

ADVANCED MICRO DEVICES INC

Form 10-Q

July 31, 2014

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**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 June 28, 2014

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)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

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

**One AMD Place**

**Sunnyvale, California**  
(Address of principal executive offices)

**94088**  
(Zip Code)

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

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 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post 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 and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

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 July 28, 2014: 765,509,752

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**Table of Contents****PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****Advanced Micro Devices, Inc.****Condensed Consolidated Statements of Operations****(Unaudited)**

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 28, 2014</b>	<b>June 29, 2013</b>	<b>June 28, 2014</b>	<b>June 29, 2013</b>
	<b>(In millions, except per share amounts)</b>			
Net revenue	\$ 1,441	\$ 1,161	\$ 2,838	\$ 2,249
Cost of sales	943	702	1,853	1,345
Gross margin	498	459	985	904
Research and development	277	308	556	620
Marketing, general and administrative	154	171	310	350
Amortization of acquired intangible assets	4	4	7	9
Restructuring and other special charges, net		5		52
Operating income (loss)	63	(29)	112	(127)
Interest income		2	1	3
Interest expense	(46)	(42)	(93)	(86)
Other expense, net	(49)	(2)	(70)	(5)
Loss before income taxes	(32)	(71)	(50)	(215)
Provision for income taxes	4	3	6	5
Net loss	\$ (36)	\$ (74)	\$ (56)	\$ (220)
Net loss per share				
Basic	\$ (0.05)	\$ (0.10)	\$ (0.07)	\$ (0.29)
Diluted	\$ (0.05)	\$ (0.10)	\$ (0.07)	\$ (0.29)
Shares used in per share calculation:				
Basic	764	752	762	751
Diluted	764	752	762	751

See accompanying notes to condensed consolidated financial statements.

**Table of Contents****Advanced Micro Devices, Inc.****Condensed Consolidated Statements of Comprehensive Income (Loss)****(Unaudited)**

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 28, 2014</b>	<b>June 29, 2013</b>	<b>June 28, 2014</b>	<b>June 29, 2013</b>
	<b>(In millions)</b>			
Net loss	\$ (36)	\$ (74)	\$ (56)	\$ (220)
Other comprehensive income (loss):				
Unrealized gains (losses) on cash flow hedges:				
Unrealized gains (losses) arising during the period, net of tax effects of \$1, \$(1), \$1 and \$(2)	3	(2)		(3)
Reclassification adjustment for (gains) losses realized and included in net loss, net of tax effects of zero	1		3	
Total other comprehensive income (loss)	4	(2)	3	(3)
Total comprehensive loss	\$ (32)	\$ (76)	\$ (53)	\$ (223)

See accompanying notes to condensed consolidated financial statements.

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

	<b>June 28, 2014</b>	<b>December 28, 2013*</b>
	<b>(In millions, except par value amounts)</b>	
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 503	\$ 869
Marketable securities	445	228
Accounts receivable, net of allowances of \$0 and \$0	872	832
Inventories, net	960	884
Prepaid expenses and other current assets	152	71
<b>Total current assets</b>	<b>2,932</b>	<b>2,884</b>
Long-term marketable securities	90	90
Property, plant and equipment, net	329	346
Acquisition related intangible assets, net	72	78
Goodwill	553	553
Other assets	360	386
<b>Total assets</b>	<b>\$ 4,246</b>	<b>\$ 4,337</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>Current liabilities:</b>		
Short-term debt	\$ 101	\$ 60
Accounts payable	511	519
Payable to GLOBALFOUNDRIES	295	364
Accrued and other current liabilities	480	530
Deferred income on shipments to distributors	118	145
<b>Total current liabilities</b>	<b>1,505</b>	<b>1,618</b>
Long-term debt	2,109	1,998
Other long-term liabilities	131	177
Commitments and contingencies (See Note 10)		
<b>Stockholders equity:</b>		
Capital stock:		
Common stock, par value \$0.01; 1,500 shares authorized on June 28, 2014 and December 28, 2013; shares issued: 776 shares on June 28, 2014 and 735 shares on December 28, 2013; shares outstanding: 765 shares on June 28, 2014 and 725 shares on December 28, 2013	8	7
Additional paid-in capital	6,905	6,894
Treasury stock, at cost (11 shares on June 28, 2014 and 10 shares on December 28, 2013)	(114)	(112)
Accumulated deficit	(6,299)	(6,243)
Accumulated other comprehensive income (loss)	1	(2)
<b>Total stockholders equity</b>	<b>501</b>	<b>544</b>

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<b>Total liabilities and stockholders equity</b>	\$	4,246	\$	4,337
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\* Amounts were derived from the December 28, 2013 audited consolidated financial statements.  
See accompanying notes to condensed consolidated financial statements.

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

	<b>Six Months Ended</b>	
	<b>June 28, 2014</b>	<b>June 29, 2013</b>
	<b>(In millions)</b>	
<b>Cash flows from operating activities:</b>		
Net loss	\$ (56)	\$ (220)
<b>Adjustments to reconcile net loss to net cash used in operating activities:</b>		
Depreciation and amortization	106	125
Net loss on disposals of property, plant and equipment		47
Deferred income taxes	1	1
Stock-based compensation expense	44	44
Non-cash interest expense	9	12
Loss on debt redemptions	64	
Other	(5)	1
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable	(40)	(39)
Inventories	(76)	(149)
Prepaid expenses and other assets	(84)	(75)
Payable to GLOBALFOUNDRIES	(69)	(40)
Accounts payable, accrued liabilities and other	(126)	103
<b>Net cash used in operating activities</b>	<b>(232)</b>	<b>(190)</b>
<b>Cash flows from investing activities:</b>		
Purchases of available-for-sale securities	(618)	(753)
Purchases of property, plant and equipment	(44)	(48)
Proceeds from sales and maturities of available-for-sale securities	488	593
Proceeds from sale of property, plant and equipment		181
<b>Net cash used in investing activities</b>	<b>(174)</b>	<b>(27)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of common stock	2	2
Proceeds from borrowings, net	1,080	
Net proceeds from grants	2	2
Repayments of long-term debt and capital lease obligations	(1,042)	(2)
Other	(2)	
<b>Net cash provided by financing activities</b>	<b>40</b>	<b>2</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(366)</b>	<b>(215)</b>
Cash and cash equivalents at beginning of period	869	549
<b>Cash and cash equivalents at end of period</b>	<b>\$ 503</b>	<b>\$ 334</b>

See accompanying notes to condensed consolidated financial statements.



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**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 quarter and six months ended June 28, 2014 shown in this report are not necessarily indicative of results to be expected for the full year ending December 27, 2014. 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 and cash flows. 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 year ended December 28, 2013.

The Company uses a 52 or 53 week fiscal year ending on the last Saturday in December. The quarters and six months ended June 28, 2014 and June 29, 2013 each consisted of 13 and 26 weeks, respectively.

*Principles of Consolidation.* The condensed consolidated financial statements include the Company's accounts and those of its wholly-owned subsidiaries. Upon consolidation, all significant intercompany accounts and transactions are eliminated.

*Recently Issued Accounting Standards.* In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers: Topic 606* (ASU 2014-09), which creates a single source of revenue guidance under U.S. GAAP for all companies in all industries. The core principle of ASU 2014-09 is that revenue should be recognized in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 defines a five-step process in order to achieve this core principle, which may require the use of judgment and estimates. ASU 2014-09 also requires expanded qualitative and quantitative disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers, including significant judgments and estimates used. ASU 2014-09 will be effective for the Company in the first quarter of fiscal 2017 and early adoption is not permitted. The Company may adopt ASU 2014-09 either by using a full retrospective approach for all periods presented in the period of adoption or a modified retrospective approach. The Company is currently evaluating the impact that ASU 2014-09 will have on its consolidated financial statements and also has not yet determined which approach it will apply.

**NOTE 2. GLOBALFOUNDRIES**

*Wafer Supply Agreement.* The Wafer Supply Agreement (WSA) governs the terms by which the Company purchases products manufactured by GLOBALFOUNDRIES Inc. (GF).

*Third Amendment to Wafer Supply Agreement.* On December 6, 2012, the Company entered into a third amendment to the WSA. Pursuant to the third amendment, the Company modified its wafer purchase commitments for the fourth quarter of 2012 made pursuant to the second amendment to the WSA. In addition, the Company agreed to certain pricing and other terms of the WSA applicable to wafers for its microprocessor and APU products to be delivered by GF to the Company from the fourth quarter of 2012 through December 31, 2013. Pursuant to the third amendment, GF agreed to waive a portion of the Company's wafer purchase commitments for the fourth quarter of 2012. In consideration of this waiver, the Company agreed to pay GF a fee of \$320 million. As a result, the Company recorded a lower of cost or market charge of \$273 million for the write-down of inventory to its market value in the fourth quarter of 2012. The cash impact of this \$320 million fee was paid over several quarters, with \$80 million paid on December 28, 2012, \$40 million paid on April 1, 2013 and \$200 million paid on December 31, 2013.

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

The Company's total purchases from GF related to wafer manufacturing and research and development activities for the quarters ended June 28, 2014 and June 29, 2013 were \$293 million and \$255 million, respectively. The Company's total purchases from GF related to wafer manufacturing and research and development activities for the six months ended June 28, 2014 and June 29, 2013 were \$553 million and \$524

million, respectively.

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At June 28, 2014, the Company had prepayments to GF of \$70 million related to wafer purchases, which were included in prepaid expenses and other current assets on the Company's condensed consolidated balance sheets.

The Company currently estimates that its wafer purchase obligation from GF will be \$1.2 billion for the 2014 calendar year. The Company is not able to meaningfully quantify or estimate its purchase obligations to GF beyond December 31, 2014, but it expects that its future purchases from GF will continue to be material.

GF is a related party of the Company because GF is affiliated with West Coast Hitech L.P. (WCH), the Company's largest stockholder.

**NOTE 3. Debt*****7.00% Senior Notes Due 2024***

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

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

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

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

Holder's have the right to require the Company to repurchase all or a portion of the 7.00% Notes in the event that the Company undergoes a change of control, as defined in the 7.00% Indenture, at a repurchase price of 101% of the principal amount plus accrued and unpaid interest. Additionally, an event of default (as defined in the 7.00% Indenture) may result in the acceleration of the maturity of the 7.00% Notes.

The 7.00% Indenture contains certain covenants that limit, among other things, the Company's ability and the ability of its subsidiaries, to:

incur additional indebtedness, except specified permitted debt;

pay dividends and make other restricted payments;

make certain investments if an event of a default exists, or if specified financial conditions are not satisfied;

create or permit certain liens;

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create or permit restrictions on the ability of its subsidiaries to pay dividends or make other distributions to the Company;

use the proceeds from sales of assets;

enter into certain types of transactions with affiliates; and

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consolidate, merge or sell its assets as entirety or substantially as an entirety.

The 7.00% Notes rank equally with the Company's existing and future senior debt and are senior to all of the Company's future subordinated debt. The 7.00% Notes rank junior to all of the Company's future senior secured debt to the extent of the collateral securing such debt and are structurally subordinated to all existing and future debt and liabilities of the Company's subsidiaries.

The Company may elect to purchase or otherwise retire the 7.00% Notes with cash, stock or other assets from time to time in open market or private negotiated transactions, either directly or through intermediaries, or by tender offer, when the Company believes the market conditions are favorable to do so.

### ***6.75% Senior Notes Due 2019***

On February 26, 2014, the Company issued \$600 million of 6.75% Senior Notes due 2019 (6.75% Notes). The 6.75% Notes are general unsecured senior obligations of the Company. Interest is payable on March 1 and September 1 of each year beginning September 1, 2014 until the maturity date of March 1, 2019. The 6.75% Notes are governed by the terms of an indenture (the 6.75% Indenture) dated February 26, 2014 between the Company and Wells Fargo Bank, National Association, as trustee.

At any time before March 1, 2017, the Company may redeem up to 35% of the aggregate principal amount of the 6.75% Notes within 90 days of the closing of an equity offering with the net proceeds thereof at a redemption price equal to 106.75% of the principal amount thereof, together with accrued and unpaid interest to but excluding the date of redemption. At any time before March 1, 2019, the Company may redeem some or all of the 6.75% Notes at a price equal to 100% of the principal amount, plus accrued and unpaid interest and a make whole premium (as set forth in the 6.75% Indenture).

Holders have the right to require the Company to repurchase all or a portion of the 6.75% Notes in the event that the Company undergoes a change of control, as defined in the 6.75% Indenture, at a price of 101% of the principal amount plus accrued and unpaid interest. Additionally, an event of default (as defined in the 6.75% Indenture) may result in the acceleration of the maturity of the 6.75% Notes.

The 6.75% Indenture contains certain covenants that limit, among other things, the Company's ability and the ability of its subsidiaries, to:

incur additional indebtedness, except specified permitted debt;

pay dividends and make other restricted payments;

make certain investments if an event of a default exists, or if specified financial conditions are not satisfied;

create or permit certain liens;

create or permit restrictions on the ability of its subsidiaries to pay dividends or make other distributions to the Company;

use the proceeds from sales of assets;

enter into certain types of transactions with affiliates; and

consolidate, merge or sell its assets as entirety or substantially as an entirety.

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The 6.75% Notes rank equally with the Company's existing and future senior debt and are senior to all of the Company's future subordinated debt. The 6.75% Notes rank junior to all of the Company's future senior secured debt to the extent of the collateral securing such debt and are structurally subordinated to all existing and future debt and liabilities of the Company's subsidiaries.

The Company may elect to purchase or otherwise retire the 6.75% Notes with cash, stock or other assets from time to time in open market or private negotiated transactions, either directly or through intermediaries, or by tender offer, when the Company believes the market conditions are favorable to do so.

### ***8.125% Senior Notes Due 2017***

During the first quarter of 2014, the Company repurchased \$48 million in aggregate principal amount of its 8.125% Senior Notes Due 2017 (8.125% Notes) pursuant to a partial tender offer for \$51 million, which included payment of accrued

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and unpaid interest of \$1 million. The Company incurred a total loss of \$5 million in connection with the foregoing repurchase of the 8.125% Notes.

During the second quarter of 2014, the Company repurchased and redeemed the remaining \$452 million in aggregate principal amount of the 8.125% Notes for \$480 million, which included payment of accrued and unpaid interest of \$7 million. The Company incurred a total loss of \$49 million in connection with the foregoing repurchase and redemption of the 8.125% Notes. As of June 28, 2014, the Company did not have any 8.125% Notes outstanding.

**6.00% Convertible Senior Notes Due 2015**

During the first quarter of 2014, the Company repurchased \$64 million in aggregate principal amount of its 6.00% Convertible Senior Notes Due 2015 (6.00% Notes) in open market transactions for \$69 million, which included payment of accrued and unpaid interest of \$1 million. Also, during the first quarter of 2014, the Company repurchased a portion of the 6.00% Notes through a partial tender offer. The Company repurchased \$423 million aggregate principal amount of the 6.00% Notes for \$460 million in cash, which included payment of accrued and unpaid interest of \$10 million. The Company incurred a total loss of \$10 million in connection with the foregoing repurchases of the 6.00% Notes. As of June 28, 2014, the outstanding aggregate principal amount of the 6.00% Notes was \$42 million and the remaining carrying value was \$41 million, net of a debt discount of \$1 million. The remaining \$41 million of aggregate principal amount of 6.00% Notes has been reclassified as short-term debt on the condensed consolidated balance sheet as of June 28, 2014.

The agreements governing the Company's 6.00% Notes, 6.75% Notes, 7.00% Notes, 7.50% Senior Notes due 2022, 7.75% Senior Notes due 2020 and the Company's senior secured asset based line of credit for a principal amount of up to \$500 million (Secured Revolving Line of Credit) contain cross-default provisions whereby a default under one agreement would likely result in cross defaults under agreements covering other borrowings. The occurrence of a default under any of these borrowing arrangements would permit the applicable note holders or the lenders under the Secured Revolving Line of Credit to declare all amounts outstanding under those borrowing arrangements to be immediately due and payable, which would have a material adverse effect on us.

**NOTE 4. Supplemental Balance Sheet Information****Inventories**

	June 28, 2014	December 28, 2013
	(In millions)	
Raw materials	\$ 34	\$ 30
Work in process	688	727
Finished goods	238	127
Total inventories, net	\$ 960	\$ 884

**Prepaid Expenses and Other Current Assets**

	June 28, 2014	December 28, 2013
	(In millions)	
Prepayments to GF	\$ 70	\$ 71
Other prepaid expenses and other current assets	82	71
Total prepaid expenses and other current assets	\$ 152	\$ 71



**Table of Contents****Property, Plant and Equipment**

	June 28, 2014	December 28, 2013
	(In millions)	
Land and land improvements	\$ 4	\$ 3
Buildings and leasehold improvements	252	246
Equipment	1,457	1,466
Construction in progress	16	18
	1,729	1,733
Accumulated depreciation and amortization	(1,400)	(1,387)
<b>Total property, plant and equipment, net</b>	<b>\$ 329</b>	<b>\$ 346</b>

**Other Assets**

	June 28, 2014	December 28, 2013
	(In millions)	
Software and technology licenses	\$ 241	\$ 280
Other	119	106
<b>Total other assets</b>	<b>\$ 360</b>	<b>\$ 386</b>

**Accrued and Other Current Liabilities**

	June 28, 2014	December 28, 2013
	(In millions)	
Accrued compensation and benefits	\$ 140	\$ 186
Marketing programs and advertising expenses	126	150
Software and technology licenses payable	41	27
Other accrued and current liabilities	173	167
<b>Total accrued and other current liabilities</b>	<b>\$ 480</b>	<b>\$ 530</b>

**NOTE 5. Net Income (Loss) Per Share**

Basic net income (loss) per share is computed based on the weighted average number of shares outstanding and shares issuable upon exercise of a warrant issued by the Company to WCH in connection with the GF transaction in 2009. On March 7, 2014, the Company issued 34,906,166 shares of common stock pursuant to the cashless exercise in full by WCH of its warrant to purchase up to 35,000,000 shares of the Company's common stock at an exercise price of \$0.01 per share. As a result, the warrant is no longer outstanding. The issuance of the common stock did not have any effect on basic and dilutive earnings per share amounts because the full 35,000,000 shares of common stock issuable to WCH had already been included in the denominator for calculating basic and dilutive earnings per share for all periods presented prior to the exercise of the warrant.

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Diluted net income (loss) per share is computed based on the weighted average number of shares outstanding plus any potentially dilutive shares outstanding. Potentially dilutive shares include stock options, restricted stock and restricted stock units.

The following table sets forth the components of basic and diluted income (loss) per share:

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	Three Months Ended		Six Months Ended	
	June 28, 2014	June 29, 2013	June 28, 2014	June 29, 2013
(In millions, except per share amounts)				
Numerator Net loss:				
Numerator for basic and diluted net loss per share	\$ (36)	\$ (74)	\$ (56)	\$ (220)
Denominator Weighted average shares				
Denominator for basic and diluted net loss per share	764	752	762	751
Net loss per share:				
Basic	\$ (0.05)	\$ (0.10)	\$ (0.07)	\$ (0.29)
Diluted	\$ (0.05)	\$ (0.10)	\$ (0.07)	\$ (0.29)

Potential shares from employee stock options, restricted stock and restricted stock units totaling 39 million were not included in the net loss per share calculation for the second quarter of 2014 because their inclusion would have been anti-dilutive.

Potential shares from employee stock options, restricted stock and restricted stock units totaling 45 million were not included in the net loss per share calculation for the six months ended June 28, 2014 because their inclusion would have been anti-dilutive.

Potential shares from employee stock options, restricted stock and restricted stock units totaling 52 million were not included in the net loss per share calculation for the second quarter of 2013 because their inclusion would have been anti-dilutive.

Potential shares from employee stock options, restricted stock and restricted stock units totaling 54 million were not included in the net loss per share calculation for the six months ended June 29, 2013 because their inclusion would have been anti-dilutive.

**NOTE 6. Financial Instruments*****Cash, Cash Equivalents and Marketable Securities***

Financial instruments measured and recorded at fair value on a recurring basis as of June 28, 2014 and December 28, 2013 are summarized below:

	Total Fair Value	Cash and Cash Equivalents	Short-Term Marketable Securities	Long-Term Marketable Securities
(In millions)				
<b>June 28, 2014</b>				
Cash	\$ 372	\$ 372	\$	\$
Level 1 <sup>(1)(2)</sup>				
Money market funds	\$ 6	\$ 6	\$	\$
Total level 1	\$ 6	\$ 6	\$	\$
Level 2 <sup>(2)(3)</sup>				
Commercial paper	\$ 525	\$ 125	\$ 400	\$
Corporate bonds	45		45	
Total level 2	\$ 570	\$ 125	\$ 445	\$
<b>Total</b>	<b>\$ 948</b>	<b>\$ 503</b>	<b>\$ 445</b>	<b>\$</b>

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	<b>Total Fair Value</b>	<b>Cash and Cash Equivalents</b>	<b>Short-Term Marketable Securities</b>	<b>Long-Term Marketable Securities</b>
	(In millions)			
<b>December 28, 2013</b>				
Cash	\$ 429	\$ 429	\$	\$
Level 1 <sup>(1)(2)</sup>				
Money market funds	\$ 21	\$ 19	\$	\$ 2
Total level 1	\$ 21	\$ 19	\$	\$ 2
Level 2 <sup>(2)(3)</sup>				
Commercial paper	\$ 599	\$ 421	\$	