform their job duties due to self-isolation, quarantine or travel restrictions or are unable to perform them as efficiently at home for an extended period of time, we may not be able to meet our product roadmaps and customer commitments and we may experience an overall lower productivity of our workforce. Even when COVID-19 restrictions regarding mobility are lifted or modified, our employees' ability to return to work may delay the return of our full workforce and the resumption of normal business operations.

During the first quarter of 2020, we experienced some disruptions to parts of our supply chain as the result of COVID-19. We continue to monitor demand signals as we adjust our supply chain requirements based on changing customer needs and demands. If the supply of our products to customers is delayed or canceled due to disruptions encountered by our third-party manufacturing, suppliers or vendors as a result of facility closures, border and port closures, and mobility limitations put on their workforces, it could have a material adverse effect on our business.

COVID-19 has in the short-term and may in the long-term adversely impact the global economy and capital and financial markets, potentially leading to an economic downturn. This could negatively impact consumer confidence and spending causing our customers to postpone or cancel purchases, or delay paying or default payment of outstanding amounts due to us, which may have a material adverse effect on our business. For example, we experienced some softness in PC related sales in China, one of the largest global markets for desktop and notebook PCs, during the first quarter of 2020. Also, we experienced some delays in payments from customers due to the COVID-19 outbreak during the first quarter of 2020. A decline in general economic conditions has also led to a disruption and volatility in the global capital and financial markets. As a precautionary measure given the current market environment, in April 2020, we borrowed \$200 million under our Secured Revolving Facility. While we believe our cash, cash equivalents and marketable securities balance along with our Secured Revolving Facility will be sufficient to fund operations, including capital expenditures, over the next 12 months, to the extent we may require additional funding to finance our operations and capital expenditures and such funding may not be available to us as a result of contracting capital and financial markets resulting from COVID-19, it may have an adverse effect on our business.

The extent to which COVID-19 impacts our business and financial results will depend on future developments, which are unpredictable and highly uncertain, including the continued spread, duration and severity of the outbreak, the breadth and duration of business disruptions related to COVID-19, and public health measures and actions taken throughout the world to contain COVID-19. The prolonged effect of COVID-19 could materially adversely impact our business, financial condition and results of operations.

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

We maintain operations around the world, including in the United States, Canada, Europe, Australia and Asia. We rely on third-party wafer foundries in the United States, Europe and Asia. Nearly all product assembly and final testing of our products is performed at manufacturing facilities, operated by third-party manufacturing facilities, in China, Malaysia and Taiwan. We also have international sales operations. International sales, as a percent of net revenue, were 82% for the three months ended March 28, 2020. We expect that international sales will continue to be a significant portion of total sales in the foreseeable future.

The political, legal and economic risks associated with our operations in foreign countries include, without limitation: expropriation; changes in a specific country's or region's political or economic conditions; changes in tax laws, trade protection measures and import or export licensing requirements; difficulties in protecting our intellectual property; difficulties in managing staffing and exposure to different employment practices and labor laws; changes in foreign currency exchange rates; restrictions on transfers of funds and other assets of our subsidiaries between jurisdictions; changes in freight and interest rates; disruption in air transportation between the United States and our overseas facilities; loss or modification of exemptions for taxes and tariffs; and compliance with U.S. laws and regulations related to international operations, including export control and economic sanctions laws and regulations and the Foreign Corrupt Practices Act.

In addition, our worldwide operations (or those of our business partners) could be subject to natural disasters such as earthquakes, tsunamis, flooding, typhoons, fires and volcanic eruptions that disrupt manufacturing or other operations. For example, our Santa Clara operations are located near major earthquake fault lines in California. There

may be conflict or uncertainty in the countries in which we operate, including public health issues (for example, an outbreak of a contagious disease such as a novel strain of the coronavirus (COVID-19), avian influenza, measles or Ebola), safety issues, natural disasters, fire, disruptions of service from utilities, nuclear power plant accidents or general economic or political factors. For example, governments worldwide have implemented, and continue to implement, measures to slow down the outbreak of COVID-19. We have experienced and will continue to experience disruptions to our business as these measures have, and will continue to have, an effect on our business operations and practices. Also, the European Union's General Data Protection Regulation imposes significant new requirements on how we collect, process and transfer personal data, as well as significant fines for non-compliance. Any of the above risks, should they occur, could result in an increase in the cost of components, production delays, general business interruptions, delays from difficulties in obtaining export licenses for certain technology, tariffs and other barriers and restrictions, longer payment cycles, increased taxes, restrictions on the repatriation of funds and the burdens of complying with a variety of foreign laws, any of which could ultimately have a material adverse effect on our business.

Government actions and regulations such as export administration regulations, tariffs, and trade protection measures, may limit our ability to export our products to certain customers.

We have a joint venture with Higon Information Technology Co., Ltd. (THATIC), comprised of two separate legal entities, China JV1 and China JV2 (collectively, the THATIC JV). In June 2019, the United States Commerce Department's Bureau of Industry and Security (BIS) added certain Chinese entities to the Entity List, including THATIC and the THATIC JV. In October 2019, the BIS added additional Chinese entities to the Entity List. Also, the United States administration has called for changes to domestic and foreign policy. Specifically, United States-China trade relations remain uncertain. The United States administration has announced tariffs on certain products imported into the United States with China as the country of origin, and China has imposed tariffs in response to the actions of the United States. We are taking steps to mitigate the impact of these tariffs on our business and AMD processor-based products. There is also a possibility of future tariffs, trade protection measures, import or export regulations or other restrictions imposed on our products or on our customers by the United States, China or other countries that could have a material adverse effect on our business. A significant trade disruption or the establishment or increase of any tariffs, trade protection measures or restrictions could result in lost sales adversely impacting our reputation and business.

Our products may be subject to security vulnerabilities that could have a material adverse effect on us.

The products that we sell are complex and may be subject to security vulnerabilities that could result in, among other things, the loss, corruption, theft or misuse of confidential data or system performance issues. Our efforts to prevent and address security vulnerabilities may decrease performance, be only partially effective or not successful at all. We may also depend on third parties, such as customers, vendors and end users, to deploy our mitigations or create their own, and they may delay, decline or modify the implementation of such mitigations. Our relationships with our customers could be adversely affected as some of our customers may stop purchasing our products, reduce or delay future purchases of our products, or use competing products. Any of these actions by our customers could adversely affect our revenue. We also are subject to claims and litigation related to Spectre side-channel exploits and may face additional claims or litigation for future vulnerabilities. Actual or perceived security vulnerabilities of our products may subject us to adverse publicity, damage to our brand and reputation, and could materially harm our business or financial results.

IT outages, data loss, data breaches and cyber-attacks could compromise our intellectual property or other sensitive information, be costly to remediate or cause significant damage to our business, reputation and operations.

In the ordinary course of our business, we maintain sensitive data on our information technology (IT) assets, and also may maintain sensitive information on our business partners' and third-party providers' IT assets, including our intellectual property and proprietary or confidential business information relating to our business and that of our customers and business partners. Maintaining the security of this information is important to our business and reputation. We believe that companies like AMD have been increasingly subject to a wide variety of security incidents, cyber-attacks, hacking and phishing attacks, business and system disruption attacks, and other attempts to gain unauthorized access. These threats can come from a variety of sources, all ranging in sophistication from an individual hacker or insider threat to a state-sponsored attack. Cyber threats may be generic, or they may be custom-crafted against our information systems. Cyber-attacks have become increasingly more prevalent and much harder to detect, defend against or prevent. Our network and storage applications, as well as those of our customers, business partners, and third-party providers, may be subject to unauthorized access by hackers or breached due to operator error, malfeasance or other system disruptions.

It is often difficult to anticipate or immediately detect such incidents and the damage caused by such incidents. These data breaches and any unauthorized access, misuse or disclosure of our information or intellectual property could compromise our intellectual property and expose sensitive business information. Cyber-attacks on us or our customers, business partners or third party providers could also cause us to incur significant remediation costs, result in product development delays, disrupt key business operations and divert attention of management and key information technology resources. These incidents could also subject us to liability, expose us to significant expense and cause significant harm to our reputation and business.

We also maintain confidential and personally identifiable information about our workers. The confidentiality and integrity of our worker and consumer data is important to our business and our workers and consumers have a high expectation that we adequately protect their personal information.

We anticipate ongoing and increasing costs related to: enhancing and implementing information security controls, including costs related to upgrading application, computer, and network security components; training workers to maintain and monitor our security controls; remediating any data security breach and addressing the related litigation; mitigating reputational harm; and compliance with external regulations, such as the European Union's General Data Protection Regulation and the California Consumer Privacy Act.

We often partner with third-party providers for certain worker services and we may provide certain limited worker information to such third parties based on the scope of the services provided to us. However, if these third parties fail to adopt or adhere to adequate data security practices, or in the event of a breach of their networks, our workers' data may be improperly accessed, used or disclosed.

A breach of data privacy may cause significant disruption of our business operations. Failure to adequately maintain and update our security systems could materially adversely affect our operations and our ability to maintain worker confidence. Failure to prevent unauthorized access to electronic and other confidential information, IT outages, data loss and data breaches could materially adversely affect our financial condition, our competitive position and operating results.

Uncertainties involving the ordering and shipment of our products could materially adversely affect us.

We typically sell our products pursuant to individual purchase orders. We generally do not have long-term supply arrangements with our customers or minimum purchase requirements except that orders generally must be for standard pack quantities. Generally, our customers may cancel orders for standard products more than 30 days prior to shipment without incurring significant fees. We base our inventory levels in part on customers' estimates of demand for their products, which may not accurately predict the quantity or type of our products that our customers will want in the future or ultimately end up purchasing. Our ability to forecast demand is even further complicated when our products are sold indirectly through downstream channel distributors and customers, as our forecasts for demand are then based on estimates provided by multiple parties throughout the downstream channel.

Many of our markets are characterized by short product lifecycles, which can lead to rapid obsolescence and price erosion. In addition, our customers may change their inventory practices on short notice for any reason. We may build inventories during periods of anticipated growth, and the cancellation or deferral of product orders or overproduction due to failure of anticipated orders to materialize could result in excess or obsolete inventory, which could result in write-downs of inventory and an adverse effect on gross margins.

Factors that may result in excess or obsolete inventory, which could result in write-downs of the value of our inventory, a reduction in the average selling price or a reduction in our gross margin include: a sudden or significant decrease in demand for our products; a production or design defect in our products; a higher incidence of inventory obsolescence because of rapidly changing technology and customer requirements; a failure to accurately estimate customer demand for our products, including for our older products as our new products are introduced; or our competitors introducing new products or taking aggressive pricing actions.

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

The profile of our sales may be weighted differently during the year. A large portion of our quarterly sales have historically been made in the last month of the quarter. This uneven sales pattern makes prediction of revenue for each financial period difficult and increases the risk of unanticipated variations in quarterly results and financial condition. In addition, our operating results tend to vary seasonally with the markets in which our products are sold. For example, historically, our net revenue has been generally higher in the second half of the year than in the first half of the year, although market conditions and product transitions could impact these trends. Many of the factors that create and

affect quarterly and seasonal trends are beyond our control.

The agreements governing our notes and our Secured Revolving Facility impose restrictions on us that may adversely affect our ability to operate our business.

The indenture governing our 7.50% Senior Notes due 2022 (7.50% Notes) contains various covenants which limit our ability to, among other things: incur additional indebtedness; pay dividends and make other restricted payments; make certain investments, including investments in our unrestricted subsidiaries; create or permit certain liens; create or permit restrictions on the ability of certain restricted subsidiaries to pay dividends or make other distributions to us; use the proceeds from sales of assets; enter into certain types of transactions with affiliates; and consolidate or merge or sell our assets as an entirety or substantially as an entirety.

In addition, the Secured Revolving Facility's credit agreement (Credit Agreement) restricts our ability to make cash payments on the notes to the extent that (i) on the date of such payment, an event of default exists under the Credit Agreement or would result therefrom or (ii) if we would have, on a pro forma basis after giving effect to such payment, a consolidated total leverage ratio that exceeds 3.50x. Any of our future debt agreements may contain similar restrictions. If under certain circumstances we fail to make a cash payment on a series of notes when required by the applicable indenture, it would constitute an event of default under such indenture, which, in turn, could constitute an event of default under the agreements governing our other indebtedness.

Our Secured Revolving Facility also contains various covenants which limit our ability to, among other things, incur additional indebtedness and liens, make certain investments, merge or consolidate with other entities, make certain dispositions, create any encumbrance on the ability of a subsidiary to make any upstream payments, make payments with respect to subordinated debt or certain borrowed money prior to its due date and enter into any non-arm's-length transaction with an affiliate (in each case, except for certain customary exceptions).

The agreements governing our notes and our Secured Revolving Facility contain cross-default provisions whereby a default under one agreement would likely result in cross defaults under agreements covering other indebtedness. For example, the occurrence of a default with respect to any indebtedness or any failure to repay indebtedness when due in an amount in excess of (i) \$50 million would cause a cross default under the indentures (to the extent such default would result in the acceleration of such indebtedness) governing our 7.50% Notes and 2.125% Convertible Senior Notes due 2026 (2.125% Notes), and (ii) \$100 million would cause a cross default under the Secured Revolving Facility. The occurrence of a default under any of these borrowing arrangements would permit the applicable note holders or the lenders under our Secured Revolving Facility to declare all amounts outstanding under those borrowing arrangements to be immediately due and payable. If the note holders or the trustee under the indentures governing our 7.50% Notes or 2.125% Notes or the lenders under our Secured Revolving Facility accelerate the repayment of borrowings, we cannot assure you that we will have sufficient assets to repay those borrowings.

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

The markets in which our products are sold are very competitive and delivering the latest and best products to market on a timely basis is critical to achieving revenue growth. We believe that the main factors that determine our product competitiveness are timely product introductions, product quality, product features and capabilities (including enabling state-of-the-art visual and virtual reality experiences), energy efficiency (including power consumption and battery life), reliability, processor clock speed, performance, size (or form factor), selling price, cost, adherence to industry standards (and the creation of open industry standards), level of integration, software and hardware compatibility, security and stability, brand recognition and availability.

We expect that competition will continue to be intense due to rapid technological changes, frequent product introductions by our competitors or new competitors of products that may provide better performance/experience or may include additional features that render our products comparatively less competitive. We may also face aggressive pricing by competitors, especially during challenging economic times. In addition, our competitors have significant marketing and sales resources which could increase the competitive environment in such a declining market, leading to lower prices and margins. Some competitors may have greater access or rights to complementary technologies, including interface, processor and memory technical information. For instance, with our APU products and other competing solutions with integrated graphics, we believe that demand for additional discrete graphics chips and cards may decrease in the future due to improvements in the quality and performance of integrated graphics. If competitors introduce competitive new products into the market before us, demand for our products could be adversely impacted and our business could be adversely affected. In addition, Intel has announced that it plans to expand its position in integrated graphics for the PC market with high-end discrete graphics solutions for a broad range of computing segments, which may negatively impact our ability to compete in these computing segments.

In addition, we are entering markets with current and new competitors who may be able to adapt more quickly to customer requirements and emerging technologies. We cannot assure you that we will be able to compete successfully against current or new competitors who may have stronger positions in these new markets or superior ability to anticipate customer requirements and emerging industry trends. We may face delays or disruptions in research and development efforts, or we may be required to invest significantly greater resources in research and development than anticipated. Also, the semiconductor industry has seen several mergers and acquisitions over the last number of years. Further consolidation could adversely impact our business due to there being fewer suppliers, customers and partners in the industry.

The conversion of the 2.125% Notes may dilute the ownership interest of our existing stockholders, or may otherwise depress the price of our common stock.

The conversion of some or all of the 2.125% Notes may dilute the ownership interests of our existing stockholders. The 2.125% Notes will mature on September 1, 2026, unless earlier redeemed or repurchased by us or converted. During the first quarter of 2020, the sale price for conversion was satisfied as of the end of March 31, 2020 and as a result, the 2.125% Notes are eligible for conversion during the second calendar quarter of 2020. Any sales in the public market of our common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. In addition, the existence of the 2.125% Notes may encourage short selling by market participants because the conversion thereof could be used to satisfy short positions, or the anticipated conversion of the 2.125% Notes into cash and/or shares of our common stock could depress the price of our common stock.

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

Industry-wide fluctuations in the computer marketplace have materially adversely affected us in the past and may materially adversely affect us in the future. A large portion of our Computing and Graphics revenue is focused on the consumer desktop PC and notebook segments, which have in the past experienced a decline driven by, among other factors, the adoption of smaller and other form factors, increased competition and changes in replacement cycles. The success of our semi-custom SoC products is dependent on securing customers for our semi-custom design pipeline and consumer market conditions, including the success of the Sony PlayStation®4, Sony PlayStation®4 Pro, Microsoft® Xbox One™ S and Microsoft® Xbox One™ X game console systems and next generation consoles for Sony and Microsoft, worldwide. In addition, the GPU market has at times seen elevated demand due to the application of GPU products to cryptocurrency mining. For example, our GPU revenue has been affected in part by the volatility of the cryptocurrency mining market. Demand for cryptocurrency has changed and is likely to continue to change quickly. For example, China and South Korea have instituted restrictions on cryptocurrency trading and the valuations of the currencies, and corresponding interest in mining of such currencies are subject to significant fluctuations. If we are unable to manage the risks related to the volatility of the cryptocurrency mining market, our GPU business could be materially adversely affected.

Our ability to design and introduce new products in a timely manner is dependent upon third-party intellectual property.

In the design and development of new and enhanced products, we rely on third-party intellectual property such as development and testing tools for software and hardware. Furthermore, certain product features may rely on intellectual property acquired from third parties. The design requirements necessary to meet customer demand for more features and greater functionality from semiconductor products may exceed the capabilities of the third-party intellectual property or development or testing tools available to us. If the third-party intellectual property that we use becomes unavailable, is not available with required functionality or performance in the time frame or price point needed for our new products or fails to produce designs that meet customer demands, our business could be materially adversely affected.

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

We depend on third-party companies for the design, manufacture and supply of motherboards, graphics cards, software (e.g. BIOS, operating systems, drivers), memory and other components that our customers utilize to support and/or use our microprocessor, GPU and APU offerings. We also rely on our add-in-board (AIB) partners to support our GPU and APU products. In addition, our microprocessors are not designed to function with motherboards and chipsets designed to work with Intel microprocessors. If the designers, manufacturers, AIBs and suppliers of motherboards, graphics cards, software, memory and other components cease or reduce their design, manufacture

or production of current or future products that are based on or support our products, our business could be materially adversely affected.

If we lose Microsoft Corporation's support for our products or other software vendors do not design and develop software to run on our products, our ability to sell our products could be materially adversely affected.

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

Our reliance on third-party distributors and AIB partners subjects us to certain risks.

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

Additionally, distributors and AIB partners typically maintain an inventory of our products. In most instances, our agreements with distributors protect their inventory of our products against price reductions, as well as provide return rights for any product that we have removed from our price book and that is not more than 12 months older than the manufacturing date. Some agreements with our distributors also contain standard stock rotation provisions permitting limited levels of product returns. Our agreements with AIB partners protect their inventory of our products against price reductions. In the event of a significant decline in the price of our products, the price protection rights we offer would materially adversely affect us because our revenue and corresponding gross margin would decline.

We may incur future impairments of goodwill and technology license purchases.

We perform our annual goodwill impairment analysis as of the first day of the fourth quarter of each year. Subsequent to our annual goodwill impairment analysis, we monitor for any events or changes in circumstances, such as significant adverse changes in business climate or operating results, changes in management's business strategy, an inability to successfully introduce new products in the marketplace, an inability to successfully achieve internal forecasts or significant declines in our stock price, which may represent an indicator of impairment. The occurrence of any of these events may require us to record future goodwill impairment charges.

We license certain third-party technologies and tools for the design and production of our products. We report the value of those licenses as intangible assets on the balance sheet and we periodically evaluate the carrying value of those licenses based on their future economic benefit to us. Factors such as the life of the assets, changes in competing technologies, and changes to the business strategy may represent an indicator of impairment. The occurrence of any of these events may require us to record future technology license impairment charges.

Our inability to continue to attract and retain qualified personnel may hinder our business.

Much of our future success depends upon the continued service our executives of numerous qualified engineering, marketing, sales and executive employees. Competition for highly skilled executives and employees in the technology industry is intense and our competitors have targeted individuals in our organization that have desired skills and experience. If we are not able to continue to attract, train and retain our leadership team and our qualified employees

necessary for our business, the progress of our product development programs could be hindered, and we could be materially adversely affected. To help attract, retain and motivate our executives and qualified employees, we use share-based incentive awards such as employee stock options and non-vested share units (restricted stock units). If the value of such stock awards does not appreciate as measured by the performance of the price of our common stock, or if our share-based compensation otherwise ceases to be viewed as a valuable benefit, our ability to attract, retain and motivate our executives and employees could be weakened, which could harm our results of operations. Also, if the value of our stock awards increases substantially, this could potentially create great personal wealth for our executives and employees and affect our ability to retain our personnel. In addition, any future restructuring plans may adversely impact our ability to attract and retain key employees.

Our indebtedness could adversely affect our financial position and prevent us from implementing our strategy or fulfilling our contractual obligations.

Our total debt principal amount outstanding as of March 28, 2020 was \$563 million. Our indebtedness may make it difficult for us to satisfy our financial obligations, including making scheduled principal and interest payments; limit our ability to borrow additional funds for working capital, capital expenditures, acquisitions and general corporate and other purposes; limit our ability to use our cash flow or obtain additional financing for future working capital, capital expenditures, acquisitions or other general corporate purposes; require us to use a substantial portion of our cash flow from operations to make debt service payments; place us at a competitive disadvantage compared to our competitors with relatively less debt; and increase our vulnerability to the impact of adverse economic and industry conditions.

We enter into sale and factoring arrangements from time to time with respect to certain accounts receivable, which arrangements are non-recourse to us in the event that an account debtor fails to pay for credit-related reasons, and are not included in our indebtedness. We could become obligated to repurchase such accounts receivable or otherwise incur liability to the counterparties under these arrangements under certain circumstances, such as where a commercial dispute arises between us and an account debtor. Also, should we not participate in such sale and factoring arrangements or if these arrangements were no longer available, or changes to the cost or credit limits were made to our existing arrangements, it could have a negative impact on our cash flow from operations.

We may not be able to generate sufficient cash to service our debt obligations or meet our working capital requirements.

Our ability to make payments on and to refinance our debt will depend on our financial and operating performance, which may fluctuate significantly from quarter to quarter, and is subject to prevailing economic, financial and business conditions along with other factors, many of which are beyond our control. We cannot assure you that we will be able to generate cash flow or that we will be able to borrow funds, including under our secured revolving credit facility for a principal amount up to \$500 million (our Secured Revolving Facility), in amounts sufficient to enable us to service our debt or to meet our working capital requirements. If we are not able to generate sufficient cash flow from operations or to borrow sufficient funds to service our debt, we may be required to sell assets or equity, reduce expenditures, refinance all or a portion of our existing debt or obtain additional financing. We cannot assure you that we will be able to refinance our debt, sell assets or equity, borrow funds under our Secured Revolving Facility or borrow more funds on terms acceptable to us, if at all.

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

Upon a change of control, we will be required to offer to repurchase all of our 7.50% Notes and 2.125% Notes then outstanding at 101% of the principal amount thereof, plus accrued and unpaid interest, if any, up to, but excluding, the repurchase date. In addition, a change of control would be an event of default under our Secured Revolving Facility. As of March 28, 2020, \$563 million principal amount was outstanding under our notes. Future debt agreements may contain similar provisions. We may not have the financial resources to repurchase our outstanding notes and prepay all of our outstanding obligations under our Secured Revolving Facility.

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

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

in the semiconductor industry; a decline in demand for end-user products (such as PCs) that incorporate our products; and excess inventory levels.

Industry-wide fluctuations in the computer marketplace have materially adversely affected us in the past and may materially adversely affect us in the future. Global economic uncertainty and weakness have in the past impacted the semiconductor market as consumers and businesses have deferred purchases, which negatively impacted demand for our products. Our financial performance has been, and may in the future be, negatively affected by these downturns.

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

Acquisitions, joint ventures and/or investments could disrupt our business and/or dilute or adversely affect the price of our common stock.

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

Furthermore, we may not achieve the objectives and expectations with respect to future operations, products and services. The majority of our ATMP services are provided by the JVs, and there is no guarantee that the JVs will be able to fulfill our long-term ATMP requirements. If we are unable to meet customer demand due to fluctuating or late supply from the JVs, it could result in lost sales and have a material adverse effect on our business.

In addition, we may not realize the anticipated benefits from any new business initiatives such as the THATIC JV. We may not realize the expected benefits from the THATIC JV's expected future performance, the receipt of any future milestone payments and royalties from certain licensed intellectual property. In June 2019, the United States Commerce Department's Bureau of Industry and Security added certain Chinese entities to the Entity List, including THATIC and the THATIC JV. We are complying with U.S. law pertaining to the Entity List designation.

Our business is dependent upon the proper functioning of our internal business processes and information systems and modification or interruption of such systems may disrupt our business, processes and internal controls.

We rely upon a number of internal business processes and information systems to support key business functions, and the efficient operation of these processes and systems is critical to our business. Our business processes and information systems need to be sufficiently scalable to support the growth of our business and may require modifications or upgrades that expose us to a number of operational risks. As such, our information systems will continually evolve and adapt in order to meet our business needs. These changes may be costly and disruptive to our operations and could impose substantial demands on management time.

These changes may also require changes in our information systems, modification of internal control procedures and significant training of employees and third-party resources. We continuously work on simplifying our information

systems and applications through consolidation and standardization efforts. There can be no assurance that our business and operations will not experience any disruption in connection with this transition. Our information technology systems, and those of third-party information technology providers or business partners, may also be vulnerable to damage or disruption caused by circumstances beyond our control including catastrophic events, power anomalies or outages, natural disasters, viruses or malware, cyber-attacks, data breaches and computer system or network failures, exposing us to significant cost, reputational harm and disruption or damage to our business.

In addition, as our IT environment continues to evolve, we are embracing new ways of communicating and sharing data internally and externally with customers and partners using methods such as mobility and the cloud that can promote business efficiency. However, these practices can also result in a more distributed IT environment, making it more difficult for us to maintain visibility and control over internal and external users, and meet scalability and administrative requirements. If our security controls cannot keep pace with the speed of these changes, or if we are not able to meet regulatory and compliance requirements, our business would be materially adversely affected.

If essential equipment, materials or manufacturing processes are not available to manufacture our products, we could be materially adversely affected.

We may purchase equipment and materials for use by our back-end manufacturing service providers from a number of suppliers and our operations depend upon obtaining deliveries of adequate supplies of equipment and materials on a timely basis. Our third-party suppliers also depend on the same timely delivery of adequate quantities of equipment and materials in the manufacture of our products. In addition, as many of our products increase in technical complexity, we rely on our third-party suppliers to update their processes in order to continue meeting our back-end manufacturing needs. Certain equipment and materials that are used in the manufacture of our products are available only from a limited number of suppliers, or in some cases, a sole supplier. We also depend on a limited number of suppliers to provide the majority of certain types of integrated circuit packages for our microprocessors, including our APU products. Similarly, certain non-proprietary materials or components such as memory, printed circuit boards (PCBs), interposers, substrates and capacitors used in the manufacture of our products are currently available from only a limited number of sources. Because some of the equipment and materials that we and our third-party manufacturing suppliers purchase are complex, it is sometimes difficult to substitute one supplier for another. From time to time, suppliers may extend lead times, limit supply or increase prices due to capacity constraints or other factors. Also, some of these materials and components may be subject to rapid changes in price and availability. Interruption of supply or increased demand in the industry could cause shortages and price increases in various essential materials. Dependence on a sole supplier or a limited number of suppliers exacerbates these risks. If we are unable to procure certain of these materials for our back-end manufacturing operations, or our third-party foundries or manufacturing suppliers are unable to procure materials for manufacturing our products, our business would be materially adversely affected.

If our products are not compatible with some or all industry-standard software and hardware, we could be materially adversely affected.

Our products may not be fully compatible with some or all industry-standard software and hardware. Further, we may be unsuccessful in correcting any such compatibility problems in a timely manner. If our customers are unable to achieve compatibility with software or hardware, we could be materially adversely affected. In addition, the mere announcement of an incompatibility problem relating to our products could have a material adverse effect on our business.

Costs related to defective products could have a material adverse effect on us.

Products as complex as those we offer may contain defects or failures when first introduced or when new versions or enhancements to existing products are released. We cannot assure you that, despite our testing procedures, errors will not be found in new products or releases after commencement of commercial shipments in the future, which could result in loss of or delay in market acceptance of our products, material recall and replacement costs, loss of revenue, writing down the inventory of defective products, the diversion of the attention of our engineering personnel from product development efforts, defending against litigation related to defective products or related liabilities, including property damage, personal injury, damage to our reputation in the industry and loss of data or intangible property, and could adversely affect our relationships with our customers. In addition, we may have difficulty identifying the end customers of the defective products in the field. As a result, we could incur substantial costs to implement modifications to correct defects. Any of these problems could materially adversely affect our business.

We could be subject to potential product liability claims if one of our products causes, or merely appears to have caused, an injury, whether tangible or intangible. Claims may be made by consumers or others selling our products, and we may be subject to claims against us even if an alleged injury is due to the actions of others. A product liability

claim, recall or other claim with respect to uninsured liabilities or for amounts in excess of insured liabilities could have a material adverse effect on our business.

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

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

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

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

Our stock price is subject to volatility.

Our stock price has experienced price and volume fluctuations and could be subject to wide fluctuations in the future. The trading price of our stock may fluctuate widely due to various factors including actual or anticipated fluctuations in our financial conditions and operating results, changes in financial estimates by us or financial estimates and ratings by securities analysts, changes in our capital structure, including issuance of additional debt or equity to the public, interest rate changes, news regarding our products or products of our competitors, and broad market and industry fluctuations. Stock price fluctuations could impact the value of our equity compensation, which could affect our ability to recruit and retain employees. In addition, volatility in our stock price could adversely affect our business and financing opportunities.

Worldwide political conditions may adversely affect demand for our products.

Worldwide political conditions may create uncertainties that could adversely affect our business. The United States has been and may continue to be involved in armed conflicts that could have a further impact on our sales and our supply chain. The consequences of armed conflict, political instability or civil or military unrest are unpredictable, and we may not be able to foresee events that could have a material adverse effect on us. Terrorist attacks or other hostile acts may negatively affect our operations, or adversely affect demand for our products, and such attacks or related armed conflicts may impact our physical facilities or those of our suppliers or customers. Furthermore, these attacks or hostile acts may make travel and the transportation of our products more difficult and more expensive, which could materially adversely affect us. Any of these events could cause consumer spending to decrease or result in increased volatility in the United States economy and worldwide financial markets.

Unfavorable currency exchange rate fluctuations could adversely affect us.

We have costs, assets and liabilities that are denominated in foreign currencies. As a consequence, movements in exchange rates could cause our foreign currency denominated expenses to increase as a percentage of revenue, affecting our profitability and cash flows. Whenever we believe appropriate, we hedge a portion of our short-term foreign currency exposure to protect against fluctuations in currency exchange rates. We determine our total foreign currency exposure using projections of long-term expenditures for items such as payroll. We cannot assure you that these activities will be effective in reducing foreign exchange rate exposure. Failure to do so could have an adverse effect on our business, financial condition, results of operations and cash flow. In addition, the majority of our product sales

are denominated in U.S. dollars. Fluctuations in the exchange rate between the U.S. dollar and the local currency can cause increases or decreases in the cost of our products in the local currency of such customers. An appreciation of the U.S. dollar relative to the local currency could reduce sales of our products.

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

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

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

We rely on a combination of protections provided by contracts, including confidentiality and nondisclosure agreements, copyrights, patents, trademarks and common law rights, such as trade secrets, to protect our intellectual property. However, we cannot assure you that we will be able to adequately protect our technology or other intellectual property from third-party infringement or from misappropriation in the United States and abroad. Any patent licensed by us or issued to us could be challenged, invalidated or circumvented or rights granted there under may not provide a competitive advantage to us. Also, due to measures to slow down the outbreak of COVID-19, various patent offices and courts have been adversely impacted and there is a potential for delay or disruptions that might affect certain of our patent rights.

Furthermore, patent applications that we file may not result in issuance of a patent or, if a patent is issued, the patent may not be issued in a form that is advantageous to us. Despite our efforts to protect our intellectual property rights, others may independently develop similar products, duplicate our products or design around our patents and other rights. In addition, it is difficult to monitor compliance with, and enforce, our intellectual property on a worldwide basis in a cost-effective manner. In jurisdictions where foreign laws provide less intellectual property protection than afforded in the United States and abroad, our technology or other intellectual property may be compromised, and our business would be materially adversely affected.

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

From time to time, we are a defendant or plaintiff in various legal actions. For example, as described in Note 11 of our condensed consolidated financial statements, we have been subject to certain claims concerning federal securities laws and corporate governance. Our products are purchased by and/or used by consumers, which could increase our exposure to consumer actions such as product liability claims and consumer class action claims, including those described in Note 11 of our condensed consolidated financial statements. On occasion, we receive claims that individuals were allegedly exposed to substances used in our former semiconductor wafer manufacturing facilities and that this alleged exposure caused harm. Litigation can involve complex factual and legal questions, and its outcome is uncertain. It is possible that if a claim is successfully asserted against us, including the claims described in Note 11 of our condensed consolidated financial statements, it could result in the payment of damages that could be material to our business.

With respect to intellectual property litigation, from time to time, we have been notified of, or third parties may bring or have brought, actions against us and/or against our customers based on allegations that we are infringing the intellectual property rights of others, contributing to or inducing the infringement of the intellectual property rights of others, improperly claiming ownership of intellectual property or otherwise improperly using the intellectual property of others. If any such claims are asserted, we may seek to obtain a license under the third parties' intellectual property rights. We cannot assure you that we will be able to obtain all of the necessary licenses on satisfactory terms, if at all. These parties may file lawsuits against us or our customers seeking damages (potentially up to and including treble damages) or an injunction against the sale of products that incorporate allegedly infringed intellectual property or against the operation of our business as presently conducted, which could result in our having to stop the sale of some

of our products or to increase the costs of selling some of our products or which could damage our reputation. The award of damages, including material royalty payments, or other types of damages, or the entry of an injunction against the manufacture and sale of some or all of our products could have a material adverse effect on us. We could decide, in the alternative, to redesign our products or to resort to litigation to challenge such claims. Such challenges could be extremely expensive and time-consuming regardless of their merit, could cause delays in product release or shipment and/or could have a material adverse effect on us. We cannot assure you that litigation related to our intellectual property rights or the intellectual property rights of others can always be avoided or successfully concluded.

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

Our business is subject to potential tax liabilities.

We are subject to income tax, indirect tax or other tax claims by tax agencies in jurisdictions in which we conduct business. Significant judgment is required in determining our worldwide provision for income taxes. Tax laws are dynamic and subject to change as new laws are passed and new interpretations of the law are issued or applied. The Tax Cuts and Jobs Act of 2017 (the Tax Reform Act) contains many significant changes to the U.S. federal income tax laws, which the consequences of could have a material impact on the value of our deferred tax assets and could increase our future U.S. income tax expense. As additional regulatory guidance is issued by the applicable taxing authorities and as new accounting treatment is clarified, we may report additional adjustments in the period if new information becomes available. We have a significant amount of deferred tax assets and a portion of the deferred tax assets related to net operating losses or tax credits could be subject to limitations under Internal Revenue Code Section 382 or 383, separate return loss year rules, or dual consolidated loss rules. The limitations could reduce the ability of the Company to be able to utilize the net operating losses or tax credits before the expiration of the tax attributes. Tax law changes or the limitations could be material and could materially affect our tax obligations and effective tax rate.

In the ordinary course of our business, there are many transactions and calculations where the ultimate income tax, indirect tax, or other tax determination is uncertain. Although we believe our tax estimates are reasonable, we cannot assure that the final determination of any tax audits and litigation will not be materially different from that which is reflected in historical tax provisions and accruals. Should additional taxes be assessed as a result of an audit, assessment or litigation, there could be a material adverse effect on our cash, tax provisions and net income in the period or periods for which that determination is made.

We are subject to environmental laws, conflict minerals-related provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act as well as a variety of other laws or regulations that could result in additional costs and liabilities.

Our operations and properties have in the past been and continue to be subject to various United States and foreign laws and regulations, including those relating to materials used in our products and manufacturing processes, discharge of pollutants into the environment, the treatment, transport, storage and disposal of solid and hazardous wastes and remediation of contamination. These laws and regulations require our suppliers to obtain permits for operations making our products, including the discharge of air pollutants and wastewater. Although our management systems are designed to oversee our suppliers' compliance, we cannot assure you that our suppliers have been or will be at all times in complete compliance with such laws, regulations and permits. If our suppliers violate or fail to comply with any of them, a range of consequences could result, including fines, suspension of production, alteration of manufacturing processes, import/export restrictions, sales limitations, criminal and civil liabilities or other sanctions. Such non-compliance from our manufacturing suppliers could result in disruptions in supply, higher sourcing costs, and/or reputational damage for us.

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

Certain environmental laws, including the United States Comprehensive Environmental Response, Compensation and Liability Act of 1980, or the Superfund Act, impose strict or, under certain circumstances, joint and several liability on current and previous owners or operators of real property for the cost of removal or remediation of hazardous substances and impose liability for damages to natural resources. These laws often impose liability even if the owner or operator did not know of, or was not responsible for, the release of such hazardous substances. These environmental laws also assess liability on persons who arrange for hazardous substances to be sent to disposal or treatment facilities when such facilities are found to be contaminated. Such persons can be responsible for cleanup costs even if they never owned or operated the contaminated facility. We have been named as a responsible party at three Superfund sites in Sunnyvale, California. Although we have not yet been, we could be named a potentially responsible party at other Superfund or contaminated sites in the future. In addition, contamination that has not yet been identified could exist at our other facilities.

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the SEC adopted disclosure and reporting requirements for companies that use "conflict" minerals originating from the Democratic Republic of Congo or adjoining countries. We continue to incur additional costs associated with complying with these requirements, such as costs related to developing internal controls for the due diligence process, determining the source of any conflict minerals used in our products, auditing the process and reporting to our customers and the SEC. In addition to the SEC regulation, the European Union, China and other jurisdictions are developing new policies focused on conflict minerals that may impact and increase the cost of our compliance program. Also, since our supply chain is complex, we may face reputational challenges if we are unable to sufficiently verify the origins of the subject minerals. Moreover, we are likely to encounter challenges to satisfy those customers who require that all of the components of our products are certified as "conflict free." If we cannot satisfy these customers, they may choose a competitor's products.

The United States federal government has issued new policies for federal procurement focused on eradicating the practice of forced labor and human trafficking. Germany's federal procurement office, in collaboration with the Bitkom trade association, issued new supply chain labor requirements. In addition, the United Kingdom, Australia and the State of California have issued laws that require us to disclose our policy and practices for identifying and eliminating forced labor and human trafficking in our supply chain. Several customers as well as the Responsible Business Alliance have also issued expectations to eliminate these practices that may impact us. While we have a policy and management systems to identify and avoid these practices in our supply chain, we cannot guarantee that our suppliers will always be in conformance to these laws and expectations. We may face enforcement liability and reputational challenges if we are unable to sufficiently meet these expectations. Moreover, we are likely to encounter challenges with customers if we cannot satisfy their forced and trafficked labor policies and they may choose a competitor's product.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

We issued warrants dated March 30, 2020 to purchase 40,681 shares of our common stock to a commercial partner pursuant to a strategic arrangement with such partner. The warrants have an exercise price of \$25.4994 per share and expire on March 30, 2023.

The warrants were issued pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended.

ITEM 6. EXHIBITS

*10.1	Advanced Micro Devices, Inc. Outside Director Equity Compensation Policy, as amended and restated, dated February 12, 2020.
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

* Management contracts and compensatory plans or arrangements.

SIGNATURE

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

ADVANCED MICRO DEVICES, INC.

April 29, 2020

By: /s/Devinder Kumar

Name: Devinder Kumar

Title: Senior Vice President, Chief Financial Officer and Treasurer

Signing on behalf of the Registrant as the Principal Financial Officer