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 September 28, 2019

OR

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

For the transition period from to

Commission File Number 001-07882

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

Delaware	**94-1692300**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
2485 Augustine Drive	
Santa Clara,	
California	**95054**
(Address of principal executive offices)	**(Zip Code)**

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

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	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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 October 25, 2019: 1,113,627,528

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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		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
	(In millions, except per share amounts)			
Net revenue	$ 1,801	$ 1,653	$ 4,604	$ 5,056
Cost of sales	1,024	992	2,685	3,146
Gross profit	777	661	1,919	1,910
Research and development	406	363	1,152	1,063
Marketing, general and administrative	185	148	544	424
Licensing gain	—	—	(60)	—
Operating income	186	150	283	423
Interest expense	(24)	(30)	(76)	(92)
Other expense, net	(36)	(6)	(40)	(4)
Income before income taxes and equity income (loss)	126	114	167	327
Provision (benefit) for income taxes	7	12	(4)	26
Equity income (loss) in investee	1	—	—	(2)
Net income	$ 120	$ 102	$ 171	$ 299
Earnings per share				
Basic	$ 0.11	$ 0.10	$ 0.16	$ 0.31
Diluted	$ 0.11	$ 0.09	$ 0.15	$ 0.28
Shares used in per share calculation				
Basic	1,097	987	1,075	976
Diluted	1,117	1,076	1,107	1,058

See accompanying notes.

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

	Three Months Ended		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
	(In millions)			
Net income	$ 120	$ 102	$ 171	$ 299
Other comprehensive income (loss), net of tax of zero:				
Unrealized gains (losses) on cash flow hedges:				
Unrealized losses arising during the period	(9)	(5)	(5)	(16)
Losses reclassified into income	2	5	6	—
Total change in unrealized gains (losses) on cash flow hedges	(7)	—	1	(16)
Cumulative-effect adjustment to accumulated deficit related to the adoption of ASU 2016-01, Financial Instruments	—	—	—	2
Total comprehensive income	$ 113	$ 102	$ 172	$ 285

See accompanying notes.

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

	September 28, 2019	December 29, 2018
	(In millions, except par value amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,156	$ 1,078
Marketable securities	53	78
Accounts receivable, net	1,393	1,235
Inventories, net	1,040	845
Prepayments and receivables-related parties	17	34
Prepaid expenses and other current assets	253	270
Total current assets	3,912	3,540
Property and equipment, net	453	348
Operating lease right-of-use assets	205	—
Goodwill	289	289
Investment: equity method	59	58
Other assets	335	321
Total assets	$ 5,253	$ 4,556
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt, net	$ —	$ 136
Accounts payable	763	834
Payables to related parties	215	207
Accrued liabilities	837	783
Other current liabilities	49	24
Total current liabilities	1,864	1,984
Long-term debt, net	872	1,114
Long-term operating lease liabilities	201	—
Other long-term liabilities	140	192
Contingencies (See Note 13)		
Stockholders' equity:		
Capital stock:		
Common stock, par value $0.01; shares authorized: 2,250; shares issued: 1,119 and 1,010; shares outstanding: 1,114 and 1,005	11	10
Additional paid-in capital	9,490	8,750
Treasury stock, at cost (shares issued: 5 and 5)	(53)	(50)
Accumulated deficit	(7,265)	(7,436)
Accumulated other comprehensive loss	(7)	(8)
Total stockholders' equity	2,176	1,266
Total liabilities and stockholders' equity	$ 5,253	$ 4,556

See accompanying notes.

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

	Nine Months Ended	
	September 28, 2019	September 29, 2018
	(In millions)	
Cash flows from operating activities:		
Net income	$ 171	$ 299
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	158	127
Stock-based compensation	140	101
Amortization of debt discount and issuance costs	25	29
Amortization of operating lease right-of-use assets	27	—
Loss on debt redemption, repurchase and conversion	48	7
Loss on sale/disposal of property and equipment	34	—
Other	(13)	2
Changes in operating assets and liabilities:		
Accounts receivable	(158)	(803)
Inventories	(195)	(44)
Prepayments and receivables - related parties	17	(37)
Prepaid expenses and other assets	(32)	(9)
Payables to related parties	8	40
Accounts payable, accrued liabilities and other	(179)	202
Net cash provided by (used in) operating activities	51	(86)
Cash flows from investing activities:		
Purchases of property and equipment	(175)	(122)
Purchases of available-for-sale debt securities	(284)	(45)
Proceeds from maturity of available-for-sale debt securities	309	35
Collection of deferred proceeds on sale of receivables	25	50
Other	2	—
Net cash used in investing activities	(123)	(82)
Cash flows from financing activities:		
Repayments of short-term debt	(70)	—
Proceeds from warrant exercise by related party	449	—
Proceeds from issuance of common stock through employee equity incentive plans	38	44
Payments to extinguish long-term debt	(261)	(15)
Other	(6)	(1)
Net cash provided by financing activities	150	28
Net increase (decrease) in cash, cash equivalents, and restricted cash	78	(140)
Cash, cash equivalents, and restricted cash at beginning of period	1,083	1,191
Cash, cash equivalents, and restricted cash at end of period	$ 1,161	$ 1,051
Supplemental cash flow information:		
Non-cash investing and financing activities:		
Purchases of property and equipment, accrued but not paid	$ 120	$ 46
Issuance of common stock to partially settle convertible debt, net	$ 108	$ —
Issuance of treasury stock to partially settle debt	$ 7	$ 103
Deferred proceeds on sale of receivables	$ —	$ 21
Other	$ 9	$ 9
Reconciliation of cash, cash equivalents, and restricted cash		
Cash and cash equivalents	$ 1,156	$ 1,046
Restricted cash included in Prepaid expenses and other current assets	5	5
Total cash, cash equivalents, and restricted cash	$ 1,161	$ 1,051

See accompanying notes.

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

	Three Months Ended		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
	(In millions)			
Capital stock				
Common stock				
Balance, beginning of period	$ 11	$ 10	$ 10	$ 9
Common stock issued under employee equity incentive plans, net of tax withholding	—	—	—	1
Issuance of common stock upon warrant exercise	—	—	1	—
Balance, end of period	$ 11	$ 10	$ 11	$ 10
Additional paid-in capital				
Balance, beginning of period	$ 9,325	$ 8,564	$ 8,750	$ 8,464
Common stock issued under employee equity incentive plans, net of tax withholding	3	9	38	44
Stock-based compensation	54	36	140	101
Issuance of common stock upon warrant exercise	—	—	449	—
Issuance of common stock to partially settle convertible debt, net	108	—	108	—
Issuance of treasury stock to partially settle debt	—	57	4	57
Other	—	—	1	—
Balance, end of period	$ 9,490	$ 8,666	$ 9,490	$ 8,666
Treasury stock				
Balance, beginning of period	$ (50)	$ (109)	$ (50)	$ (108)
Treasury stock issued under employee equity incentive plans, net of tax withholding	—	(5)	—	(5)
Issuance of treasury stock to partially settle debt	—	47	3	47
Other	(3)	—	(6)	(1)
Balance, end of period	$ (53)	$ (67)	$ (53)	$ (67)
Accumulated deficit				
Balance, beginning of period	$ (7,385)	$ (7,576)	$ (7,436)	$ (7,775)
Net income	120	102	171	299
Cumulative effect adjustment to accumulated deficit related to the adoption of ASU 2016-01, Financial Instruments	—	—	—	2
Balance, end of period	$ (7,265)	$ (7,474)	$ (7,265)	$ (7,474)
Accumulated other comprehensive income (loss)				
Balance, beginning of period	$ —	$ (10)	$ (8)	$ 6
Other comprehensive income (loss)	(7)	—	1	(16)
Balance, end of period	(7)	(10)	(7)	(10)
Total stockholders' equity	$ 2,176	$ 1,125	$ 2,176	$ 1,125

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 and nine months ended September 28, 2019 shown in this report are not necessarily indicative of results to be expected for the full year ending December 28, 2019. 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 29, 2018. 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 and nine months ended September 28, 2019 and September 29, 2018 each consisted of 13 weeks and 39 weeks, respectively.

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. Except for the accounting policies highlighted below, 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 29, 2018.

Leases. The Company determines if an arrangement is a lease, or contains a lease, at the inception of the arrangement. When the Company determines the arrangement is a lease, or contains a lease, at lease inception, it then determines whether the lease is an operating lease or a finance lease. Operating and finance leases result in the Company recording a right-of-use (ROU) asset and lease liability on its balance sheet. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. Operating and finance lease ROU assets and liabilities are recognized based on the present value of lease payments over the lease term. In determining the present value of lease payments, the Company uses the implicit interest rate if readily determinable or when the implicit interest rate is not readily determinable, the Company uses its incremental borrowing rate. The operating lease ROU asset also includes any lease payments made and excludes any lease incentives. Specific lease terms may include options to extend or terminate the lease when the Company believes it is reasonably certain that it will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. As allowed by the guidance, the Company has elected not to recognize ROU assets and lease liabilities that arise from short-term (12 months or less) leases for any class of underlying asset. Operating leases are included in operating lease ROU assets, other current liabilities, and long-term operating lease liabilities in the Company's condensed consolidated balance sheet. The Company's finance leases are immaterial.

Recently Adopted Accounting Standards

Leases. In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations for lease recognition and disclosure. ASU 2016-02 requires lessees to recognize lease assets and lease liabilities on the balance sheet, while recognizing expenses on the income statements in a manner similar to legacy guidance. The Company adopted this standard in the first quarter of 2019, using the optional adoption method, which did not require an adjustment to comparative period financial statements, and recorded $228 million of right-of-use assets and $261 million of lease liabilities primarily related to office buildings in its consolidated balance sheet as of December 30, 2018. The Company's accounting for capital leases, now referred to as finance leases, remains unchanged. The Company's adoption of the new standard had no impact on its consolidated statement of operations or on net cash provided by or used in operating, financing, or investing activities on its consolidated statement of cash flows.

Upon adoption of ASU 2016-02, the Company elected a transition practical expedient under the new accounting standard allowing it not to separate lease and non-lease components and instead to account for each separate lease component and non-lease component as a single lease component. The Company implemented internal controls and key system functionality to enable the preparation of financial information on adoption.

Recently Issued Accounting Standards

Financial Instruments. In June 2016, the FASB issued 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. ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, using a modified retrospective adoption method. The Company will adopt this standard in the first quarter of 2020 and this standard will not have a material impact on its consolidated financial statements.

There were no other significant updates to the recently issued accounting standards other than as disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 2018.

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 consolidated financial statements.

NOTE 2. Supplemental Balance Sheet Information

Accounts Receivable, net

As of September 28, 2019 and December 29, 2018, Accounts receivable, net included unbilled accounts receivable of $176 million and $308 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

	September 28, 2019	December 29, 2018
	(In millions)	
Raw materials	$ 95	$ 134
Work in process	754	354
Finished goods	191	357
Total inventories, net	$ 1,040	$ 845

Property and Equipment, net

	September 28, 2019	December 29, 2018
	(In millions)	
Leasehold improvements	$ 207	$ 179
Equipment	945	798
Construction in progress	70	78
Property and equipment, gross	1,222	1,055
Accumulated depreciation	(769)	(707)
Total property and equipment, net	$ 453	$ 348

Other Assets

	September 28, 2019	December 29, 2018
	(In millions)	
Software technology and licenses, net	$ 220	$ 226
Other	115	95
Total other assets	$ 335	$ 321

Accrued Liabilities

	September 28, 2019	December 29, 2018
	(In millions)	
Accrued compensation and benefits	$ 212	$ 236
Marketing programs and advertising expenses	327	275
Software technology and licenses payable	43	28
Other	255	244
Total accrued liabilities	$ 837	$ 783

Other Current Liabilities

	September 28, 2019	December 29, 2018
	(In millions)	
Unearned revenue	$ 5	$ 11
Operating lease liabilities	38	—
Other	6	13
Total other current liabilities	$ 49	$ 24

Unearned revenue represents consideration received or due from customers in advance of the Company satisfying its performance obligations. The unearned revenue is associated with any combination of development services, IP licensing and product revenue. Changes in unearned revenue were as follows:

	Three Months Ended		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
	(In millions)			
Beginning balance	$ 1	$ 67	$ 11	$ 85
Unearned revenue	4	37	5	124
Revenue recognized during the period	—	(86)	(11)	(186)
Other	—	(15)	—	(20)
Ending balance	$ 5	$ 3	$ 5	$ 3

Revenue allocated to remaining performance obligations that are unsatisfied (or partially unsatisfied) as of September 28, 2019 is $523 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 $220 million in the next 12 months.

The revenue allocated to remaining performance obligations did not include amounts which have an original contractual expected 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), 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.

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 inventory management is reported within purchases and resales with the ATMP JV and does not impact the Company's condensed consolidated statement of operations.

The Company's total purchases from the ATMP JV during the three and nine months ended September 28, 2019 amounted to $175 million and $479 million, respectively. The Company's total purchases from the ATMP JV during the three and nine months ended September 29, 2018 amounted to $151 million and $429 million, respectively. As of September 28, 2019 and December 29, 2018, the amount payable to the ATMP JV was $215 million and $207 million, respectively, included in Payables to related parties on the Company's condensed consolidated balance sheets. The Company's resales back to the ATMP JV during the three and nine months ended September 28, 2019 amounted to $4 million and $47 million, respectively. The Company's resales back to the ATMP JV during the three and nine months ended September 29, 2018 amounted to $21 million and $40 million, respectively. As of September 28, 2019 and December 29, 2018, the Company had receivables from ATMP JV of $4 million and $16 million, respectively, included in Prepayments and receivables-related parties on the Company's condensed consolidated balance sheets.

For the three and nine months ended September 28, 2019, the Company recorded income of $1 million and $0 million, respectively, in Equity income (loss) in investee on its condensed consolidated statements of operations, which included certain expenses incurred by the Company on behalf of the ATMP JV. For the three and nine months ended September 29, 2018, the Company recorded a loss of $0 million and $2 million, respectively, in Equity income (loss) in investee on its condensed consolidated statements of operations, which included certain expenses incurred by the Company on behalf of the ATMP JV. As of September 28, 2019 and December 29, 2018, the carrying value of the Company's investment in the ATMP JV was $59 million and $58 million, respectively.

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 and nine months ended September 28, 2019 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 September 28, 2019. As of September 28, 2019 and December 29, 2018, the total assets and liabilities of the THATIC JV were not material.

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 nine months ended September 28, 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 enters 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 and $18 million as of September 28, 2019 and December 29, 2018, respectively, included in Prepayments 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. GLOBALFOUNDRIES

In March 2009, the Company and GLOBALFOUNDRIES Inc. (GF) entered into a Wafer Supply Agreement (the WSA) under which the Company would purchase wafers from GF. The WSA, which has been amended from time to time, governs the terms by which the Company purchases products manufactured by GF through March 1, 2024. Pursuant to the WSA and its amendments, the Company is required to purchase all of its microprocessor and APU product requirements, and a certain portion of its GPU product requirements from GF manufactured at process nodes larger than 7 nanometer (nm), with limited exceptions. Under the terms of the WSA, the Company has minimum annual wafer purchase targets through 2021. If the Company fails to meet the agreed wafer purchase target during a calendar year, it will be required to pay to GF a portion of the difference between the actual wafer purchases and the applicable annual purchase target. The Company also agreed to continue to make quarterly payments to GF based on the volume of certain wafers purchased from another wafer foundry.

On August 30, 2016, in consideration for the limited waiver and rights under the WSA Sixth Amendment, the Company entered into a warrant agreement (the Warrant Agreement) with West Coast Hitech L.P. (WCH), a wholly-owned subsidiary of Mubadala Development Company PJSC (Mubadala). Under the Warrant Agreement, WCH and its permitted assigns were entitled to purchase 75 million shares of the Company’s common stock (the Warrant Shares) at a purchase price of $5.98 per share. On February 13, 2019, WCH exercised its warrant to purchase 75 million shares of the Company’s common stock at a purchase price of $5.98 per share for a total amount of $449 million.

Through May 15, 2019, GF was a related party of the Company because Mubadala and Mubadala Technology Investments LLC (Mubadala Tech, a party to the WSA) were affiliated with WCH, and a member of the Company's Board of Directors (the Board) was associated with Mubadala. GF, WCH and Mubadala Tech are wholly-owned subsidiaries of Mubadala. Effective May 15, 2019, the member of the Board associated with Mubadala retired from the Board, and as a result, GF was no longer considered a related party of the Company. All prior period related party classifications on the financial statements for GF have been reclassified to conform to the current period presentation.

NOTE 5. Debt, Secured Revolving Facility and Secured Revolving Line of Credit

Debt

2.125% Convertible Senior Notes Due 2026

In September 2016, the Company issued $805 million principal amount of 2.125% Convertible Senior Notes due 2026 (2.125% Notes). The 2.125% Notes mature on September 1, 2026. However, holders of the 2.125% Notes may convert them at their option during certain time periods and upon the occurrence of one of the following circumstances:

(1) 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);

(2) during the five business day period after any ten consecutive trading day period (the Measurement Period) in which the trading price per $1,000 principal amount of notes for each trading day of the Measurement Period was less than 98% of the product of the last reported sale price of the Company's common stock and the conversion rate on each such trading day; or

(3) upon the occurrence of specified corporate events.

On or after June 1, 2026 until the close of business on the business day immediately preceding the maturity date, holders may convert their notes at any time, regardless of the foregoing circumstances. Upon conversion, the Company will pay or deliver cash, shares of the Company's common stock or a combination of cash and shares of the Company's common stock, at the Company's election.

The first event described in (1) above was met during the third quarter of 2019 and as a result, the 2.125% Notes are convertible at the option of the holder from October 1, 2019 until December 31, 2019.

During the three and nine months ended September 28, 2019, the Company converted $126 million principal amount of its 2.125% Notes through the issuance of approximately 16 million shares of the Company's common stock at the conversion price of $8.00 per share and an aggregate cash payment of $14 million. As of September 28, 2019, the Company had $679 million principal of its 2.125% Notes outstanding.

The Company's current intent is to deliver shares of its common stock upon conversion of the 2.125% Notes. As such, 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 September 28, 2019.

The 2.125% Notes consisted of the following:

	September 28, 2019	December 29, 2018
	(In millions)	
Principal amounts:		
Principal	$ 679	$ 805
Unamortized debt discount[(1)]	(205)	(262)
Unamortized debt issuance costs	(8)	(11)
Net carrying amount	$ 466	$ 532
Carrying amount of the equity component, net[(2)]	$ 258	$ 305

(1) Included in the 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 consolidated balance sheets within additional paid-in capital, net of $8 million of equity issuance costs.

As of September 28, 2019, the remaining life of the 2.125% Notes was approximately 84 months.

Based on the closing price of the Company's common stock of $28.72 on September 27, 2019, the last trading day of the three months ended September 28, 2019, the if-converted value of the 2.125% Notes exceeded its principal amount by $1,759 million.

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. The following table sets forth total interest expense recognized related to the 2.125% Notes:

	Three Months Ended		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
	(In millions)			
Contractual interest expense	$ 4	$ 5	$ 12	$ 13
Interest cost related to amortization of debt issuance costs	$ —	$ —	$ 1	$ 1
Interest cost related to amortization of the debt discount	$ 6	$ 6	$ 18	$ 18

6.75% Senior Notes Due 2019

On February 26, 2014, the Company issued $600 million of its 6.75% Senior Notes due March 1, 2019 (6.75% Notes). During the first three months of 2019, the Company redeemed the remaining $66 million in aggregate principal amount of its 6.75% Notes with a combination of cash and treasury stock.

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). During the nine months ended September 28, 2019, the Company repurchased $25 million in aggregate principal amount of its 7.50% Notes in cash. As of September 28, 2019, the outstanding aggregate principal amount of the 7.50% Notes was $312 million.

7.00% Senior Notes Due 2024

On June 16, 2014, the Company issued $500 million of its 7.00% Senior Notes due 2024 (7.00% Notes). During the three and nine months ended September 28, 2019, the Company repurchased $80 million and $154 million, respectively, in aggregate principal amount of its 7.00% Notes with a combination of cash and treasury stock. As of September 28, 2019, the outstanding aggregate principal amount of the 7.00% Notes was $96 million.

Potential Repurchase of Outstanding Notes

The Company may elect to purchase or otherwise retire the 7.50% Notes and 7.00% Notes with cash or treasury stock and the 2.125% Notes with stock from time to time in the open market or through privately negotiated transactions, either directly or through intermediaries, or by tender offer when the Company believes the market conditions are favorable.

Debt Redemption, Repurchase and Conversion

In aggregate, for the three and nine months ended September 28, 2019, the Company recorded a loss on extinguishment of debt of $40 million and $48 million, respectively, associated with the various debt redemptions, repurchases and conversions noted above.

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 of 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.

Borrowings under the Secured Revolving Facility bear interest at a variable rate based upon, at the Company's option, either at the LIBOR rate, or the base rate (in each case, as customarily defined) plus an applicable margin. The applicable margin for LIBOR rate loans ranges, based on an applicable total leverage ratio, from 1.00% to 1.75% per annum and the applicable margin for base rate loans ranges from 0.00% to 0.75% per annum. The Company is required to pay fees on the undrawn portion available under the Secured Revolving Facility and in respect of outstanding letters of credit.

The Credit Agreement contains customary affirmative and negative covenants, as well as a total leverage covenant requiring the Company to maintain a maximum ratio of consolidated funded debt to consolidated EBITDA of 4.00:1.00 and an interest coverage covenant requiring the Company to maintain a minimum ratio of consolidated EBITDA to consolidated cash interest expense of 3.00:1.00. The Credit Agreement also contains customary events of default, which if they occur, could result in the termination of commitments under the Secured Revolving Facility, the declaration that all outstanding loans are immediately due and payable in whole or in part and the requirement to maintain cash collateral deposits in respect of outstanding letters of credit.

As of September 28, 2019, 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 September 28, 2019, the Company had $14 million of letters of credit outstanding under the Credit Agreement.

Secured Revolving Line of Credit

On June 7, 2019, in connection with entering into the Credit Agreement as described above, the Company repaid its outstanding loan balance of $70 million under the secured revolving line of credit (Secured Revolving Line of Credit) and terminated the Amended and Restated Loan and Security Agreement dated as of April 14, 2015, as amended (the Agreement) among the Company, a group of lenders, and Bank of America, N.A., acting as agent for the lenders.

NOTE 6. Financial Instruments

Cash, Cash Equivalents, and Marketable Securities

Cash and financial instruments measured and recorded at fair value as of September 28, 2019 and December 29, 2018 are summarized below:

	Total Fair Value	Cash and Cash Equivalents	Short-Term Marketable Securities
		(In millions)	
September 28, 2019			
Cash	$ 1,155	$ 1,155	$ —
Level 1[(1)]			
Government money market funds	$ 1	$ 1	$ —
Total level 1	$ 1	$ 1	$ —
Level 2[(2)]			
Commercial paper	$ 53	$ —	$ 53
Total level 2	$ 53	$ —	$ 53
Total	$ 1,209	$ 1,156	$ 53

	Total Fair Value	Cash and Cash Equivalents	Short-Term Marketable Securities
		(In millions)	
December 29, 2018			
Cash	$ 315	$ 315	$ —
Level 1[(1)]			
Government money market funds	$ 275	$ 275	$ —
Total level 1	$ 275	$ 275	$ —
Level 2[(2)]			
Commercial paper	$ 566	$ 488	$ 78
Total level 2	$ 566	$ 488	$ 78
Total	$ 1,156	$ 1,078	$ 78

(1) The Company's Level 1 assets are valued using quoted prices for identical instruments in active markets.

(2) The Company's Level 2 assets are valued using broker reports that utilize quoted prices for identical instruments in markets that are not active or comparable instruments in active markets. Brokers gather observable inputs for all of the Company's fixed income securities from a variety of industry data providers and other third-party sources.

In addition to the amounts presented above, as of both September 28, 2019 and December 29, 2018, the Company had $5 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 September 28, 2019 and December 29, 2018, the Company also had $28 million and $21 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 financial instruments not recorded at fair value are as follows:

	September 28, 2019		December 29, 2018	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
		(In millions)		
Short-term debt, net	$ —	$ —	$ 136	$ 136
Long-term debt, net[(1)]	$ 872	$ 2,977	$ 1,114	$ 2,428

(1) Carrying amounts of long-term debt are net of unamortized debt issuance costs of $11 million as of September 28, 2019 and $16 million as of December 29, 2018, and net of unamortized debt discount associated with the 2.125% Notes of $205 million as of September 28, 2019 and $262 million as of December 29, 2018.

The Company's long-term debt is classified within Level 2. The fair value of the debt was estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities. The Company's 2.125% Notes, included in Long-term debt, net above, were convertible at the option of the holder as of September 28, 2019. The estimated fair value of the 2.125% Notes take into account the value between the Company's stock price as of the end of the quarter 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 and Foreign Currency Forward Contracts not Designated as Accounting Hedges

The following table shows the impact of losses resulting from cash flow hedges and foreign currency forward contracts not designated as accounting hedges on the respective condensed consolidated statement of operations line items:

	Three Months Ended					
	September 28, 2019			September 29, 2018		
	Research and development	Marketing, general and administrative	Other income (expense), net	Research and development	Marketing, general and administrative	Other income (expense), net
	(In millions)					
Amounts presented in the condensed consolidated statements of operations in which the effects of cash flow hedges were recorded	$ 406	$ 185	$ (36)	$ 363	$ 148	$ (6)
Foreign Currency Forward Contracts - losses						
Contracts designated as cash flow hedging instruments						
Losses reclassified from OCI into income	(1)	(1)	—	(4)	(1)	—
Contracts not designated as hedging instruments						
Losses recognized in income	—	—	(1)	—	—	—
Total losses	$ (1)	$ (1)	$ (1)	$ (4)	$ (1)	$ —

	Nine Months Ended					
	September 28, 2019			September 29, 2018		
	Research and development	Marketing, general and administrative	Other income (expense), net	Research and development	Marketing, general and administrative	Other income (expense), net
	(In millions)					
Amounts presented in the condensed consolidated statements of operations in which the effects of cash flow hedges were recorded	$ 1,152	$ 544	$ (40)	$ 1,063	$ 424	$ (4)
Foreign Currency Forward Contracts - losses						
Contracts designated as cash flow hedging instruments						
Losses reclassified from OCI into income	(5)	(1)	—	—	—	—
Contracts not designated as hedging instruments						
Losses recognized in income	—	—	(2)	—	—	(2)
Total losses	$ (5)	$ (1)	$ (2)	$ —	$ —	$ (2)

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

The Company's foreign currency derivative contracts are classified within Level 2 because the valuation inputs are based on quoted prices and market observable data of similar instruments in active markets, such as currency spot and forward rates.

The following table shows the fair value amounts of the Company's foreign currency derivative contracts depending on whether the foreign currency forward contracts are in a gain or loss position. These amounts were recorded in the Company's condensed consolidated balance sheets in either Other current assets or Other current liabilities.

	September 28, 2019	December 29, 2018
	(In millions)	
Foreign Currency Forward Contracts - gains (losses)		
Contracts designated as cash flow hedging instruments - gains	$ 1	$ 1
Contracts designated as cash flow hedging instruments - losses	$ (7)	$ (8)

As of September 28, 2019 and December 29, 2018, the notional values of the Company's outstanding foreign currency forward contracts were $573 million and $396 million, respectively. All the contracts mature within 12 months, and, upon maturity, the amounts recorded in Accumulated other comprehensive income (loss) are expected to be reclassified into earnings. The Company hedges its exposure to the variability in future cash flows for forecasted transactions over a maximum of 12 months.

NOTE 7. Accumulated Other Comprehensive Income (Loss)

The tables below summarize the changes in accumulated other comprehensive income (loss) by component:

	Three Months Ended		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
	(In millions)			
Beginning balance	$ —	$ (10)	(8)	6
Unrealized losses on cash flow hedges	(9)	(5)	(5)	(16)
Losses reclassified into income	2	5	6	—
Total other comprehensive income (loss)	(7)	—	1	(16)
Ending balance	$ (7)	$ (10)	(7)	(10)

NOTE 8. 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 (RSUs), the assumed issuance of common shares under the stock purchase plan, and the assumed exercise of the warrant under the Warrant Agreement with WCH prior to the exercise of the warrant on February 13, 2019. 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		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
	(In millions, except per share amounts)			
Numerator				
Net income	$ 120	$ 102	$ 171	$ 299
Denominator				
Basic weighted-average shares	1,097	987	1,075	976
Effect of potentially dilutive shares:				
Employee equity incentive plans and warrants	20	89	32	82
Diluted weighted-average shares	1,117	1,076	1,107	1,058
Earnings per share:				
Basic	$ 0.11	$ 0.10	$ 0.16	$ 0.31
Diluted	$ 0.11	$ 0.09	$ 0.15	$ 0.28

Potential shares from employee equity incentive plans and the conversion of the 2.125% Notes totaling 101 million for the three months ended September 28, 2019 were not included in the earnings per share calculation because their inclusion would have been anti-dilutive. Potential shares from employee equity incentive plans and the conversion of the 2.125% Notes totaling 103 million for the three months ended September 29, 2018 were not included in the earnings per share calculation because their inclusion would have been anti-dilutive.

Potential shares from employee equity incentive plans and the conversion of the 2.125% Notes totaling 102 million for the nine months ended September 28, 2019 were not included in the earnings per share calculation because their inclusion would have been anti-dilutive. Potential shares from employee equity incentive plans and the conversion of the 2.125% Notes totaling 104 million for the nine months ended September 29, 2018 were not included in the earnings per share calculation because their inclusion would have been anti-dilutive.

NOTE 9. Stock-Based Incentive Compensation Plans

Stock Options

During the three and nine months ended September 28, 2019, the Company granted 0.6 million and 0.7 million shares of employee stock options, respectively, with weighted average grant date fair values per share of $13.74 and $13.31, respectively.

During the three and nine months ended September 29, 2018, the Company granted 1.0 million and 1.1 million shares of employee stock options, respectively, with weighted average grant date fair values per share of $8.08 and $7.62, respectively.

Restricted Stock Units (RSUs)

During the three and nine months ended September 28, 2019, the Company granted 5.8 million and 7.2 million shares of RSUs, respectively, with weighted average grant date fair values per share of $34.02 and $32.34, respectively.

During the three and nine months ended September 29, 2018, the Company granted 8.0 million and 11.0 million shares of RSUs, respectively, with weighted average grant date fair values per share of $19.39 and $17.47, respectively.

Performance-based Restricted Stock Units with Market Conditions

From time to time, the Company grants performance-based RSUs to its senior executives. The number of shares earned are dependent upon achievement of either market conditions, or performance and market conditions and are subject to requisite service conditions.

During the three and nine months ended September 28, 2019, the Company granted 1.5 million and 1.6 million shares of market-based RSUs, respectively, with weighted average grant date fair values per share of $50.83 and $50.00, respectively.

During the three and nine months ended September 29, 2018, the Company granted 0.8 million and 1.0 million shares of market-based RSUs, respectively, with weighted average grant date fair values per share of $23.97 and $21.67, respectively.

Employee Stock Purchase Plan (ESPP)

During the nine months ended September 28, 2019 and September 29, 2018, 1.8 million and 2.2 million shares of common stock were purchased under the ESPP at a purchase price of $16.18 and $9.57, respectively, resulting in cash proceeds of $29 million and $21 million, respectively. The fair values of stock purchase rights granted under the ESPP during the nine months ended September 28, 2019 and September 29, 2018 were $9.52 and $3.42 per share, respectively.

For the three and nine months ended September 28, 2019, the Company recorded stock-based compensation expense under employee equity incentive plans of $54 million and $140 million, respectively. For the three and nine months ended September 29, 2018, the Company recorded stock-based compensation expense under employee equity incentive plans of $36 million and $101 million, respectively.

NOTE 10. Income Taxes

For the three months ended September 28, 2019, the Company recorded an income tax provision of $7 million, consisting primarily of $4 million of withholding taxes and $3 million of foreign income taxes in profitable locations. For the three months ended September 29, 2018, the Company recorded an income tax provision of $12 million, consisting of $7 million for withholding taxes and $5 million for U.S. income taxes.

For the nine months ended September 28, 2019, the Company recorded an income tax benefit of $4 million, consisting primarily of a $13 million tax benefit as a result of the completion of an internal tax structuring, partially offset by $5 million of withholding taxes and $4 million of foreign income taxes in profitable locations. For the nine months ended September 29, 2018, the Company recorded an income tax provision of $26 million, consisting of $15 million for U.S. taxes, $7 million for withholding taxes and $4 million of foreign income taxes in profitable locations.

As of September 28, 2019, substantially all of the Company's U.S. and Canadian deferred tax assets, net of deferred tax liabilities, continue to be subject to a valuation allowance. The realization of these assets is dependent on substantial future taxable income which, as of September 28, 2019, in management's estimate, is not more likely than not to be achieved.

NOTE 11. 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 before interest, other income (expense), net and income taxes. These performance measures include the allocation of expenses to the operating segments based on management's judgment. The Company 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), datacenter 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 also includes employee stock-based compensation expense.

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

	Three Months Ended		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
	(In millions)			
Net revenue:				
Computing and Graphics	$ 1,276	$ 938	$ 3,047	$ 3,139
Enterprise, Embedded and Semi-Custom	525	715	1,557	1,917
Total net revenue	$ 1,801	$ 1,653	$ 4,604	$ 5,056
Operating income (loss):				
Computing and Graphics	$ 179	$ 100	$ 217	$ 355
Enterprise, Embedded and Semi-Custom	61	86	218	169
All Other [1]	(54)	(36)	(152)	(101)
Total operating income	$ 186	$ 150	$ 283	$ 423

[1] For all periods presented, All Other operating loss was related to stock-based compensation expense except for All Other operating loss of $152 million for the nine months ended September 28, 2019, which consisted of $140 million stock-based compensation expense and $12 million contingent loss accrual on a legal matter.

NOTE 12. Leases

The Company has entered into operating and finance leases for its corporate offices, datacenters, research and development facilities and certain equipment. The leases expire at various dates through 2028, some of which include options to extend the lease for up to 5 years.

For the three and nine months ended September 28, 2019, the Company recorded $13 million and $39 million of operating lease expense, respectively. For the three and nine months ended September 28, 2019, the Company recorded $6 million and $19 million of variable lease expense, respectively. For the three and nine months ended September 28, 2019, cash paid for operating leases included in operating cash flows was $14 million and $36 million, respectively. The Company's finance leases and short-term leases are immaterial.

	September 28, 2019
Weighted-average remaining lease term – operating leases	6 years
Weighted-average discount rate – operating leases	6.11%

Future minimum lease payments under non-cancellable operating lease liabilities are as follows:

	September 28, 2019 (In millions)	
2019 (3 months remaining)	$	13
2020		51
2021		46
2022		42
2023		37
Thereafter		103
Total minimum lease payments	$	292
Less: interest		(53)
Present value of net minimum lease payments		239
Less: current portion		(38)
Total	$	201

NOTE 13. Contingencies

Zeng Shareholder Derivative Lawsuit

On March 8, 2018, a purported shareholder derivative lawsuit captioned Zeng v. Su, et al., Case No. 18CIV01192 was filed against the Company (as a nominal defendant only) and certain of its directors and officers in the San Mateo 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, unjust enrichment, abuse of control, gross mismanagement and waste of corporate assets. 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 Spectre, which statements and omissions, the plaintiffs claim, allegedly operated to artificially inflate the price paid for AMD's common stock during the period. On April 26, 2018, the lawsuit was transferred to Santa Clara County and assigned a new case number, 18CV327692. On August 14, 2018, the Court stayed this lawsuit pending a decision on the motion to dismiss in Kim et al. v. AMD, et al., Case No. 3:18-cv-00321 filed against the Company in the United States District Court for the Northern District of California ("Securities Class Action"). As discussed above, on May 23, 2019, the court in the Securities Class Action granted a motion to dismiss filed by the Company and certain individual officers and thereafter entered final judgment dismissing the Securities Class Action with prejudice. On June 17, 2019, the court in this case entered a joint stipulation to extend the stay until October 7, 2019. On September 5, 2019, the court granted the parties' joint stipulation of dismissal.

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

In re Advanced Micro Devices, Inc. Shareholder Derivative Litigation

Two purported shareholder derivative lawsuits were filed against the Company (as a nominal defendant only) and certain of its directors and officers in the United States District Court, Northern District of California: (1) Jacqueline Dolby, derivatively on behalf of AMD, Inc. v. Su et al., Case No. 5:18-cv-03575, filed on June 14, 2018; and (2) Gusinsky Trust, derivatively on behalf of AMD, Inc. v. Su et al., Case No. 5:18-cv-03811, filed on June 26, 2018. The complaints purport to assert claims against the Company and certain individual directors and officers for violation of Section 14(a) of the Exchange Act and SEC Rule 14a-9, breach of fiduciary duty, waste of corporate assets, and unjust enrichment. The complaints seek damages purportedly caused by alleged materially misleading statements and/or material omissions by the Company and the individual directors and officers regarding Spectre. The plaintiffs allege that these statements and omissions operated to artificially inflate the price paid for AMD's common stock during the period. On July 12, 2018, the court consolidated the Dolby and Gusinsky Trust shareholder derivative lawsuits under the caption In re Advanced Micro Devices, Inc. Shareholder Derivative Litigation. On August 10, 2018, the Court stayed this lawsuit pending a decision on the motion to dismiss in Kim et al. v. AMD, et al., Case No. 3:18-cv-00321 filed against the Company in the United States District Court for the Northern District of California (Class Action). As discussed above, on May 23, 2019, the court in the Class Action granted a motion to dismiss filed by the Company and certain individual officers and thereafter entered final judgment dismissing the Class Action with prejudice. On June 12, 2019, the court in this case entered a joint stipulation to extend the stay until October 7, 2019. On August 1, 2019, the court granted the parties' voluntary dismissal.

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

MediaTek Litigation

MediaTek, Inc. v. Advanced Micro Devices, Inc., No. 19-cv-368 in the United States District Court for the District of Delaware. On February 21, 2019, MediaTek, Inc. filed suit against the Company, alleging infringement of six patents related to memory controllers and integrated circuit structures. On April 15, 2019, the Company filed a motion to dismiss portions of MediaTek's complaint. On April 29, 2019, MediaTek filed an amended complaint. On May 13, 2019, AMD filed a motion to dismiss part of MediaTek's amended complaint. Subsequently, the parties agreed to dismiss the lawsuit and the Court granted the parties' request on September 24, 2019.

On March 18, 2019, AMD Products (China) Co., Ltd. was provided with four complaints filed by MediaTek in the Intermediate People's Court of Shenzhen, China. Each complaint alleges infringement of one patent by certain AMD entities, identifies an exemplary product, and seeks injunctive and monetary relief. AMD subsequently initiated invalidity proceedings regarding each of the patents-in-suit. The parties are now in the process of mutually dismissing each of the infringement and invalidity proceedings as well.

Based upon information presently known to management, the Company believes that the resolution of these 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. The tentative settlement is subject to a final executed agreement and court approval. 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 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.

Based upon information presently known to management, the Company believes that the settlement will not have a material adverse effect on its financial condition, cash flows or results of operations.

Quarterhill Inc. Litigation

On July 2, 2018, three entities named Aquila Innovations, Inc. (Aquila), Collabo Innovations, Inc. (Collabo), and Polaris Innovations, Ltd. (Polaris), filed separate patent infringement complaints against the Company in the United States District Court for the Western District of Texas. Aquila alleges that the Company infringes two patents (6,239,614 and 6,895,519) relating to power management; Collabo alleges that the Company infringes one patent (7,930,575) related to power management; and Polaris alleges that the Company infringes two patents (6,728,144 and 8,117,526) relating to control or use of dynamic random-access memory, or DRAM. Each of the three complaints seeks unspecified monetary damages, interest, fees, expenses, and costs against the Company; Aquila and Collabo also seek enhanced damages. Aquila, Collabo, and Polaris each appear to be related to a patent assertion entity named Quarterhill Inc. (formerly WiLAN Inc.). On November 16, 2018, AMD filed answers in the Collabo and Aquila cases and filed a motion to dismiss in the Polaris case. On January 25, 2019, the Company filed amended answers and counterclaims in the Collabo and Aquila cases. On July 22, 2019, the Company's motion to dismiss in the Polaris case was denied. On August 23, 2019, the Court held a claim construction hearing in each case.

Based upon information presently known to management, the Company believes that the potential liability, if any, 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, the Company believes that the amount or range of reasonably possible loss, if any, will not, either individually or in the aggregate, have a material adverse effect on the Company's business, financial condition, cash flows or results of operations.

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; sales patterns of AMD's PC products and semi-custom System-on-Chip (SoC) products for game consoles; 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; 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. 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 29, 2018 and December 30, 2017, and for each of the three years for the period ended December 29, 2018 as filed in our Annual Report on Form 10-K for the fiscal year ended December 29, 2018.

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), datacenter 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 and nine months ended September 28, 2019 compared to the prior year periods, an analysis of changes in our financial condition and a discussion of our contractual obligations.

Net revenue for the three months ended September 28, 2019 was $1.8 billion, a 9% increase compared to the prior year period. The increase was primarily due to a 36% increase in Computing and Graphics net revenue, partially offset by a 27% 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. 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 September 28, 2019 was $186 million compared to operating income of $150 million for the prior year period. Our net income for the three months ended September 28, 2019 was $120 million compared to net income of $102 million for the prior year period.

During the third quarter of 2019, we continued to achieve our product milestones. In August, we launched our 2nd Gen EPYC™ processors based on our "Zen 2" core architecture. In September, we introduced AMD Ryzen™ Pro 3000 and AMD Athlon™ Pro desktop processors for commercial and small business consumers.

Cash, cash equivalents and marketable securities as of September 28, 2019 were $1.21 billion, compared to $1.16 billion as of December 29, 2018.

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 11: 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, first quarter PC product sales have been generally lower than fourth quarter sales, and our semi-custom SoC products for game console sales pattern has reflected higher sales in the second and third quarters compared to the first and fourth quarters, although product transitions could impact these trends.

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

	Three Months Ended		Nine Months Ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
	(In millions)			
Net revenue:				
Computing and Graphics	$ 1,276	$ 938	$ 3,047	$ 3,139
Enterprise, Embedded and Semi-Custom	525	715	1,557	1,917
Total net revenue	$ 1,801	$ 1,653	$ 4,604	$ 5,056
Operating income (loss):				
Computing and Graphics	$ 179	$ 100	$ 217	$ 355
Enterprise, Embedded and Semi-Custom	61	86	218	169
All Other	(54)	(36)	(152)	(101)
Total operating income	$ 186	$ 150	$ 283	$ 423

Computing and Graphics

Computing and Graphics net revenue of $1.3 billion for the three months ended September 28, 2019 increased by 36%, compared to net revenue of $938 million for the prior year period, primarily as a result of a 10% increase in unit shipments and a 40% increase in average selling price. The increase in unit shipments was primarily due to higher demand for our Ryzen processors, partially offset by a decrease in demand for our Radeon mobile products. The increase in average selling price was driven by higher demand for our Ryzen processors.

Computing and Graphics net revenue of $3.0 billion for the nine months ended September 28, 2019 decreased by 3%, compared to net revenue of $3.1 billion for the prior year period, primarily as a result of lower graphics channel memory sales due to the decline in blockchain-related demand, partially offset by a 16% increase in average selling price. Unit shipments were flat due to higher demand for our Ryzen processors, offset by lower demand for our Radeon channel products caused primarily by the decline in blockchain-related demand and lower sales of our Radeon mobile products. The increase in average selling price was driven by higher demand for our Ryzen processors and datacenter GPUs, partially offset by lower demand for our Radeon channel products.

Computing and Graphics operating income was $179 million for the three months ended September 28, 2019, compared to operating income of $100 million for the prior year period. The improvement 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.

Computing and Graphics operating income was $217 million for the nine months ended September 28, 2019, compared to operating income of $355 million for the prior year period. The decline in operating income was primarily driven by lower sales and 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 $525 million for the three months ended September 28, 2019 decreased by 27%, compared to net revenue of $715 million for the prior year period, primarily as a result of lower semi-custom product revenue, partially offset by higher sales of our EPYC server processors.

Enterprise, Embedded and Semi-Custom net revenue of $1.6 billion for the nine months ended September 28, 2019 decreased by 19%, compared to net revenue of $1.9 billion for the prior year period, primarily as a result of lower semi-custom product revenue, partially offset by higher sales of our EPYC server processors.

Enterprise, Embedded and Semi-Custom operating income was $61 million for the three months ended September 28, 2019 compared to operating income of $86 million for the prior year period. The decline in operating income was primarily due to lower semi-custom product sales and higher operating expenses, partially offset by higher sales of our EPYC server processors. Operating expenses increased for the reasons outlined under "Expenses" below.

Enterprise, Embedded and Semi-Custom operating income was $218 million for the nine months ended September 28, 2019 compared to operating income of $169 million for the prior year period. The improvement in operating income was primarily due to higher EPYC server processor sales and a licensing gain of $60 million recognized in the first quarter of 2019, partially offset by lower semi-custom product sales and higher operating expenses. Operating expenses increased for the reasons outlined under "Expenses" below.

All Other

All Other operating loss of $54 million and $36 million for the three months ended September 28, 2019 and prior year period, respectively, were related to stock-based compensation expense.

All Other operating loss of $152 million for the nine months ended September 28, 2019 consisted of $140 million of stock-based compensation expense and a $12 million contingent loss accrual on a legal matter. All Other operating loss of $101 million for the prior year period was related to stock-based compensation expense.

International Sales

International sales as a percentage of net revenue were 72% for the three months ended September 28, 2019 and 74% for the prior year period. The decrease in international sales as a percentage of net revenue for the three months ended September 28, 2019 compared to the prior year period was primarily driven by a higher proportion of revenue from domestic sales of our products within the Enterprise, Embedded and Semi-Custom segment.

International sales as a percentage of net revenue were 73% for the nine months ended September 28, 2019 and 79% for the prior year period. The decrease in international sales as a percentage of net revenue for the nine months ended September 28, 2019 compared to the prior year period was primarily driven by lower revenue from Taiwan-related sales of our products within the Computing and Graphics segment.

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, Net, Income Taxes and Equity Income (Loss) in investee

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

	Three Months Ended		Nine Months Ended	
	September 28, 2019	**September 29, 2018**	**September 28, 2019**	**September 29, 2018**
	(In millions except for percentages)			
Cost of sales	$ 1,024	$ 992	$ 2,685	$ 3,146
Gross profit	777	661	1,919	1,910
Gross margin percentage	43%	40%	42%	38%
Research and development	406	363	1,152	1,063
Marketing, general and administrative	185	148	544	424
Licensing gain	—	—	(60)	—
Interest expense	(24)	(30)	(76)	(92)
Other expense, net	(36)	(6)	(40)	(4)
Provision (benefit) for income taxes	7	12	(4)	26
Equity income (loss) in investee	1	—	—	(2)

Gross Margin

Gross margin as a percentage of net revenue was 43% for the three months ended September 28, 2019, compared to 40% for the prior year period. The improvement in gross margin was primarily driven by higher sales of Ryzen and EPYC processors with higher gross margin than the corporate average.

Gross margin as a percentage of net revenue was 42% for the nine months ended September 28, 2019, compared to 38% for the prior year period. The improvement in gross margin was primarily driven by higher sales of Ryzen and EPYC processors with higher gross margin than the corporate average.

Expenses

Research and Development Expenses

Research and development expenses of $406 million for the three months ended September 28, 2019 increased by $43 million, or 12%, compared to $363 million for the prior year period, primarily due to an increase in product development costs in the Computing and Graphics segment as well as stock-based compensation expense.

Research and development expenses of $1.2 billion for the nine months ended September 28, 2019 increased by $89 million, or 8%, compared to $1.1 billion for the prior year period, primarily due to an increase in product development costs in both the Computing and Graphics and Enterprise, 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 $185 million for the three months ended September 28, 2019 increased by $37 million, or 25%, compared to $148 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.

Marketing, general and administrative expenses of $544 million for the nine months ended September 28, 2019 increased by $120 million, or 28%, compared to $424 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.

Interest Expense

Interest expense for the three months ended September 28, 2019 was $24 million, compared to $30 million for the prior year period. The decrease was primarily due to lower debt balances.

Interest expense for the nine months ended September 28, 2019 was $76 million, compared to $92 million for the prior year period. The decrease was primarily due to lower debt balances.

Other Income (Expense), Net

Other expense, net of $36 million for the three months ended September 28, 2019 increased by $30 million, compared to $6 million of Other expense, net for the prior year period. The increase in expense was primarily due to $40 million of loss on extinguishment of debt in the current period compared to $6 million of loss on extinguishment of debt in the prior year period.

Other expense, net of $40 million for the nine months ended September 28, 2019 increased by $36 million, compared to $4 million of Other expense, net for the prior year period. The increase in expense was primarily due to $48 million of loss on extinguishment of debt in the current period compared to $7 million of loss on extinguishment of debt in the prior year period.

Provision (Benefit) For Income Taxes

For the three months ended September 28, 2019, we recorded an income tax provision of $7 million, consisting primarily of $4 million of withholding taxes and $3 million of foreign income taxes in profitable locations. For the three months ended September 29, 2018, we recorded an income tax provision of $12 million, consisting of $7 million for withholding taxes and $5 million for U.S. income taxes.

For the nine months ended September 28, 2019, we recorded an income tax benefit of $4 million, consisting primarily of a $13 million tax benefit as a result of the completion of an internal tax structuring, partially offset by $5 million of withholding taxes and $4 million of foreign income taxes in profitable locations. For the nine months ended September 29, 2018, we recorded an income tax provision of $26 million, consisting of $15 million for U.S. income taxes, $7 million for withholding taxes and $4 million of foreign income taxes in profitable locations.

FINANCIAL CONDITION

Liquidity and Capital Resources

As of September 28, 2019, our cash, cash equivalents and marketable securities were $1.21 billion, compared to $1.16 billion as of December 29, 2018. The percentage of cash and cash equivalents held domestically was 95% as of September 28, 2019, compared to 88% as of December 29, 2018. Our operating, investing and financing activities for the nine months ended September 28, 2019 compared to the prior year period are as described below:

	Nine Months Ended	
	September 28, 2019	September 29, 2018
	(In millions)	
Net cash provided by (used in):		
Operating activities	$ 51	$ (86)
Investing activities	$ (123)	$ (82)
Financing activities	$ 150	$ 28

The aggregate principal amount of our outstanding debt obligations was $1.1 billion and $1.5 billion as of September 28, 2019 and December 29, 2018, respectively.

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 provided by operating activities was $51 million for the nine months ended September 28, 2019 compared to net cash used in operating activities of $86 million for the prior year period. This change was primarily due to changes in working capital, largely driven by higher cash collections, partially offset by accounts payable, payroll and wafer purchases.

Investing Activities

Net cash used in investing activities was $123 million for the nine months ended September 28, 2019, which primarily consisted of $284 million for purchases of available-for-sale debt securities and $175 million for purchases of property and equipment, partially offset by $309 million for maturities of available-for-sale debt securities.

Net cash used in investing activities was $82 million for the nine months ended September 29, 2018, which primarily consisted of $122 million for purchases of property and equipment.

Financing Activities

Net cash provided by financing activities was $150 million for the nine months ended September 28, 2019, which primarily consisted of a cash inflow of $449 million from the warrant exercised by West Coast Hitech L.P. (WCH) and $38 million from the issuance of common stock under our stock-based compensation equity plans, partially offset by $331 million used for the redemption of our 6.75% Senior Notes due 2019 (6.75% Notes), the conversion of some of our 2.125% Convertible Senior Notes due 2026 (2.125% Notes), the repurchase of some of our 7.50% Senior Notes due 2022 (7.50% Notes) and 7.00% Senior Notes due 2024 (7.00% Notes), and the repayment of our outstanding loan balance of $70 million when we terminated our secured revolving line of credit under the Amended and Restated Loan and Security Agreement dated as of April 14, 2015.

Net cash provided by financing activities was $28 million for the nine months ended September 29, 2018, which primarily consisted of a cash inflow of $44 million from the issuance of common stock under our stock-based compensation equity plans, partially offset by a cash outflow of $15 million for the repurchase of our 6.75% Notes and 7.00% Notes.

Contractual Obligations

The following table summarizes our consolidated principal contractual obligations as of September 28, 2019, and is supplemented by the discussion following the table:

	Payments due by period as of September 28, 2019						
(In millions)	**Total**	**2019 (3 months remaining)**	**2020**	**2021**	**2022**	**2023**	**2024 and thereafter**
Term Debt	$ 1,087	$ —	$ —	$ —	$ 312	$ —	$ 775
Other long-term liabilities (1)	150	7	52	49	39	1	2
Aggregate interest obligation (2)	204	11	46	46	37	22	42
Operating leases	292	13	51	46	42	37	103
Purchase obligations (3)	2,589	1,036	956	588	7	2	—
Total contractual obligations (4)	$ 4,322	$ 1,067	$ 1,105	$ 729	$ 437	$ 62	$ 922

(1) Amounts primarily represent future fixed and non-cancellable cash payments associated with software technology and licenses and IP licenses, including payments due within the next 12 months.
(2) Represents interest obligations, payable in cash, for our outstanding debt.
(3) Represents purchase obligations for goods and services where payments are based, in part, on the volume or type of services we acquire. In those cases, we only include the minimum volume of purchase obligations in the table above. Purchase orders for goods and services that are cancellable upon notice and without significant penalties are not included in the amounts above.
(4) Total amount excludes contractual obligations already recorded on our condensed consolidated balance sheets except for debt obligations, leases, and other liabilities related to software and technology licenses and IP licenses.

The expected timing of payments of the obligations in the preceding table is estimated based on current information. Timing of payments and actual amounts paid may be different, depending on the time of receipt of goods or services, or changes to agreed-upon amounts for some obligations.

Off-Balance Sheet Arrangements

As of September 28, 2019, 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 and nine months ended September 28, 2019 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 29, 2018.

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 29, 2018.

There have not been any material changes in market risk since December 29, 2018.

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 September 28, 2019, 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 September 28, 2019 that materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Zeng Shareholder Derivative Lawsuit

On March 8, 2018, a purported shareholder derivative lawsuit captioned *Zeng v. Su, et al.*, Case No. 18CIV01192 was filed against us (as a nominal defendant only) and certain of our directors and officers in the San Mateo County Superior Court of the State of California. The complaint purports to assert claims against us and certain individual directors and officers for breach of fiduciary duty, unjust enrichment, abuse of control, gross mismanagement and waste of corporate assets. The complaint seeks damages allegedly caused by alleged materially misleading statements and/or material omissions by us and the individual directors and officers regarding Spectre, which statements and omissions, the plaintiffs claim, allegedly operated to artificially inflate the price paid for our common stock during the period. On April 26, 2018, the lawsuit was transferred to Santa Clara County and assigned a new case number, 18CV327692. On August 14, 2018, the Court stayed this lawsuit pending a decision on the motion to dismiss in *Kim et al. v. AMD, et al.*, Case No. 3:18-cv-00321 filed against us in the United States District Court for the Northern District of California ("Securities Class Action"). As discussed above, on May 23, 2019, the court in the Securities Class Action granted a motion to dismiss filed by us and certain individual officers and thereafter entered final judgment dismissing the Securities Class Action with prejudice. On June 17, 2019, the court in this case entered a joint stipulation to extend the stay until October 7, 2019. On September 5, 2019, the court granted the parties' joint stipulation of dismissal.

In re Advanced Micro Devices, Inc. Shareholder Derivative Litigation

Two purported shareholder derivative lawsuits were filed against us (as a nominal defendant only) and certain of our directors and officers in the United States District Court, Northern District of California: (1) *Jacqueline Dolby, derivatively on behalf of AMD, Inc. v. Su et al*., Case No. 5:18-cv-03575, filed on June 14, 2018; and (2) *Gusinsky Trust, derivatively on behalf of AMD, Inc. v. Su et al.*, Case No. 5:18-cv-03811, filed on June 26, 2018. The complaints purport to assert claims against us and certain individual directors and officers for violation of Section 14(a) of the Exchange Act and SEC Rule 14a-9, breach of fiduciary duty, waste of corporate assets, and unjust enrichment. The complaints seek damages purportedly caused by alleged materially misleading statements and/or material omissions by us and the individual directors and officers regarding Spectre. The plaintiffs allege that these statements and omissions operated to artificially inflate the price paid for our common stock during the period. On July 12, 2018, the court consolidated the Dolby and Gusinsky Trust shareholder derivative lawsuits under the caption In re Advanced Micro Devices, Inc. Shareholder Derivative Litigation. On August 10, 2018, the Court stayed this lawsuit pending a decision on the motion to dismiss in *Kim et al. v. AMD, et al*., Case No. 3:18-cv-00321 filed against us in the United States District Court for the Northern District of California (Class Action). As discussed above, on May 23, 2019, the court in the Class Action granted a motion to dismiss filed by us and certain individual officers and thereafter entered final judgment dismissing the Class Action with prejudice. On June 12, 2019, the court in this case entered a joint stipulation to extend the stay until October 7, 2019. On August 1, 2019, the court granted the parties' voluntary dismissal.

Quarterhill Inc. Litigation

On July 2, 2018, three entities named Aquila Innovations, Inc. (Aquila), Collabo Innovations, Inc. (Collabo), and Polaris Innovations, Ltd. (Polaris), filed separate patent infringement complaints against us in the United States District Court for the Western District of Texas. Aquila alleges that we infringe two patents (6,239,614 and 6,895,519) relating to power management; Collabo alleges that we infringe one patent (7,930,575) related to power management; and Polaris alleges that we infringe two patents (6,728,144 and 8,117,526) relating to control or use of dynamic random-access memory, or DRAM. Each of the three complaints seeks unspecified monetary damages, interest, fees, expenses, and costs against us; Aquila and Collabo also seek enhanced damages. Aquila, Collabo, and Polaris each appear to be related to a patent assertion entity named Quarterhill Inc. (formerly WiLAN Inc.). On November 16, 2018, we filed answers in the Collabo and Aquila cases and filed a motion to dismiss in the Polaris case. On January 25, 2019, we filed amended answers and counterclaims in the Collabo and Aquila cases. On July 22, 2019, our motion to dismiss in the Polaris case was denied. On August 23, 2019, the Court held a claim construction hearing in each case.

Based upon information presently known to management regarding the Zeng shareholder derivative lawsuit, In re Advanced Micro Devices, Inc. shareholder derivative litigation and Quarterhill Inc. litigation, we believe that the potential liability, if any, will not have a material adverse effect on our financial condition, cash flows or results of operations.

MediaTek Litigation

MediaTek, Inc. v. Advanced Micro Devices, Inc., No. 19-cv-368 in the United States District Court for the District of Delaware. On February 21, 2019, MediaTek, Inc. filed suit against us, alleging infringement of six patents related to memory controllers and integrated circuit structures. On April 15, 2019, we filed a motion to dismiss portions of MediaTek's complaint. On April 29, 2019, MediaTek filed an amended complaint. On May 13, 2019, we filed a motion to dismiss part of MediaTek's amended complaint. Subsequently, the parties agreed to dismiss the lawsuit and the Court granted the parties' request on September 24, 2019.

On March 18, 2019, AMD Products (China) Co., Ltd. was provided with four complaints filed by MediaTek in the Intermediate People's Court of Shenzhen, China. Each complaint alleges infringement of one patent by certain AMD entities, identifies an exemplary product, and seeks injunctive and monetary relief. We subsequently initiated invalidity proceedings regarding each of the patents-in-suit. The parties are now in the process of mutually dismissing each of the infringement and invalidity proceedings as well.

Based upon information presently known to management, we believe that the resolution of these matters will not have a material adverse effect on our 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 us in the United States District Court for the Northern District of California. Plaintiffs allege that we misled consumers by using the term "eight cores" in connection with the marketing of certain AMD FX CPUs that are based on our "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, we 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 our motion on October 31, 2016. The plaintiffs subsequently filed a second amended complaint, and we 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 our 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 our Ryzen™ or EPYC™ processors. On January 31, 2019, we 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. The tentative settlement is subject to a final executed agreement and court approval. On June 3, 2019, the Ninth Circuit Court of Appeals denied our petition seeking appellate review of the January 17, 2019 class certification order. On August 9, 2019, the parties executed a 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. Based upon information presently known to management, we believe that the settlement will not have a material adverse effect on our financial condition, cash flows or results of operations.

ITEM 1A. RISK FACTORS

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

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

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

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.

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

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 could also take actions that place our discrete GPUs at a competitive disadvantage, including giving one or more of our competitors in the graphics market, such as Nvidia Corporation, preferential access to its proprietary graphics interface or other useful information. Also, Intel recently 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 a lower average selling price 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 party to two ATMP joint ventures (collectively, the JVs) with Tongfu Fujitsu 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 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 7nm 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.

We have a wafer supply agreement with GF with obligations to purchase all of our microprocessor and APU product requirements, and a certain portion of our GPU product requirements manufactured at process nodes larger than 7 nanometer from GF, with limited exceptions. If GF is not able to satisfy our manufacturing requirements, our business could be adversely impacted.

The wafer supply agreement (WSA) 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. If GF is unable to achieve anticipated manufacturing yields, manufacture our products on a timely basis at competitive prices or meet our capacity requirements, then we may experience supply shortages for certain products or increased costs and our business could be materially adversely affected.

Under the terms of the WSA, 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.

In addition, GF has relied on Mubadala Technology Investments LLC (Mubadala Tech) for its funding needs. If Mubadala Tech fails to adequately fund GF on a timely basis, or at all, and if GF is not otherwise able to adequately fund its operations, GF's ability to manufacture products for us could be materially adversely affected.

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 7 nm 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 or reorganizes 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.

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 72% for the three months ended September 28, 2019. We expect that international sales will continue to be a significant portion of total sales in the foreseeable future.

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

- expropriation;
- changes in a specific country's or region's political or economic conditions;
- changes in tax laws, trade protection measures and import or export licensing requirements;
- difficulties in protecting our intellectual property;
- difficulties in managing staffing and exposure to different employment practices and labor laws;
- changes in foreign currency exchange rates;
- restrictions on transfers of funds and other assets of our subsidiaries between jurisdictions;
- changes in freight and interest rates;
- disruption in air transportation between the United States and our overseas facilities;
- loss or modification of exemptions for taxes and tariffs; and
- compliance with U.S. laws and regulations related to international operations, including export control and economic sanctions laws and regulations and the Foreign Corrupt Practices Act.

In addition, our worldwide operations (or those of our business partners) could be subject to natural disasters such as earthquakes, tsunamis, flooding, typhoons and volcanic eruptions that disrupt manufacturing or other operations. For example, our 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 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, the United Kingdom's 2016 referendum, commonly referred to as "Brexit," has created economic and political uncertainty in the European Union. 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.

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 remains 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 have been increasingly subject to a wide variety of security incidents, cyber-attacks, hacking and phishing 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.

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, first quarter PC product sales have been generally lower than fourth quarter sales, and our semi-custom SoC products for game console sales pattern has reflected higher sales in the second and third quarters compared to the first and fourth quarters, although product transitions could impact these trends. Many of the factors that create and affect quarterly and seasonal trends are beyond our control.

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.

We have a large amount of indebtedness which could adversely affect our financial position and prevent us from implementing our strategy or fulfilling our contractual obligations.

Our total debt as of September 28, 2019 was $0.9 billion, net of unamortized debt issuance costs and unamortized debt discount associated with the 2.125% Notes. Our large 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 receivables, 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 receivables 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.

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 indentures governing our 7.50% Senior Notes due 2022 (7.50% Notes) and 7.00% Senior Notes due 2024 (7.00% Notes) contain 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, 7.00% Notes and 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, 7.00% 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 Corporation 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 third quarter of 2019, the sale price for conversion was satisfied as of the end of September 30, 2019 and as a result, the 2.125% Notes are eligible for conversion during the fourth calendar quarter of 2019. 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.

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.

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

Factors that may result in excess or obsolete inventory, which could result in write-downs of the value of our inventory, a reduction in the average selling price 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.

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 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 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) 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 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. For example, during the fourth quarter of 2018, we recorded an impairment charge in Cost of sales of $45 million on technology licenses related to products that were no longer being used.

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

Much of our future success depends upon the continued service of numerous qualified engineering, marketing, sales and executive personnel. Competition for highly skilled employees and executives in the technology industry is intense and our competitors have targeted our employees that have desired skills. If we are not able to continue to attract, train and retain qualified personnel necessary for our business, the progress of our product development programs could be hindered, and we could be materially adversely affected. To help attract, retain and motivate qualified personnel, 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 personnel 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 employees and affect our ability to retain these employees. In addition, any future restructuring plans may adversely impact our ability to attract and retain key employees.

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, 7.00% 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 September 28, 2019, $1.1 billion 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, divestitures, 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 divestitures, 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. 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). We may not realize the expected benefits from this joint venture, including 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, datacenter 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 impact our margins. In addition, our inability to control gray market activities could result in customer satisfaction issues because any time products are purchased outside our authorized distribution channels there is a risk that our customers are buying counterfeit or substandard products, including products that may have been altered, mishandled or damaged, or are used products represented as new.

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

We rely on a combination of protections provided by contracts, including confidentiality and nondisclosure agreements, copyrights, patents, trademarks and common law rights, such as trade secrets, to protect our intellectual property. However, we cannot assure you that we will be able to adequately protect our technology or other intellectual property from third-party infringement or from misappropriation in the United States and abroad. Any patent licensed by us or issued to us could be challenged, invalidated or circumvented or rights granted there under may not provide a competitive advantage to us.

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

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

From time to time, we are a defendant or plaintiff in various legal actions. For example, as described in Note 13 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 13 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 13 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 United States federal government enacted significant tax reform, and certain provisions of the new law may adversely affect us. The Tax Cuts and Jobs Act of 2017 (the Tax Reform Act) has resulted in significant changes to the United States corporate income tax system. These changes include a federal statutory rate reduction from 35% to 21%, the elimination or reduction of certain domestic deductions and credits and limitations on the deductibility of interest expense. The Tax Reform Act also transitions international taxation from a worldwide system to a modified territorial system and includes base erosion prevention measures on non-U.S. earnings, which has the effect of subjecting certain earnings of our foreign subsidiaries to United States taxation. To determine the transition tax, the Tax Act requires complex computations not previously provided in U.S. tax law, including calculating and supporting with primary evidence U.S. tax attributes such as accumulated foreign earnings and profits, foreign taxes paid, and other tax components involved in foreign tax credit calculations since 1986. 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. Additional adjustments may 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. 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 polices and they may choose a competitor's product.

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

During the nine months ended September 28, 2019, we settled $2 million in aggregate principal amount of our 6.75% Notes with 87,364 treasury shares and $5 million in aggregate principal amount of our 7.00% Notes with 234,701 treasury shares.

Please refer to Note 5 of the Notes to Condensed Consolidated Financial Statements for further discussion regarding the 6.75% Notes and 7.00% Notes.

We issued warrants dated September 19, 2019 and September 30, 2019 to purchase 235,163 and 21,750 shares, respectively, 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 September 19, 2022 and September 30, 2022, respectively. The warrants were issued pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended.

ITEM 6. EXHIBITS

*10.1	Offer Letter between Advanced Micro Devices, Inc. and Rick Bergman dated August 1, 2019.
*10.2	Sign-On Bonus Letter between Advanced Micro Devices, Inc. and Rick Bergman dated August 1, 2019.
*10.3	Value Creation Performance-Based Restricted Stock Unit Grant Notice between Advanced Micro Devices, Inc. and Lisa T. Su, dated August 9, 2019.
*10.4	Value Creation Performance-Based Restricted Stock Unit Grant Notice between Advanced Micro Devices, Inc. and Mark Papermaster, dated August 9, 2019.
*10.5	Advanced Micro Devices, Inc. Outside Director Equity Compensation Policy, as amended and restated, dated August 21, 2019.
*10.6	Amendment to Advanced Micro Devices, Inc. Executive Incentive Plan dated as of August 21, 2019.
*10.7	2004 Equity Incentive Plan, as amended and restated, dated August 21, 2019.
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.

October 30, 2019	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