



# **FORM 10-K405**

**ADVANCED MICRO DEVICES INC - amd**

**Filed: March 03, 1998 (period: December 28, 1997)**

Annual report. The Regulation S-K Item 405 box on the cover page is checked

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-K

(MARK ONE)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934.

FOR THE FISCAL YEAR ENDED DECEMBER 28, 1997

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 1-7882

ADVANCED MICRO DEVICES, INC.  
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE 94-1692300

(STATE OR OTHER JURISDICTION (I.R.S. EMPLOYER  
OF INCORPORATION OR ORGANIZATION) IDENTIFICATION NO.)

ONE AMD PLACE, SUNNYVALE, CALIFORNIA 94086  
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES) (ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (408) 732-2400

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

(TITLE OF EACH CLASS)	(NAME OF EACH EXCHANGE ON WHICH REGISTERED)
----- \$.01 PAR VALUE COMMON STOCK	----- NEW YORK STOCK EXCHANGE

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:

NONE

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 if disclosure of delinquent filers pursuant to Item  
405 of Regulation S-K is not contained herein, and will not be contained, to  
the best of registrant's knowledge, in definitive proxy or information  
statements incorporated by reference in Part III of this Form 10-K or any  
amendment to this Form 10-K.

Aggregate market value of the voting stock held by non-affiliates as of  
February 25, 1998.

\$3,092,910,944

Indicate the number of shares outstanding of each of the registrant's  
classes of common stock, as of the latest practicable date.

142,646,957 shares as of February 25, 1998.

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PART I

ITEM 1. BUSINESS

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

The statements in this report that are forward-looking are based on current expectations and beliefs and involve numerous risks and uncertainties that could cause actual results to differ materially. The forward-looking statements relate to operating results; anticipated cash flows; realization of net deferred tax assets; capital expenditures; adequacy of resources to fund operations and capital investments; the Company's ability to access external sources of capital; the Company's ability to transition to new process technologies; anticipated market growth; year 2000 expenses; the effect of foreign currency hedging transactions; the effect of adverse economic conditions in Asia; and the Dresden Fab 30 and FASL manufacturing facilities. For a discussion of the factors that could cause actual results to differ materially, see such other risks and uncertainties as set forth below in this report or detailed in the Company's other Securities and Exchange Commission reports and filings.

GENERAL

Advanced Micro Devices, Inc. was incorporated under the laws of the state of Delaware on May 1, 1969. The Company's mailing address and executive offices are located at One AMD Place, Sunnyvale, California 94086, and its telephone number is (408) 732-2400. Unless otherwise indicated, the terms "Company," "AMD" and "Registrant" in this report refer to Advanced Micro Devices, Inc. and its subsidiaries.

AMD is a semiconductor manufacturer with manufacturing facilities in the U.S. and Asia and sales offices throughout the world. The Company's products include a wide variety of industry-standard integrated circuits (ICs) which are used in many diverse product applications such as telecommunications equipment, data and network communications equipment, consumer electronics, personal computers (PCs) and workstations.

For a discussion of the risk factors related to the Company's business operations please see the "Cautionary Statement Regarding Forward-Looking Statements" and "Risk Factors" sections set forth in Management's Discussion and Analysis of Financial Condition and Results of Operations.

Industry

The IC market has grown dramatically over the past ten years, driven primarily by the demand for electronic business and consumer products. Today, ICs are used in virtually all products involving electronics, including personal computers and related peripherals, voice and data communications and networking products, facsimile and photocopy machines, home entertainment equipment, industrial control equipment and automobiles.

The market for ICs can be divided into separate markets for digital and analog devices. AMD participates primarily in the market for digital ICs. The three principal types of digital ICs used in most electronic systems are: (i) memory circuits, (ii) logic circuits and (iii) microprocessors. Memory is used to store data and programming instructions, logic is employed to manage the interchange and manipulation of digital signals within a system, and microprocessors are used for control and computing tasks. Set forth below is a discussion of the principal segments of the digital IC market in which the Company participates.

The Memory Market

Memory ICs store data or programs and are characterized as either volatile or non-volatile. Volatile devices lose their stored information after electrical power is shut off, while non-volatile devices retain their stored information. The three most significant categories of semiconductor memory are (i) Dynamic Random Access Memory (DRAM) and (ii) Static Random Access Memory (SRAM), both of which are volatile memories, and (iii) non-volatile memory, which includes Read-Only Memory (ROM), Flash memory and Erasable

Programmable Read-Only Memory (EPROM) devices. DRAM provides large capacity "main" memory, and SRAM provides specialized high-speed memory. Flash and other non-volatile memory devices are used in applications in which data must be retained after power is turned off. The Company does not produce any DRAM products, the largest segment of the memory market, or SRAM products.

Several factors have contributed to an increasing demand for memory devices during recent years including the expanding unit sales of personal computers in the business and consumer market segments; the increasing use of personal computers to perform memory-intensive graphics and multimedia functions; the volume of memory required to support faster microprocessors; the proliferation of increasingly complex personal computer software; and the increasing performance requirements of workstations, servers and networking and telecommunications equipment.

The Company believes that Flash memory devices are being used for an expanded use of operations. The ability of Flash memory devices to be electrically rewritten to update parameters or system software provides greater flexibility and ease of use than other non-volatile memory devices, such as ROM or EPROM devices. Flash memory can be used to provide storage of control programs and system-critical data in communication devices such as cellular telephones and routers (devices used to transfer data between local area networks). Another common application for Flash memory is in PC cards, which are inserted into notebook and subnotebook computers or personal digital assistants to provide added data storage.

#### The Logic Market

Logic devices consist of structurally interconnected groupings of simple logical "AND" and logical "OR" functions, commonly described as "gates." Typically, complex combinations of individual gates are required to implement the specialized logic functions required for system applications. The greater the number of gates on a logic device, the higher that logic device's "density." Logic devices are generally grouped into five families of products (from lowest density to highest density): standard logic devices, programmable logic devices (PLDs), conventional gate-arrays, standard cells and full custom ICs. Conventional gate-arrays, standard cells and full-custom ICs are often referred to as application-specific ICs (ASICs).

Many manufacturers of electronic systems are striving to develop new and increasingly complex products to rapidly address evolving market opportunities. Achievement of this goal often precludes the use of standard logic ICs and ASICs. Standard logic ICs generally perform simple functions and are not customizable, limiting a manufacturer's ability to adequately customize an end system. Although ASICs can be manufactured to perform customized functions, they generally involve relatively high up-front design, engineering and manufacturing costs and significant design risks and may increase an end-product's time to market. As a result, ASICs are generally limited to high-volume products, and products for which time to market may be less critical.

Unlike ASICs and standard logic ICs, PLDs are standard products, purchased by system manufacturers in an unprogrammed or "blank" state, which can be programmed by each system manufacturer to perform a variety of specific logic functions. Certain PLDs, including the Company's, are reprogrammable, which means that the logic configuration can be modified after the device is initially programmed, and, in many cases, while the PLD remains in the end-product system. The programmable and reprogrammable characteristics of PLDs reduce the risk of inventory obsolescence for system designers and distributors by allowing them to stock a large number of standard PLDs that may be programmed for a variety of applications. The system designer enjoys the additional flexibility of having the ability to make last minute design changes, reducing time to market and accelerating design cycle time. Compared to standard logic ICs and ASICs, PLDs allow system designers to more quickly design and implement custom logic.

The PLD market consists primarily of three product categories, which can generally be distinguished by their density: simple programmable logic devices (SPLDs), which have less than 1,000 gates, are considered low-density devices, while complex programmable logic devices (CPLDs), which have up to 20,000 gates, and field programmable gate arrays (FPGAs), which have up to 100,000 gates, are considered high-density devices.

SPLDs are typically based on common architectures that are familiar to most system designers and are supported by standard, widely available software tools. SPLDs are usually the most effective solution to support simple logic functions. However, as the prices of high-density PLDs become more competitive, customers are increasingly migrating to CPLDs or FPGAs to address complex logic requirements and space constraints and to achieve power savings. Typically, the smallest CPLD is equivalent in logic function to, and occupies nearly the same amount of space as, approximately four SPLDs.

CPLDs and FPGAs are typically based on proprietary architectures and require support from sophisticated software tools. In situations requiring complex logic functions, high-density PLDs can provide important advantages over a large cluster of low-density devices, including improved system speed, lower power requirements and lower cost. The Company believes that a substantial portion of high-density PLD customers utilize both CPLD and FPGA architectures within a single system design, partitioning logic functions across multiple devices to optimize overall system performance and cost.

PLDs are used in complex electronic systems, including telecommunications and networking systems, high-performance computers and peripherals, video graphics and imaging systems, and instrumentation and test systems. PLDs are also used in a variety of consumer electronic devices, and in medical instrumentation and industrial control applications.

#### The Microprocessor Market

In 1981, IBM introduced its first PC containing a microprocessor based upon the x86 instruction set developed by Intel Corporation (Intel) and utilizing the Microsoft(R) Corporation (Microsoft) MS-DOS(TM) operating system. The so-called IBM-compatible computer has evolved over the years with each successive generation of x86 microprocessors. Each new generation of x86 microprocessors has delivered increased performance and functionality while maintaining software, hardware and peripheral compatibility for industry standard operating systems such as Microsoft MS-DOS and Microsoft Windows(R). The microprocessor market is currently dominated by Intel.

The microprocessor, an IC generally consisting of millions of transistors, serves as the central processing unit, or "brain," of a computer system. The microprocessor is typically the most critical component to the performance and efficiency of a PC. The microprocessor is responsible for controlling data flowing through the electronic system, manipulating such data as specified by the hardware or software which controls the system. Developments in circuit design and very large scale integration process technology have resulted in dramatic advances in microprocessor performance over the past ten years. Today, the greatest demand for microprocessors is from personal computer manufacturers and, in particular, for microprocessors which are Microsoft Windows compatible and are based on the x86 instruction set. Improvements in the performance characteristics of microprocessors, coupled with decreases in production costs resulting from advances in process technology, have broadened the market for PCs and increased the demand for microprocessors.

Embedded processors are also an important segment of the microprocessor market. Embedded processors are general purpose devices used to carry out a single application with limited user interface and programmability. A system designed around an embedded processor cannot usually be programmed by an end user because the system is preprogrammed to execute a specific task. Key markets for embedded processors include telecommunications, networking, office automation, storage, automotive applications and industrial control.

The microprocessor business is characterized by short product life cycles, intense price competition and rapid advances in product design and process technology resulting in rapidly occurring product obsolescence.

The establishment of hardware and software standards for PCs and the emergence of numerous PC suppliers have caused the PC industry to be extremely competitive, with short product life cycles, limited product differentiation and substantial price competition. To compete more effectively, almost all PC suppliers have evolved from fully integrated manufacturers with proprietary system designs to vendors focused on building



brand recognition and distribution capabilities. Almost all of these suppliers now rely either on Intel or on third-party manufacturers for the major subsystems of their PCs, such as the motherboard, and are increasingly outsourcing the design and manufacture of complete systems. The third-party suppliers of these subsystems, based primarily in Asia, are focused on providing PCs and motherboards that incorporate the latest trends in features and performance at low prices. Increasingly, these third-party suppliers are also supplying fully configured PC systems through alternative distribution channels.

#### BUSINESS GROUPS; PRODUCTS

AMD participates in all three segments of the digital IC market--memory circuits, logic circuits and microprocessors--through, collectively, its Communications Group, its Memory Group, its Computation Products Group (CPG) and its programmable logic subsidiary, Vantis Corporation.

#### COMMUNICATIONS GROUP

Communications Group products (\$707 million, or 30 percent, of the Company's 1997 net sales) include telecommunication products, networking and input/output (I/O) products and embedded processors.

**Telecommunication Products.** The Company's telecommunication products are used primarily in public communications infrastructure systems and cordless telephony applications. Specifically, the products are used in such equipment as central office switches, digital loop carriers, wireless local loop systems, private branch exchange (PBX) equipment and voice/data terminals. Among the Company's more significant products for the communications market are its line card products. In modern telephone communications systems, voice communications are generally transmitted between the speaker and the central office switch in analog format, but are switched and transmitted over longer distances in digital format. The AMD subscriber line interface circuits (SLIC) for line cards connect the user's telephone wire to the telephone company's digital switching equipment. The AMD subscriber line audio processing circuits (SLAC(TM)) line cards are coder/decoders which convert analog voice signals to a digital format and back. The Company's non-cellular telephony products are used in digital cordless phone solutions.

**Networking and I/O Products.** The Company's networking and I/O products are used within personal computers to manage the connection of the personal computer to local area networks and to manage selected input/output functions. The Company's networking products primarily support data communications and internetworking and are used in hubs, switches, routers and network interface cards used to connect workstations and personal computers to local area networks.

The Company supplies integrated circuits for business applications utilizing the 10-megabit-per-second, the 100-megabit-per-second and the gigabit-per-second Ethernet local area network standards. The Company offers a range of integrated circuits that work with central processing units to manage selected input/output functions such as small computer system interface disk drive controllers and communications and networking devices. The Company also supplies a range of products specially designed to add additional functions, improve performance and reduce costs in computer peripheral, interface or mass storage applications. These are generally special-purpose products which are designed for a specific application. In the case of some large customers, these products are tailored for specific customers' needs.

**Embedded Processors.** Embedded processors are general purpose devices, consisting of an instruction control unit and an arithmetic and logic unit, used to carry out a single application with limited user interface and programmability. The Company's current product focus for embedded processors utilizes existing x86 cores increasingly targeted at communications applications. The Company offers a line of C186 and C188 processors for use as embedded processors in hard disk drives. The Company offers an expanding range of embedded processors based upon third- and fourth-generation x86 microprocessor technology, for both communications as well as handheld computing applications.

## MEMORY GROUP

Memory Group products (\$724 million, or 31 percent, of the Company's 1997 net sales) include Flash memory devices and EPROMs.

**Flash Memory.** The Company's Flash memory devices are used in cellular telephones, networking equipment and other applications which require memory to be non-volatile and to be rewritten. Their ability to be electrically rewritten provides greater flexibility and ease of use than EPROMs and other similar integrated circuits which cannot be rewritten electrically. Communications companies use Flash memory devices in cellular telephones and related equipment to enable users to add and modify frequently called numbers and to allow manufacturers to preprogram firmware and other information. In networking applications, Flash memory devices are used in hubs, switches and routers to enable systems to store firmware and reprogrammed Internet addresses and other routing information.

The market for Flash memory devices has experienced rapid unit growth and continues to experience increased competition as additional manufacturers introduce competitive products and industry-wide production capacity increases. Almost all of the Company's Flash memory devices are produced in Aizu-Wakamatsu, Japan through the Company's joint venture with Fujitsu Limited, Fujitsu AMD Semiconductor Limited (FASL).

**EPROMs.** EPROMs represent an older generation of erasable programmable read-only memory technology which is used primarily in the electronic equipment industry. The devices are used in cellular telephones, wireless base stations, telecommunication switching equipment, automotive applications, personal computer hard disk drives, printer controllers, industrial machine controls and numerous other types of electronic equipment to store firmware which controls the equipment's operation. The ability of EPROMs to be programmed electrically enables equipment manufacturers to achieve shorter time to market for new products than would otherwise be possible if they were required to have specific integrated circuits manufactured containing their final firmware programs. EPROMs are generally preferred to more expensive Flash memory devices in applications in which it is not necessary to enable the end user to reprogram the information stored on the integrated circuit. The market for EPROMs is significantly smaller than the market for Flash memory devices and the Company believes the market will continue to decline as EPROMs are replaced in various applications by Flash memory devices.

## COMPUTATION PRODUCTS GROUP

CPG products (\$682 million, or 29 percent, of the Company's 1997 net sales) include microprocessors and core logic products, with the majority of CPG's net sales being derived from Microsoft Windows compatible microprocessors which are used primarily in personal computers.

In 1997, the Company's most significant microprocessor product was the AMD-K6(R) MMX(TM) Enhanced Processor, a sixth-generation microprocessor product and a member of the K86(TM) microprocessor family. The K86 microprocessors are based on Superscalar RISC architecture and are designed to be compatible with operating system software such as MS-DOS, Windows 3.X, Windows 95(R), Windows NT(R) and UNIX. In the second quarter of 1997, the Company began volume shipments of the AMD-K6 microprocessor. The AMD-K6 microprocessor was designed to be competitive in performance to Intel Corporation's sixth-generation microprocessor, the Pentium(R) II, which was designed by Intel specifically for desktop PCs.

The Company's ability to increase microprocessor product revenues, and benefit fully from the substantial financial investments and commitments it has made and continues to make related to microprocessors, depends upon the success of the AMD-K6 microprocessor in 1998 and future generations of K86 microprocessors in 1999 and beyond. The microprocessor market is characterized by very short product life cycles and migration to ever higher performance microprocessors. To compete successfully against Intel Corporation in this market, the Company must transition to new process technologies at a faster pace than before and offer higher performance microprocessors in significantly greater volumes. The Company has recently experienced significant difficulty in achieving its microprocessor yield and volume plans on 0.35 micron process technology, which in turn has adversely affected the Company's results of operations and liquidity. The Company has determined that it must

convert from 0.35 micron to 0.25 micron process technology in its Fab 25 in Austin, Texas as soon as possible in order to meet customer microprocessor needs for performance and volume, and to compete successfully against Intel. The Company's process technology transition schedule is aggressive and entails a high degree of risk. The Company's 0.25 micron process technology, while successfully put into production in the Company's Submicron Development Center in Sunnyvale, California, has not been qualified in Fab 25. There can be no assurance that the Company will execute a successful transition to 0.25 micron process technology in Fab 25, or that the Company will achieve the production ramp necessary to meet customer needs for higher performance AMD-K6 microprocessors in the volumes customers require, or that the Company will increase revenues sufficient to achieve profitability in the microprocessor business. The failure to convert Fab 25 to 0.25 micron process technology on a timely basis could adversely affect unit production yields and volumes, result in the failure to meet customer demands, cause customers to cease purchasing AMD-K6 microprocessors, and could impact the viability of the Company's microprocessor business, any of which would have a material adverse effect on the Company.

AMD is also devoting substantial resources to the development of its seventh-generation Microsoft Windows compatible microprocessor. The success of the AMD-K7 and future generations of microprocessors depends greatly on the Company achieving success and increasing market share with the AMD-K6 microprocessor.

Intel has long held a dominant position in the market for microprocessors used in PCs. Intel Corporation's dominant market position enables it to set and control x86 microprocessor standards and thus dictate the type of product the market requires of Intel Corporation's competitors. In addition, Intel Corporation's financial strength and dominant position enable it to vary prices on its microprocessor products at will and thereby affect the margins and profitability of its competitors. In view of Intel Corporation's industry dominance and brand strength, AMD prices the AMD-K6 microprocessor at least 25 percent below the published price of Intel processors offering comparable performance. Thus, Intel Corporation's decisions on processor prices can impact and has impacted the average selling prices of the AMD-K6 microprocessors, and consequently can impact and has impacted the Company's margins. As an extension of its dominant microprocessor market share, Intel also now dominates the PC platform, which has made it difficult for PC manufacturers to innovate and differentiate their product offerings. The Company does not have the financial resources to compete with Intel on such a large scale.

As Intel has expanded its dominance over the entirety of the PC system platform, many PC original equipment manufacturers (OEMs) have reduced their system development expenditures and have begun to purchase microprocessors in conjunction with core logic chipsets or in assembled motherboards. The trend has been for PC OEMs to be increasingly dependent on Intel, less innovative on their own, and more of a distribution channel for Intel technology. In marketing its microprocessors to these OEMs and dealers, AMD depends upon companies other than Intel for the design and manufacture of chipsets, motherboards, basic input/output system (BIOS) software and other components. In recent years, these third-party designers and manufacturers have lost significant market share to Intel. In addition, these companies are able to produce chipsets, motherboards, BIOS software and other components to support each new generation of Intel Corporation's microprocessors only if Intel makes information about its products available to them in time to address market opportunities. Delay in the availability of such information makes, and will continue to make, it increasingly difficult for them to retain or regain market share. To compete with Intel in this market in the future, the Company intends to continue to form closer relationships with third-party designers and manufacturers of chipsets, motherboards, BIOS software and other components. The Company similarly intends to expand its chipset and system design capabilities, and to offer OEMs licensed system designs incorporating the Company's processors and companion products. There can be no assurance, however, that such efforts by the Company will be successful.

#### VANTIS CORPORATION

In 1997, the Company transferred its operations relating to the design, development and marketing of programmable logic devices (excluding bipolar products) to a wholly owned subsidiary, Vantis Corporation (Vantis). Vantis does not fabricate any of the silicon wafers used in the production of its products. As a result, Vantis relies on the Company and others for manufacturing. In addition, Vantis relies on the Company for certain administrative and other services.

Vantis products (\$243 million, or 10 percent, of the Company's 1997 net sales) include both complex and simple, high performance CMOS (complimentary-metal-oxide-semiconductor) programmable logic devices (PLDs).

PLDs are standard products purchased by system manufacturers in an unprogrammed or "blank" state, which can be programmed by each system manufacturer to perform a variety of specific logic functions. Certain PLDs, including the Company's, are reprogrammable, which means that the logic configuration can be modified after the device is initially programmed, and, in many cases, while the PLD remains in the end-product system. PLDs are used by manufacturers of telecommunications and networking systems, computers and industrial and other electronic systems to reduce product development time and costs and to improve system performance and reliability.

Vantis has developed a broad product line of low-density and high-density PLD products, including simple programmable logic devices and complex programmable logic devices, and recently introduced its new line of field programmable gate arrays. PLDs are used in complex electronic systems, including telecommunications and networking systems, high-performance computers and peripherals, video graphics and imaging systems, and instrumentation and test systems. PLDs are also used in a variety of consumer electronic devices, and in medical instrumentation and industrial control applications.

Customers utilizing programmable logic devices generally use special software "fitters," usually provided by the suppliers of the programmable logic devices, that allow electrical circuit designs to be implemented using complex programmable logic devices. Vantis provides its PLD customers with software fitters which it licenses from third parties and is dependent upon third parties for continued development and maintenance of the software. The Company recently initiated efforts to internally manage and control the development and maintenance of software fitters for the Company's products. No assurance can be given that the Company's efforts to internally develop and maintain the software needed to sell and support its products will be successful. An inability of Vantis to continue to obtain appropriate software and improvements from third parties, to license alternative software from another third party, or to successfully develop and maintain its own software internally could materially adversely affect Vantis' business, including the timing of new or improved product introductions, which could have a material adverse effect on the Company.

#### RESEARCH AND DEVELOPMENT; MANUFACTURING TECHNOLOGY

The Company's expenses for research and development in 1997, 1996 and 1995 were \$468 million, \$401 million and \$417 million, respectively. Such expenses represented 20 percent, 21 percent and 17 percent of net sales in 1997, 1996 and 1995, respectively. The Company's research and development expenses are charged to operations as incurred. Most of the Company's research and development personnel are integrated into the engineering staff.

Manufacturing technology is the key determinant in the improvement in semiconductor products. Each new generation of process technology has resulted in products with higher speeds and greater performance produced at lower cost. AMD continues to make significant infrastructure investments to enable the Company to continue to achieve high volume, high reliability and low cost production using leading edge process technology.

The Company's efforts concerning process technologies are focused in three major areas: non-volatile memory technology used by Flash memory and EPROM products; logic technology used by the Company's microprocessors, embedded processors, I/O, networking and communications products; and programmable logic technology used in the Vantis programmable logic products. The Company's goals are to increase density and improve product performance, to reduce the access time for non-volatile memory products and to increase the clock speed for microprocessor products.

In order to remain competitive, the Company must make continuing substantial investments in improving its process technologies. In particular, the Company has made and continues to make significant research and development investments in the technologies and equipment used in the fabrication of its microprocessor

products and in the fabrication of Flash memory devices. If the Company is not successful in its microprocessor and Flash memory businesses, it will be unable to recover such investments, which could have a material adverse effect on the Company. In addition, any inability of the Company to remain competitive with respect to process technology could have a material adverse effect on the Company.

#### COMPETITION

The IC industry is intensely competitive and, historically, has experienced rapid technological advances in product and system technologies. After a product is introduced, prices normally decrease over time as production efficiency and competition increase, and as a successive generation of products is developed and introduced for sale. Technological advances in the industry result in frequent product introductions, regular price reductions, short product life cycles and increased product capabilities that may result in significant performance improvements. Competition in the sale of ICs is based on performance, product quality and reliability, price, adherence to industry standards, software and hardware compatibility, marketing and distribution capability, brand recognition, financial strength and ability to deliver in large volumes on a timely basis.

In each particular market in which it participates, the Company faces competition from different groups of companies. With respect to the Communications Group product lines, the Company's principal competitors are SGS Thomson, Texas Instruments, Siemens, NEC, LM Ericsson, Alcatel, National Semiconductor, 3Com, Intel and Motorola. With respect to the Memory Group, the Company's principal competitors are Intel, Sharp and Atmel. The Company competes to a lesser degree with Fujitsu Limited, its joint venture partner in FASL. With respect to microprocessors, Intel holds a dominant market position. In Vantis' market, the Company's principal competitors are Altera, Lattice Semiconductor, Xilinx and other smaller companies focused on programmable logic device development and production.

#### MANUFACTURING FACILITIES

The Company's current integrated circuit manufacturing facilities are described in the chart set forth below:

FACILITY LOCATION	WAFER SIZE (DIAMETER IN INCHES)	PRODUCTION TECHNOLOGY (IN MICRONS)	APPROX. CLEAN ROOM (SQUARE FOOTAGE)
Austin, TX			
Fab 25.....	8	0.25 & 0.35	89,700
Fab 15.....	6	0.7	22,000
Fab 14.....	6	0.8	22,000
Fab 10/1.....	5	0.9	22,000
Aizu-Wakamatsu, Japan			
FASL/2.....	8	0.35 & 0.5	70,000
FASL II.....	8	0.35	91,000
Sunnyvale, CA			
SDC.....	6 & 8	0.25	42,500

(1) Fab 10 will decrease production levels and close by the end of 1998.

(2) The Company owns 49.992 percent of FASL. Fujitsu owns 50.008 percent of FASL.

In the third quarter of 1997, FASL completed construction of the building for a second manufacturing facility in Aizu-Wakamatsu, Japan (FASL II) at a site contiguous to the existing FASL facility. In addition, the Company commenced construction in the second quarter of 1997 of a manufacturing facility in Dresden, Germany (Dresden Fab 30), through a wholly owned subsidiary of the Company. AMD also has foundry arrangements for the production of its products by third parties.

The Company's current assembly and test facilities are described in the chart set forth below:

FACILITY LOCATION -----	APPROX.	
	ASSEMBLY & TEST SQUARE FOOTAGE -----	ACTIVITY -----
Penang, Malaysia.....	377,000	Assembly & Test
Bangkok, Thailand.....	77,000	Assembly & Test
Singapore.....	62,500	Test

In addition to the assembly and test facilities described above, AMD has a 50-year land lease in Suzhou, China, and is constructing an additional assembly and test facility there. Foreign manufacturing and construction of foreign facilities entails political and economic risks, including political instability, expropriation, currency controls and fluctuations, changes in freight and interest rates, and loss or modification of exemptions for taxes and tariffs. For example, if AMD were unable to assemble and test its products abroad, or if air transportation between the United States and the Company's overseas facilities were disrupted, there could be a material adverse effect on the Company.

Certain Material Agreements. Set forth below are descriptions of certain material contractual relationships of the Company relating to FASL and the Company's Dresden Fab 30.

FASL. In 1993, the Company and Fujitsu Limited (Fujitsu) formed a joint venture, FASL, for the development and manufacture of non-volatile memory devices. Through FASL, the two companies have constructed and are operating an advanced integrated circuit manufacturing facility in Aizu-Wakamatsu, Japan, to produce Flash memory devices. The facility began volume production in the first quarter of 1995, and utilizes eight-inch wafer processing technologies capable of producing products with geometrics of 0.5 micron or smaller. Pursuant to the terms of the joint venture, the Company and Fujitsu have each agreed not to independently produce Flash memory devices with geometrics of 0.5 micron or smaller outside of the joint venture.

In the third quarter of 1997, FASL completed construction of the building for a second Flash memory device wafer fabrication facility, FASL II, at a site contiguous to the existing FASL facility. Equipment installation is in progress and the facility is expected to cost approximately \$1.1 billion when fully equipped, which is anticipated in the second quarter of 2000. Capital expenditures for FASL II construction to date have been funded by cash generated from FASL operations and borrowings by FASL. To the extent that FASL is unable to secure the necessary funds for FASL II, the Company may be required to contribute cash or guarantee third-party loans in proportion to its 49.992 percent interest in FASL. As of December 28, 1997, the Company had loan guarantees of \$48 million outstanding with respect to such loans. The planned FASL II costs are denominated in yen and are therefore subject to change due to foreign exchange rate fluctuations.

In connection with FASL, the Company and Fujitsu have entered into various joint development, cross-license and investment arrangements. Accordingly, the Company and Fujitsu are providing their product designs and process and manufacturing technologies to FASL. In addition, both companies are collaborating in developing manufacturing processes and designing integrated circuits for FASL. The right of each company to use the licensed intellectual property of the other with respect to certain products is limited to certain geographic areas. Consequently, the Company's ability to sell Flash memory products incorporating Fujitsu intellectual property, whether or not produced by FASL, is also limited in certain territories, including the United Kingdom and Japan. Fujitsu is likewise limited in its ability to sell Flash memory devices incorporating the Company's intellectual property, whether or not produced by FASL, in certain territories including the United States and Europe, other than the United Kingdom and Ireland.

Dresden Fab 30. AMD Saxony Manufacturing GmbH (AMD Saxony), an indirect wholly owned German subsidiary of the Company, is building a 900,000-square-foot submicron integrated circuit manufacturing and design facility in Dresden, in the State of Saxony, Germany over the next four years at a presently estimated cost of approximately \$1.9 billion. The Federal Republic of Germany and the State of Saxony have agreed to

support the project in the form of guarantees of bank debt, investment grants and subsidies and interest subsidies. In March 1997, AMD Saxony entered into a loan agreement (the Dresden Loan Agreement) with a consortium of banks led by Dresdner Bank AG. The plan for Dresden has been revised recently to reflect planned upgrades in wafer production technology as well as the decline in the deutsche mark relative to the U.S. dollar, which has increased the proportion of the project to be funded by the Company rather than the Federal Republic of Germany, the State of Saxony and the consortium of banks.

In connection with the Dresden Loan Agreement, as amended in February 1998, the Company has agreed to invest in AMD Saxony over the next two years equity and subordinated loans, and to guarantee a portion of AMD Saxony's obligations under the Dresden Loan Agreement until Dresden Fab 30 has been completed. In addition, after completion of Dresden Fab 30, the Company has agreed to make funds available to AMD Saxony if the subsidiary does not meet its fixed charge coverage ratio covenant. The Company has agreed to fund certain contingent obligations, including various obligations to fund project cost overruns, if any.

The Company commenced construction in the second quarter of 1997 and completed construction of the building shell for the plant and administration building at the end of 1997. The planned Dresden Fab 30 costs are denominated in deutsche marks and, are therefore subject to change due to foreign exchange rate fluctuations. The Company entered into foreign currency hedging transactions for Dresden Fab 30 during the first quarter of 1997 and anticipates entering into additional such foreign currency hedging transactions in the first quarter of 1998 and in the future.

#### MARKETING AND SALES

The Company's products are marketed and sold under the AMD trademark. AMD employs a direct sales force through its principal facilities in Sunnyvale, California, and field sales offices throughout the United States and abroad (primarily Europe and Asia Pacific). AMD also sells its products through third-party distributors and independent representatives in both domestic and international markets pursuant to nonexclusive agreements. The distributors also sell products manufactured by the Company's competitors, including those products for which AMD is an alternate source. One of the Company's distributors, Arrow Electronics, Inc., accounted for approximately 12 percent of 1997 net sales. No other distributor or OEM customer accounted for 10 percent or more of net sales in 1997.

Distributors typically maintain an inventory of the Company's products. Pursuant to the Company's agreements with distributors, in most instances AMD protects its distributors' inventory of the Company's products against price reductions, as well as products that are slow moving or have been discontinued. These agreements, which may be canceled by either party on a specified notice, generally contain a provision for the return of the Company's products in the event the agreement with the distributor is terminated. The market for the Company's products is generally characterized by, among other things, severe price competition, The price protection and return rights AMD offers to its distributors could materially adversely affect the Company if there is an unexpected significant decline in the price of the Company's products.

AMD derives a substantial portion of its revenues from its sales subsidiaries located in Europe and Asia Pacific. AMD subsidiaries have offices in Australia, Belgium, Brazil, Canada, China, Finland, France, Germany, Hong Kong, Italy, Japan, Korea, Singapore, Sweden, Switzerland, Taiwan and the United Kingdom. (See Note 11 of Notes to Consolidated Financial Statements.) The international sales force also works with independent sales representatives and distributors who sell the Company's products worldwide, including countries where AMD has sales subsidiaries. The Company's international sales operations entail political and economic risks, including expropriation, currency controls, exchange rate fluctuations, changes in freight rates, and changes in rates and exemptions for taxes and tariffs.

#### RAW MATERIALS

Certain raw materials used by the Company in the manufacture of its products are available from a limited number of suppliers. For example, several types of the integrated circuit packages purchased by AMD, as well

as by the majority of other companies in the semiconductor industry, are principally supplied by a few foreign companies. Shortages could occur in various essential materials due to interruption of supply or increased demand in the industry. If AMD were unable to procure certain of such materials, it would be required to reduce its manufacturing operations which could have a material adverse effect on the Company. To date, AMD has not experienced significant difficulty in obtaining necessary raw materials.

#### ENVIRONMENTAL REGULATIONS

The failure to comply with present or future governmental regulations related to the use, storage, handling, discharge or disposal of toxic, volatile or otherwise hazardous chemicals used in the manufacturing process could result in fines being imposed on the Company, suspension of production, alteration of the Company's manufacturing processes or cessation of operations. Such regulations could require the Company to acquire expensive remediation equipment or to incur other expenses to comply with environmental regulations. Any failure by the Company to control the use, disposal or storage of, or adequately restrict the discharge of, hazardous substances could subject the Company to future liabilities and could have a material adverse effect on the Company.

#### INTELLECTUAL PROPERTY AND LICENSING

AMD and its subsidiaries have been granted over 1,400 United States patents, and over 2,000 patent applications are pending in the United States. In certain cases, the Company has filed corresponding applications in foreign jurisdictions. The Company expects to file future patent applications in both the United States and abroad on significant inventions as it deems appropriate.

In January of 1995, the Company and Intel reached an agreement to settle all previously outstanding legal disputes between the two companies. As part of the settlement, in December 1995, the Company signed a five-year, comprehensive cross-license agreement with Intel which expires on December 31, 2000. The agreement provides that after December 20, 1999, the parties will negotiate in good faith a patent cross-license agreement to be effective January 1, 2001. The cross-license agreement gives the Company and Intel the right to use each others' patents and certain copyrights, including copyrights to the x86 instruction sets but excluding other microprocessor microcode copyrights beyond the Intel 486 processor code. The cross-license is royalty-bearing for the Company's products that use certain Intel technologies. The Company is required to pay Intel minimum non-refundable royalties during the years 1997 through 2000.

In addition, AMD has entered into numerous cross-licensing and technology exchange agreements with other companies under which it both transfers and receives technology and intellectual property rights. Although the Company attempts to protect its intellectual property rights through patents, copyrights, trade secrets and other measures, there can be no assurance that the Company will be able to protect its technology or other intellectual property adequately or that competitors will not be able to develop similar technology independently. There can be no assurance that any patent applications that the Company may file will be issued or that foreign intellectual property laws will protect the Company's intellectual property rights. There can be no assurance that any patent licensed by or issued to the Company will not be challenged, invalidated or circumvented, or that the rights granted thereunder will provide competitive advantages to the Company. Furthermore, there can be no assurance that others will not independently develop similar products, duplicate the Company's products or design around the Company's patents and other rights.

From time to time, AMD has been notified that it may be infringing intellectual property rights of others. If any such claims are asserted against the Company, the Company may seek to obtain a license under the third party's intellectual property rights. The Company could decide, in the alternative, to resort to litigation to challenge such claims. Such challenges could be extremely expensive and time-consuming and could materially adversely affect the Company. No assurance can be given that all necessary licenses can be obtained on satisfactory terms, or that litigation may always be avoided or successfully concluded.



## BACKLOG

AMD manufactures and markets standard lines of products. Consequently, a significant portion of its sales are made from inventory on a current basis. Sales are made primarily pursuant to purchase orders for current delivery, or agreements covering purchases over a period of time, which are frequently subject to revision and cancellation without penalty. Generally, in light of current industry practice and experience, AMD does not believe that such agreements provide meaningful backlog figures or are necessarily indicative of actual sales for any succeeding period.

## EMPLOYEES

On January 25, 1998, AMD and its subsidiaries employed approximately 12,800 employees, none of whom are represented by collective bargaining arrangements. The Company believes that its relationship with its employees is generally good.

## ITEM 2. PROPERTIES

The Company's principal engineering, manufacturing, warehouse and administrative facilities comprise approximately 3.33 million square feet and are located in Sunnyvale, California and Austin, Texas. Over 2.26 million square feet of this space is in buildings owned by the Company.

The Company leases property containing two buildings with an aggregate of approximately 360,000 square feet, located on 45.6 acres of land in Sunnyvale, California (One AMD Place). These leases provide the Company with an option to purchase One AMD Place for \$40 million during the lease term. The lease term ends in December 1998. At the end of the lease term, the Company is obligated to either purchase One AMD Place or to arrange for its sale to a third party with a guarantee of residual value to the seller equal to the option purchase price. Alternatively, the Company may seek to renegotiate the terms of the lease. In 1993, the Company entered into a lease agreement for approximately 175,000 square feet located adjacent to One AMD Place (known as AMD Square) to be used by the product groups as engineering offices and laboratory facilities. In addition, the Company entered into lease agreements for approximately 83,950 square feet, also located adjacent to One AMD Place (known as the Vantis Facility). A portion of AMD Square was allocated to Vantis in 1995 and is currently used as its corporate headquarters. Vantis is expected to relocate to the Vantis Facility in the first half of 1998.

The Company also owns or leases facilities containing approximately 805,000 square feet for its operations in Malaysia, Thailand and Singapore. The Company leases approximately 15 acres of land in Suzhou, China. In 1996, the Company acquired approximately 103 acres of land in Dresden, Germany. Dresden Fab 30 is encumbered by a lien securing borrowings of AMD Saxony. Fab 25 is encumbered by a lien securing the Company's \$400 million Senior Secured Notes and its \$400 million syndicated bank loan agreement.

AMD leases 28 sales offices in North America, 9 sales offices in Asia Pacific, 12 sales offices in Europe and one sales office in South America for its direct sales force. These offices are located in cities in major electronics markets where concentrations of the Company's customers are located.

Leases covering the Company's facilities expire over terms of generally one to twenty years. The Company currently does not anticipate significant difficulty in either retaining occupancy of any of its facilities through lease renewals prior to expiration or through month-to-month occupancy, or replacing them with equivalent facilities.

## ITEM 3. LEGAL PROCEEDINGS

1. Environmental Matters. Since 1981, the Company has discovered, investigated and begun remediation of three sites where releases from underground chemical tanks at its facilities in Santa Clara County, California, adversely affected the groundwater. The chemicals released into the groundwater were commonly in use in the semiconductor industry in the wafer fabrication process prior to 1979. At least one of the released chemicals (which is no longer used by the Company) has been identified as a probable carcinogen.

In 1991, the Company received four Final Site Clean-up Requirements Orders from the California Regional Water Quality Control Board, San Francisco Bay Region relating to the three sites. One of the orders named the Company as well as TRW Microwave, Inc. and Philips Semiconductors Corporation. Another of the orders named the Company as well as National Semiconductor Corporation.

The three sites in Santa Clara County are on the National Priorities List (Superfund). If the Company fails to satisfy federal compliance requirements or inadequately performs the compliance measures, the government (a) can bring an action to enforce compliance, or (b) can undertake the desired response actions itself and later bring an action to recover its costs, and penalties, which is up to three times the costs of clean-up activities, if appropriate. With regard to certain claims related to this matter the statute of limitations has been tolled.

The Company has computed and recorded the estimated environmental liability in accordance with applicable accounting rules and has not recorded any potential insurance recoveries in determining the estimated costs of the cleanup. The amount of environmental charges to earnings has not been material during any of the last three fiscal years. The Company believes that the potential liability, if any, in excess of amounts already accrued with respect to the foregoing environmental matters will not have a material adverse effect on the financial condition or results of operations of the Company.

2. *McDaid v. Sanders, et al.* (Case No. C-95-20750-JW, N.D. Cal.); *Kozlowski, et al. v. Sanders, et al.* (Case No. C-95-20829-JW, N.D. Cal.). The McDaid complaint was filed November 3, 1995 and the Kozlowski complaint was filed November 15, 1995. Both actions allege violations of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, against the Company and certain individual officers and directors (the Individual Defendants), and purportedly were filed on behalf of all persons who purchased or otherwise acquired common stock of the Company during the period April 11, 1995 through September 25, 1995. The complaints seek damages allegedly caused by alleged materially misleading statements and/or material omissions by the Company and the Individual Defendants regarding the Company's development of its K5 microprocessor, which statements and omissions, the plaintiffs claim, allegedly operated to inflate artificially the price paid for the Company's common stock during the period. The complaints also allege that Company statements regarding its K6 and K7 series microprocessors were materially misleading. The complaints seek compensatory damages in an amount to be proven at trial, fees and costs, and extraordinary equitable and/or injunctive relief. The Court has consolidated both actions into one. Defendants filed answers in the consolidated action in May 1996. The trial is scheduled to commence on January 11, 1999. Based upon information presently known to management, the Company does not believe that the ultimate resolution of this lawsuit will have a material adverse effect on the financial condition or results of operations of the Company.

3. *Advanced Micro Devices, Inc. v. Altera Corporation* (Case No. C-94-20567-RMW, N. D. Cal.). This litigation, which began in 1994, involves multiple claims and counterclaims for patent infringement relating to the Company's and Altera Corporation's programmable logic devices. In a trial held in May of 1996, a jury found that at least five of the eight AMD patents-in-suit were licensed to Altera. As a result of the bench trial held on August 11 and 13, 1997, the Court held that Altera is licensed to the three remaining AMD patents-in-suit (U.S. Patent Nos. 5,015,884; 5,225,719; and 5,151,623). Seven patents were asserted by Altera in its counterclaim against the Company. The Court determined that AMD is licensed to five of the seven patents and two remain in suit. Altera filed a motion to recover attorneys' fees on November 17, 1997. The Company then filed, and the Court granted, a motion to stay determination of the attorney's fees motion until resolution of its appeal. The Company has filed an appeal of the rulings of the jury and Court determinations that Altera is licensed to each of the Company's eight patents-in-suit. Based upon information presently known to management, the Company does not believe that the ultimate resolution of this lawsuit will have a material adverse effect on the financial condition or results of operations of the Company.

4. *Other Matters.* The Company is a defendant or plaintiff in various other actions which arose in the normal course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the financial condition or results of operations of the Company.

#### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

## PART II

## ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's common stock (symbol AMD) is listed on the New York Stock Exchange. The following table sets forth the high and low sales prices of the Company's common stock for each quarter within the two most recent fiscal years:

	DEC. 28, 1997	SEPT. 28, 1997	JUNE 29, 1997	MAR. 30, 1997	DEC. 29, 1996	SEPT. 29, 1996	JUNE 30, 1996	MAR. 31, 1996
Common stock market price range								
High.....	\$ 32.75	\$ 42.50	\$ 45.00	\$ 47.38	\$ 28.38	\$ 16.25	\$ 19.88	\$ 21.25
Low.....	\$ 17.56	\$ 31.25	\$ 35.50	\$ 25.75	\$ 14.13	\$ 10.25	\$ 12.88	\$ 16.13

The Company has never paid cash dividends on common stock and has no present plans to do so. The number of stockholders of record at January 31, 1998 was 10,190. During 1997, there were no sales by the Company of its equity securities which were not registered under the Securities Act of 1933.

## ITEM 6. SELECTED FINANCIAL DATA

The consolidated financial data set forth below for each of the years in the five-year period ended December 28, 1997 are derived from the consolidated financial statements that have been audited by Ernst & Young LLP, independent auditors. The selected financial data set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's consolidated financial statements and the notes thereto included herein.

	FIVE YEARS ENDED DECEMBER 28, 1997				
	1997	1996	1995	1994	1993
	(THOUSANDS EXCEPT PER SHARE AMOUNTS)				
NET SALES.....	\$2,356,375	\$1,953,019	\$2,468,379	\$2,155,453	\$1,648,280
Expenses:					
Cost of sales.....	1,578,438	1,440,828	1,417,007	1,013,589	789,564
Research and development.....	467,877	400,703	416,521	295,326	279,412
Marketing, general and administrative.....	400,713	364,798	412,651	377,503	296,912
	2,447,028	2,206,329	2,246,179	1,686,418	1,365,888
Operating income (loss).....	(90,653)	(253,310)	222,200	469,035	282,392
Litigation settlement.....	--	--	--	(58,000)	--
Interest income and other, net.....	35,097	59,391	32,465	17,134	16,931
Interest expense.....	(45,276)	(14,837)	(3,059)	(4,410)	(4,398)
Income (loss) before income taxes and equity in joint venture.....	(100,832)	(208,756)	251,606	423,759	294,925
Provision (benefit) for income taxes.....	(55,155)	(85,008)	70,206	142,232	85,935
Income (loss) before equity in joint venture.....	(45,677)	(123,748)	181,400	281,527	208,990
Equity in net income (loss) of joint venture.....	24,587	54,798	34,926	(10,585)	(634)
NET INCOME (LOSS).....	(21,090)	(68,950)	216,326	270,942	208,356
Preferred stock dividends.....	--	--	10	10,350	10,350
NET INCOME (LOSS) APPLICABLE TO COMMON					

STOCKHOLDERS.....	\$ (21,090)	\$ (68,950)	\$ 216,316	\$ 260,592	\$ 198,006
NET INCOME (LOSS) PER COMMON SHARE					
Basic	\$ (0.15)	\$ (0.51)	\$ 1.69	\$ 2.22	\$ 1.75
Diluted.....	\$ (0.15)	\$ (0.51)	\$ 1.57	\$ 2.03	\$ 1.64
Shares used in per share calculation:					
Basic.....	140,453	135,126	127,680	117,597	113,159
Diluted.....	140,453	135,126	137,698	133,674	126,925
Long-term debt and capital lease obligations less current portion.....	\$ 662,689	\$ 444,830	\$ 214,965	\$75,752	\$90,066
Total assets.....	\$3,515,271	\$3,145,283	\$3,078,467	\$2,525,721	\$1,944,953

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

The statements in this Management's Discussion and Analysis of Financial Condition and Results of Operations that are forward-looking are based on current expectations and beliefs and involve numerous risks and uncertainties that could cause actual results to differ materially. The forward-looking statements relate to operating results; anticipated cash flows; realization of net deferred tax assets; capital expenditures; adequacy of resources to fund operations and capital investments; the Company's ability to access external sources of capital; the Company's ability to transition to new process technologies; anticipated market growth; year 2000 expenses; the effect of foreign currency hedging transactions; the effect of adverse economic conditions in Asia; and the Dresden Fab 30 and FASL manufacturing facilities. See Financial Condition and Risk Factors below, as well as such other risks and uncertainties as are detailed in the Company's Securities and Exchange Commission reports and filings for a discussion of the factors that could cause actual results to differ materially from the forward-looking statements.

The following discussion should be read in conjunction with the included Consolidated Financial Statements and Notes thereto at December 28, 1997 and December 29, 1996 and for each of the three years in the period ended December 28, 1997.

RESULTS OF OPERATIONS

AMD participates in all three segments of the digital IC market--memory circuits, logic circuits and microprocessors--through, collectively, its Memory Group, its Communications Group, its Computation Products Group (CPG) and Vantis. During 1996, the Company's business groups were reorganized. Results for all periods have been reclassified to conform to the current presentation. Memory Group products include Flash memory devices and EPROM devices. Communications Group products include telecommunication products, networking and I/O products, and embedded processors. CPG products include microprocessors and core logic products. Vantis products are complex and simple, high performance CMOS PLDs.

The following is a summary of the net sales of the Memory Group, Communications Group, CPG and Vantis for 1997, 1996 and 1995:

	1997	1996	1995
	-----	-----	-----
	(MILLIONS)		
Memory Group.....	\$ 724	\$ 698	\$ 701
Communications Group.....	707	666	733
CPG.....	682	341	778
Vantis.....	243	248	256
	-----	-----	-----
Total.....	\$2,356	\$1,953	\$2,468
	=====	=====	=====

RECENT AND ANTICIPATED RESULTS OF OPERATIONS

In the fourth quarter of 1997, revenues were approximately \$613 million and the net loss was approximately \$12 million. The Company expects revenues in the first quarter of 1998 to decline significantly, and the net loss to increase significantly as compared to the fourth quarter of 1997.

REVENUE COMPARISON OF YEARS ENDED DECEMBER 28, 1997 AND DECEMBER 29, 1996

1997 net sales of \$2.4 billion increased approximately 21 percent from 1996.

Memory Group net sales increased as substantial Flash memory device unit growth more than offset average selling price declines. EPROM product net sales decreased due to a decline in both the average selling price and unit shipments. In 1997, the Company's Flash memory devices saw increasing competition which resulted in prices falling significantly.

Communications Group net sales increased primarily due to increased unit shipments of the Company's telecommunication products. This increase was partially offset by a decline in the average selling price of network products.

CPG net sales doubled largely due to sales of AMD-K6 microprocessors, which became available at the end of the first quarter of 1997. This sales growth was partially offset by decreased sales of earlier generations of microprocessors. These earlier generations of product represented most of the Company's microprocessor sales in 1996. CPG sales growth in 1998 is dependent on a successful transition to the 0.25 micron process technology in Fab 25 in order to meet customer microprocessor needs for performance and volume.

Vantis net sales decreased due to declines in the average selling price of both SPLDs and CPLDs. These decreases were partially offset by increases in unit shipments of both CPLDs and SPLDs.

REVENUE COMPARISON OF YEARS ENDED DECEMBER 29, 1996 AND DECEMBER 31, 1995

Memory Group net sales were relatively flat. In 1996, the market for the Company's Flash memory devices saw increasing competition, resulting in falling prices which offset the substantial increase in unit shipments.

Communications Group net sales decreased in 1996, primarily due to a decline in unit shipments of logic products and secondarily due to a decline in the average selling prices of network products. These decreases were partially offset by increases in unit shipments of telecommunication products.

The decline in CPG sales was due to increased market acceptance of higher performance fifth-generation microprocessors from Intel Corporation (Intel), coupled with the Company's delay in introducing competitive fifth-generation microprocessors. The Company's fifth-generation microprocessor, the AMD-K5 microprocessor, was introduced relatively late in the life cycle of fifth-generation products.

Vantis net sales decreased in 1996 due to lower unit shipments. The Company believes this decrease was caused by decreased market demand in the simple programmable logic market.

COMPARISON OF EXPENSES, GROSS MARGIN PERCENTAGE AND INTEREST INCOME AND OTHER, NET

The following is a summary of expenses, gross margin percentage and interest income and other, net for 1997, 1996 and 1995:

	1997	1996	1995
	-----	-----	-----
	(MILLIONS EXCEPT FOR GROSS MARGIN PERCENTAGE)		
Cost of sales.....	\$ 1,578	\$ 1,441	\$ 1,417
Gross margin percentage.....	33%	26%	43%
Research and development.....	\$ 468	\$ 401	\$ 417
Marketing, general and administrative.....	401	365	413
Interest income and other, net.....	35	59	32
Interest expense.....	45	15	3

Gross margin percentage in 1997 increased primarily due to increased sales in microprocessors manufactured in Fab 25, resulting in the 21 percent increase in sales despite relatively disappointing yields on the AMD-K6 microprocessor. The decline in gross margin in 1996 was primarily due to lower sales, underutilization of Fab 25, and increased purchases by the Company of Flash memory devices from its manufacturing joint venture with Fujitsu Limited, Fujitsu AMD Semiconductor Limited (FASL), at contract prices that were higher than the costs of similar products manufactured internally. The Company expects almost all purchases of Flash memory devices in the future will be from FASL.

Research and development expenses increased in 1997 due to a higher proportion of research and development activities in the Submicron Development Center, primarily to support CPG and the Memory Group. The decrease from 1995 to 1996 was due to the commencement of production at Fab 25 in the third quarter of 1995, when Fab 25 costs transitioned from research and development to cost of sales.

Marketing, general and administrative expenses increased in 1997, primarily due to higher advertising and marketing expenses associated with the introduction of the AMD-K6 microprocessor. Additionally, business systems expenses increased due to new system installation and system upgrade expenses. The decrease from 1995 to 1996 was primarily due to the cessation of expenses associated with products from NexGen, which the Company no longer offers, coupled with effective expense controls.

Interest income and other, net decreased in 1997 due to realized gains in 1996 of approximately \$41 million from equity securities sales, which were partially offset by higher interest income in 1997 as a result of higher cash balances. The increase from 1995 to 1996 was due to realized gains of approximately \$41 million from equity securities sold during 1996, which were partially offset by lower interest income as a result of lower cash balances and lower interest rates during 1996. Interest expense increased in all cases due to increasing debt balances, including the Company's \$400 million Senior Secured Notes sold in August 1996 and the \$250 million four-year secured term loan entered into in January 1997. The 1997 increase is partially offset by higher capitalized interest related to the second phase of construction of Fab 25 and construction of Dresden Fab 30.

#### INCOME TAX

The Company recorded tax benefits of \$55 million and \$85 million in 1997 and 1996, respectively, resulting in an effective tax benefit rate of approximately 55 percent and 41 percent in 1997 and 1996, respectively. The income tax rate was approximately 28 percent for 1995. The higher tax benefit rate in 1997 is attributable to higher state tax benefits and increased relative foreign tax benefits. Realization of the Company's net deferred tax assets (\$64 million at December 28, 1997) is dependent on future taxable income. While the Company believes that it is more likely than not that such assets will be realized, other factors, including those mentioned in the discussion of Risk Factors, may impact the ultimate realization of such assets.

#### OTHER ITEMS

International sales were 57, 53 and 56 percent of total sales in 1997, 1996 and 1995, respectively. During 1997, approximately 12 percent of the Company's net sales were denominated in foreign currencies. The Company does not have sales denominated in local currencies in those countries which have highly inflationary economies. (A highly inflationary economy is defined in accordance with the Statement of Financial Accounting Standards No. 52 as one in which the cumulative inflation over a three-year consecutive period approximates 100 percent or more.) While, to date, the impact on sales of the economic crisis in Asia has been immaterial, the Company has recently experienced slightly lower than expected demand in Asia, primarily in its telecommunication products. The impact on the Company's operating results from changes in foreign currency rates individually and in the aggregate has not been material.

#### FINANCIAL CONDITION

Cash flow from operating activities was approximately \$399 million in 1997, compared to \$89 million and \$545 million in 1996 and 1995, respectively. Net operating cash flows in 1997 increased year over year due to a reduction in net loss of \$48 million combined with increases in non-cash adjustments to net loss of \$143 million and an increase in the net change in operating assets and liabilities of \$119 million. The increased non-cash adjustments resulted primarily from increased depreciation and amortization, a reduction in net gain on the sale of available-for-sale securities and a reduction in undistributed income of joint venture. The increase in the net change in operating assets and liabilities resulted from an increase in payables and recovery of tax refund receivables offset in part by increases in accounts receivable, prepaid expenses and inventories.

Investing activities consumed \$633 million in cash during 1997, substantially all of which consisted of capital expenditures, compared to \$276 million and \$706 million in 1996 and 1995, respectively. Capital expenditures totaled \$685 million in 1997, up from \$485 million in 1996, as the Company continued to invest in property, plant and equipment primarily for Fab 25 and Dresden Fab 30. Capital expenditures in 1996 were offset by net proceeds from the sale of short-term investments of approximately \$207 million. Investing activities in

1995 included primarily capital expenditures of \$626 million combined with net purchases of short-term investments of \$67 million and investment in joint venture of \$18 million.

The Company's financing activities provided cash of \$309 million in 1997, compared to \$227 million and \$202 million in 1996 and 1995, respectively. Financing sources of cash primarily included borrowings from a \$250 million four-year secured term loan in 1997, the sale of \$400 million of Senior Secured Notes in 1996 (the Senior Secured Notes) and borrowings from a \$150 million four-year term loan in 1995. The above sources were offset by the debt repayments of \$80 million, \$253 million and \$143 million in 1997, 1996 and 1995, respectively. Financing activities for all years presented include issuance of common stock under employee stock plans, as well as \$66 million in 1995 from the issuance of stock in NexGen in connection with its initial public offering.

The Company plans to continue to make significant capital investments, at a significantly higher rate than in previous years. These investments include those relating to the conversion of Fab 25 to 0.25 micron process technology and the construction and facilitization of Dresden Fab 30.

Dresden Fab 30 is being constructed by AMD Saxony, an indirect wholly owned German subsidiary of the Company. This 900,000-square-foot submicron integrated circuit manufacturing and design facility is to be completed over the next four years at a present estimated cost of approximately \$1.9 billion. The Federal Republic of Germany and the State of Saxony have agreed to support the project in the form of guarantees of bank debt, investment grants and subsidies and interest subsidies, all of which are denominated in deutsche marks. In March 1997, AMD Saxony entered into a Loan Agreement (the Dresden Loan Agreement), also denominated in deutsche marks, with a consortium of banks led by Dresdner Bank AG. The plan for Dresden has been revised recently to reflect planned upgrades in wafer production technology as well as the decline in the deutsche mark relative to the U.S. dollar, which has increased the proportion of the project to be funded by the Company rather than the Federal Republic of Germany, the State of Saxony and the consortium of banks. The Company entered into foreign currency hedging transactions for Dresden Fab 30 during the first quarter of 1997 and anticipates entering into additional such foreign currency hedging transactions in the first quarter of 1998 and in the future.

In connection with the Dresden Loan Agreement, as amended in February 1998, the Company has agreed to invest in AMD Saxony over the next two years equity and subordinated loans, and to guarantee a portion of AMD Saxony's obligations under the Dresden Loan Agreement until Dresden Fab 30 has been completed. In addition, after completion of Dresden Fab 30, the Company has agreed to make funds available to AMD Saxony if the subsidiary does not meet its fixed charge coverage ratio covenant. The Company has also agreed to fund certain contingent obligations, including various obligations to fund project cost overruns, if any.

In addition to the Company's activities in Dresden, the FASL joint venture completed construction of the building for a second Flash memory device wafer fabrication facility, FASL II, in the third quarter of 1997 at a site contiguous to the existing FASL facility in Aizu-Wakamatsu, Japan. Equipment installation is in progress and the facility is expected to cost approximately \$1.1 billion when fully equipped, which is anticipated in the second quarter of 2000. Capital expenditures for FASL II construction to date have been funded by cash generated from FASL operations and borrowings by FASL. To the extent that FASL is unable to secure the necessary funds for FASL II, the Company may be required to contribute cash or guarantee third-party loans in proportion to its 49.992 percent interest in FASL. At December 28, 1997 AMD had loan guarantees of \$48 million outstanding with respect to such loans. The planned FASL II costs are denominated in yen and are therefore subject to change due to foreign exchange rate fluctuations.

In 1996, the Company entered into a syndicated bank loan agreement (the Credit Agreement), which provided for a \$150 million three-year secured revolving line of credit (which is currently unused) and a \$250 million four-year secured term loan. All of the secured term loan is outstanding at December 28, 1997. The secured loan is repayable in eight equal quarterly installments of approximately \$31 million commencing in



October 1998. As of December 28, 1997, the Company also had available unsecured uncommitted bank lines of credit in the amount of \$67 million, of which \$7 million was outstanding.

In February 1998, certain of the covenants under the Credit Agreement were amended. The Company will be required to raise funds through external financing in the second quarter of 1998 in order to meet certain of these amended covenants and to continue to make the substantial capital investments required to convert Fab 25 to 0.25 micron process technology, as well as for other ongoing capital investments. The Company has filed a shelf registration statement for the offering of debt or equity securities under the Securities Act of 1933, as amended.

Under the terms of the February 1998 amendments to the Dresden Loan Agreement, the Company is also required to make subordinated loans to, or equity investments in, AMD Saxony, totaling \$100 million in 1998 and \$170 million in 1999. AMD is required to fund \$70 million of the 1999 amount on an accelerated basis as follows: (i) if the Company undertakes a sale or other placement of its stock in the capital markets in 1998, the \$70 million will be funded upon receipt of the offering proceeds; (ii) if the Company generates \$140 million of net income (as defined in the Indenture for the Senior Secured Notes) in 1998, the \$70 million will be funded prior to January 31, 1999; (iii) if the Company does not fund through (i) or (ii) above, the Company will fund the maximum amount allowed under the Indenture for the Senior Secured Notes by January 31, 1999 and will fund the remaining amount through the sale of at least \$200 million of the Company's stock by June 30, 1999.

In the event the Company is unable to obtain the external financing necessary to meet its covenants under the Credit Agreement, it will also be unable to fund its capital investments planned for 1998. In addition, in the event the Company is unable to meet its obligation to make loans to, or equity investments in, AMD Saxony as required under the Dresden Loan Agreement, AMD Saxony will be unable to complete Dresden Fab 30 and the Company will be in default under the Dresden Loan Agreement, the Credit Agreement and the Indenture, which would permit acceleration of indebtedness, which would have a material adverse effect on the Company. There can be no assurance that the Company will be able to obtain the funds necessary to fulfill these obligations and any such failure would have a material adverse effect on the Company.

The Company believes that cash flows from operations and current cash balances, together with external financing activities during 1998, will be sufficient to fund operations and capital investments currently planned through 1998.

#### RISK FACTORS

The Company's business, results of operations and financial condition are subject to a number of risk factors, including the following:

##### Financing Requirements

The Company plans to continue to make significant capital investments, at a significantly higher rate than in previous years. These investments include those relating to the conversion of Fab 25 to 0.25 micron process technology and the construction and facilitization of Dresden Fab 30.

The Company also plans to continue to make investments in FASL. The FASL joint venture completed construction of the building for a second Flash memory device wafer fabrication facility, FASL II, in the third quarter of 1997 at a site contiguous to the existing FASL facility in Aizu-Wakamatsu, Japan. Equipment installation is in progress and the facility is expected to cost approximately \$1.1 billion when fully equipped, which is anticipated in the second quarter of 2000. Capital expenditures for FASL II construction to date have been funded by cash generated from FASL operations and borrowings by FASL. To the extent that FASL is unable to secure the necessary funds for FASL II, the Company may be required to contribute cash or guarantee third-party loans in proportion to its 49.992 percent interest in FASL. At December 28, 1997, AMD had loan guarantees of \$48 million outstanding with respect to such loans.

In 1996, the Company entered into a syndicated bank loan agreement (the Credit Agreement), which provided for a \$150 million three-year secured revolving line of credit (which is currently unused) and a \$250 million four-year secured term loan. All of the secured term loan is outstanding at December 28, 1997. The secured loan is repayable in eight equal quarterly installments of approximately \$31 million commencing in October 1998.

In February 1998, certain of the covenants under the Credit Agreement were amended. The Company will be required to raise funds through external financing in the second quarter of 1998 in order to meet certain of these amended covenants and to continue to make the substantial capital investments required to convert Fab 25 to 0.25 micron process technology, as well as for other ongoing capital investments.

In March 1997, the Company's indirect wholly owned subsidiary, AMD Saxony, entered into a Loan Agreement (the Dresden Loan Agreement) with a consortium of banks led by Dresdner Bank AG. Under the terms of the February 1998 amendments to the Dresden Loan Agreement, the Company is required to make subordinated loans to, or equity investments in, AMD Saxony, totaling \$100 million in 1998 and \$170 million in 1999. AMD is required to fund \$70 million of the 1999 amount on an accelerated basis as follows: (i) if the Company undertakes a sale or other placement of its stock in the capital markets in 1998, the \$70 million will be funded upon receipt of the offering proceeds; (ii) if the Company generates \$140 million of net income (as defined in the Indenture for the Senior Secured Notes) in 1998, the \$70 million will be funded prior to January 31, 1999; (iii) if the Company does not fund through (i) or (ii) above, the Company will fund the maximum amount allowed under the Indenture for the Senior Secured Notes by January 31, 1999 and will fund the remaining amount through the sale of at least \$200 million of the Company's stock by June 30, 1999.

In the event the Company is unable to obtain the external financing necessary to meet its covenants under the Credit Agreement, it will also be unable to fund its capital investments planned for 1998. In addition, in the event the Company is unable to meet its obligation to make loans to, or equity investments in, AMD Saxony as required under the Dresden Loan Agreement, AMD Saxony will be unable to complete Dresden Fab 30 and the Company will be in default under the Dresden Loan Agreement, the Credit Agreement and the Indenture, which would permit acceleration of indebtedness, which would have a material adverse effect on the Company. There can be no assurance that the Company will be able to obtain the funds necessary to fulfill these obligations and any such failure would have a material adverse effect on the Company.

#### Microprocessor Products

Investment in and Dependence on K86 AMD Microprocessor Products; Transition to 0.25 Micron Process. The Company's microprocessor business has in the past, and will in 1998, continue to significantly impact the Company's revenues, margins and operating results. The Company plans to continue to make significant capital expenditures to support the microprocessor business in 1998, which will be a substantial drain on the Company's cash flow and cash balances.

The Company's ability to increase microprocessor product revenues, and benefit fully from the substantial financial investments and commitments it has made and continues to make related to microprocessors, depends upon the success of the AMD-K6 microprocessor in 1998 and future generations of K86 microprocessors in 1999 and beyond. The microprocessor market is characterized by very short product life cycles and migration to ever higher performance microprocessors. To compete successfully against Intel Corporation in this market, the Company must transition to new process technologies at a faster pace than before and offer higher performance microprocessors in significantly greater volumes. The Company has recently experienced significant difficulty in achieving its microprocessor yield and volume plans on 0.35 micron process technology, which in turn has adversely affected the Company's results of operations and liquidity. The Company has determined that it must convert from 0.35 micron to 0.25 micron process technology in Fab 25 as soon as possible in order to meet customer microprocessor needs for performance and volume, and to compete successfully against Intel. The Company's process technology transition schedule is aggressive and entails a high degree of risk. The Company's 0.25 micron process technology, while successfully put into production in the Company's Submicron Development Center in Sunnyvale, California, has not been qualified in Fab 25. There can be no assurance that the Company will execute a successful transition to 0.25 micron process technology in Fab 25, or that the

Company will achieve the production ramp necessary to meet customer needs for higher performance AMD-K6 microprocessors in the volumes customers require, or that the Company will increase revenues sufficient to achieve profitability in the microprocessor business. The failure to convert Fab 25 to 0.25 micron process technology on a timely basis could adversely affect unit production yields and volumes, result in the failure to meet customer demands, cause customers to cease purchasing AMD-K6 microprocessors, and could impact the viability of the Company's microprocessor business, any of which would have a material adverse effect on the Company.

The Company's production and sales plans for the AMD-K6 microprocessors are subject to other risks and uncertainties, including: whether the Company can successfully fabricate higher performance AMD-K6 processors in planned volume mixes; whether it can significantly improve production yields on wafers still being processed on 0.35 micron process technology; the effects of Intel new product introductions, marketing strategies and pricing; the continued development of worldwide market acceptance for the AMD-K6 processor and systems based on it; whether the Company will have the financial and other resources necessary to continue to invest in the microprocessor business, including leading-edge wafer fabrication equipment and advanced process technologies; the possibility that products newly introduced by the Company may be found to be defective; possible adverse market conditions in the personal computer market and consequent diminished demand for the Company's processors; and unexpected interruptions in the Company's manufacturing operations.

In view of Intel Corporation's industry dominance and brand strength, AMD prices the AMD-K6 microprocessor at least 25 percent below the published price of Intel processors offering comparable performance. Thus, Intel Corporation's decisions on processor prices can impact and has impacted the average selling prices of the AMD-K6 microprocessors, and consequently can impact and has impacted the Company's margins. A failure to significantly improve production yields and volumes, achieve the production ramp and product performance improvements necessary to meet customer needs, continue to achieve market acceptance of the Company's AMD-K6 microprocessors and increase market share, or to increase AMD-K6 revenues substantially would have a material adverse effect on the Company.

AMD is also devoting substantial resources to the development of its seventh-generation Microsoft Windows compatible microprocessor. The success of the AMD-K7 and future generation microprocessors depends greatly on the Company achieving success and increasing market share with the AMD-K6 processor. See also discussions below regarding Intel Dominance and Process Technology.

Intel Dominance. Intel has long held a dominant position in the market for microprocessors used in personal computers. Intel Corporation's dominant market position enables it to set and control x86 microprocessor standards and thus dictate the type of product the market requires of Intel Corporation's competitors. In addition, Intel Corporation's financial strength and dominant position enable it to vary prices on its microprocessors at will and thereby affect the margins and profitability of its competitors. Intel Corporation's strength also enables it to exert substantial influence and control over PC manufacturers through the Intel Inside advertising rebate program and to invest hundreds of millions of dollars in, and as a result exert influence over, many other technology companies. The Company expects Intel to continue to invest heavily in research and development, new manufacturing facilities, other technology companies and to maintain its dominant position through the Intel Inside program, through other contractual constraints on customers, industry suppliers and other third parties, and by controlling industry standards. As an extension of its dominant microprocessor market share, Intel also now dominates the PC platform, which has made it difficult for PC manufacturers to innovate and differentiate their product offerings. The Company does not have the financial resources to compete with Intel on such a large scale. As long as Intel remains in this dominant position, its product introduction schedule, product pricing strategy, customer brand loyalty and control over industry standards, PC manufacturers and other PC industry participants, may have a material adverse effect on the Company.

As Intel has expanded its dominance over the entirety of the PC system platform, many PC manufacturers have reduced their system development expenditures and have begun to purchase microprocessors in conjunction

with chipsets or in assembled motherboards. The trend has been for PC OEMs to be increasingly dependent on Intel, less innovative on their own, and more of a distribution channel for Intel technology. In marketing its microprocessors to these OEMs and dealers, AMD depends upon companies other than Intel for the design and manufacture of core-logic chipsets, motherboards, basic input/output system (BIOS) software and other components. In recent years, these third-party designers and manufacturers have lost significant market share to Intel. In addition, these companies are able to produce chipsets, motherboards, BIOS software and other components to support each new generation of Intel Corporation's microprocessors only if Intel makes information about its products available to them in time to address market opportunities. Delay in the availability of such information makes and will continue to make it increasingly difficult for them to retain or regain market share. To compete with Intel in this market in the future, the Company intends to continue to form closer relationships with third-party designers and manufacturers of core-logic chipsets, motherboards, BIOS software and other components. The Company similarly intends to expand its chipset and system design capabilities, and to offer OEMs licensed system designs incorporating the Company's processors and companion products. There can be no assurance, however, that such efforts by the Company will be successful. The Company expects that, as Intel introduces future generations of microprocessors, chipsets and motherboards, the design of chipsets, memory and other semiconductor devices, and higher level board products which support Intel microprocessors, will become increasingly dependent on the Intel microprocessor design and may become incompatible with non-Intel processor-based PC systems.

Intel Corporation's Pentium II is sold only in the form of a "Slot 1" daughtercard that is not physically or interface protocol compatible with "Socket 7" motherboards currently used with Intel Pentium and AMD-K6 processors. Thus, Intel is decreasing its support of the Socket 7 infrastructure as it transitions away from its Pentium processors. Because the AMD-K6 microprocessor is designed to be Socket 7 compatible, and will not work with motherboards designed for Slot 1 Pentium II processors, the Company intends to continue to work with third-party designers and manufacturers of motherboards, chipsets and other products to assure the continued availability of Socket 7 infrastructure support for the AMD-K6 microprocessor, including support for enhancements and features the Company plans to add to the processor. There can be no assurance that Socket 7 infrastructure support for the AMD-K6 microprocessor will endure over time as Intel moves the market to its Slot 1 designs. AMD has no plans to develop microprocessors that are bus interface protocol compatible with the Pentium II processors, because the Company's patent cross-license agreement with Intel does not extend to AMD processors that are bus interface protocol compatible with Intel Corporation's Pentium Pro, Pentium II and subsequent generation processors. Similarly, the Company's ability to compete with Intel in the market for seventh-generation and future generation microprocessors will depend not only upon its success in designing and developing the microprocessors, but also in ensuring either that the microprocessors can be used in PC platforms designed to support Intel microprocessors as well as AMD microprocessors or that alternative platforms are available which are competitive with those used with Intel processors. A failure for any reason of the designers and producers of motherboards, chipsets and other system components to support the Company's x86 microprocessor offerings could have a material adverse effect on the Company.

Dependence on Microsoft and Compatibility Certifications. The Company's ability to innovate beyond the x86 instruction set controlled by Intel depends on support from Microsoft in its operating systems. There can be no assurance that Microsoft will provide support in its operating systems for x86 instructions innovated by the Company and designed into its processors but not used by Intel in its processors. This uncertainty may cause independent software providers to forego designing their software applications to take advantage of AMD innovations, which would adversely affect the Company's ability to market its processors. In addition, AMD has obtained Windows, Windows 95 and Windows NT certifications from Microsoft and other appropriate certifications from recognized testing organizations for its K86 microprocessors. A failure to maintain certifications from Microsoft would prevent the Company from describing and labeling its K86 microprocessors as Microsoft Windows compatible. This could substantially impair the Company's ability to market the products and could have a material adverse effect on the Company.

Fluctuations in PC Market. Since most of the Company's microprocessor products are used in personal computers and related peripherals, the Company's future growth is closely tied to the performance of the PC

industry. The Company could be materially and adversely affected by industry-wide fluctuations in the PC marketplace in the future. For example, economic conditions in Asia could lead to reduced worldwide demand for PCs and the Company's processors.

Possible Rights of Others. Prior to its acquisition by AMD, NexGen granted limited manufacturing rights regarding certain of its current and future microprocessors, including the Nx586(TM) and Nx686(TM), to other companies. The Company does not intend to produce any NexGen products. The Company believes that its AMD-K6 microprocessors are AMD products and not NexGen products. There can be no assurance that another company will not seek to establish rights with respect to the microprocessors. If another company were deemed to have rights to produce the Company's AMD-K6 microprocessors for its own use or for sale to third parties, such production could reduce the potential market for microprocessor products produced by AMD, the profit margin achievable with respect to such products, or both.

#### Flash Memory Products

Importance of Flash Memory Device Business; Increasing Competition. The market for Flash memory devices continues to experience increased competition as additional manufacturers introduce competitive products and industry-wide production capacity increases. The Company expects that the marketplace for Flash memory devices will continue to be increasingly competitive. A substantial portion of the Company's revenues is derived from sales of Flash memory devices, and the Company expects that this will continue to be the case for the foreseeable future. During 1996 and 1997, the Company experienced declines in the selling prices of Flash memory devices. There can be no assurance that the Company will be able to maintain its market share in Flash memory devices or that price declines may not accelerate as the market develops and as more competitors emerge. A decline in the Company's Flash memory device business or declines in the gross margin percentage in this business could have a material adverse effect on the Company.

#### Manufacturing

Capacity. The Company's manufacturing facilities have been underutilized from time to time as a result of reduced demand for certain of the Company's products. The Company's operations related to microprocessors have been particularly affected by this situation. Any future underutilization of the Company's manufacturing facilities could have a material adverse effect on the Company. The Company is increasing its manufacturing capacity by making significant capital investments in Fab 25 and in Dresden Fab 30. In addition, the building construction of FASL II, a second Flash memory device manufacturing facility, is complete and equipment installation is in progress. The Company is also building a new test and assembly facility in Suzhou, China. There can be no assurance that the industry projections for future growth upon which the Company is basing its strategy of increasing its manufacturing capacity will prove to be accurate. If demand for the Company's products does not increase, underutilization of the Company's manufacturing facilities will likely occur and could have a material adverse effect on the Company.

In contrast to the above, there also have been situations in the past in which the Company's manufacturing facilities were inadequate to enable the Company to meet demand for certain of its products. In addition to having its own fabrication facilities, AMD has foundry arrangements for the production of its products by third parties. Any inability of AMD to generate sufficient manufacturing capacities to meet demand, either in its own facilities or through foundry or similar arrangements with others, could have a material adverse effect on the Company.

Process Technology. Manufacturers of integrated circuits constantly seek to improve the process technologies used to manufacture their products. In order to remain competitive, the Company must make continuing substantial investments in improving its process technologies. In particular, the Company has made and continues to make significant research and development investments in the technologies and equipment used to fabricate its microprocessor products and its Flash memory devices. Portions of these investments might not be recoverable if the Company fails to successfully ramp production in Fab 25 to 0.25 micron process technology, if the Company's microprocessors fail to continue to gain market acceptance or if the market for its

Flash memory products should significantly deteriorate. This could have a material adverse effect on the Company. In addition, any inability of the Company to remain competitive with respect to process technology could have a material adverse effect on the Company. For example, the Company's ability to generate sufficient revenue to achieve profitability in the microprocessor business in the near future and the Company's success in competing with Intel, and producing higher performance AMD-K6 microprocessors in volumes sufficient to increase market share depends on the timely development and qualification of 0.25 micron process technology in Fab 25. There can be no assurance that the Company will be able to commit Fab 25 production to a qualified 0.25 micron process technology in order to fabricate product in sufficient volume to generate revenue necessary to offset investments in Fab 25 and meet the anticipated needs and demands of its customers. Likewise, the Company is making a substantial investment in Dresden Fab 30. The business plan for Dresden Fab 30 calls for the successful development and installation of 0.18 micron process technology and copper interconnect technology in order to manufacture the AMD-K7 microprocessor beginning in 1999. There can be no assurance that the Company will be able to develop or obtain the leading edge process technologies that will be required in Dresden Fab 30 to fabricate the AMD-K7 microprocessor successfully.

**Manufacturing Interruptions and Yields.** Any substantial interruption with respect to any of the Company's manufacturing operations, either as a result of a labor dispute, equipment failure or other cause, could have a material adverse effect on the Company. For example, the Company's recent results have been negatively affected by disappointing AMD-K6 microprocessor yields. The Company may in the future be materially adversely affected by fluctuations in manufacturing yields. The manufacture of integrated circuits is a complex process. Normal manufacturing risks include errors and interruptions in the fabrication process and defects in raw materials, as well as other risks, all of which can affect yields. Additional manufacturing risks incurred in ramping up new fabrication areas and/or new manufacturing processes include errors and interruptions in the fabrication process, equipment performance, process controls as well as other risks, all of which can affect yields.

**Product Incompatibility.** While AMD submits its products to rigorous internal and external testing, there can be no assurance that the Company's products will be compatible with all industry-standard software and hardware. Any inability of the Company's customers to achieve such compatibility or compatibility with other software or hardware after the Company's products are shipped in volume could have a material adverse effect on the Company. There can be no assurance that AMD will be successful in correcting any such compatibility problems that are discovered or that such corrections will be acceptable to customers or made in a timely manner. In addition, the mere announcement of an incompatibility problem relating to the Company's products could have a material adverse effect on the Company.

**Product Defects.** One or more of the Company's products may possibly be found to be defective after AMD has already shipped such products in volume, requiring a product replacement, recall, or a software fix which would cure such defect but impede performance. Product returns could impose substantial costs on AMD and have a material adverse effect on the Company.

**Essential Manufacturing Materials.** Certain raw materials used by the Company in the manufacture of its products are available from a limited number of suppliers. For example, several types of the integrated circuit packages purchased by AMD, as well as by the majority of other companies in the semiconductor industry, are principally supplied by a few foreign companies. Shortages could occur in various essential materials due to interruption of supply or increased demand in the industry. If AMD were unable to procure certain of such materials, it would be required to reduce its manufacturing operations which could have a material adverse effect on the Company. To date, AMD has not experienced significant difficulty in obtaining necessary raw materials.

**International Manufacturing and Foundries.** Nearly all product assembly and final testing of the Company's products are performed at the Company's manufacturing facilities in Penang, Malaysia; Bangkok, Thailand; and Singapore; or by subcontractors in Asia. AMD has a 50-year land lease in Suzhou, China, to be used for the construction and operation of an additional assembly and test facility. The Company also depends on foreign foundry suppliers and joint ventures for the manufacture of a portion of its finished silicon wafers.

Foreign manufacturing and construction of foreign facilities entails political and economic risks, including political instability, expropriation, currency controls and fluctuations, changes in freight and interest rates, and loss or modification of exemptions for taxes and tariffs. For example, if AMD were unable to assemble and test its products abroad, or if air transportation between the United States and the Company's overseas facilities were disrupted, there could be a material adverse effect on the Company.

#### OTHER RISK FACTORS

**Debt Restrictions.** The Credit Agreement and the Indenture for the Senior Secured Notes contain significant covenants that limit the Company's and its subsidiaries' ability to engage in various transactions and require satisfaction of specified financial performance criteria. In addition, the occurrence of certain events (including, without limitation, failure to comply with the foregoing covenants, material inaccuracies of representations and warranties, certain defaults under or acceleration of other indebtedness and events of bankruptcy or insolvency) would, in certain cases after notice and grace periods, constitute events of default permitting acceleration of indebtedness. The limitations imposed by the Credit Agreement and the Indenture are substantial, and failure to comply with such limitations could have a material adverse effect on the Company.

In addition, the agreements entered into by AMD Saxony in connection with the Dresden Fab 30 loan substantially prohibit the transfer of assets from AMD Saxony to the Company, which will prevent the Company from using current or future assets of AMD Saxony other than to satisfy obligations of AMD Saxony.

**Programmable Logic Software Risks.** Historically, the Company's programmable logic subsidiary, Vantis, has depended on third parties to develop and maintain software "fitters" that allow electrical circuit designs to be implemented using Vantis' complex programmable logic devices. Currently, Vantis has contracted with MINC, Inc. (MINC), a vendor of complex programmable logic device software development tools, to develop and maintain software fitters for Vantis' products. If MINC were to stop developing and maintaining software fitters for Vantis' products, or if the software developed by MINC was subject to delays, errors or "bugs," and Vantis was not able to internally develop and maintain such software fitters, then Vantis would need to find another vendor for such services. No assurance can be given that Vantis would be able to locate additional software development tool vendors with the available capacity and technology necessary for the development and maintenance of software fitter tools, or, if an additional vendor or vendors were identified, that Vantis would be able to enter into contracts with such vendors on terms acceptable to Vantis. Any interruption in the MINC services, or Vantis' inability to find an acceptable alternative vendor for software services in a timely manner, could have a material adverse effect on Vantis.

Vantis recently initiated efforts to manage and control the development and maintenance of software fitters for Vantis' products internally. Undertaking significant software development projects is a new effort for Vantis and is subject to many risks, including risks of delays, errors and "bugs," and customer resistance to change. If Vantis' internally-developed software is not available as scheduled or fails to gain market acceptance, Vantis would need to contract on acceptable terms with vendors having the available capacity and technology to develop and maintain such software. No assurance can be given that Vantis' efforts to internally develop and maintain the software needed to sell and support its products will be successful. Any inability of Vantis to successfully develop and maintain software internally in a cost-effective manner could have a material adverse effect on Vantis.

**Vantis' Dependence on Effective Deployment and Management of Newly-Created FAE Staff.** Vantis' major competitors each have a well established network of field application engineers (FAEs). In comparison, Vantis has only recently created its own network of FAEs in order to support its products more effectively and to enhance customer satisfaction with those products. FAEs service larger customer accounts by consulting with customers on specific product issues and providing feedback to Vantis as to customer needs. The future success of Vantis may be affected by its ability to deploy and manage such FAEs and to continue to attract and retain qualified technical personnel to fill these positions. Currently, availability of such qualified technical personnel is limited, and competition among companies for experienced FAEs is intense. During strong business cycles,

Vantis expects to experience difficulty in filling its needs for FAEs. No assurance can be given that Vantis will be able to effectively deploy or manage its new network of FAEs, and the failure to do so could delay or limit customer acceptance of Vantis products and otherwise have a material adverse effect on Vantis.

Recent Introduction of Vantis' FPGA Products. In January of 1998, Vantis introduced its first field programmable gate array (FPGA) products, which it intends to sell under the VF1 name beginning in the second half of 1998. The market for FPGAs is highly competitive. The design, marketing and sale of FPGA products is subject to many risks, including risks of delays, errors, and customer resistance to change. Vantis does not anticipate significant sales of the VF1 family of products until 1999 at the earliest, and no assurance can be given that its VF1 FPGA products will be available as scheduled or will gain market acceptance. Inadequate forecasts of customer demand, delays in responding to technological advances or to limitations of the VF1 FPGA products, and delays in commencing volume shipments of the VF1 FPGA products each could have a material adverse effect on Vantis. Failure to compete successfully in this highly competitive FPGA market would restrict Vantis' ability to offer high performance products across all major segments of the PLD market and could have a material adverse effect on Vantis.

Technological Change and Industry Standards. The market for the Company's products is generally characterized by rapid technological developments, evolving industry standards, changes in customer requirements, frequent new product introductions and enhancements, short product life cycles and severe price competition. Currently accepted industry standards may change. The Company's success depends substantially upon its ability, on a cost-effective and timely basis, to continue to enhance its existing products and to develop and introduce new products that take advantage of technological advances and adhere to evolving industry standards. An unexpected change in one or more of the technologies related to its products, in market demand for products based on a particular technology or of accepted industry standards could have a material adverse effect on the Company. There can be no assurance that AMD will be able to develop new products in a timely and satisfactory manner to address new industry standards and technological changes, or to respond to new product announcements by others, or that any such new products will achieve market acceptance.

Competition. The IC industry is intensely competitive and, historically, has experienced rapid technological advances in product and system technologies. After a product is introduced, prices normally decrease over time as production efficiency and competition increase, and as a successive generation of products is developed and introduced for sale. Technological advances in the industry result in frequent product introductions, regular price reductions, short product life cycles and increased product capabilities that may result in significant performance improvements. Competition in the sale of ICs is based on performance, product quality and reliability, price, adherence to industry standards, software and hardware compatibility, marketing and distribution capability, brand recognition, financial strength and ability to deliver in large volumes on a timely basis.

Fluctuations in Operating Results. The Company's operating results are subject to substantial quarterly and annual fluctuations due to a variety of factors, including the effects of competition with Intel in the microprocessor industry, competitive pricing pressures, anticipated decreases in unit average selling prices of the Company's products, production capacity levels and fluctuations in manufacturing yields, availability and cost of products from the Company's suppliers, the gain or loss of significant customers, new product introductions by AMD or its competitors, changes in the mix of products produced and sold and in the mix of sales by distribution channels, market acceptance of new or enhanced versions of the Company's products, seasonal customer demand, the timing of significant orders and the timing and extent of product development costs. In addition, operating results could be adversely affected by general economic and other conditions causing a downturn in the market for semiconductor devices, or otherwise affecting the timing of customer orders or causing order cancellations or rescheduling. The Company's customers may change delivery schedules or cancel orders without significant penalty. Many of the factors listed above are outside of the Company's control. These factors are difficult to forecast, and these or other factors could materially adversely affect the Company's quarterly or annual operating results.



Order Revision and Cancellation Policies. AMD manufactures and markets standard lines of products. Sales are made primarily pursuant to purchase orders for current delivery, or agreements covering purchases over a period of time, which are frequently subject to revision and cancellation without penalty. As a result, AMD must commit resources to the production of products without having received advance purchase commitments from customers. Any inability to sell products to which it had devoted significant resources could have a material adverse effect on the Company. Furthermore, the failure to successfully ramp production to 0.25 micron process technology in Feb 25 and to increase production levels could cause existing demand to abate from current levels, which would have a material adverse effect on the Company. Distributors typically maintain an inventory of the Company's products. Pursuant to the Company's agreements with distributors, in most instances AMD protects its distributors' inventory of the Company's products against price reductions, as well as products that are slow moving or have been discontinued. These agreements, which may be canceled by either party on a specified notice, generally contain a provision for the return of the Company's products in the event the agreement with the distributor is terminated. The market for the Company's products is generally characterized by, among other things, severe price competition. The price protection and return rights AMD offers to its distributors could materially adversely affect the Company if there is an unexpected significant decline in the price of the Company's products.

Key Personnel. The Company's future success depends upon the continued service of numerous key engineering, manufacturing, sales and executive personnel. There can be no assurance that AMD will be able to continue to attract and retain qualified personnel necessary for the development and manufacture of its products. Loss of the service of, or failure to recruit, key engineering design personnel could be significantly detrimental to the Company's product development programs or otherwise have a material adverse effect on the Company.

Intellectual Property Rights; Potential Litigation. Although the Company attempts to protect its intellectual property rights through patents, copyrights, trade secrets, trademarks and other measures, there can be no assurance that the Company will be able to protect its technology or other intellectual property adequately or that competitors will not be able to develop similar technology independently. There can be no assurance that any patent applications that the Company may file will be issued or that foreign intellectual property laws will protect the Company's intellectual property rights. There can be no assurance that any patent licensed by or issued to the Company will not be challenged, invalidated or circumvented or that the rights granted thereunder will provide competitive advantages to the Company. Furthermore, there can be no assurance that others will not independently develop similar products, duplicate the Company's products or design around the Company's patents and other rights.

From time to time, AMD has been notified that it may be infringing intellectual property rights of others. If any such claims are asserted against the Company, the Company may seek to obtain a license under the third party's intellectual property rights. AMD could decide, in the alternative, to resort to litigation to challenge such claims. Such challenges could be extremely expensive and time-consuming and could materially adversely affect the Company. No assurance can be given that all necessary licenses can be obtained on satisfactory terms, or that litigation may always be avoided or successfully concluded.

Environmental Regulations. The failure to comply with present or future governmental regulations related to the use, storage, handling, discharge or disposal of toxic, volatile or otherwise hazardous chemicals used in the manufacturing process could result in fines being imposed on the Company, suspension of production, alteration of the Company's manufacturing processes or cessation of operations. Such regulations could require the Company to acquire expensive remediation equipment or to incur other expenses to comply with environmental regulations. Any failure by the Company to control the use, disposal or storage of, or adequately restrict the discharge of, hazardous substances could subject the Company to future liabilities and could have a material adverse effect on the Company.

International Sales. AMD derives a substantial portion of its revenues from its sales subsidiaries located in Europe and Asia Pacific. The Company's international sales operations entail political and economic risks,

including expropriation, currency controls, exchange rate fluctuations, changes in freight rates and changes in rates for taxes and tariffs. For example, there is currently an economic crisis in Asia.

Domestic and International Economic Conditions. The Company's business is subject to general economic conditions, both in the United States and abroad. A significant decline in economic conditions in any significant geographic area could have a material adverse effect on the Company. The further decline of the economic condition in Asia could in the future affect demand for microprocessors and other integrated circuits, which could have an adverse effect on the Company's sales and operating results.

Volatility of Stock Price; Ability to Access Capital. Based on the trading history of its stock, AMD believes factors such as quarterly fluctuations in the Company's financial results, announcements of new products and/or pricing by AMD or its competitors, the pace of new product manufacturing ramps, production yields of key products and general conditions in the semiconductor industry have caused and are likely to continue to cause the market price of AMD common stock to fluctuate substantially. In addition, an actual or anticipated shortfall in revenue, gross margins or earnings from securities analysts' expectations could have an immediate effect on the trading price of AMD common stock in any given period. Technology company stocks in general have experienced extreme price and volume fluctuations that often have been unrelated to the operating performance of the companies. This market volatility may adversely affect the market price of the Company's common stock and consequently limit the Company's ability to raise capital or to make acquisitions. The Company's current business plan envisions substantial cash outlays requiring external capital financing. There can be no assurances that capital and/or long-term financing will be available on terms favorable to the Company or in sufficient amounts to enable the Company to implement its current plan.

Earthquake Danger. The Company's corporate headquarters, a portion of its manufacturing facilities, assembly and research and development activities and certain other critical business operations are located near major earthquake fault lines. The Company could be materially adversely affected in the event of a major earthquake.

Impact of Year 2000. The "Year 2000 Issue" is the result of computer programs being written using two digits rather than four to define the applicable year. If the Company's computer programs with date-sensitive functions are not Year 2000 compliant, they may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a system failure or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions, send invoices, or engage in similar normal business activities.

The Company will be required to modify or replace significant portions of its software so that its computer systems will function properly with respect to dates in the year 2000 and thereafter. The Company presently believes that with modifications to existing software and conversions to new software, the Year 2000 Issue will not pose significant operational problems for its computer systems. However, if such modifications and conversions are not made, or are not completed timely, the Year 2000 Issue could have a material impact on the operations of the Company. The Company will use both internal and external resources to reprogram or replace and test the software for Year 2000 modifications.

The Company has a plan to formally communicate with all of its significant suppliers and/or subcontractors to determine the extent to which the Company's interface systems are vulnerable to those third parties' failure to remediate their own Year 2000 Issues. The Company does not currently have any information concerning the Year 2000 compliance status of its customers. In the event that any of the Company's significant customers and suppliers do not successfully and timely achieve Year 2000 compliance, the Company's business or operations could be adversely affected. There can be no assurance that the systems of other companies on which the Company's systems rely will be timely converted and would not have an adverse effect on the Company's systems. The Company is currently assessing its exposure to contingencies related to the Year 2000 Issue for the products it has sold; however, it does not expect these to have a material impact on the operations of the Company.

The Company anticipates completing the Year 2000 project by the first quarter of 1999, which is prior to any anticipated impact on its operating systems. This date is contingent upon the timeliness and accuracy of software upgrades from vendors, adequacy and quality of resources available to work on completion of the project and any other factors. The total expense of the Year 2000 project is estimated at \$10 million, which is not material to the Company's business operations or financial condition. The expenses of the Year 2000 project are being funded through operating cash flows.

The costs of the project and the date on which the Company believes it will complete the Year 2000 modifications are based on management's best estimates, which were derived utilizing numerous assumptions of future events, including the continued availability of certain resources, third-party modification plans and other factors. There can be no assurance that these estimates will be achieved and actual results could differ materially from those anticipated.

#### ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

##### INTEREST RATE RISK

The Company's exposure to market risk for changes in interest rates relates primarily to the Company's investment portfolio and long-term debt obligations. The Company does not use derivative financial instruments in its investment portfolio. The Company places its investments with high credit quality issuers and, by policy, limits the amount of credit exposure to any one issuer. As stated in its policy, the Company is averse to principal loss and ensures the safety and preservation of its invested funds by limiting default risk, market risk, and reinvestment risk.

The Company mitigates default risk by investing in only the highest credit quality securities and by constantly positioning its portfolio to respond appropriately to a significant reduction in a credit rating of any investment issuer or guarantor. The portfolio includes only marketable securities with active secondary or resale markets to ensure portfolio liquidity.

The Company has no cash flow exposure due to rate changes for its \$400 million Senior Secured Notes. It does have cash flow exposure on its \$250 million bank term loan due to its variable LIBOR pricing. The Company primarily enters into debt obligations to support general corporate purposes including capital expenditures and working capital needs.

From time to time, the Company enters into interest rate swaps primarily to reduce its interest rate exposure by changing a portion of the Company's interest rate exposure from floating to fixed rate. There were no interest rate swaps outstanding at the end of fiscal 1997.

The table below presents principal (or notional) amounts and related weighted-average interest rates by year of maturity for the Company's investment portfolio and debt obligations.

	1998	1999	2000	2001	2002	THEREAFTER	TOTAL	FAIR VALUE
	-----	-----	-----	-----	-----	-----	-----	-----
<b>Assets</b>								
<b>Cash Equivalents</b>								
Fixed rate.....	\$ 37,761	--	--	--	--	--	\$ 37,761	\$ 37,696
Average rate.....	5.64%	--	--	--	--	--	5.64%	--
<b>Short-term Investments</b>								
Fixed rate.....	\$164,538	--	--	--	--	--	\$164,538	\$165,174
Average rate.....	5.71%	--	--	--	--	--	5.71%	--
Variable rate.....	\$ 61,200	--	--	--	--	--	\$ 61,200	\$ 61,200
Average rate.....	6.04%	--	--	--	--	--	6.04%	--
<b>Long-term Investments</b>								
Equity investments.....	--	\$ 6,161	--	--	--	--	\$ 6,161	\$ 7,428
Fixed rate.....	--	\$ 1,997	--	--	--	--	\$ 1,997	\$ 2,092
Average rate.....	--	5.88%	--	--	--	--	5.88%	--
<b>Total Investments</b>								
Securities.....	\$263,499	\$ 8,158	--	--	--	--	\$271,657	\$273,590
Average rate.....	5.80%	5.88%	--	--	--	--	5.80%	--
<b>Long-term Debt</b>								
Fixed rate.....	\$ 5,926	\$ 1,370	\$ 1,537	\$167	\$184	\$400,872	\$410,056	\$440,554
Average rate.....	7.15%	7.18%	7.17%	9.88%	9.88%	10.98%	10.91%	--
Variable rate.....	\$ 31,250	\$125,000	\$93,750	--	--	--	\$250,000	\$221,548
Average rate.....	7.56%	7.56%	7.56%	--	--	--	7.56%	--

#### FOREIGN EXCHANGE RISK

From time to time, the Company enters into foreign exchange forward and option contracts to reduce its exposure to currency fluctuations on its net monetary assets position in its foreign subsidiaries, liabilities for products purchased from FASL, fixed asset purchase commitments and subordinated loan obligations to AMD Saxony. The objective of these contracts is to minimize the impact of foreign currency exchange rate movements on the Company's operating results and on the cost of capital asset acquisitions. The Company's accounting policy for these instruments is based on the Company's designation of such instruments as hedging transactions. The Company does not use derivative financial instruments for speculative or trading purposes. The Company had \$49 million (notional amount) of short-term foreign exchange forward contracts denominated in yen, deutsche mark, lira, French franc, pound sterling and Dutch guilder. The Company also had \$150 million in call options outstanding to hedge its future loan or equity obligations to AMD Saxony. Gains and losses related to these instruments at December 28, 1997 were not material. The Company does not anticipate any material adverse effect on its consolidated financial position, results of operations, or cash flows resulting from the use of these instruments in the future. There can be no assurance that these strategies will be effective or that transaction losses can be minimized or forecasted accurately.

The following table provides information about the Company's foreign exchange forward contracts and purchased call options at December 28, 1997.

DECEMBER 28, 1997			
NOTIONAL AMOUNT		AVERAGE CONTRACT RATE	ESTIMATED FAIR VALUE
IN THOUSANDS, EXCEPT CONTRACT RATES			
Foreign Currency Forward Exchange Contracts:			
Dutch Guilders.....	\$ 27,861	2.01	\$ 238
Japanese Yen.....	9,688	129.41	76
Italian Lira.....	6,323	1739.00	2
French Francs.....	2,110	5.94	(1)
Deutsche Marks.....	1,695	1.77	--
Pound Sterling.....	823	1.65	(6)
	-----		-----
	\$ 48,500		\$ 309
Purchased Call Options:			
Deutsche Marks.....	\$ 150,000	1.45	369

The following table presents outstanding option contracts expiring in 1998 and 1999. The Company has no outstanding option contracts expiring later than 1999. All of the Company's foreign currency forward contracts mature within the next twelve months.

NOTIONAL AMOUNT BY EXPECTED MATURITY  
AVERAGE STRIKE PRICE (FOREIGN CURRENCY/USD)

(DOLLARS IN THOUSANDS)	1998	1999	TOTAL
-----	-----	-----	-----
Option Contracts to Purchase Foreign Currencies for US\$			
Deutsche Marks			
Notional Amount.....	\$75,000	\$75,000	\$150,000
Average Contract Rate.....	1.45	1.45	

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Company's consolidated financial statements required by this item are set forth on pages F-2 through F-27.

SUPPLEMENTARY FINANCIAL DATA

1997 AND 1996 BY QUARTER  
(UNAUDITED)

	DEC. 28, 1997	SEPT. 28, 1997	JUNE 29, 1997	MAR. 30, 1997	DEC. 29, 1996	SEPT. 29, 1996	JUNE 30, 1996	MAR. 31, 1996
	(THOUSANDS EXCEPT PER SHARE AMOUNTS)							
Net sales.....	\$613,171	\$596,644	\$594,561	\$551,999	\$496,868	\$456,862	\$ 455,077	\$544,212
Expenses:								
Cost of sales.....	428,856	428,240	372,266	349,076	354,622	337,692	379,779	368,735
Research and development.....	127,031	125,917	110,021	104,908	107,499	105,656	92,768	94,780
Marketing, general and administrative.....	102,296	100,915	102,983	94,519	88,292	90,432	83,063	103,011
	658,183	655,072	585,270	548,503	550,413	533,780	555,610	566,526
Operating income (loss).	(45,012)	(58,428)	9,291	3,496	(53,545)	(76,918)	(100,533)	(22,314)
Interest income and other, net.....	6,525	5,532	9,718	13,322	4,079	4,214	23,039	28,059
Interest expense.....	(11,757)	(14,151)	(9,958)	(9,410)	(7,601)	(3,443)	(1,812)	(1,981)
Income (loss) before income taxes and equity in joint venture.....	(50,244)	(67,047)	9,051	7,408	(57,067)	(76,147)	(79,306)	3,764
Provision (benefit) for income taxes.....	(29,861)	(30,072)	2,630	2,148	(22,826)	(30,459)	(31,723)	--
Income (loss) before equity in joint venture.....	(20,383)	(36,975)	6,421	5,260	(34,241)	(45,688)	(47,583)	3,764
Equity in net income of joint venture.....	8,049	5,300	3,547	7,691	12,998	7,326	12,911	21,563
NET INCOME (LOSS) APPLICABLE TO COMMON STOCKHOLDERS.....	\$ (12,334)	\$ (31,675)	\$ 9,968	\$ 12,951	\$ (21,243)	\$ (38,362)	\$ (34,672)	\$ 25,327
NET INCOME (LOSS) PER COMMON SHARE								
Basic.....	\$ (0.09)	\$ (0.22)	\$ 0.07	\$ 0.09	\$ (0.15)	\$ (0.28)	\$ (0.26)	\$ 0.19
Diluted.....	\$ (0.09)	\$ (0.22)	\$ 0.07	\$ 0.09	\$ (0.15)	\$ (0.28)	\$ (0.26)	\$ 0.18
Shares used in per share calculation								
Basic.....	141,889	141,055	140,255	138,616	137,102	135,487	134,687	133,229
Diluted.....	141,889	141,055	147,919	146,758	137,102	135,487	134,687	138,399

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

## PART III

## ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

## EXECUTIVE OFFICERS AND DIRECTORS OF THE REGISTRANT

NAME ----	POSITION -----
W. J. Sanders III.....	Chairman of the Board and Chief Executive Officer
Richard Previte.....	Director, President and Chief Operating Officer and Member of the Office of the CEO
S. Atiq Raza.....	Director, Executive Vice President, Chief Technical Officer and Member of the Office of the CEO
Eugene D. Conner.....	Executive Vice President, Operations and Member of the Office of the CEO
Marvin D. Burkett.....	Senior Vice President, Chief Financial and Administrative Officer and Treasurer
William T. Siegle.....	Senior Vice President, Technology Development and Wafer Fabrication Operations and Chief Scientist
Stanley Winvick.....	Senior Vice President, Human Resources
Stephen J. Zelencik.....	Senior Vice President and Chief Marketing Executive
Thomas M. McCoy.....	Vice President, General Counsel and Secretary
Dr. Friedrich Baur.....	Director
Charles M. Blalack.....	Director
Dr. R. Gene Brown.....	Director
Joe L. Roby.....	Director
Dr. Leonard M. Silverman.....	Director

W.J. Sanders III--Mr. Sanders, 61, is Chairman of the Board and Chief Executive Officer of Advanced Micro Devices, Inc. Mr. Sanders co-founded the Company in 1969. He is also a director of Donaldson, Lufkin & Jenrette, Inc., the parent company of Donaldson, Lufkin & Jenrette Securities Corporation.

Richard Previte--Mr. Previte, 63, is President, Chief Operating Officer and Member of the Office of the CEO of Advanced Micro Devices, Inc. Prior to his election as President in 1990, Mr. Previte served as Executive Vice President and Chief Operating Officer from 1989 to 1990, Chief Financial Officer and Treasurer of the Company from shortly after its founding in 1969 until 1989, and Chief Administrative Officer and Secretary of the Company from 1986 to 1989.

S. Atiq Raza--Mr. Raza, 49, is Executive Vice President, Chief Technical Officer and Member of the Office of the CEO of Advanced Micro Devices, Inc. Mr. Raza became Senior Vice President and Chief Technical Officer of AMD following the acquisition of NexGen, Inc. (NexGen) by the Company on January 17, 1996 and became an Executive Vice President and Member of the Office of the CEO in 1997. Prior to joining the Company, Mr. Raza was the Chairman, Chief Executive Officer, President and Secretary of NexGen and held those positions since 1991. From September 1988 until January 1991, Mr. Raza served as Executive Vice President of NexGen, responsible for engineering, marketing and prototype manufacturing. He was a member of the Board of Directors of NexGen since August 1989 and was elected Chairman of the Board in May 1994.

Eugene D. Conner--Mr. Conner, 54, is Executive Vice President, Operations and Member of the Office of the CEO of Advanced Micro Devices, Inc. Mr. Conner joined the Company in 1969. Mr. Conner was elected an executive officer in 1981 and began serving as Executive Vice President, Operations in 1997. Mr. Conner began serving as a Member of the Office of the CEO in 1997.

Marvin D. Burkett--Mr. Burkett, 56, is Senior Vice President, Chief Financial and Administrative Officer and Treasurer of Advanced Micro Devices, Inc. Mr. Burkett became Senior Vice President, Chief Financial and Administrative Officer and Treasurer in 1989. Mr. Burkett was Controller of Advanced Micro Devices, Inc. from 1972 to 1989.

William T. Siegle--Mr. Siegle, 59, is Senior Vice President, Technology Development and Wafer Fabrication Operations and Chief Scientist of Advanced Micro Devices, Inc. Prior to his appointment as Senior Vice President in 1998, Mr. Siegle was Group Vice President, Technology Development Group and Chief Scientist since 1997. Prior to his appointment as Group Vice President, Mr. Siegle served as Vice President, Integrated Technology Department and Chief Scientist since 1990.

Stanley Winvick--Mr. Winvick, 58, is Senior Vice President, Human Resources of Advanced Micro Devices, Inc. Prior to his appointment as Senior Vice President in 1991, Mr. Winvick served as Vice President, Human Resources since 1980.

Stephen J. Zelencik--Mr. Zelencik, 63, is Senior Vice President and Chief Marketing Executive of Advanced Micro Devices, Inc. and has held his current position since 1979.

Thomas M. McCoy--Mr. McCoy, 47, is Vice President, General Counsel and Secretary of Advanced Micro Devices, Inc. Prior to his appointment as Vice President in 1995, Mr. McCoy was with the law firm of O'Melveny and Myers where he had been a partner since 1985.

Dr. Friedrich Baur--Dr. Baur, 70, has been President and Managing Partner of MST Beteiligungs und Unternehmensberatungs GmbH, a German consulting firm, since 1990. Beginning in 1953, Dr. Baur held a variety of positions of increasing responsibility with Siemens AG, retiring in 1982 as Executive Vice President and a Managing Director. He also represented Siemens AG on the Board of Directors of Advanced Micro Devices, Inc. from 1978 until 1982. From 1982 to 1990, Dr. Baur was Chairman of the Board of Zahnradfabrik Friedrichshafen AG.

Charles M. Blalack--Mr. Blalack, 71, is Chairman of the Board and Chief Executive Officer of Blalack and Company, an investment banking firm and a member of the National Association of Securities Dealers, Inc. (NASD). From 1970 until 1991, Mr. Blalack was Chief Executive Officer of Blalack-Loop, Inc., also an investment banking firm and member of the NASD. Prior to 1970, he was founder, chairman and chief executive officer of BW & Associates, an investment banking firm and member of the New York Stock Exchange. Mr. Blalack was a member of the Board of Directors of Monolithic Memories, Inc. until it was acquired by the Company in 1987.

Dr. R. Gene Brown--Dr. Brown, 65, is a private investor and financial and management consultant. Dr. Brown is also a non-employee Managing Director of Putnam, Hayes & Bartlett, Inc., an economic and management consulting firm. From 1961 to 1968, Dr. Brown was a full-time professor in the graduate schools of business at Harvard University, and then Stanford University. From 1968 to 1974, Dr. Brown was Vice President of Corporate Development for Syntex Corporation, and from 1974 to 1976, President of Berkeley BioEngineering.

Joe L. Roby--Mr. Roby, 58, is the Chief Executive Officer, President and a director of Donaldson, Lufkin & Jenrette, Inc. (DLJ), a diversified financial services company and the parent company of Donaldson, Lufkin & Jenrette Securities Corporation. Mr. Roby has been a member of the Board of Directors of DLJ since 1989. He was appointed President of DLJ in February 1996 and Chief Executive Officer in February 1998. Mr. Roby served as the Chief Operating Officer of DLJ from November 1995 until February 1998. Previously, Mr. Roby was the Chairman of the Banking Group of Donaldson, Lufkin & Jenrette Securities Corporation, a position he had held since 1989. In addition, Mr. Roby is a member of the Board of Directors of Sybron International Corporation.

Dr. Leonard M. Silverman--Dr. Silverman, 58, is Dean of the School of Engineering of the University of Southern California, and has held that position since 1984. He was elected to the National Academy of Engineering in 1988, and is a Fellow of the Institute of Electrical and Electronic Engineers. Dr. Silverman served on the Board of Directors of Tandon Corporation from 1988 to 1993. Dr. Silverman is also a member of the Board of Directors of Diodes, Inc. and Netter Digital Entertainment, Inc.

There is no family relationship between any directors or executive officers of the Company.



KEY EMPLOYEES

NAME	POSITION
----	-----
Donald M. Brettner.....	Group Vice President, Manufacturing Services Group
Gary O. Heerssen.....	Group Vice President and Co-General Manager, Wafer Fabrication Group
Walid Maghribi.....	Group Vice President, Memory Group
Daryl Ostrander.....	Group Vice President and Co-General Manager, Wafer Fabrication Group
Terryll R. Smith.....	Group Vice President, Sales and Marketing

Donald M. Brettner--Mr. Brettner, 61, is Group Vice President, Manufacturing Services Group of Advanced Micro Devices., Inc. Mr. Brettner joined the Company in 1982 and became Group Vice President, Manufacturing Services in 1996. Prior to joining the Company, Mr. Brettner was Chief Operating Officer at NBK Corporation and Vice President of Manufacturing Services at Fairchild Semiconductor.

Gary O. Heerssen--Mr. Heerssen, 51, is Group Vice President and Co-General Manager, Wafer Fabrication Group of Advanced Micro Devices, Inc. Mr. Heerssen joined the Company in 1986 and became Group Vice President and Co-General Manager, Wafer Fabrication in 1996. Prior to joining the Company, Mr. Heerssen worked for Fairchild Semiconductor and spent 15 years with Texas Instruments in a variety of engineering and operations management positions.

Walid Maghribi--Mr. Maghribi, 45, is Group Vice President, Memory Group of Advanced Micro Devices, Inc. Mr. Maghribi joined the Company in 1986 and became Group Vice President, Memory Group in 1997. Prior to joining the Company, Mr. Maghribi worked for Seeq Technology and National Semiconductor.

Daryl Ostrander--Mr. Ostrander, 49, is Group Vice President and Co-General Manager, Wafer Fabrication Group of Advanced Micro Devices, Inc. Mr. Ostrander joined the Company in 1981 and became Group Vice President and Co-General Manager, Wafer Fabrication Group in 1998. Prior to his current position, Mr. Ostrander was Vice President, Austin Wafer Fabrication and Director of Fab 10 and Fab 15.

Terryll R. Smith--Mr. Smith, 48, is Group Vice President, Sales and Marketing of Advanced Micro Devices, Inc. Mr. Smith joined the Company in 1975 and became Group Vice President, Sales and Marketing in 1996. Prior to his current position, Mr. Smith was Vice President of Sales & Marketing for European Operations in Switzerland, Vice President of International Sales & Marketing for AMD Sunnyvale and Group Vice President of Applications Solutions Products.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Under Section 16(a) of the Securities and Exchange Act of 1934, as amended, the Company's directors, executive officers, and any persons holding more than ten percent of the Company's common stock are required to report to the Securities and Exchange Commission and the New York Stock Exchange their initial ownership of the Company's stock and any subsequent changes in that ownership. The Company believes that during fiscal year 1997, its officers, directors and holders of more than 10 percent of the Company's common stock filed all Section 16(a) reports on a timely basis. In making this statement, the Company has relied upon the written representations of its directors and officers.

ITEM 11. EXECUTIVE COMPENSATION

DIRECTOR COMPENSATION

In 1997, directors who were not employees of the Company individually received an annual fee of \$25,000, a fee of \$1,500 for attendance at each regular or special meeting of the Board, and a fee of \$1,000 for attendance at each meeting of each committee (other than the Nominating Committee) on which they served. In addition, the Chairman of the Audit Committee receives an annual fee of \$20,000 for service in that capacity, and the

Chairman of the Compensation Committee receives an annual fee of \$4,000 for service in that capacity. No additional amounts are paid for special assignments. The Company also reimburses reasonable out-of-pocket expenses incurred by directors performing services for the Company, and, on occasion, travel expenses of their spouses.

Pursuant to a nondiscretionary formula set forth in the 1996 Stock Incentive Plan, non-employee directors also currently receive stock options covering 15,000 shares on their initial election to the Board (the First Option), and automatically receive supplemental options covering 5,000 shares on each subsequent re-election (the Annual Option). The First Option vests in increments of 6,000, 4,500, 3,000 and 1,500 shares on July 15 of the first, second, third and fourth calendar years following election. Each Annual Option vests in increments of 1,667, 1,667, and 1,666 shares each on July 15 of the second, third and fourth calendar years following re-election. Each such option is granted with an exercise price at fair market value on the date of grant. These options expire on the earlier of ten years plus one day from the grant date or twelve months following termination of a director's service on the Board.

Any non-employee director may elect to defer receipt of all or a portion of his annual fees and meeting fees, but not less than \$5,000. Deferred amounts plus interest are credited to an account for recordkeeping purposes and are payable in a lump sum cash payment or in installments over a period of years, as elected by the director. Except in the case of the director's death or disability, payments commence upon the latest of the director's tenth anniversary of his first deferral, age 55, or upon retirement from the Board, but in no event later than age 70. The aggregate amount of retirement payments equals the director's deferred fees plus the accumulation of interest. In the event of the director's death, his beneficiary would receive the value of his account plus, in certain cases, a supplemental death benefit of up to ten times the average annual amount of his deferred fees. During 1997, Dr. Brown deferred fees in the amount of \$20,000 pursuant to this program. In addition, in lieu of his annual fee, Dr. Brown received the use of an automobile provided by the Company, a value taxable to him at \$26,053. Dr. Brown also received family medical and dental insurance coverage from the Company at a value of \$2,385.

EXECUTIVE COMPENSATION

The following table shows for the three fiscal years ended December 28, 1997, the compensation paid by the Company and its subsidiaries to the Company's Chief Executive Officer and to the four other most highly paid executive officers whose aggregate salary and bonus compensation exceeded \$100,000.

SUMMARY COMPENSATION TABLE (1995-1997)

(A) NAME AND PRINCIPAL POSITION	ANNUAL COMPENSATION			
	(B) YEAR	(C) SALARY	(D) BONUS (1)	(E) OTHER ANNUAL COMPENSATION
W. J. Sanders III..... Chairman and Chief Executive Officer	1997	\$1,000,000	\$ 617,817 (4)	\$256,928 (5)
	1996	\$1,038,461	\$2,000,000 (4)	\$217,818 (5)
	1995	\$ 978,887	\$2,026,961 (4)	\$278,704 (5)
Richard Previte..... President, Chief Operating Officer and Member of the Office of the CEO	1997	\$ 757,477	\$ 8,068 (6)	\$ 0
	1996	\$ 709,312	\$ 558,945 (6)	\$ 0
	1995	\$ 660,495	\$1,358,757 (6)	\$ 0
S. Atiq Raza..... Executive Vice President, Chief Technical Officer and Member of the Office of the CEO	1997	\$ 456,731	\$ 4,473	\$ 0
	1996	\$ 306,350	\$ 330,693 (8)	\$ 0
	1995	\$ 0	\$ 0	\$ 0
Eugene D. Conner..... Executive Vice President, Operations and Member of the Office of the CEO	1997	\$ 436,923	\$ 4,304	\$ 0
	1996	\$ 406,635	\$ 100,000	\$ 0
	1995	\$ 362,789	\$ 324,718 (11)	\$ 0
Stephen Zelencik..... Senior Vice President, Chief Marketing Executive	1997	\$ 426,115	\$ 4,384	\$ 0
	1996	\$ 426,676	\$ 0	\$ 0
	1995	\$ 403,978	\$ 451,420 (11)	\$ 0

LONG-TERM COMPENSATION AWARDS

(A) NAME AND PRINCIPAL POSITION	(F)	(G)	(I)
	RESTRICTED STOCK AWARDS	SECURITIES UNDERLYING OPTIONS/SARS (/2/)	ALL OTHER COMPENSATION (/3/)
W. J. Sanders III..... Chairman and Chief Executive Officer	\$ 0	0	\$472,812
	\$ 0	2,500,000	\$ 49,454
	\$ 0	0	\$ 34,923
Richard Previte..... President, Chief Operating Officer and Member of the Office of the CEO	\$ 0	100,000	\$ 30,843
	\$882,296 (7)	145,267	\$ 38,429
	\$ 0	100,000	\$ 29,060
S. Atiq Raza..... Executive Vice President, Chief Technical Officer and Member of the Office of the CEO	\$ 0	75,000	\$ 12,537
	\$533,346 (9)	250,132	\$ 7,100
	\$ 0	0	\$ 0
Eugene D. Conner..... Executive Vice President, Operations and Member of the Office of the CEO	\$ 0	50,000	\$ 18,753
	\$441,172 (10)	72,632	\$ 15,975
	\$ 0	50,000	\$ 21,297
Stephen Zelencik..... Senior Vice President, Chief Marketing Executive	\$ 0	50,000	\$ 29,313
	\$441,172 (10)	72,632	\$ 25,253
	\$ 0	50,000	\$ 20,890

(1) Includes cash profit sharing in the following amounts for Messrs. Sanders, Previte, Raza, Conner and Zelencik, respectively: for 1997, \$10,371, \$8,068, \$4,473, \$4,304, and \$4,384; for 1995, \$69,187, \$46,157, \$0, \$25,535, and \$28,009. No cash profit sharing was paid for 1996.

(2) No SARs were awarded in 1997, 1996 or 1995.

(3) Includes for 1997 for Mr. Sanders, pursuant to his Agreement, \$400,000 in deferred retirement compensation and \$23,000 as a deferred cost of living salary adjustment. Includes, for 1997 for Messrs. Sanders, Previte, Raza, Conner and Zelencik, the Company's matching contributions to the Company's 401(k) Plan in the amounts of \$2,250, \$2,250, \$2,250, \$2,250

and \$2,250, respectively; the Company's matching contributions to the Executive Savings Plan (the ESP) in the amounts of \$12,600, \$0, \$0, \$4,219 and \$3,988, respectively; imputed income from the term life insurance provided by the Company in the amounts of \$8,680, \$5,352, \$1,458, \$1,932 and \$3,444, respectively; and premiums paid by the Company for individual insurance policies in the amount of \$26,282, \$23,241, \$8,829, \$10,352 and \$19,631, respectively. Includes for 1996, the premiums paid by the Company for individual life insurance policies as set out in footnote 3 to the Summary Compensation Table in the Company's Proxy Statement dated March 20, 1997.

- (4) No bonus was earned for 1997 or 1996. In 1997, pursuant to the terms of Mr. Sanders' employment agreement, \$607,446 was paid from the Unpaid Contingent Bonus from 1995. No additional carryover amount currently exists. For 1996, a bonus amount of \$2,000,000 was paid from the Unpaid Contingent Bonus carried forward from 1993, 1994 and 1995. For 1995, the maximum bonus amount of \$1,957,774 was paid, with an Unpaid Contingent Bonus amount of \$802,766 carried over and paid in 1996 and 1997, because Mr. Sanders' bonus for those years did not exceed the maximum amount.
- (5) Includes for 1997, 1996, and 1995, \$104,178, \$104,089, and \$98,310, respectively, of in-kind compensation in the form of company provided vehicles; and \$78,176, \$62,864, and \$123,319, respectively, reflecting the cost to AMD of providing physical security services.

- (6) No bonus was earned for 1997 or 1996. For 1996, a bonus amount of \$558,945 was paid from the Unpaid Contingent Bonus carried forward from 1994 and 1995. No additional carryover amount exists. For 1995, the maximum bonus amount of \$1,312,600 was paid, with an Unpaid Contingent Bonus amount of \$67,670 carried over and paid in 1996, because Mr. Previte's bonus for 1996 did not exceed the maximum amount.
- (7) The total number of restricted shares held by Mr. Previte and their aggregate value at December 28, 1997 were 84,733 shares valued at \$1,487,064. The value is based on the closing sales price of AMD common stock on December 26, 1997 (\$17.56) and is net of consideration paid for the stock. The dollar value of the restricted stock appearing in the table with respect to 1996 is based on the closing sales price of AMD common stock on October 11, 1996 (\$16.13), the date of the award, and is net of consideration paid for the stock. The 1996 award vests if certain stock targets and employment related conditions are met. The stock targets for the 1996 award were met in 1997. 27,367 of the restricted shares vested in January of 1998. If Mr. Previte is employed on January 19, 1999, 13,683 of the restricted shares will vest. If Mr. Previte is employed on January 19, 2000, 13,683 of the restricted shares will vest.
- (8) Includes \$30,693 paid in the form of cancellation of indebtedness on a note for interest accrued to October 17, 1996.
- (9) The total number of restricted shares held by Mr. Raza and their aggregate value at December 28, 1997 were 29,868 shares valued at \$524,183. The value is based on the closing sales price of AMD common stock on December 26, 1997 (\$17.56) and is net of consideration paid for the stock. The dollar value of the restricted stock appearing in the table with respect to 1996 is based on the closing sales price of AMD common stock on the date of the awards, April 24, 1996 (\$18.38) and October 11, 1996 (\$16.13), and is net of consideration paid for the stock. 2,500 of the performance restricted shares awarded in April of 1996 vested in January of 1997; the performance conditions for the other 2,500 shares awarded in April of 1996 were not met and the award did not vest in January of 1998. The October 1996 award vests if certain stock targets and employment related conditions are met. The stock targets for the October 1996 award were met in 1997. 13,683 of the restricted shares vested in January of 1998. If Mr. Raza is employed on January 19, 1999, 6,843 of the restricted shares will vest. If Mr. Raza is employed on January 19, 2000, 6,842 of the restricted shares will vest.
- (10) The total number of restricted shares held by the executive and the aggregate value at December 28, 1997 were 27,368 shares valued at \$480,308. The value is based on the closing sales price of AMD common stock on December 26, 1997, (\$17.56) and is net of consideration paid for the stock. The dollar value of the restricted stock appearing in the table with respect to 1996 is based on the closing sales price of AMD common stock on October 11, 1996 (\$16.13), the date of the award, and is net of consideration paid for the stock. The 1996 award vests if certain stock price targets and employment related conditions are met. The stock price targets for the 1996 award were met in 1997. 13,683 of the restricted shares vested in January of 1998. If the executive is employed on January 19, 1999, 6,843 of the restricted shares will vest. If the executive is employed on January 19, 2000, 6,842 of the restricted shares will vest.
- (11) Includes for Messrs. Conner and Zelencik, \$6,506 and \$6,988, respectively, paid as a correction to the long-term portion of the bonuses paid under the Executive Bonus Plan for 1995.

OPTION/SAR GRANTS IN THE LAST FISCAL YEAR

(A) NAME	(B) NUMBER OF SECURITIES UNDERLYING OPTIONS/SARS GRANTED (/1/)	(C) % OF TOTAL OPTIONS/SARS EMPLOYEES IN FISCAL YEAR	(D) EXERCISE PRICE PER SHARE	(E) EXPIRATION DATE	POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM (2)		
					(F) 0%	(G) 5%	(H) 10%
W. J. Sanders III.....	0	0	N/A	N/A	\$ 0	\$ 0	\$ 0
Richard Previte.....	100,000	3.00%	\$37.50	04/23/07	\$ 0	\$ 2,358,355	\$ 5,976,534
S. Atiq Raza.....	75,000	2.25%	\$37.50	04/23/07	\$ 0	\$ 1,768,766	\$ 4,482,401
Eugene D. Conner.....	50,000	1.50%	\$37.50	04/23/07	\$ 0	\$ 1,179,177	\$ 2,988,267
Stephen Zelencik.....	50,000	1.50%	\$37.50	04/23/07	\$ 0	\$ 1,179,177	\$ 2,988,267

(1) For all optionees: Each option has a ten-year term. Each option is subject to earlier termination upon the optionee's termination of employment, death or disability. The exercise price may be paid in cash or in shares. Withholding taxes due on exercise may be paid in cash, with previously owned shares, or by having shares withheld. Upon an optionee's termination of employment, options may be exercised only to the extent exercisable on the date of such termination of employment. Upon an optionee's death or disability, certain options that vest during the year of death or disability may become exercisable. Options may also become fully exercisable upon a Change in Control of the Company or in accordance with an optionee's management continuity agreement. See the discussion under "Chairman's Employment Agreement" and "Change in Control Arrangements." No stock appreciation rights (SARs) were granted to the executive officers listed in the table during 1997.

(2) The 0 percent, 5 percent and 10 percent assumed rates of annual compound stock price appreciation are mandated by rules of the Securities and Exchange Commission and do not represent the Company's estimate or projection of future prices of the Company's common stock.

AGGREGATED OPTION/SAR EXERCISES IN THE LAST FISCAL YEAR AND FISCAL YEAR-END  
OPTION/SAR VALUES

(A) NAME	(B) NUMBER OF SHARES ACQUIRED ON EXERCISE	(C) VALUE REALIZED(1)	(D) NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS/SARS AT 12/31/97		(E) VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS/SARS AT 12/31/97 (1)	
			(EXERCISABLE)	(UNEXERCISABLE)	(EXERCISABLE)	(UNEXERCISABLE)
W. J. Sanders III.....	500,000	\$15,855,280	1,775,000	1,425,000	\$5,300,750	\$4,004,250
Richard Previte.....	0	\$ 0	445,550	245,267	\$ 534,974	\$ 794,436
S. Atiq Raza.....	179,000	\$ 5,998,796	22,000	274,132	\$ 0	\$ 547,192
Eugene D. Conner.....	30,000	\$ 888,900	379,264	122,632	\$1,996,720	\$ 397,192
Stephen Zelencik.....	0	\$ 0	223,125	122,632	\$ 266,085	\$ 397,192

(1) Value for these purposes is based solely on the difference between market value of underlying shares on the applicable date (i.e., date of exercise or fiscal year-end) and the exercise price of options.

## CHAIRMAN'S EMPLOYMENT AGREEMENT

In 1996, the Company entered into an amended and restated employment agreement with Mr. Sanders, the term of which is September 1, 1996 through December 31, 2003 (the Agreement). The Agreement provides for annual base compensation to Mr. Sanders of no less than \$1,000,000 through 2001, \$500,000 in 2002 and \$350,000 in 2003. Base compensation for periods prior to 2003 will be adjusted for cost of living increases. Cost of living adjustments for periods prior to 2002 will be deferred (with interest) until a deduction for federal income tax purposes will be allowed for their payment or March 31, 2004, if earlier.

Incentive compensation takes the form of an annual incentive bonus and stock options. The annual incentive bonus equals 0.6 percent of the adjusted operating profits of the Company for each respective fiscal year through 2001 in excess of twenty percent (20 percent) of adjusted operating profits for the immediately preceding fiscal year. Under the Agreement, the annual bonus payment may not exceed \$5,000,000. Any excess amount of an annual incentive bonus over \$5,000,000 (the Unpaid Contingent Bonus) will be added to the bonus determined for each specified future period (subject to the \$5,000,000 limit in each of those years). "Adjusted operating profits" for these purposes constitute the Company's operating income as reported on the Company's financial statements, adjusted for any pretax gain or loss from certain joint ventures and increased by any expenses accrued for profit sharing plan contributions and Executive Bonus Plan bonuses. Mr. Sanders is also eligible to receive a discretionary bonus, in an amount determined by the Compensation Committee of the Board, based on the Committee's assessment of his performance.

In 1996, Mr. Sanders received an option grant for 2,500,000 shares under the Agreement. The Compensation Committee expects that no further stock option awards will be granted to Mr. Sanders over the term of the Agreement, except in unusual circumstances. Options for 1,250,000 shares are performance- and time-based. The performance element of the options provides for a scheduled accelerated vesting should the Company's average stock price attain or exceed certain milestones for a rolling three month period. The milestone stock prices are \$26.00, \$31.00, \$37.50, \$45.00 and \$54.00 per share for 1997 through 2001, respectively. If the highest milestone applicable to a year is met, options for 250,000 shares applicable to that year will vest. (Achieving lower stock price milestones results in the acceleration of lesser percentages of the stock.) Performance-accelerated vesting will occur early if the performance milestones for a later year are attained in an earlier year.

If the performance-based options do not vest on an accelerated basis, they will vest on a time-based schedule provided that Mr. Sanders is employed on the applicable vesting date. They vest at the rate of 0 percent in 1997 and 1998, 10 percent (125,000 shares) on November 15, 1999, 15 percent (187,500) on November 15, 2000, 20 percent (250,000 shares) on November 15, 2001, 20 percent (250,000 shares) on November 15, 2002 and 35 percent (437,500 shares) on November 15, 2003, if Mr. Sanders is employed on those dates. Options to purchase the remaining 1,250,000 shares vest on a time-based schedule at the rate of 325,000 shares per year on November 15, 1997 and 1998, and 200,000 shares per year on November 15, 1999, 2000 and 2001, if Mr. Sanders is employed on the applicable vesting date. Vested 1996 options may be exercised after termination of employment no later than: five years after retirement as Chief Executive Officer; three years after death or disability; one year after a voluntary resignation of employment other than for defined reasons; thirty days after a termination by the Company "for cause"; and, with respect to any other termination of employment, two years after such termination in the case of options that vested prior to termination of employment and one year after the later of termination of service or the vesting date in the case of options that vest only upon or following termination of employment. All of the 1996 options will expire on September 29, 2006, if not earlier exercised or terminated.

If the Company terminates Mr. Sanders' employment other than "for cause" or constructively terminates Mr. Sanders' employment (including re-assigning him to lesser duties, reducing or limiting his compensation or benefits, removing him from his responsibilities other than for good cause, requiring him to relocate or transfer his principal place of residence, or not electing or retaining him as Chairman and Chief Executive Officer of the Company), the Company is obligated to pay Mr. Sanders his annual base salary through the later to occur of December 31, 2002 or one year from the date of termination of employment. In such circumstances, the Company is obligated to pay Mr. Sanders' incentive compensation for the fiscal year during which such

termination occurs and for the following fiscal year, plus the amount of any Unpaid Contingent Bonus then remaining unpaid. In addition, all time-based options will vest and performance-accelerated vesting options may vest for the year of termination or constructive termination and for the year following termination, if the performance milestones are attained by the Company within such periods.

Under the Agreement, the Company is obligated to guarantee the repayment of any loan (including interest) obtained by Mr. Sanders for the purpose of exercising options or warrants to purchase stock of the Company up to the lesser of: (a) the exercise price of the options plus taxes paid by Mr. Sanders by reason of the exercise, or (b) three and one-half million dollars (\$3,500,000). The Company's obligation to guarantee such loans continues for a period of two years after the applicable event. If Mr. Sanders enters into loan agreements for any other reason, the Company is obligated to guarantee repayment of such loans up to \$3,500,000 for a period ending 180 days after termination of service.

Mr. Sanders is also entitled to receive certain benefits upon his disability (as that term is defined in the Agreement) and upon his death while employed by the Company. Mr. Sanders is also entitled to receive such other benefits of employment with the Company as are generally available to members of the Company's management. For ten years following any termination, disability, termination without cause or such other event, Mr. Sanders will receive health and welfare benefits comparable to those he was receiving and reimbursements for all income taxes due on the receipt of such benefits.

In the event that Mr. Sanders terminates his employment following a change in control, Mr. Sanders will receive the greater of the salary payable for the remaining term of the Agreement or three times base salary, bonus payments equal to the average of the two highest annual bonuses paid during the last five calendar years immediately prior to the change of control (plus, as soon as can be determined, any excess over such amount of the sum of the bonuses which would otherwise have been payable to Mr. Sanders for the year in which the termination occurred and the following year), vesting of all time-based options and vesting of time-based performance-accelerated options if the performance milestones are satisfied on the basis of the acquisition price or such options otherwise would have vested in the year of such change in control. Mr. Sanders will also be entitled to an additional payment necessary to reimburse him for any federal excise tax imposed on him by reason of his receipt of payments under his employment agreement or otherwise, so that he will be placed in the same after-tax position as he would have been in had no such tax been imposed.

If Mr. Sanders' employment is terminated by reason of his disability or death, he or his estate is entitled to his full base salary under the Agreement through 2001, the incentive compensation for the fiscal year in which such termination occurred and for the following fiscal year, the amount of any Unpaid Contingent Bonus then remaining unpaid and, in the case of death, an additional year's salary. Any time-based options Mr. Sanders has been granted that would otherwise vest within two years following termination will vest, and all time-based performance-accelerated options which otherwise would have vested prior to the end of the fiscal year following the death or disability will vest if the performance milestones are met as described above. In addition, his beneficiaries will be entitled to receive that portion of the death benefit payable under a \$1,000,000 face amount policy which exceeds the aggregate premiums paid by the Company on that policy.

Pursuant to the Agreement, the Company will accrue an additional \$400,000 per year in deferred retirement compensation for five years, payable to Mr. Sanders only if he is Chief Executive Officer on September 12, 2001. Accrued amounts will be credited with interest at the rate of 9 percent per annum. The payment of \$2,000,000 plus interest will be made to Mr. Sanders following his termination in a manner that ensures that the retirement payments will be deductible under Section 162(m) of the Code. If Mr. Sanders terminates his employment by reason of a change of control or because of a constructive termination or the Company terminates Mr. Sanders' employment (other than "for cause"), all retirement deferrals will immediately accelerate and will be payable following termination in a manner that ensures that the retirement payments will be deductible under Section 162(m). Upon death or disability before December 31, 2001, a prorated amount will be payable to Mr. Sanders or his estate following his death or disability.



## CHANGE IN CONTROL ARRANGEMENTS

Management Continuity Agreements. The Company has entered into management continuity agreements with each of its executive officers named in the Summary Compensation Table, designed to ensure their continued services in the event of a Change in Control. Except for Mr. Sanders' management continuity agreement, all the agreements provide that benefits are payable only if the executive officer's employment is terminated by the Company (including a constructive discharge) within two years following a Change in Control. For purposes of the agreements, a Change in Control includes any change of a nature which would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934. A Change in Control is conclusively presumed to have occurred on (1) acquisition by any person (other than the Company or any employee benefit plan of the Company) of beneficial ownership of more than 20 percent of the combined voting power of the Company's then outstanding securities; (2) a change of the majority of the Board of Directors during any two consecutive years, unless certain conditions of Board approval are met; or (3) certain members of the Board determine within one year after an event that such event constitutes a Change in Control.

All of the management continuity agreements provide that, in the event of a Change in Control, the Company will reimburse each executive officer who has signed a management continuity agreement for any federal excise tax payable as a result of benefits received from the Company. Other than Mr. Sanders' agreement, the agreements provide that, if within two years after a Change in Control the executive officer's employment is terminated by the Company or the executive officer is constructively discharged, the executive officer will receive: (1) a severance benefit equal to three times the sum of his rate of base compensation plus the average of his two highest bonuses in the last five years; (2) payment of his accrued bonus; (3) twelve months' continuation of other incidental benefits; and (4) full and immediate vesting of all unvested stock options, stock appreciation rights and restricted stock awards.

Mr. Sanders' management continuity agreement provides that, except for awards under the Agreement, all stock options and stock appreciation rights that he holds will become fully vested on the occurrence of a Change in Control and the restrictions on any shares of restricted stock of the Company which he may hold will lapse as of such date. Mr. Sanders' management continuity agreement does not apply to amounts payable to or awards under the Agreement, and is superseded by the Agreement with respect to such amounts or awards.

Vesting of Stock Options, Limited Stock Appreciation Rights and Restricted Stock. Except with respect to options and awards under Mr. Sanders' Agreement, all options and associated limited stock appreciation rights (LSARs) granted to officers of the Company shall become exercisable upon the occurrence of any change in the beneficial ownership of any quantity of shares of common stock of the Company (where the purpose for the acquisition of such beneficial ownership is other than passive investment), that would effect a Change in Control of the Company of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, other than a change that has been approved in advance by the Company's Board of Directors. A Change in Control shall be conclusively deemed to have occurred if any person (other than the Company, any employee benefit plan, trustee or custodian therefor) is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing more than 20 percent of the combined voting power of the Company's then outstanding securities. Under the Company's 1980 and 1986 stock appreciation rights plans, outstanding LSARs may be exercised for cash during a thirty-day period following the expiration date of any tender or exchange offer for the Company's common stock (other than one made by the Company); provided the offeror acquires shares pursuant to its offer and owns thereafter more than 25 percent of the outstanding common stock. In addition, all options granted under the 1982 Stock Option Plan, the 1992 Stock Incentive Plan, the 1995 Stock Plan of NexGen, Inc. and the 1996 Stock Incentive Plan become fully vested on termination of employment within one year following a Change in Control as defined in that plan. The options will be subject to accelerated vesting if a change of control occurs (as defined under the terms of the executive's management continuity agreement) and either the consideration to be paid to stockholders of the Company for a share of the Company's common stock is equal to or in excess of the stock price target, which if attained, would otherwise result in the vesting of the stock, or the closing price of the

Company's common stock on the day thirty days before or after the change of control is equal to or in excess of such stock price target.

Restricted stock awarded under the 1987 Restricted Stock Award Plan, if provided for in the individual restricted stock award agreement, will be subject to accelerated vesting in connection with a change in control of the Company as defined in the particular agreement. Messrs. Sanders' and Previte's 1994 restricted stock award agreements provide that their restricted stock will vest if more than 20 percent of the outstanding equity or assets of the Company are acquired by another Company pursuant to merger, sale of substantially all the assets, tender offer or other business combination, other than a transaction in which the stockholders of the Company prior to the transaction retain a majority interest in the surviving Company. Further, as described above, stock options, stock appreciation rights and restricted stock held by executive officers who have entered into management continuity agreements with the Company will vest in accordance with the terms of such agreements in connection with a Change in Control of the Company as defined in such agreements. The restricted shares are subject to accelerated vesting if a change of control occurs (as defined under the terms of the executive's management continuity agreement) and either (a) consideration paid to stockholders of the Company for a share of the Company's common stock equals or exceeds the stock price target, which if attained, would otherwise result in the vesting of the stock, or (b) the closing price of the Company's common stock on the day thirty days before or after the change of control is equal to or in excess of such stock price target.

#### COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The current members of the Compensation Committee through the Company's 1998 Annual Meeting are Mr. Blalack, Dr. Brown and Dr. Silverman. Mr. Sanders is the sole member of the Employee Stock Committee, which grants stock options and awards restricted stock to employees who are not also officers. Mr. Sanders has the authority to make determinations concerning the cash compensation of executives other than himself, but usually makes such determinations in consultation with the Compensation Committee.

Mr. Roby is the Chief Executive Officer, President and a director of Donaldson, Lufkin & Jenrette, Inc. (DLJ). Over the past twenty years, Donaldson, Lufkin & Jenrette Securities Corporation, a wholly owned subsidiary of DLJ, has provided investment banking services to the Company. In 1997, Donaldson, Lufkin & Jenrette Securities Corporation provided services to the Company and may provide services to the Company during 1998.

Mr. Sanders, the Company's Chief Executive Officer and Chairman of the Board, became a member of the Board of Directors of DLJ in November 1995. Mr. Sanders was an advisory director of DLJ from February 1985 to November 1995.

#### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The table below sets forth certain information regarding the beneficial ownership of the company's common stock as of February 25, 1998, by each person or entity known to the Company to be the beneficial owner of more than five percent (5 percent) of the Company's common stock, by directors, the nominees recommended by the Nominating Committee and nominated by the Board of Directors for election as directors at the April 30, 1998 annual meeting of stockholders, by each of the executive officers listed in the Summary Compensation Table, and by all directors and executive officers as a group. Except as otherwise indicated, each person has sole investment and voting powers with respect to the shares shown as beneficially owned. Ownership information is based upon information furnished by the respective individuals.

BENEFICIAL OWNER -----	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP (1) -----	PERCENT OF CLASS
Wellington Management Company LLP..... 75 State Street Boston, MA 02109	19,846,740 (2) (shared dispositive power as to all shares; shared voting power as to 3,653,385 of such shares)	13.91%
The Capital Group Companies, Inc..... 333 South Hope Street Los Angeles, CA 90071	15,709,350 (3) (sole dispositive power as to all shares; sole voting power as to 2,690,100 of such shares)	11.01% (4)
W. J. Sanders III.....	1,988,247 (5)	1.36%
Dr. Friedrich Baur.....	1,000 (6)	*
Charles M. Blalack.....	23,000 (7)	*
Dr. R. Gene Brown.....	40,224 (8)	*
Richard Previte.....	610,425 (9)	*
S. Atiq Raza.....	72,759 (10)	*
Joe L. Roby.....	33,800 (11)	*
Dr. Leonard M. Silverman.....	11,800 (12)	*
Eugene D. Conner.....	418,852 (13)	*
Stephen Zelencik.....	256,527 (14)	*
All directors and executive officers as a group (13 persons).....	4,214,348 (15)	2.88%

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\*Less than one percent (1%)

- (1) Some of the individuals may share voting power with regard to the shares listed herein with their spouses.
- (2) This information is based on Amendment No. 5 to the statement on Schedule 13G filed with the Securities and Exchange Commission on February 11, 1998 by Wellington Management Company LLP (Wellington). The 19,846,740 shares are owned by a variety of investment advisory clients. Vanguard/Windsor Fund, Inc., one of Wellington's clients, P.O. Box 2600, Malvern, PA 19355, owns 13,923,300 shares (sole voting power and shared dispositive power as to all shares), representing 9.76% of the Company's common stock. This information was obtained from Amendment No. 4 to the statement on Schedule 13G filed on February 9, 1998 by Vanguard/Windsor Fund, Inc. No client of Wellington other than Vanguard/Windsor Fund, Inc. owns more than five percent of the Company's common stock.
- (3) This information is based on Amendment No. 9 to the joint statement on Schedule 13G filed with the Securities and Exchange Commission on February 11, 1998 by The Capital Group Companies, Inc. and Capital Research and Management Co., a registered investment advisor and a wholly owned subsidiary of The Capital Group Companies, Inc. The number of shares shown for The Capital Group Companies, Inc. includes 11,740,250 shares beneficially owned by Capital Research and Management Co. which reports that it has sole dispositive power as to such shares. The Capital Group Companies, Inc. is deemed to be the beneficial owner with respect to shares held by various institutional accounts over which various operating subsidiaries of The Capital Group Companies, Inc., including Capital Research and Management Co., exercise investment discretion. The principal business office of Capital Research and Management Co. is 333 South Hope Street, Los Angeles, California 90071.
- (4) The aggregate percentage of outstanding shares beneficially owned by The Capital Group Companies, Inc. includes 8.23% beneficially owned by Capital Research and Management Co.
- (5) Includes 1,775,000 shares subject to options that are exercisable on February 25, 1998, or become exercisable within sixty (60) days thereafter. Excludes any shares which may be owned by Mr. Sanders' wife, as to which Mr. Sanders disclaims beneficial ownership.
- (6) Includes 1,000 shares subject to options that are exercisable on February 25, 1998, or become exercisable within sixty (60) days thereafter.

- (7) Includes 21,000 shares subject to options that are exercisable on February 25, 1998, or become exercisable within sixty (60) days thereafter.
- (8) Includes 13,000 shares subject to options that are exercisable on February 25, 1998, or become exercisable within sixty (60) days thereafter.
- (9) Includes 445,550 shares subject to options that are exercisable on February 25, 1998, or become exercisable within sixty (60) days thereafter.
- (10) Includes 48,750 shares subject to options that are exercisable on February 25, 1998, or become exercisable within sixty (60) days thereafter.
- (11) Includes 21,000 shares subject to options that are exercisable on February 25, 1998, or become exercisable within sixty (60) days thereafter.
- (12) Includes 11,800 shares subject to options that are exercisable on February 25, 1998, or become exercisable within sixty (60) days thereafter.
- (13) Includes 379,264 shares subject to options that are exercisable on February 25, 1998, or become exercisable within sixty (60) days thereafter.
- (14) Includes 223,125 shares subject to options that are exercisable on February 25, 1998, or become exercisable within sixty (60) days thereafter.
- (15) Includes 3,596,733 shares subject to options that are exercisable on February 25, 1998, or become exercisable within sixty (60) days thereafter.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In connection with Mr. S. Atiq Raza's initial and continued employment by NexGen, NexGen made two loans to him which were assumed by AMD upon its acquisition of NexGen. The two loans are each in the principal amount of \$50,000, are currently due on October 17, 1998 and bear interest at 7.07 percent and 8.12 percent. The largest amount due under the loans during 1997 was \$142,048, and the aggregate amount outstanding under the loans as of February 25, 1998 was \$143,360.

In March of 1997, Mr. Thomas M. McCoy, Vice President, General Counsel and Secretary, borrowed \$450,000 from the Company pursuant to a promissory note bearing interest at 7.5 percent, payable in March 1999, secured by a pledge of stock and a deed of trust on real property. Mr. McCoy borrowed an additional \$50,000 in April of 1997 with identical terms. The largest amount due under the loans during 1997 was \$529,764, and the aggregate amount outstanding under the loans as of February 25, 1998 was \$505,753.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(A)

1. Financial Statements

The financial statements listed on page F-1 in the Index to Consolidated Financial Statements and Financial Statement Schedule covered by Report of Independent Auditors are set forth on pages F-2 through F-27 of this Annual Report on Form 10-K.

2. Financial Statement Schedule

The financial statement schedule listed on page F-1 in the Index to Consolidated Financial Statements and Financial Statement Schedule covered by the Report of Independent Auditors is set forth on page S-1 of this Annual Report on Form 10-K.

All other schedules have been omitted because the required information is not present or is not present in amounts sufficient to require submission of the schedules, or because the information required is included in the Consolidated Financial Statements or Notes thereto.

3. Exhibits

The exhibits listed in the accompanying Index to Exhibits are filed as part of, or incorporated by reference into, this Annual Report on Form 10-K. The following is a list of such Exhibits:

EXHIBIT NUMBER -----	DESCRIPTION OF EXHIBITS -----
2.1	Agreement and Plan of Merger dated October 20, 1995, as amended, between the Company and NexGen, Inc., filed as Exhibit 2 to the Company's Quarterly Report for the period ended October 1, 1995, and as Exhibit 2.2 to the Company's Current Report on Form 8-K dated January 17, 1996, is hereby incorporated by reference.
2.2	Amendment No. 2 to the Agreement and Plan of Merger, dated January 11, 1996, between Advanced Micro Devices, Inc. and NexGen, Inc., filed as Exhibit 2.2 to the Company's Current Report on Form 8-K dated January 17, 1996, is hereby incorporated by reference.
3.1	Certificate of Incorporation, as amended, filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the period ended July 2, 1995, is hereby incorporated by reference.
3.2	By-Laws, as amended, filed as Exhibit 3.2 to the Company's Amendment No. 1 to its Annual Report on Form 10-K/A for the fiscal year ended December 31, 1995, is hereby incorporated by reference.

EXHIBIT  
NUMBER

DESCRIPTION OF EXHIBITS

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- 4.1 Form of Advanced Micro Devices, Inc. 11 percent Senior Secured Notes due August 1, 2003, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated August 13, 1996, is hereby incorporated by reference.
  - 4.2 Indenture, dated as of August 1, 1996, between Advanced Micro Devices, Inc. and United States Trust Company of New York, as trustee, filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated August 13, 1996, is hereby incorporated by reference.
  - 4.3 Intercreditor and Collateral Agent Agreement, dated as of August 1, 1996, among United States Trust Company of New York, as trustee, Bank of America NT&SA, as agent for the banks under the Credit Agreement of July 19, 1996, and IBJ Schroder Bank & Trust Company, filed as Exhibit 4.3 to the Company's Current Report on Form 8-K dated August 13, 1996, is hereby incorporated by reference.
  - 4.4 Payment, Reimbursement and Indemnity Agreement, dated as of August 1, 1996, between Advanced Micro Devices, Inc. and IBJ Schroder Bank & Trust Company, filed as Exhibit 4.4 to the Company's Current Report on Form 8-K dated August 13, 1996, is hereby incorporated by reference.
  - 4.5 Deed of Trust, Assignment, Security Agreement and Financing Statement, dated as of August 1, 1996, among Advanced Micro Devices, Inc., as grantor, IBJ Schroder Bank & Trust Company, as grantee, and Shelley W. Austin, as trustee, filed as Exhibit 4.5 to the Company's Current Report on Form 8-K dated August 13, 1996, is hereby incorporated by reference.
  - 4.6 Security Agreement, dated as of August 1, 1996, among Advanced Micro Devices, Inc. and IBJ Schroder Bank & Trust Company, as agent for United States Trust Company of New York, as Trustee, and Bank of America NT&SA, as agent for banks, filed as Exhibit 4.6 to the Company's Current Report on Form 8-K dated August 13, 1996, is hereby incorporated by reference.
  - 4.7 Lease, Option to Purchase and Put Option Agreement, dated as of August 1, 1996, between Advanced Micro Devices, Inc., as lessor, and AMD Texas Properties, LLC, as lessee, filed as Exhibit 4.7 to the Company's Current Report on Form 8-K dated August 13, 1996, is hereby incorporated by reference.
  - 4.8 Reciprocal Easement Agreement, dated as of August 1, 1996, between Advanced Micro Devices, Inc. and AMD Texas Properties, LLC, filed as Exhibit 4.8 to the Company's Current Report on Form 8-K dated August 13, 1996, is hereby incorporated by reference.
  - 4.9 Sublease Agreement, dated as of August 1, 1996, between Advanced Micro Devices, Inc., as sublessee, and AMD Texas Properties, LLC, as sublessor, filed as Exhibit 4.9 to the Company's Current Report on Form 8-K dated August 13, 1996, is hereby incorporated by reference.
  - 4.10 The Company hereby agrees to file on request of the Commission a copy of all instruments not otherwise filed with respect to long-term debt of the Company or any of its subsidiaries for which the total amount of securities authorized under such instruments does not exceed 10 percent of the total assets of the Company and its subsidiaries on a consolidated basis.
  - \*10.1 AMD 1982 Stock Option Plan, as amended, filed as Exhibit 10.1 to the Company's Annual Report on Form 10-K for the fiscal year ended December 26, 1993, is hereby incorporated by reference.
  - \*10.2 AMD 1986 Stock Option Plan, as amended, filed as Exhibit 10.2 to the Company's Annual Report on Form 10-K for the fiscal year ended December 26, 1993, is hereby incorporated by reference.
  - \*10.3 AMD 1992 Stock Incentive Plan, as amended, filed as Exhibit 10.3 to the Company's Annual Report on Form 10-K for the fiscal year ended December 26, 1993, is hereby incorporated by reference.
  - \*10.4 AMD 1980 Stock Appreciation Rights Plan, as amended, filed as Exhibit 10.4 to the Company's Annual Report on Form 10-K for the fiscal year ended December 26, 1993, is hereby incorporated by reference.

EXHIBIT NUMBER -----	DESCRIPTION OF EXHIBITS -----
*10.5	AMD 1986 Stock Appreciation Rights Plan, as amended, filed as Exhibit 10.5 to the Company's Annual Report on Form 10-K for the fiscal year ended December 26, 1993, is hereby incorporated by reference.
*10.6	Forms of Stock Option Agreements, filed as Exhibit 10.8 to the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 1991, are hereby incorporated by reference.
*10.7	Form of Limited Stock Appreciation Rights Agreement, filed as Exhibit 4.11 to the Company's Registration Statement on Form S-8 (No. 33-26266), is hereby incorporated by reference.
*10.8	AMD 1987 Restricted Stock Award Plan, as amended, filed as Exhibit 10.10 to the Company's Annual Report on Form 10-K for the fiscal year ended December 26, 1993, is hereby incorporated by reference.
*10.9	Forms of Restricted Stock Agreements, filed as Exhibit 10.11 to the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 1991, are hereby incorporated by reference.
*10.10	Resolution of Board of Directors on September 9, 1981, regarding acceleration of vesting of all outstanding stock options and associated limited stock appreciation rights held by officers under certain circumstances, filed as Exhibit 10.10 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1985, is hereby incorporated by reference.
*10.11	Advanced Micro Devices, Inc. 1996 Stock Incentive Plan, as amended, filed as Exhibit 10.11 to the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 1996, is hereby incorporated by reference.
*10.12	Employment Agreement dated September 29, 1996, between the Company and W. J. Sanders III, filed as Exhibit 10.11(a) to the Company's Quarterly Report on Form 10-Q for the period ended September 29, 1996, is hereby incorporated by reference.
*10.13	Management Continuity Agreement between the Company and W. J. Sanders III, filed as Exhibit 10.14 to the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 1991, is hereby incorporated by reference.
*10.14	Bonus Agreement between the Company and Richard Previte, filed as Exhibit 10.15 to the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 1991, is hereby incorporated by reference.
*10.15	Executive Bonus Plan, as amended, filed as Exhibit 10.16 to the Company's Annual Report on Form 10-K for the fiscal year ended December 25, 1994, is hereby incorporated by reference.
*10.16	Advanced Micro Devices, Inc. Executive Incentive Plan, filed as Exhibit 10.14(b) to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 1996, is hereby incorporated by reference.
*10.17	Form of Bonus Deferral Agreement, filed as Exhibit 10.12 to the Company's Annual Report on Form 10-K for the fiscal year ended March 30, 1986, is hereby incorporated by reference.
*10.18	Form of Executive Deferral Agreement, filed as Exhibit 10.17 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1989, is hereby incorporated by reference.
*10.19	Director Deferral Agreement of R. Gene Brown, filed as Exhibit 10.18 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1989, is hereby incorporated by reference.
10.20	Intellectual Property Agreements with Intel Corporation, filed as Exhibit 10.21 to the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 1991, are hereby incorporated by reference.

EXHIBIT NUMBER -----	DESCRIPTION OF EXHIBITS -----
*10.21	Form of Indemnification Agreements with former officers of Monolithic Memories, Inc., filed as Exhibit 10.22 to the Company's Annual Report on Form 10-K for the fiscal year ended December 27, 1987, is hereby incorporated by reference.
*10.22	Form of Management Continuity Agreement, filed as Exhibit 10.25 to the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 1991, is hereby incorporated by reference.
**10.23(a)	Joint Venture Agreement between the Company and Fujitsu Limited, filed as Exhibit 10.27(a) to the Company's Amendment No. 1 to its Annual Report on Form 10-K for the fiscal year ended December 26, 1993, is hereby incorporated by reference.
**10.23(b)	Technology Cross-License Agreement between the Company and Fujitsu Limited, filed as Exhibit 10.27(b) to the Company's Amendment No. 1 to its Annual Report on Form 10-K for the fiscal year ended December 26, 1993, is hereby incorporated by reference.
**10.23(c)	AMD Investment Agreement between the Company and Fujitsu Limited, filed as Exhibit 10.27(c) to the Company's Amendment No. 1 to its Annual Report on Form 10-K for the fiscal year ended December 26, 1993, is hereby incorporated by reference.
**10.23(d)	Fujitsu Investment Agreement between the Company and Fujitsu Limited, filed as Exhibit 10.27(d) to the Company's Amendment No. 1 to its Annual Report on Form 10-K for the fiscal year ended December 26, 1993, is hereby incorporated by reference.
**10.23(e)	First Amendment to Fujitsu Investment Agreement dated April 28, 1995, filed as Exhibit 10.23(e) to the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 1996, is hereby incorporated by reference.
10.23(f)	Second Amendment to Fujitsu Investment Agreement, dated February 27, 1996, filed as Exhibit 10.23 (f) to the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 1996, is hereby incorporated by reference.
**10.23(g)	Joint Venture License Agreement between the Company and Fujitsu Limited, filed as Exhibit 10.27(e) to the Company's Amendment No. 1 to its Annual Report on Form 10-K for the fiscal year ended December 26, 1993, is hereby incorporated by reference.
**10.23(h)	Joint Development Agreement between the Company and Fujitsu Limited, filed as Exhibit 10.27(f) to the Company's Amendment No. 1 to its Annual Report on Form 10-K for the fiscal year ended December 26, 1993, is hereby incorporated by reference.
**10.23(i)	Fujitsu Joint Development Agreement Amendment, filed as Exhibit 10.23(g) to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 1996, is hereby incorporated by reference.
10.24(a)	Credit Agreement, dated as of July 19, 1996, among Advanced Micro Devices, Inc., Bank of America NT&SA, as administrative agent and lender, ABN AMRO Bank N.V., as syndication agent and lender, and Canadian Imperial Bank of Commerce, as documentation agent and lender, filed as Exhibit 99.1 to the Company's Current Report on Form 8-K dated August 13, 1996, is hereby incorporated by reference.
10.24(b)	First Amendment to Credit Agreement, dated as of August 7, 1996, among Advanced Micro Devices, Inc., Bank of America NT&SA, as administrative agent and lender, ABN AMRO Bank N.V., as syndication agent and lender, and Canadian Imperial Bank of Commerce, as documentation agent and lender, filed as Exhibit 99.2 to the Company's Current Report on Form 8-K dated August 13, 1996, is hereby incorporated by reference.



EXHIBIT NUMBER -----	DESCRIPTION OF EXHIBITS -----
10.24(c)	Second Amendment to Credit Agreement, dated as of September 9, 1996, among Advanced Micro Devices, Inc., Bank of America NT&SA, as administrative agent and lender, ABN AMRO Bank N.V., as syndication agent and lender, and Canadian Imperial Bank of Commerce, as documentation agent and lender, filed as Exhibit 10.24(b) to the Company's Quarterly Report on Form 10-Q for the period ended September 29, 1996, is hereby incorporated by reference.
10.24(d)	Third Amendment to Credit Agreement, dated as of October 1, 1997, among Advanced Micro Devices, Inc., Bank of America NT & SA, as administrative agent and lender, ABN AMRO Bank N.V., as syndicated agent and lender, and Canadian Imperial Bank of Commerce, as documentation agent and lender, filed as Exhibit 10.24(d) to the Company's Quarterly Report on Form 10-Q for the period ended September 28, 1997, is hereby incorporated by reference.
10.24(e)	Fourth Amendment to Credit Agreement, dated as of January 26, 1998, among Advanced Micro Devices, Inc., Bank of America NT & SA, as administrative agent and lender, ABN AMRO Bank N.V., as syndicated agent and lender, and Canadian Imperial Bank of Commerce, as documentation agent and lender.
10.24(f)	Fifth Amendment to Credit Agreement, dated as of February 26, 1998, among Advanced Micro Devices, Inc., Bank of America NT & SA, as administrative agent and lender, ABN AMRO Bank, N.V., as syndicated agent and lender, and Canadian Imperial Bank of Commerce, as documentation agent and lender.
10.25(a)	Third Amended and Restated Guaranty, dated as of August 21, 1995, made by the Company in favor of CIBC Inc. (replacing in entirety the Amended and Restated Guaranty and the First Amendment thereto filed as Exhibits 10.29(a) and 10.29(b), respectively, to the Company's Annual Report on Form 10-K for the fiscal year ended December 25, 1994) filed as Exhibit 10.29(a) to the Company's Quarterly Report on Form 10-Q for the period ended October 1, 1995, is hereby incorporated by reference.
10.25(b)	First Amendment to Third Amended and Restated Guaranty, dated as of October 20, 1995 (amending the Third Amended and Restated Guaranty, dated as of August 21, 1995, made by the Company in favor of CIBC Inc.), filed as Exhibit 10.29(d) to the Company's Quarterly Report on Form 10-Q for the period ended October 1, 1995, is hereby incorporated by reference.
10.25(c)	Second Amendment to Third Amended and Restated Guaranty, dated as of January 12, 1996 (amending the Third Amended and Restated Guaranty, dated as of August 21, 1995, as amended, made by the Company in favor of CIBC Inc.), filed as Exhibit 10.25(c) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995, is hereby incorporated by reference.
10.25(d)	Third Amendment to Third Amended and Restated Guaranty, dated as of May 10, 1996 (amending the Third Amended and Restated Guaranty, dated as of August 21, 1995, as amended, made by the Company in favor of CIBC Inc.), filed as Exhibit 10.25(n) to the Company's Quarterly Report on Form 10-Q for the period ended September 29, 1996, is hereby incorporated by reference.
10.25(e)	Fourth Amendment to Third Amended and Restated Guaranty, dated as of June 20, 1996 (amending the Third Amended and Restated Guaranty, dated as of August 21, 1995, as amended, made by the Company in favor of CIBC Inc.), filed as Exhibit 10.25(o) to the Company's Quarterly Report on Form 10-Q for the period ended September 29, 1996, is hereby incorporated by reference.

EXHIBIT  
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DESCRIPTION OF EXHIBITS

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- 10.25(f) Fifth Amendment to Third Amended and Restated Guaranty, dated as of August 1, 1996 (amending the Third Amended and Restated Guaranty, dated as of August 25, 1995, as amended, made by the Company in favor of CIBC Inc.), filed as Exhibit 99.3 to the Company's Current Report on Form 8-K dated August 13, 1996, is hereby incorporated by reference.
- 10.25(g) Sixth Amendment to Third Amended and Restated Guaranty, dated as of February 6, 1998 (amending the Third Amended and Restated Guaranty, dated as of August 25, 1995, as amended, made by the Company in favor of CIBC Inc.).
- 10.25(h) Seventh Amendment to Third Amended and Restated Guaranty, dated as of February 27, 1998 (amending the Third Amended and Restated Guaranty, dated as of August 25, 1995, as amended, made by the Company in favor of CIBC Inc.).
- 10.26(a) Building Lease by and between CIBC Inc. and AMD International Sales & Service, Ltd., dated as of September 22, 1992, filed as Exhibit 10.28(b) to the Company's Annual Report on Form 10-K for the fiscal year ended December 27, 1992, is hereby incorporated by reference.
- 10.26(b) First Amendment to Building Lease dated December 22, 1992, by and between CIBC Inc. and AMD International Sales & Service, Ltd., filed as Exhibit 10.28(c) to the Company's Annual Report on Form 10-K for the fiscal year ended December 27, 1992, is hereby incorporated by reference.
- 10.26(c) Second Amendment to Building Lease dated December 17, 1993, by and between CIBC Inc. and AMD International Sales & Service, Ltd., filed as Exhibit 10.29(e) to the Company's Annual Report on Form 10-K for the fiscal year ended December 25, 1994, is hereby incorporated by reference.
- 10.26(d) Third Amendment to Building Lease dated August 21, 1995, by and between CIBC Inc. and AMD International Sales and Service, Ltd. (amending the Building Lease filed as Exhibit 10.29(c) to the Annual Report on Form 10-K for the fiscal year ended December 25, 1994), filed as Exhibit 10.29(b) to the Company's Quarterly Report on Form 10-Q for the period ended October 1, 1995, is hereby incorporated by reference.
- 10.26(e) Fourth Amendment to Building Lease dated November 10, 1995, by and between CIBC Inc. and AMD International Sales & Service, Ltd. (amending the Building Lease filed as Exhibit 10.29(c) to the Company's Annual Report on Form 10-K for the fiscal year ended December 24, 1994), filed as Exhibit 10.25(h) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995, is hereby incorporated by reference.
- 10.26(f) Fifth Amendment to Building Lease dated August 1, 1996 (amending the Building Lease dated as of September 22, 1992, by and between AMD International Sales & Service, Ltd. and CIBC Inc.), filed as Exhibit 99.4 to the Company's Current Report on Form 8-K dated August 13, 1996, is hereby incorporated by reference.
- 10.27(a) Land Lease by and between CIBC Inc. and AMD International Sales & Service, Ltd., dated as of September 22, 1992, filed as Exhibit 10.28(d) to the Company's Annual Report on Form 10-K for the fiscal year ended December 27, 1992, is hereby incorporated by reference.
- 10.27(b) First Amendment to Land Lease dated December 22, 1992, by and between CIBC Inc. and AMD International Sales & Service, Ltd., filed as Exhibit 10.28(e) to the Company's Annual Report on Form 10-K for the fiscal year ended December 27, 1992, is hereby incorporated by reference.
- 10.27(c) Second Amendment to Land Lease dated December 17, 1993, by and between CIBC Inc. and AMD International Sales & Service, Ltd., filed as Exhibit 10.29(h) to the Company's Annual Report on Form 10-K for the fiscal year ended December 25, 1994, is hereby incorporated by reference.

EXHIBIT  
NUMBER

## DESCRIPTION OF EXHIBITS

- 10.27(d) Third Amendment to Land Lease dated August 21, 1995, by and between CIBC Inc. and AMD International Sales & Service, Ltd. (amending the Land Lease filed as Exhibit 10.29(f) to the Company's Annual Report on Form 10-K for the fiscal year ended December 25, 1994), filed as Exhibit 10.29(c) to the Company's Quarterly Report on Form 10-Q for the period ended October 1, 1995, is hereby incorporated by reference.
- 10.27(e) Fourth Amendment to Land Lease dated November 10, 1995, by and between CIBC Inc. and AMD International Sales & Service, Ltd. (amending the Land Lease filed as Exhibit 10.29(f) to the Company's Annual Report on Form 10-K for the fiscal year ended December 25, 1994), filed as Exhibit 10.25(m) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995, is hereby incorporated by reference.
- 10.27(f) Fifth Amendment to Land Lease dated as of August 1, 1996 (amending the Land Lease dated as of September 22, 1992, by and between AMD International Sales & Service, Ltd. and CIBC Inc.), filed as Exhibit 99.5 to the Company's Current Report on Form 8-K dated August 13, 1996, is hereby incorporated by reference.
- \*10.28(a) Advanced Micro Devices Executive Savings Plan (Amendment and Restatement, effective as of August 1, 1993), filed as Exhibit 10.30 to the Company's Annual Report on Form 10-K for the fiscal year ended December 25, 1994, is hereby incorporated by reference.
- \*10.28(b) First Amendment to the Advanced Micro Devices Executive Savings Plan (as amended and restated, effective as of August 1, 1993).
- \*10.28(c) Second Amendment to the Advanced Micro Devices Executive Savings Plan (as amended and restated, effective as of August 1, 1993).
- \*10.29 Form of Split Dollar Agreement, as amended, filed as Exhibit 10.31 to the Company's Annual Report on Form 10-K for the fiscal year ended December 25, 1994, is hereby incorporated by reference.
- \*10.30 Form of Collateral Security Assignment Agreement, filed as Exhibit 10.32 to the Company's Annual Report on Form 10-K for the fiscal year ended December 26, 1993, is hereby incorporated by reference.
- \*10.31 Forms of Stock Option Agreements to the 1992 Stock Incentive Plan, filed as Exhibit 4.3 to the Company's Registration Statement on Form S-8 (No. 33-46577), are hereby incorporated by reference.
- \*10.32 1992 United Kingdom Share Option Scheme, filed as Exhibit 4.2 to the Company's Registration Statement on Form S-8 (No. 33-46577), is hereby incorporated by reference.
- \*10.33 Compaq Computer Company/Advanced Micro Devices, Inc. Agreement, filed as Exhibit 10.35 to the Company's Annual Report on Form 10-K for the fiscal year ended December 25, 1994, is hereby incorporated by reference.
- \*10.34 Form of indemnification agreements with current officers and directors of the Company, filed as Exhibit 10.38 to the Company's Annual Report on Form 10-K for the fiscal year ended December 25, 1994, is hereby incorporated by reference.
- \*10.35 Agreement to Preserve Goodwill dated January 15, 1996, between the Company and S. Atiq Raza, filed as Exhibit 10.36 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995, is hereby incorporated by reference.
- \*10.36 1995 Stock Plan of NexGen, Inc., as amended, filed as Exhibit 10.36 to the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 1996, is hereby incorporated by reference.
- \*10.37 Patent Cross-License Agreement dated December 20, 1995, between the Company and Intel Corporation, filed as Exhibit 10.38 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995, is hereby incorporated by reference.

EXHIBIT NUMBER -----	DESCRIPTION OF EXHIBITS -----
10.38	Contract for Transfer of the Right to the Use of Land between Advanced Micro Devices (Suzhou) Limited and China-Singapore Suzhou Industrial Park Development Co., Ltd., filed as Exhibit 10.39 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995, is hereby incorporated by reference.
*10.39	NexGen, Inc. 1987 Employee Stock Plan, filed as Exhibit 99.3 to Post-Effective Amendment No. 1 on Form S-8 to the Company's Registration Statement on Form S-4 (No. 33-64911), is hereby incorporated by reference.
*10.40	1995 Stock Plan of NexGen, Inc. (assumed by Advanced Micro Devices, Inc.), as amended, filed as Exhibit 10.37 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 1996, is hereby incorporated by reference.
*10.41	Form of indemnity agreement between NexGen, Inc. and its directors and officers, filed as Exhibit 10.5 to the Registration Statement of NexGen, Inc. on Form S-1 (No. 33-90750), is hereby incorporated by reference.
10.42	Series E Preferred Stock Purchase Warrant of NexGen, Inc. issued to PaineWebber Incorporated, filed as Exhibit 10.14 to the Registration Statement of NexGen, Inc. on Form S-1 (No. 33-90750), is hereby incorporated by reference.
10.43	Series F Preferred Stock Purchase Warrant of NexGen, Inc., filed as Exhibit 10.15 to the Registration Statement of NexGen, Inc. on Form S-1 (No. 33-90750), is hereby incorporated by reference.
10.44	Series G Preferred Stock Purchase Warrant of NexGen, Inc., filed as Exhibit 10.16 to the Registration Statement of NexGen, Inc. on Form S-1 (No. 33-90750), is hereby incorporated by reference.
**10.45	Agreement for Purchase of IBM Products between IBM and NexGen, Inc. dated June 2, 1994, filed as Exhibit 10.17 to the Registration Statement of NexGen, Inc. on Form S-1 (No. 33-90750), is hereby incorporated by reference.
*10.46	Letter Agreement dated as of September, 1988, between NexGen, Inc. and S. Atiq Raza, First Promissory Note dated October 17, 1988, and Second Promissory Note dated October 17, 1988, as amended, filed as Exhibit 10.20 to the Registration Statement of NexGen, Inc. on Form S-1 (No. 33-90750), are hereby incorporated by reference.
10.47	Series B Preferred Stock Purchase Warrant of NexGen, Inc. issued to Kleiner, Perkins, Caufield and Byers IV, as amended, filed as Exhibit 10.23 to the Registration Statement of NexGen, Inc. on Form S-1 (No. 33-90750), is hereby incorporated by reference.
**10.48(a)	C-4 Technology Transfer and Licensing Agreement dated June 11, 1996, between the Company and IBM Corporation, filed as Exhibit 10.48 to the Company's Amendment No. 1 to its Quarterly Report on Form 10-Q/A for the period ended September 29, 1996, is hereby incorporated by reference.
**10.48(b)	Amendment No. 1 to the C-4 Technology Transfer and Licensing Agreement, dated as of February 23, 1997, between the Company and International Business Machine Corporation, filed as Exhibit 10.48(a) to the Company's Quarterly Report on Form 10-Q for the period ended March 30, 1997, is hereby incorporated by reference.
**10.49(a)	Design and Build Agreement dated November 15, 1996, between AMD Saxony Manufacturing GmbH and Meissner and Wurst GmbH, filed as Exhibit 10.49(a) to the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 1996, is hereby incorporated by reference.
10.49(b)	Amendment to Design and Build Agreement dated January 16, 1997, between AMD Saxony Manufacturing GmbH and Meissner and Wurst GmbH filed as Exhibit 10.49(b) to the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 1996, is hereby incorporated by reference.

EXHIBIT NUMBER -----	DESCRIPTION OF EXHIBITS -----
**10.50(a-1)	Syndicated Loan Agreement with Schedules 1, 2 and 17, dated as of March 11, 1997, among AMD Saxony Manufacturing GmbH, Dresdner Bank AG and Dresdner Bank Luxembourg S.A., filed as Exhibit 10.50(a) to the Company's Quarterly Report on Form 10-Q for the period ended March 30, 1997, is hereby incorporated by reference.
***10.50(a-2)	Supplemental Agreement to the Syndicated Loan Agreement dated February 6, 1998, among AMD Saxony Manufacturing GmbH, Dresdner Bank AG and Dresdner Bank Luxembourg S.A.
**10.50(b)	Determination Regarding the Request for a Guarantee by AMD Saxony Manufacturing GmbH, filed as Exhibit 10.50(b) to the Company's Quarterly Report on Form 10-Q for the period ended March 30, 1997, is hereby incorporated by reference.
**10.50(c)	AMD Subsidy Agreement, between AMD Saxony Manufacturing GmbH and Dresdner Bank AG, filed as Exhibit 10.50(c) to the Company's Quarterly Report on Form 10-Q for the period ended March 30, 1997, is hereby incorporated by reference.
**10.50(d)	Subsidy Agreement, dated February 12, 1997, between Sachsische Aufbaubank and Dresdner Bank AG, with Appendices 1, 2a, 2b, 3 and 4, filed as Exhibit 10.50(d) to the Company's Quarterly Report on Form 10-Q for the period ended March 30, 1997, is hereby incorporated by reference.
10.50(e)	AMD, Inc. Guaranty, dated as of March 11, 1997, among the Company, Saxony Manufacturing GmbH and Dresdner Bank AG, filed as Exhibit 10.50(e) to the Company's Quarterly Report on Form 10-Q for the period ended March 30, 1997, is hereby incorporated by reference.
10.50(f-1)	Sponsors' Support Agreement, dated as of March 11, 1997, among the Company, AMD Saxony Holding GmbH and Dresdner Bank AG, filed as Exhibit 10.50(f) to the Company's Quarterly Report on Form 10-Q for the period ended March 30, 1997, is hereby incorporated by reference.
10.50(f-2)	First Amendment to Sponsors' Support Agreement, dated as of February 6, 1998, among the Company, AMD Saxony Holding GmbH and Dresdner Bank AG.
10.50(g-1)	Sponsors' Loan Agreement, dated as of March 11, 1997, among the Company, AMD Saxony Holding GmbH and Saxony Manufacturing GmbH, filed as Exhibit 10.50(g) to the Company's Quarterly Report on Form 10-Q for the period ended March 30, 1997, is hereby incorporated by reference.
10.50(g-2)	First Amendment to Sponsors' Loan Agreement, dated as of February 6, 1998, among the Company, AMD Saxony Holding GmbH and Saxony Manufacturing GmbH.
10.50(h)	Sponsors' Subordination Agreement, dated as of March 11, 1997, among the Company, AMD Saxony Holding GmbH, AMD Saxony Manufacturing GmbH and Dresdner Bank AG, filed as Exhibit 10.50(h) to the Company's Quarterly Report on Form 10-Q for the period ended March 30, 1997, is hereby incorporated by reference.
10.50(i)	Sponsors' Guaranty, dated as of March 11, 1997, among the Company, AMD Saxony Holding GmbH and Dresdner Bank AG, filed as Exhibit 10.50(i) to the Company's Quarterly Report on Form 10-Q for the period ended March 30, 1997, is hereby incorporated by reference.
**10.50(j)	AMD Holding Wafer Purchase Agreement, dated as of March 11, 1997, among the Company and AMD Saxony Holding GmbH, filed as Exhibit 10.50(j) to the Company's Quarterly Report on Form 10-Q for the period ended March 30, 1997, is hereby incorporated by reference.

EXHIBIT NUMBER -----	DESCRIPTION OF EXHIBITS -----
**10.50(k)	AMD Holding Research, Design and Development Agreement, dated as of March 11, 1997, between AMD Saxony Holding GmbH and the Company, filed as Exhibit 10.50(k) to the Company's Quarterly Report on Form 10-Q for the period ended March 30, 1997, is hereby incorporated by reference.
**10.50(l-1)	AMD Saxonia Wafer Purchase Agreement, dated as of March 11, 1997, between AMD Saxony Holding GmbH and AMD Saxony Manufacturing GmbH, filed as Exhibit 10.50(l) to the Company's Quarterly Report on Form 10-Q for the period ended March 30, 1997, is hereby incorporated by reference.
10.50(l-2)	First Amendment to AMD Saxonia Wafer Purchase Agreement, dated as of February 6, 1998, between AMD Saxony Holding GmbH and AMD Saxony Manufacturing GmbH.
**10.50(m)	AMD Saxonia Research, Design and Development Agreement, dated as of March 11, 1997, between AMD Saxony Manufacturing GmbH and AMD Saxony Holding GmbH, filed as Exhibit 10.50(m) to the Company's Quarterly Report on Form 10-Q for the period ended March 30, 1997, is hereby incorporated by reference.
10.50(n)	License Agreement, dated March 11, 1997, among the Company, AMD Saxony Holding GmbH and AMD Saxony Manufacturing GmbH, filed as Exhibit 10.50(n) to the Company's Quarterly Report on Form 10-Q for the period ended March 30, 1997, is hereby incorporated by reference.
10.50(o)	AMD, Inc. Subordination Agreement, dated March 11, 1997, among the Company, AMD Saxony Holding GmbH and Dresdner Bank AG, filed as Exhibit 10.50(o) to the Company's Quarterly Report on Form 10-Q for the period ended March 30, 1997, is hereby incorporated by reference.
**10.50(p-1)	ISDA Agreement, dated March 11, 1997, between the Company and AMD Saxony Manufacturing GmbH, filed as Exhibit 10.50(p) to the Company's Quarterly Report on Form 10-Q for the period ended March 30, 1997, is hereby incorporated by reference.
***10.50(p-2)	Confirmation to ISDA Agreement, dated February 6, 1998, between the Company and AMD Saxony Manufacturing GmbH.
21	List of AMD subsidiaries.
23	Consent of Ernst & Young LLP, Independent Auditors.
24	Power of Attorney.
27	Financial Data Schedule.

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\* Management contracts and compensatory plans or arrangements required to be filed as an Exhibit to comply with Item 14(a)(3).

\*\* Confidential treatment has been granted as to certain portions of these Exhibits.

\*\*\* Confidential treatment has been requested as to certain portions of these Exhibits.

The Company will furnish a copy of any exhibit on request and payment of the Company's reasonable expenses of furnishing such exhibit.

(b) Reports on Form 8-K.

The following reports on Form 8-K were filed during the fourth quarter of the Company's fiscal year ended December 28, 1997:

1. Current Report on Form 8-K dated October 7, 1997 reporting under Item 5--Other Events--third- quarter earnings.

2. Current Report on Form 8-K dated September 30, 1997 reporting under Item 5--Other Events--third-quarter loss expected to be larger than anticipated.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.  
Registrant

March 3, 1998

/s/ Marvin D. Burkett  
By: \_\_\_\_\_  
Marvin D. Burkett  
Senior Vice President, Chief  
Financial and Administrative Officer  
and Treasurer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons, on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE -----	TITLE -----	DATE ----
/s/ W. J. Sanders III*	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	March 3, 1998
W. J. Sanders III		
/s/ Friedrich Baur*	Director	March 3, 1998
Friedrich Baur		
/s/ Charles M. Blalack*	Director	March 3, 1998
Charles M. Blalack		
/s/ R. Gene Brown*	Director	March 3, 1998
R. Gene Brown		
/s/ Marvin D. Burkett*	Senior Vice President, Chief Financial and Administrative Officer and Treasurer (Principal Financial and Accounting Officer)	March 3, 1998
Marvin D. Burkett		
/s/ Richard Previte*	Director, President and Chief Operating Officer	March 3, 1998
Richard Previte		
/s/ S. Atiq Raza*	Director, Executive Vice President and Chief Technical Officer	March 3, 1998
S. Atiq Raza		
/s/ Joe L. Roby*	Director	March 3, 1998
Joe L. Roby		
/s/ Leonard Silverman*	Director	March 3, 1998
Leonard Silverman		
/s/ Marvin D. Burkett		
*By: _____		March 3, 1998
Marvin D. Burkett (Marvin D. Burkett, Attorney-in-Fact)		

ADVANCED MICRO DEVICES, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS  
AND FINANCIAL STATEMENT SCHEDULE

COVERED BY THE REPORT OF INDEPENDENT AUDITORS

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All other schedules have been omitted because the required information is not present or is not present in amounts sufficient to require submission of the schedules, or because the information required is included in the Consolidated Financial Statements or Notes thereto.



REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

The Board of Directors and Stockholders  
Advanced Micro Devices, Inc.

We have audited the accompanying consolidated balance sheets of Advanced Micro Devices, Inc. as of December 28, 1997 and December 29, 1996, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 28, 1997. Our audits also included the financial statement schedule listed in the Index at Item 14(a)2. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Advanced Micro Devices, Inc. at December 28, 1997 and December 29, 1996, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 28, 1997, in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Ernst & Young LLP

San Jose, California  
January 9, 1998

ADVANCED MICRO DEVICES, INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS

THREE YEARS ENDED DECEMBER 28, 1997

	1997	1996	1995
	-----	-----	-----
	(THOUSANDS EXCEPT PER SHARE AMOUNTS)		
NET SALES.....	\$ 2,356,375	\$ 1,953,019	\$ 2,468,379
Expenses:			
Cost of sales.....	1,578,438	1,440,828	1,417,007
Research and development.....	467,877	400,703	416,521
Marketing, general and administrative.....	400,713	364,798	412,651
	-----	-----	-----
	2,447,028	2,206,329	2,246,179
	-----	-----	-----
Operating income (loss).....	(90,653)	(253,310)	222,200
Interest income and other, net.....	35,097	59,391	32,465
Interest expense.....	(45,276)	(14,837)	(3,059)
	-----	-----	-----
Income (loss) before income taxes and equity in joint venture.....	(100,832)	(208,756)	251,606
Provision (benefit) for income taxes.	(55,155)	(85,008)	70,206
	-----	-----	-----
Income (loss) before equity in joint venture.....	(45,677)	(123,748)	181,400
Equity in net income of joint venture.....	24,587	54,798	34,926
	-----	-----	-----
NET INCOME (LOSS).....	(21,090)	(68,950)	216,326
Preferred stock dividends.....	--	--	10
	-----	-----	-----
NET INCOME (LOSS) APPLICABLE TO COMMON STOCKHOLDERS.....	\$ (21,090)	\$ (68,950)	\$ 216,316
	=====	=====	=====
NET INCOME (LOSS) PER COMMON SHARE:			
Basic.....	\$ (0.15)	\$ (0.51)	\$ 1.69
	=====	=====	=====
Diluted.....	\$ (0.15)	\$ (0.51)	\$ 1.57
	=====	=====	=====
Shares used in per share calculation:			
Basic.....	140,453	135,126	127,680
Diluted.....	140,453	135,126	137,698

See accompanying notes

ADVANCED MICRO DEVICES, INC.  
CONSOLIDATED BALANCE SHEETS

DECEMBER 28, 1997 AND DECEMBER 29, 1996

	1997	1996
	(THOUSANDS EXCEPT SHARE AND PER SHARE AMOUNTS)	
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 240,658	\$ 166,194
Short-term investments.....	226,374	220,004
	-----	-----
Total cash, cash equivalents and short-term investments.....	467,032	386,198
Accounts receivable, net of allowance for doubtful accounts of \$11,221 in 1997 and \$9,809 in 1996.....	329,111	220,028
Inventories:		
Raw materials.....	33,375	22,050
Work-in-process.....	96,712	83,853
Finished goods.....	38,430	48,107
	-----	-----
Total inventories.....	168,517	154,010
Deferred income taxes.....	160,583	140,850
Tax refund receivable.....	52	99,909
Prepaid expenses and other current assets....	49,972	28,082
	-----	-----
Total current assets.....	1,175,267	1,029,077
Property, plant and equipment:		
Land.....	29,421	32,244
Buildings and leasehold improvements.....	1,012,680	938,573
Equipment.....	2,295,498	1,963,808
Construction in progress.....	461,452	392,143
	-----	-----
Total property, plant and equipment.....	3,799,051	3,326,768
Accumulated depreciation and amortization.....	(1,808,362)	(1,539,366)
	-----	-----
Property, plant and equipment, net.....	1,990,689	1,787,402
Investment in joint venture.....	204,031	197,205
Other assets.....	145,284	131,599
	-----	-----
	\$ 3,515,271	\$ 3,145,283
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable to banks.....	\$ 6,601	\$ 14,692
Accounts payable.....	359,536	224,139
Accrued compensation and benefits.....	63,429	66,745
Accrued liabilities.....	134,656	103,436
Income tax payable.....	12,676	51,324
Deferred income on shipments to distributors...	83,508	95,466
Current portion of long-term debt and capital lease obligations.....	66,364	27,671
	-----	-----
Total current liabilities.....	726,770	583,473
Deferred income taxes.....	96,269	95,102
Long-term debt and capital lease obligations, less current portion.....	662,689	444,830
Commitments and contingencies.....	--	--
Stockholders' equity:		
Capital stock:		
Common stock, par value \$0.01; 250,000,000 shares authorized; 142,123,079 shares issued and outstanding in 1997 and 137,580,296 in 1996.....	1,428	1,380
Capital in excess of par value.....	1,018,884	957,226
Retained earnings.....	1,066,131	1,087,221
Unrealized gain on investments.....	2,007	4,820
Cumulative translation adjustments.....	(58,907)	(28,769)
	-----	-----
Total stockholders' equity.....	2,029,543	2,021,878
	-----	-----
	\$ 3,515,271	\$ 3,145,283
	=====	=====

See accompanying notes



ADVANCED MICRO DEVICES, INC.  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

THREE YEARS ENDED DECEMBER 28, 1997

	PREFERRED STOCK		COMMON STOCK		CAPITAL IN EXCESS OF PAR VALUE	RETAINED EARNINGS	UNREALIZED GAIN ON INVESTMENTS	CUMULATIVE TRANSLATION ADJUSTMENTS	TOTAL STOCKHOLDERS' EQUITY
	NUMBER OF SHARES	AMOUNT	NUMBER OF SHARES	AMOUNT					
					(THOUSANDS)				
DECEMBER 25, 1994.....	344	\$ 34	121,919	\$ 959	\$ 871,200	\$ 916,052	\$ 9,109	\$ --	\$1,797,354
Changes in stockholders' equity of NexGen in the six months ended June 30, 1995.....	18,161	93,548	(24,530)	352	(171,994)	23,803	--	--	(54,291)
Issuance of NexGen preferred stock.....	1,376	12,653	--	--	--	--	--	--	12,653
Conversion of preferred stock to common stock--NexGen..	(19,537)	(106,201)	19,970	2	106,199	--	--	--	--
Issuance of NexGen common stock in connection with Initial Public Offering.....	--	--	4,542	271	65,340	--	--	--	65,611
NexGen warrants exercised.....	--	--	1,178	--	--	--	--	--	--
Issuance of shares for employee stock plans.....	--	--	2,283	22	23,518	--	--	--	23,540
Compensation recognized under employee stock plans..	--	--	--	--	2,483	--	--	--	2,483
Conversion of preferred stock to common stock.....	(344)	(34)	6,853	69	(2,536)	--	--	--	(2,501)
Reincorporation into a Delaware Corporation.....	--	--	(33)	(625)	625	--	--	--	--
Income tax benefits realized from employee stock option exercises.....	--	--	--	--	15,189	--	--	--	15,189
Preferred stock dividends.....	--	--	--	--	--	(10)	--	--	(10)
Redemption of stockholder rights....	--	--	--	--	(1,035)	--	--	--	(1,035)
Net income.....	--	--	--	--	--	216,326	--	--	216,326
Net change in unrealized gain on investments.....	--	--	--	--	--	--	27,143	--	27,143
DECEMBER 31, 1995.....	--	--	132,182	1,050	908,989	1,156,171	36,252	--	2,102,462
Issuance of shares:									
Employee stock plans.....	--	--	3,838	315	27,433	--	--	--	27,748
Fujitsu Limited.....	--	--	1,000	10	16,525	--	--	--	16,535
Compensation recognized under employee stock plans..	--	--	--	--	24	--	--	--	24
Warrants exercised....	--	--	560	5	2,755	--	--	--	2,760
Income tax benefits realized from employee stock option exercises.....	--	--	--	--	1,500	--	--	--	1,500
Net loss.....	--	--	--	--	--	(68,950)	--	--	(68,950)
Net change in unrealized gain on investments.....	--	--	--	--	--	--	(31,432)	--	(31,432)
Net change in translation adjustment.....	--	--	--	--	--	--	--	(28,769)	(28,769)
DECEMBER 29, 1996.....	--	--	137,580	1,380	957,226	1,087,221	4,820	(28,769)	2,021,878
Issuance of shares for employee stock plans.....	--	--	4,113	44	38,013	--	--	--	38,057
Compensation recognized under employee stock plans..	--	--	--	--	21,232	--	--	--	21,232
Warrants exercised....	--	--	430	4	2,413	--	--	--	2,417
Net loss.....	--	--	--	--	--	(21,090)	--	--	(21,090)
Net change in unrealized gain on investments.....	--	--	--	--	--	--	(2,813)	--	(2,813)
Net change in translation									

adjustment.....	--	--	--	--	--	--	--	(30,138)	(30,138)
DECEMBER 28, 1997.....	--	\$ --	142,123	\$1,428	\$1,018,884	\$1,066,131	\$ 2,007	\$ (58,907)	\$2,029,543
	=====	=====	=====	=====	=====	=====	=====	=====	=====

See accompanying notes

ADVANCED MICRO DEVICES, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS

THREE YEARS ENDED DECEMBER 28, 1997

	1997	1996	1995
	-----	-----	-----
	(THOUSANDS)		
Cash flows from operating activities:			
Net income (loss).....	\$ (21,090)	\$ (68,950)	\$216,326
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization.....	394,465	346,774	272,527
Net loss on disposal of property, plant and equipment.....	19,763	11,953	2,152
Net gain realized on sale of available-for-sale securities.....	(4,978)	(41,022)	(2,707)
Compensation recognized under employee stock plans.....	21,232	24	2,483
Undistributed income of joint venture.....	(24,587)	(54,798)	(34,926)
Changes in operating assets and liabilities:			
Net (increase) decrease in receivables, inventories, prepaid expenses and other assets.....	(184,966)	30,421	12,307
Payment of litigation settlement.....	--	--	(58,000)
Net (increase) decrease in deferred income taxes.....	(18,566)	17,134	(925)
Increase (decrease) in tax refund receivable and income tax payable.....	61,209	(110,058)	11,772
Net increase (decrease) in payables and accrued liabilities.....	156,333	(42,863)	124,058
Net cash provided by operating activities.....	----- 398,815	----- 88,615	----- 545,067
Cash flows from investing activities:			
Purchase of property, plant and equipment.....	(685,100)	(485,018)	(625,900)
Proceeds from sale of property, plant and equipment.....	43,596	2,489	4,834
Purchase of available-for-sale securities.....	(537,147)	(633,476)	(817,888)
Proceeds from sale of available-for-sale securities.....	545,478	840,492	756,373
Purchase of held-to-maturity debt securities..	--	--	(648,012)
Proceeds from maturities of held-to-maturity debt securities.....	--	--	642,229
Investment in joint venture.....	(128)	--	(18,019)
Net cash used in investing activities.....	----- (633,301)	----- (275,513)	----- (706,383)
Cash flows from financing activities:			
Proceeds from borrowings.....	283,482	447,877	246,345
Debt issuance costs.....	(13,080)	(15,378)	--
Payments on debt and capital lease obligations.....	(79,791)	(252,766)	(142,937)
Proceeds from foreign grants.....	77,865	--	--
Proceeds from issuance of stock.....	40,474	47,043	101,804
Expenses for conversion of preferred stock and redemption of stockholder rights.....	--	--	(3,536)
Payments of preferred stock dividends.....	--	--	(10)
Net cash provided by financing activities.....	----- 308,950	----- 226,776	----- 201,666
Net increase in cash and cash equivalents.....	74,464	39,878	40,350
Cash and cash equivalents at beginning of year..	166,194	126,316	85,966
Cash and cash equivalents at end of year.....	----- \$ 240,658	----- \$166,194	----- \$126,316
Supplemental disclosures of cash flow information:			
Cash paid (refunded) during the year for:			
Interest (net of amounts capitalized).....	\$ 34,600	\$ --	\$ 2,541
Income taxes.....	\$ (100,016)	\$ 375	\$ 60,329
Non-cash financing activities:			
Equipment capital leases.....	\$ 44,770	\$ 8,705	\$ 24,422
Conversion of preferred stock to common stock.....	\$ --	\$ --	\$270,328

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 28, 1997, DECEMBER 29, 1996 AND DECEMBER 31, 1995

1. NATURE OF OPERATIONS

AMD (the Company) is a semiconductor manufacturer with manufacturing facilities in the U.S. and Asia and sales offices throughout the world. The Company's products include a wide variety of industry-standard integrated circuits (ICs) which are used in many diverse product applications such as telecommunications equipment, data and network communications equipment, consumer electronics, personal computers (PCs) and workstations.

Vantis Corporation (Vantis), a wholly owned subsidiary of the Company, designs, develops and markets programmable logic devices (PLDs). On September 29, 1997, the Company transferred certain of the assets and liabilities of the PLD division of the Company (excluding bipolar products) to Vantis.

2. BUSINESS COMBINATION

On January 17, 1996, the Company acquired NexGen, Inc. (NexGen) in a tax-free reorganization in which NexGen was merged directly into the Company. At the date of the merger, the Company reserved approximately 33.6 million total shares to be exchanged, which represented eight-tenths (0.8) of a share of the common stock of AMD for each share of the common stock of NexGen outstanding or subject to an assumed warrant or option. The merger has been accounted for under the pooling-of-interests method. The Consolidated Financial Statements have been prepared to give retroactive effect to the merger of NexGen with and into AMD on January 17, 1996.

Prior to its merger with AMD, NexGen reported on a fiscal year ending June 30. In the accompanying Consolidated Financial Statements and the Notes thereto, NexGen financial position and operating results for 1995, which were restated to a December 31, 1995 year-end, have been combined with the Company's financial position and operating results as of and for the year ended December 31, 1995.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fiscal Year. The Company uses a 52- to 53-week fiscal year ending on the last Sunday in December, which resulted in a 52-week year ended December 28, 1997. This compares with a 52-week fiscal year for 1996 and a 53-week fiscal year for 1995, which ended on December 29 and December 31, respectively.

Principles of Consolidation. The Consolidated Financial Statements include the accounts of the Company and its subsidiaries. Upon consolidation, all significant intercompany accounts and transactions are eliminated. Also included in the financial statements of the Company, under the equity method of accounting, is the Company's 49.992 percent investment in Fujitsu AMD Semiconductor Limited (FASL).

Foreign Currency Translation. Translation adjustments resulting from the process of translating into U.S. dollars the foreign currency financial statements of the Company's wholly owned foreign subsidiaries for which the U.S. dollar is the functional currency are included in operations. The translation adjustments relating to the translation of the Company's German wholly owned subsidiary in Dresden, in the State of Saxony (Dresden Fab 30), and the Company's unconsolidated joint venture, for which the local currencies are the functional currencies, are included in stockholders' equity.

Cash Equivalents. Cash equivalents consist of financial instruments which are readily convertible to cash and have original maturities of three months or less at the time of acquisition.

Investments. The Company classifies, at the date of acquisition, its marketable debt and equity securities into held-to-maturity and available-for-sale categories in accordance with the provisions of the Statement of



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

Financial Accounting Standards No. 115 (SFAS No. 115), "Accounting for Certain Investments in Debt and Equity Securities." Currently, the Company classifies its securities as available-for-sale which are reported at fair market value with the related unrealized gains and losses included in retained earnings. Realized gains and losses and declines in value of securities judged to be other than temporary are included in interest income and other, net. Interest and dividends on all securities are included in interest income and other, net.

Investments with maturities between three and twelve months are considered short-term investments. Short-term investments consist of money market auction rate preferred stocks and debt securities such as commercial paper, time deposits, certificates of deposit, bankers' acceptances and marketable direct obligations of the United States Treasury.

Foreign Exchange Forward Contracts. From time to time, foreign exchange forward contracts are used to hedge the Company's net monetary asset positions in its foreign subsidiaries and the Company's liabilities for products purchased from FASL. Realized gains and losses from these hedges are included in operations. Premiums and discounts, if any, are amortized over the life of the contract and included in operations.

Interest Rate Swaps. From time to time, the Company enters into interest rate swaps primarily to reduce its interest rate exposure by changing a portion of the Company's interest rate exposure from a floating rate to a fixed rate basis. The differential between fixed and floating rates to be paid or received is accrued and recognized as an adjustment to interest expense. Accordingly, the related amount receivable from or payable to counterparties is included in other current assets or accrued liabilities, respectively.

Foreign Currency Option Contracts. From time to time, the Company enters into option contracts to hedge firm foreign currency transactions. Premiums related to option contracts are amortized over the life of the contract. Realized gains on foreign currency option contracts will be included in the basis of the transaction. Option contracts that would result in losses if exercised are allowed to expire.

Inventories. Inventories are stated principally at standard cost adjusted to approximate the lower of cost (first-in, first-out method) or market (net realizable value).

Property, Plant and Equipment. Property, plant and equipment is stated at cost. Depreciation and amortization are provided principally on the straight-line basis over the estimated useful lives of the assets for financial reporting purposes and on accelerated methods for tax purposes. Estimated useful lives for financial reporting purposes are as follows: machinery and equipment 3 to 5 years; buildings up to 26 years; and leasehold improvements are the shorter of the remaining terms of the leases or the estimated economic useful lives of the improvements.

Deferred Income on Shipments to Distributors. A portion of sales is made to distributors under terms allowing certain rights of return and price protection on unsold merchandise held by the distributors. Pursuant to the Company's agreements with distributors, in most instances AMD protects its distributors' inventory of the Company's products against price reductions, as well as products that are slow moving or have been discontinued. These agreements, which may be canceled by either party on a specified notice, generally contain a provision for the return of the Company's products in the event the agreement with the distributor is terminated. Accordingly, recognition of sales to distributors and related gross profits are deferred until the merchandise is resold by the distributors.

Advertising Expenses. The Company accounts for advertising costs as expense in the period in which they are incurred. Advertising expense for 1997, 1996 and 1995 was approximately \$74 million, \$44 million and \$44 million, respectively.

ADVANCED MICRO DEVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

Net Income (Loss) Per Common Share. In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128 (SFAS 128), "Earnings per Share." SFAS 128 supersedes Accounting Principles Board Opinion No. 15 (APB 15), "Earnings per Share," and other related Interpretations and is effective for the periods ending after December 15, 1997. Under SFAS 128, all prior-period earnings per share amounts have been restated. Basic earnings per share is based upon weighted-average common shares outstanding. Diluted earnings per share is computed using the weighted-average common shares outstanding plus any potentially dilutive securities. Dilutive securities include stock options, warrants, restricted stock, convertible debt and convertible preferred stock.

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

	1997	1996	1995
	-----		
	(THOUSANDS EXCEPT PER SHARE DATA)		
Numerator:			
Net income (loss).....	\$ (21,090)	\$ (68,950)	\$ 216,326
Preferred stock dividends.....	--	--	(10)
	-----	-----	-----
Numerator for basic and diluted net income (loss) per common share.....	\$ (21,090)	\$ (68,950)	\$ 216,316
	-----	-----	-----
Denominator:			
Denominator for basic net income (loss) per common share--weighted-average shares.....	140,453	135,126	127,680
Effect of dilutive securities:			
Employee stock options.....	--	--	6,231
Warrants.....	--	--	2,233
Convertible preferred stock.....	--	--	1,343
Other dilutive securities.....	--	--	211
	-----	-----	-----
Dilutive potential common shares.....	--	--	10,018
Denominator for diluted net income (loss) per common share--adjusted weighted-average shares and assumed conversions.....	140,453	135,126	137,698
	=====	=====	=====
Basic net income (loss) per common share.....	\$ (0.15)	\$ (0.51)	\$ 1.69
	=====	=====	=====
Diluted net income (loss) per common share.....	\$ (0.15)	\$ (0.51)	\$ 1.57
	=====	=====	=====

For additional disclosures regarding the warrants, the employee stock options and the restricted stock, see Notes 7 and 12.

Options, warrants and restricted stock were outstanding during 1997 and 1996, but were not included in the computation of diluted net loss per common share because the effect in years with a net loss would be antidilutive. Options to purchase 1,970,000 shares of common stock at a weighted-average price of \$30.18 per share were outstanding during 1995, but were not included in the computation of diluted net income per common share because the options' exercise price was greater than the average market price of the common shares and, therefore, the effect would be antidilutive.

Employee Stock Plans. The Company accounts for its stock option plans and its employee stock purchase plan in accordance with provisions of the Accounting Principles Board's Opinion No. 25 (APB 25), "Accounting For Stock Issued to Employees." In 1995, the Financial Accounting Standards Board released the Statement of

ADVANCED MICRO DEVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

Financial Accounting Standards No. 123 (SFAS 123), "Accounting for Stock-Based Compensation." SFAS 123 provides an alternative to APB 25 and is effective for fiscal years beginning after December 15, 1995. As allowed under SFAS 123, the Company continues to account for its employee stock plans in accordance with the provisions of APB 25. See Note 12.

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results inevitably will differ from those estimates, and such differences may be material to the financial statements.

Year-End Adjustments (Unaudited). The Company made certain year-end adjustments in 1995, resulting from changes in estimates related to the Nx586 product which was developed by NexGen. These adjustments were material to the results of the fourth quarter in 1995. These adjustments, related to accounts receivable and inventory, were charged primarily to net sales and cost of sales and reduced 1995 operating income by approximately \$52 million. These adjustments had no impact on the Company's operating results in 1997 or 1996.

Financial Presentation. Certain prior year amounts on the Consolidated Financial Statements have been reclassified to conform to the 1997 presentation.

ADVANCED MICRO DEVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

4. FINANCIAL INSTRUMENTS

AVAILABLE-FOR-SALE SECURITIES

Available-for-sale securities as of December 28, 1997, and December 29, 1996, were as follows:

	COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR MARKET VALUE
(THOUSANDS)				
1997				
Cash equivalents:				
Commercial paper.....	\$ 14,901	\$ 14	\$ --	\$ 14,915
Federal agency notes.....	22,860	--	(79)	22,781
Total cash equivalents.....	\$ 37,761	\$ 14	\$ (79)	\$ 37,696
Short-term investments:				
Money market auction rate preferred				
stocks.....	\$ 61,200	\$ --	\$ --	\$ 61,200
Certificates of deposit.....	50,025	345	(10)	50,360
Treasury notes.....	9,989	9	--	9,998
Corporate notes.....	37,862	127	(4)	37,985
Federal agency notes.....	47,283	4	(70)	47,217
Commercial paper.....	19,379	235	--	19,614
Total short-term investments.....	\$225,738	\$ 720	\$ (84)	\$226,374
Long-term investments:				
Equity investments.....	\$ 6,087	\$1,341	\$ --	\$ 7,428
Treasury notes.....	1,997	95	--	2,092
Total long-term investments.....	\$ 8,084	\$1,436	\$ --	\$ 9,520
1996				
Cash equivalents:				
Commercial paper.....	\$ 42,699	\$ --	\$ (148)	\$ 42,551
Federal agency notes.....	32,805	--	(107)	32,698
Other debt securities.....	458	--	--	458
Total cash equivalents.....	\$ 75,962	\$ --	\$ (255)	\$ 75,707
Short-term investments:				
Money market auction rate preferred				
stocks.....	\$ 5,000	\$ --	\$ --	\$ 5,000
Certificates of deposit.....	48,113	7	(8)	48,112
Treasury notes.....	52,812	8	(76)	52,744
Corporate notes.....	18,967	--	(13)	18,954
Commercial paper.....	94,506	688	--	95,194
Total short-term investments.....	\$219,398	\$ 703	\$ (97)	\$220,004
Long-term investments:				
Equity investments.....	\$ 15,281	\$4,467	\$ --	\$ 19,748
Treasury notes.....	2,015	2	--	2,017
Total long-term investments.....	\$ 17,296	\$4,469	\$ --	\$ 21,765

The net gain realized on the sale of available-for-sale securities was \$5 million, \$41 million and \$3 million for 1997, 1996 and 1995, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

As of December 28, 1997, the Company did not own any securities classified as trading.

FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

As part of the Company's asset and liability management, the Company enters into various types of transactions that involve financial instruments with off-balance-sheet risk. These instruments are entered into in order to manage financial market risk, including interest rate and foreign exchange risk. The notional values, carrying amounts and fair values are included in the table below. The estimates of fair value were obtained using prevailing financial market information as of December 28, 1997. In certain instances where judgment is required in estimating fair value, price quotes were obtained from certain of the Company's counterparty financial institutions.

	1997			1996		
	NOTIONAL AMOUNT	CARRYING AMOUNT	FAIR VALUE	NOTIONAL AMOUNT	CARRYING AMOUNT	FAIR VALUE
	(THOUSANDS)					
Interest rate instruments:						
Swaps.....	\$ --	\$--	\$--	\$40,000	\$(1,011)	\$(437)
Foreign exchange instruments:						
Foreign currency option contracts.....	150,000	893	369	--	--	--
Foreign exchange forward contracts.....	48,500	53	309	25,340	138	121

Foreign Exchange Forward Contracts

The Company enters into foreign exchange forward contracts to buy and sell currencies as economic hedges of its net monetary asset positions in its foreign subsidiaries and liabilities for products purchased from FASL. The hedging transactions in 1997 were denominated in lira, yen, French franc, deutsche mark, pound sterling and Dutch guilder. The maturities of these contracts are generally less than six months.

Foreign Currency Option Contracts

In 1997, the Company entered into foreign currency option contracts as a hedge of firm commitments to make investments in, or subordinated loans to, Dresden Fab 30. These contracts expire at various dates through 1999.

FAIR VALUE OF OTHER FINANCIAL INSTRUMENTS

The fair value of debt was estimated using discounted cash flow analysis based on estimated interest rates for similar types of borrowing arrangements.

The carrying amounts and estimated fair values of the Company's other financial instruments are as follows:

	1997		1996	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
	(THOUSANDS)			
Short-term debt:				
Notes payable.....	\$ 6,601	\$ 6,601	\$ 14,692	\$ 14,692
Current portion of long-term debt.....	37,176	34,344	3,802	3,802
Long-term debt (excluding capital leases).....	622,880	627,758	410,068	447,491

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

## 5. CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash equivalents, short-term investments, trade receivables and financial instruments used in hedging activities.

The Company places its cash equivalents and short-term investments with high credit quality financial institutions and, by policy, limits the amount of credit exposure with any one financial institution. Investments in time deposits and certificates of deposit are acquired from banks having combined capital, surplus and undistributed profits of not less than \$200 million. Investments in commercial paper and money market auction rate preferred stocks of industrial firms and financial institutions are rated A1, P1 or better, investments in tax-exempt securities including municipal notes and bonds are rated AA, Aa or better, and investments in repurchase agreements must have securities of the type and quality listed above as collateral.

Concentrations of credit risk with respect to trade receivables are limited because a large number of geographically diverse customers make up the Company's customer base, thus spreading the trade credit risk. The Company controls credit risk through credit approvals, credit limits and monitoring procedures. The Company performs in-depth credit evaluations of all new customers and requires letters of credit, bank guarantees and advance payments, if deemed necessary. Bad debt expenses have not been material.

The counterparties to the agreements relating to the Company's foreign currency hedging transactions consist of a number of major, high credit quality, international financial institutions. The Company does not believe that there is significant risk of nonperformance by these counterparties because the Company monitors their credit ratings and limits the financial exposure and the amount of agreements entered into with any one financial institution. While the notional amounts of financial instruments are often used to express the volume of these transactions, the potential accounting loss on these transactions if all counterparties failed to perform is limited to the amounts, if any, by which the counterparties' obligations under the contracts exceed the obligations of the Company to the counterparties.

## 6. OTHER RISKS

Financing Requirements. The Company plans to continue to make significant capital investments, at a significantly higher rate than in previous years. These investments include those relating to the conversion of Fab 25 to 0.25 micron process technology and the construction and facilitization of Dresden Fab 30. The Company will be required to raise funds through external financing in order to continue to make the substantial capital investments required to convert Fab 25 to 0.25 micron process technology, as well as for other ongoing capital investments.

In March 1997, the Company's indirect wholly owned subsidiary, AMD Saxony, entered into a Loan Agreement (the Dresden Loan Agreement) with a consortium of banks led by Dresdner Bank AG. In the event the Company is unable to meet its obligation to make loans to, or equity investments in, AMD Saxony as required under the Dresden Loan Agreement, AMD Saxony will be unable to complete Dresden Fab 30 and the Company will be in default under the Dresden Loan Agreement, the Credit Agreement and the Indenture, which would permit acceleration of indebtedness, which would have a material adverse effect on the Company.

There can be no assurance that the Company will be able to obtain the funds necessary to fund its capital investments and any such failure will have a material adverse effect on the Company.

Products. AMD-K6 microprocessor and Flash memory devices each contributed a significant portion of the Company's revenues in 1997. The Company's ability to increase product revenues, and benefit fully from

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

substantial financial investments and commitments it has made and continues to make related to microprocessors, depends upon the success of the AMD-K6 microprocessor in 1998, future generations of K86 microprocessors in 1999 and beyond and future generations of Flash memory devices.

**Markets.** The markets for the Company's products are characterized by rapid technological developments, evolving industry standards, changes in customer requirements, frequent new product introductions and enhancements, short product life cycles and severe price competition. The market for microprocessors is primarily dependent upon the market for PCs, and the market for Flash memory devices is primarily dependent upon the market for communications devices. From time to time, the PC industry has experienced significant downturns, often in connection with, or in anticipation of, declines in general economic conditions. These downturns have been characterized by diminished product demand, production overcapacity and resultant accelerated erosion of average selling prices. The Company's business could be materially and adversely affected by industry-wide fluctuations in the PC marketplace in the future.

**Manufacturing Capacity.** The Company's manufacturing facilities have been underutilized from time to time as a result of reduced demand for certain of the Company's products. The Company's operations related to microprocessors have been particularly affected by this situation. Any future underutilization of the Company's manufacturing facilities could have a material adverse effect on the Company. The Company is increasing its manufacturing capacity by making significant capital investments in Fab 25 and in Dresden Fab 30. In addition, the building construction of FASL II, a second Flash memory device manufacturing facility, is complete and equipment installation is in progress. The Company is also building a new test and assembly facility in Suzhou, China. There can be no assurance that the industry projections for future growth upon which the Company is basing its strategy of increasing its manufacturing capacity will prove to be accurate. If demand for the Company's products does not increase, underutilization of the Company's manufacturing facilities will likely occur and could have a material adverse effect on the Company.

**Process Technology.** Manufacturers of integrated circuits constantly seek to improve the process technologies used to manufacture their products. In order to remain competitive, the Company must make continuing substantial investments in improving its process technologies. In particular, the Company has made and continues to make significant research and development investments in the technologies and equipment used to fabricate its microprocessor products and its Flash memory devices. Portions of these investments might not be recoverable if the Company fails to successfully ramp production in Fab 25 to 0.25 micron process technology, if the Company's microprocessors fail to continue to gain market acceptance or if the market for its Flash memory products should significantly deteriorate. This could have a material adverse effect on the Company. There can be no assurance that the Company will be able to commit Fab 25 production to a qualified 0.25 micron process technology in order to fabricate product in sufficient volume to generate revenue necessary to offset investments in Fab 25 and meet the anticipated needs and demands of its customers.

**Manufacturing Interruptions and Yields.** Any substantial interruption with respect to any of the Company's manufacturing operations, either as a result of a labor dispute, equipment failure or other cause, could have a material adverse effect on the Company. For example, the Company's recent results have been negatively affected by disappointing AMD-K6 microprocessor yields. The Company may in the future be materially adversely affected by fluctuations in manufacturing yields. The manufacture of integrated circuits is a complex process. Normal manufacturing risks include errors and interruptions in the fabrication process and defects in raw materials, as well as other risks, all of which can affect yields. Additional manufacturing risks incurred in ramping up new fabrication areas and/or new manufacturing processes include errors and interruptions in the fabrication process, equipment performance, process controls as well as other risks, all of which can affect yields.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

Inventories. Given the volatility of the market, the Company makes inventory provisions for potentially excess and obsolete inventory based on backlog and forecasted demand. However, such backlog demand is subject to revisions, cancellations and rescheduling. Actual demand will inevitably differ from such anticipated demand, and such differences may have a material effect on the financial statements.

Customers. The Company primarily markets and sells its products to a broad base of customers comprised of distributors and OEMs of computation and communication equipment. One of the Company's distributors, Arrow Electronics, Inc., accounted for approximately 12 percent, 13 percent and 12 percent of 1997, 1996 and 1995 net sales, respectively. No other distributor or OEM customer accounted for 10 percent or more of net sales in 1997, 1996 or 1995.

International Operations. The Company derives a substantial portion of its revenues from international sales. However, only a portion of the Company's international sales were denominated in foreign currencies. Further, the Company does not have any sales denominated in the local currencies of those countries which have highly inflationary economies.

Nearly all product assembly and final testing of the Company's products are performed at the Company's manufacturing facilities in Penang, Malaysia; Bangkok, Thailand; and Singapore; or by subcontractors in Asia. Wafer fabrication of certain products is performed at foundries in Asia. FASL wafer fabrication facilities are located in Aizu-Wakamatsu, Japan. Foreign manufacturing entails political and economic risks, including political instability, expropriation, currency controls and fluctuations, changes in freight and interest rates, and loss or modification of exemptions for taxes and tariffs. For example, if AMD were unable to assemble and test its products abroad, or if air transportation between the United States and the Company's overseas facilities were disrupted, there could be a material adverse effect on the Company's operations.

7. WARRANTS

On May 24, 1995, the effective date of the initial public offering by NexGen, all previously issued preferred series warrants were converted into warrants to purchase common stock. At December 28, 1997, the Company had 4,801 warrants outstanding with an exercise price of \$6.25 expiring on August 17, 1998.

For the year ended December 28, 1997, warrants previously issued to purchase 31,939 shares of common stock were exercised on a cashless basis for 27,296 shares of common stock. All warrants are currently exercisable at December 28, 1997.

8. INCOME TAXES

Provision (benefit) for income taxes consists of:

	1997	1996	1995
	-----	-----	-----
	(THOUSANDS)		
Current:			
U.S. Federal.....	\$(43,053)	\$(102,213)	\$58,683
U.S. State and Local.....	(1,959)	(1,026)	1,855
Foreign National and Local.....	8,423	1,097	10,594
Deferred:			
U.S. Federal.....	(12,902)	16,280	1,295
U.S. State and Local.....	(7,872)	854	(3,167)
Foreign National and Local.....	2,208	--	946
	-----	-----	-----
Provision (benefit) for income taxes.....	\$(55,155)	\$ (85,008)	\$70,206
	=====	=====	=====



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

Tax benefits resulting from the exercise of nonqualified stock options and the disqualifying disposition of shares acquired under the Company's incentive stock option and stock purchase plans reduced taxes currently payable as shown above by approximately \$2 million and \$15 million in 1996 and 1995, respectively. Such benefits were credited to capital in excess of par value when realized. Tax benefits generated in 1997 did not reduce taxes currently payable.

In accordance with Statement of Financial Accounting Standards No. 109 (SFAS 109), "Accounting for Income Taxes," deferred income taxes reflect the net tax effects of tax carryovers and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities as of December 28, 1997 and December 29, 1996, are as follows:

	1997	1996
	-----	-----
	(THOUSANDS)	
Deferred tax assets:		
Net operating loss carryovers.....	\$ 99,424	\$ 50,225
Deferred distributor income.....	36,898	45,594
Inventory reserves.....	30,085	30,145
Accrued expenses not currently deductible.....	26,345	17,297
Federal and state tax credit carryovers.....	74,535	57,959
Other.....	60,927	61,957
	-----	-----
Total deferred tax assets.....	328,214	263,177
Less: valuation allowance.....	(44,221)	(22,062)
	-----	-----
Net deferred tax assets.....	283,993	241,115
Deferred tax liabilities:		
Depreciation.....	(175,177)	(154,217)
Other.....	(44,502)	(41,150)
	-----	-----
Total deferred tax liabilities.....	(219,679)	(195,367)
	-----	-----
Net deferred tax assets.....	\$ 64,314	\$ 45,748
	=====	=====

Realization of the Company's net deferred tax assets is dependent on future taxable income. The Company believes that it is more likely than not that such assets will be realized, however, ultimate realization could be negatively impacted by market conditions and other variables not known or anticipated at this time.

The valuation allowance for deferred tax assets includes \$18 million attributable to stock option deductions, the benefit of which will be credited to equity when realized.

Pretax income from foreign operations was approximately \$10 million in 1997, \$33 million in 1996 and \$61 million in 1995.

A portion of the net operating loss carryovers are subject to limitation. Availability of \$21 million of tax effected net operating loss carryovers generally occurs ratably from 1999 through 2001. The federal and state tax credit and net operating loss carryovers expire beginning in the year 2003 through 2012.

ADVANCED MICRO DEVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

The following is a reconciliation between statutory federal income taxes and the total provision (benefit) for income taxes:

	1997		1996		1995	
	TAX	RATE	TAX	RATE	TAX	RATE
	(THOUSANDS EXCEPT PERCENT)					
Statutory federal income tax provision (benefit).....	\$ (35,291)	(35.0)%	\$ (73,065)	(35.0)%	\$88,062	35.0%
State taxes net of federal benefit.....	(7,500)	(7.4)	(520)	(0.2)	216	0.1
Tax exempt Foreign Sales Corporation income....	(1,369)	(1.4)	(2,283)	(1.1)	(6,848)	(2.7)
Foreign income and other than U.S. rates.....	(10,228)	(10.1)	(9,782)	(4.7)	(11,503)	(4.6)
Other.....	(767)	(0.8)	642	0.3	279	0.1
	<u>\$ (55,155)</u>	<u>(54.7)%</u>	<u>\$ (85,008)</u>	<u>(40.7)%</u>	<u>\$70,206</u>	<u>27.9%</u>

No provision has been made for income taxes on approximately \$333 million of cumulative undistributed earnings of certain foreign subsidiaries because it is the Company's intention to permanently invest such earnings. If such earnings were distributed, additional taxes of approximately \$113 million would accrue.

The Company's assembly and test plant in Thailand is operated under a tax holiday which expires in 1998. The net impact of this tax holiday was a decrease in the net loss of approximately \$3 million (\$0.02 diluted net loss per common share) in 1997.

9. DEBT

Significant elements of revolving lines of credit are:

	1997	1996
	(THOUSANDS EXCEPT PERCENT)	
Committed:		
Three-year secured revolving line of credit. \$	150,000	\$ 150,000
Uncommitted:		
Portion of unsecured lines of credit available to foreign subsidiaries.....	67,052	84,501
Amounts outstanding at year-end under lines of credit:		
Short-term.....	6,601	14,692
Short-term borrowings:		
Average daily borrowings.....	10,795	15,389
Maximum amount outstanding at any month-end.	13,846	22,971
Weighted-average interest rate.....	1.75%	2.36%
Average interest rate on amounts outstanding at year-end.....	2.01%	1.47%

Interest on foreign and short-term domestic borrowings is negotiated at the time of the borrowing.

ADVANCED MICRO DEVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

Information with respect to the Company's long-term debt and capital lease obligations at year-end is:

	1997	1996
	-----	-----
	(THOUSANDS)	
11% Senior Secured Notes with interest payable semiannually and principal on August 1, 2003.....	\$400,000	\$400,000
Secured term loan with 7.56% interest payable quarterly and principal payable quarterly from October 1998 through May 2000.....	250,000	--
Promissory notes with principal and 6.88% interest payable annually through January 2000, secured by a partnership interest.....	6,577	8,489
Mortgage with principal and 9.88% interest payable in monthly installments through April 2007.....	1,781	1,930
Obligations under capital leases.....	68,997	58,631
Obligations secured by equipment.....	1,668	3,388
Other.....	30	63
	-----	-----
Less: current portion.....	(66,364)	(27,671)
	-----	-----
Long-term debt and capital lease obligations, less current portion.....	\$662,689	\$444,830
	=====	=====

On July 19, 1996, the Company entered into a syndicated bank loan agreement (the Credit Agreement), which provided for a \$400 million term loan and revolving credit facility which became available concurrently with the sale of the Senior Secured Notes. The Credit Agreement provided for a \$150 million three-year secured revolving line of credit (which can be extended for one additional year, subject to approval of the lending banks) and a \$250 million four-year secured term loan, the latter of which the Company used fully in January 1997. No balances were outstanding under the revolving line of credit at December 28, 1997 or December 29, 1996.

For each of the next five years and beyond, long-term debt and capital lease obligations are:

	LONG-TERM DEBT (PRINCIPAL ONLY)	CAPITAL LEASES
	-----	-----
	(THOUSANDS)	
1998.....	\$ 37,176	\$33,518
1999.....	126,370	19,052
2000.....	95,287	12,783
2001.....	167	6,539
2002.....	184	1,497
Beyond 2002.....	400,872	268
	-----	-----
Total.....	660,056	73,657
Less: amount representing interest.....	--	(4,660)
	-----	-----
Total at present value.....	\$660,056	\$68,997
	=====	=====

Obligations under the lease agreements are collateralized by the assets leased. Total assets leased were approximately \$138 million and \$134 million at December 28, 1997 and December 29, 1996, respectively. Accumulated amortization of these leased assets was approximately \$85 million and \$72 million at December 28, 1997 and December 29, 1996, respectively.

The above debt agreements limit the Company's and its subsidiaries' ability to engage in various transactions and require satisfaction of specified financial performance criteria. At December 28, 1997, the Company was in compliance with all restrictive covenants of such debt agreements and all retained earnings were restricted as to payments of cash dividends on common stock.

ADVANCED MICRO DEVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

10. INTEREST EXPENSE & INTEREST INCOME AND OTHER, NET

INTEREST EXPENSE

	1997	1996	1995
	-----	-----	-----
	(THOUSANDS)		
Interest expense.....	\$ 74,716	\$ 32,507	\$ 21,102
Interest capitalized.....	(29,440)	(17,670)	(18,043)
	-----	-----	-----
	\$ 45,276	\$ 14,837	\$ 3,059
	=====	=====	=====

In 1997, interest expense primarily consisted of interest expense incurred on the Company's Senior Secured Notes sold in August 1996, interest on the Company's \$250 million four-year secured term loan and interest capitalized primarily related to the second phase of construction of Fab 25 and Dresden Fab 30. In 1996, interest expense primarily consisted of interest expense incurred on the Company's Senior Secured Notes sold in August 1996 and interest capitalized primarily related to equipment installation in Fab 25. In 1995, interest expense primarily consisted of interest payments on the \$150 million four-year term loan the Company entered into on January 5, 1995, and interest capitalized primarily related to the construction of Fab 25.

INTEREST INCOME AND OTHER, NET

	1997	1996	1995
	-----	-----	-----
	(THOUSANDS)		
Interest income.....	\$28,975	\$19,564	\$29,518
Other income, net.....	6,122	39,827	2,947
	-----	-----	-----
	\$35,097	\$59,391	\$32,465
	=====	=====	=====

Other income, net primarily consisted of gains resulting from the sales of equity investments for all years presented. Also included in other income, net for all years presented is the net loss on the sale of assets.

11. FOREIGN AND DOMESTIC OPERATIONS

AMD manufactures and markets standard lines of products. The Company's products include a wide variety of industry-standard ICs which are used in many diverse product applications such as telecommunications equipment, data and network communications equipment, consumer electronics, PCs and workstations.

Operations outside the United States include both manufacturing and sales. Manufacturing subsidiaries are located in Malaysia, Thailand, Singapore and China. Sales subsidiaries are in Europe and Asia Pacific.

ADVANCED MICRO DEVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

The following is a summary of operations by entities within geographic areas for the three years ended December 28, 1997:

	1997	1996	1995
	-----	-----	-----
	(THOUSANDS)		
Sales to unaffiliated customers:			
North America.....	\$1,804,242	\$1,418,871	\$1,780,240
Europe.....	391,587	378,136	491,293
Asia Pacific.....	160,546	156,012	196,846
	-----	-----	-----
	\$2,356,375	\$1,953,019	\$2,468,379
	=====	=====	=====
Transfers between geographic areas (eliminated in consolidation):			
North America.....	\$1,016,400	\$ 578,581	\$ 743,117
Asia Pacific.....	386,015	383,684	396,158
	-----	-----	-----
	\$1,402,415	\$ 962,265	\$1,139,275
	=====	=====	=====
Operating income (loss):			
North America.....	\$ (105,487)	\$ (289,324)	\$ 164,549
Europe.....	(23,717)	(3,905)	18,922
Asia Pacific.....	38,551	39,919	38,729
	-----	-----	-----
	\$ (90,653)	\$ (253,310)	\$ 222,200
	=====	=====	=====
Identifiable assets:			
North America.....	\$2,983,963	\$2,644,368	\$2,636,675
Asia Pacific.....	565,536	514,880	463,530
Europe.....	318,801	154,288	85,664
Eliminations.....	(353,029)	(168,253)	(107,402)
	-----	-----	-----
	\$3,515,271	\$3,145,283	\$3,078,467
	=====	=====	=====
U.S. export sales:			
Asia Pacific.....	\$ 487,751	\$ 344,050	\$ 485,625
Europe.....	291,773	157,647	206,328
	-----	-----	-----
	\$ 779,524	\$ 501,697	\$ 691,953
	=====	=====	=====

Sales to unaffiliated customers are based on the location of the Company's subsidiary. Transfers between geographic areas consist of products and services that are sold at amounts generally above cost and are consistent with governing tax regulations. Operating income (loss) is total sales less operating expenses. Identifiable assets are those assets used in each geographic area. Export sales are United States foreign direct sales to unaffiliated customers primarily in Europe and Asia Pacific.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

12. STOCK-BASED BENEFIT PLANS

Stock Option Plans. The Company has several stock option plans under which key employees have been granted incentive (ISOs) and nonqualified (NSOs) stock options to purchase the Company's common stock. Generally, options are exercisable within four years from the date of grant and expire five to ten years after the date of grant. ISOs granted under the plans have exercise prices of not less than 100 percent of the fair market value of the common stock at the date of grant. Exercise prices of NSOs range from \$0.01 to the fair market value of the common stock at the date of grant. At December 28, 1997, 3,172 employees were eligible and participating in the plans.

On July 10, 1996, the Compensation Committee of the Board of Directors of AMD approved a stock option repricing program pursuant to which employees of the Company (excluding officers) could elect to cancel certain unexercised stock options in exchange for new stock options with an exercise price of \$11.88, equal to the closing price of the Company's common stock on the New York Stock Exchange on July 15, 1996. Approximately 6.1 million options were eligible for repricing, of which 5.3 million were repriced. The vesting schedules and expiration dates of repriced stock options were extended by one year, and certain employees canceled stock options for four shares of common stock in exchange for repriced options for three shares of common stock.

The following is a summary of stock option activity and related information:

	1997		1996		1995	
	WEIGHTED-AVERAGE EXERCISE PRICE	OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE	OPTIONS	PRICE PER SHARE	
	-----	-----	-----	-----	-----	-----
	(SHARES IN THOUSANDS)					
Options:						
Outstanding at beginning of year....	18,651	\$12.17	16,329	\$16.77	14,825	\$0.50 - \$30.25
Granted.....	3,392	34.33	11,245	12.96	4,327	3.13 - 35.88
Canceled.....	(782)	16.05	(7,042)	26.64	(510)	0.50 - 35.75
Exercised.....	(3,481)	8.03	(1,881)	4.07	(2,313)	0.50 - 30.25
	-----		-----		-----	
Outstanding at end of year.....	17,780	17.07	18,651	12.17	16,329	0.50 - 35.88
	=====		=====		=====	
Available for grant at beginning of year....	3,845		751		3,386	
Available for grant at end of year.....	966		3,845		751	

The following table summarizes information about options outstanding at December 28, 1997:

RANGE OF EXERCISE PRICES	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
	NUMBER OUTSTANDING AT 12/28/97	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)	WEIGHTED-AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE AT 12/28/97	WEIGHTED-AVERAGE EXERCISE PRICE
-----	-----	-----	-----	-----	-----
	(SHARES IN THOUSANDS)				
\$ 0.01 - \$ 9.38	2,953	5.34	\$ 5.70	2,360	\$ 5.89
9.50 - 11.88	4,718	7.51	11.71	2,374	11.61
12.13 - 18.75	5,744	7.54	14.50	2,409	14.36
18.81 - 44.50	4,365	8.68	33.93	1,156	29.52
	-----			-----	
\$ 0.01 - \$44.50	17,780	7.45	17.07	8,299	13.28
	=====			=====	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

Stock Purchase Plan. The Company has an employee stock purchase plan (ESPP) that allows participating employees to purchase, through payroll deductions, shares of the Company's common stock at 85 percent of the fair market value at specified dates. At December 28, 1997, 7,015 employees were eligible to participate in the plan and 1,379,195 common shares remained available for issuance under the plan. A summary of stock purchased under the plan is shown below.

	1997	1996	1995
	-----		
	(THOUSANDS EXCEPT EMPLOYEE PARTICIPANTS)		
Aggregate purchase price.....	\$14,470	\$13,138	\$11,457
Shares purchased.....	673	1,035	501
Employee participants.....	3,046	2,963	2,825

Stock Appreciation Rights Plans. The Company maintains three stock appreciation rights plans under which stock appreciation rights (SARs) either have been or may be granted to key employees. The number of SARs exercised plus common stock issued under the stock option plans may not exceed the number of shares authorized under the stock option plans. SARs may be granted in tandem with outstanding stock options, in tandem with future stock option grants or independently of any stock options. Generally, the terms of SARs granted under the plans are similar to those of options granted under the stock option plans, including exercise prices, exercise dates and expiration dates. To date, the Company has granted only limited SARs, which become exercisable only in the event of certain changes in control of the Company.

Restricted Stock Award Plan. The Company established the 1987 restricted stock award plan under which up to two million shares of common stock may be issued to employees, subject to terms and conditions determined at the discretion of the Board of Directors. The Company entered into agreements to issue 15,000 and 320,609 shares in 1997 and 1996, respectively. To date, agreements covering 243,712 shares have been canceled without issuance and 1,501,559 shares have been issued pursuant to prior agreements. At December 28, 1997, agreements covering 491,941 shares were outstanding under the plan and no shares remained available for future awards. Outstanding awards vest under varying terms within five years.

Stock-Based Compensation. As permitted under SFAS 123, the Company has elected to follow APB 25 and related Interpretations in accounting for stock-based awards to employees. Pro forma information regarding net income (loss) and net income (loss) per share is required by SFAS 123 for awards granted after December 31, 1994, as if the Company had accounted for its stock-based awards to employees under the fair value method of SFAS 123. The fair value of the Company's stock-based awards to employees was estimated using a Black-Scholes option pricing model. The Black-Scholes model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, the Black-Scholes model requires the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock-based awards to employees have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its stock-based awards to employees. The fair value of the Company's stock-based awards to employees was estimated assuming no expected dividends and the following weighted-average assumptions:

	OPTIONS			ESPP		
	-----			-----		
	1997	1996	1995	1997	1996	1995
	-----			-----		
Expected life (years).....	3.35	3.16	2.43	0.25	0.25	0.25
Expected stock price volatility....	54.69%	48.02%	53.29%	68.41%	47.81%	42.15%
Risk-free interest rate.....	6.21%	6.44%	5.88%	5.37%	5.29%	5.69%

ADVANCED MICRO DEVICES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

For pro forma purposes, the estimated fair value of the Company's stock-based awards to employees is amortized over the options' vesting period (for options) and the three-month purchase period (for stock purchases under the ESPP). The Company's pro forma information follows:

	1997	1996	1995
	-----		
	(THOUSANDS EXCEPT PER SHARE AMOUNTS)		
Net income (loss)--as reported.....	\$(21,090)	\$(68,950)	\$216,326
Net income (loss)--pro forma.....	(44,304)	(89,451)	205,047
Basic net income (loss) per share--as reported.	(0.15)	(0.51)	1.69
Basic net income (loss) per share--pro forma...	(0.32)	(0.66)	1.61
Diluted net income (loss) per share--as reported.....	(0.15)	(0.51)	1.57
Diluted net income (loss) per share--pro forma.	(0.32)	(0.66)	1.49

Because SFAS 123 is applicable only to awards granted subsequent to December 31, 1994, its pro forma effect will not be fully reflected until approximately 1999. A total of 3,172,820 stock based awards were granted during 1997 with exercise prices equal to the market price of the stock on the grant date. The weighted-average exercise price and weighted-average fair value of these awards were \$36.11 and \$16.07, respectively. A total of 234,285 stock based awards were granted during 1997 with exercise prices less than the market price of the stock on the grant date. The weighted-average exercise price and weighted-average fair value of these awards were \$8.09 and \$23.82, respectively.

The weighted-average fair value of stock purchase rights during 1997 was \$8.42 per share.

13. OTHER EMPLOYEE BENEFIT PLANS

Profit Sharing Program. The Company has a profit sharing program to which the Board of Directors has authorized semiannual contributions. Profit sharing contributions were approximately \$4 million in 1997 and \$45 million in 1995. There were no profit sharing contributions in 1996.

Retirement Savings Plan. The Company has a retirement savings plan, commonly known as a 401(k) plan, that allows participating United States employees to contribute from one percent to 15 percent of their pre-tax salary subject to I.R.S. limits. The Company makes a matching contribution calculated at 50 cents on each dollar of the first 3 percent of participant contributions, to a maximum of 1.5 percent of eligible compensation. The Company's contributions to the 401(k) plan were approximately \$5 million, \$5 million and \$4 million for 1997, 1996 and 1995, respectively. There are eight investment funds in which each employee may invest contributions in whole percentage increments. NexGen had a 401(k) plan which allowed employees to contribute from one percent to ten percent of their pre-tax salary subject to I.R.S. limits. NexGen did not match employee contributions.



14. COMMITMENTS

The Company leases certain of its facilities under agreements which expire at various dates through 2011. The Company also leases certain of its manufacturing and office equipment for terms ranging from one to five years. Rent expense was approximately \$48 million, \$40 million and \$37 million in 1997, 1996 and 1995, respectively.

For each of the next five years and beyond, noncancelable long-term operating lease obligations and commitments to purchase manufacturing supplies and services are as follows:

	OPERATING LEASES	PURCHASE COMMITMENTS
	-----	
	(THOUSANDS)	
1998.....	\$32,638	\$21,403
1999.....	26,783	18,884
2000.....	21,619	16,775
2001.....	16,330	4,956
2002.....	15,635	4,956
Beyond 2002.....	104,453	24,690

The operating leases of the Company's corporate marketing, general and administrative facility expire in December 1998. These leases provide the Company with an option to purchase the facility for \$40 million during the lease term. At the end of the lease term, the Company is obligated to either purchase the facility or to arrange for its sale to a third party with a guarantee of residual value to the seller equal to the option purchase price. Alternatively, the Company may seek to renegotiate the terms of the lease.

In addition to the purchase commitments above, the Company had commitments of approximately \$452 million for the construction or acquisition of additional property, plant and equipment at December 28, 1997.

AMD Saxony is building Dresden Fab 30, a 900,000-square-foot submicron integrated circuit manufacturing and design facility over the next four years at a present estimated cost of approximately \$1.9 billion. The Federal Republic of Germany and the State of Saxony have agreed to support the project in the form of (i) a guarantee of 65 percent of the bank debt to be incurred by AMD Saxony up to a maximum of DM1.65 billion, (ii) investment grants and subsidies totaling DM501 million and (iii) interest subsidies from the State of Saxony totaling DM300 million. In March 1997, AMD Saxony entered into the Dresden Loan Agreement under which loan facilities totaling DM1.65 billion will be made available. In connection with the Dresden Loan Agreement, the Company has agreed to invest in AMD Saxony over the next two years equity or subordinated loans in an amount totaling approximately DM478 million, and to guarantee a portion of AMD Saxony's obligations under the Dresden Loan Agreement up to a maximum of DM218 million until Dresden Fab 30 has been completed. After completion of Dresden Fab 30, the Company has agreed to make funds available to AMD Saxony up to DM145 million if the subsidiary does not meet its fixed charge coverage ratio covenant. The Company has agreed to fund certain contingent obligations, including various obligations to fund project cost overruns, if any. The Company commenced construction in the second quarter of 1997 and completed construction of the building shell for the plant and administration building at the end of 1997. The planned Dresden Fab 30 costs are denominated in deutsche marks and, therefore, are subject to change due to foreign exchange rate fluctuations. The Company entered into foreign currency hedging transactions for Dresden Fab 30 during the first quarter of 1997.

In December 1995, the Company signed a five-year, comprehensive cross-license agreement with Intel. The cross-license is royalty-bearing for the Company's products that use certain Intel technologies. The Company is required to pay Intel minimum non-refundable royalties during the years 1998 through 2000.

15. INVESTMENT IN JOINT VENTURE

In 1993, AMD and Fujitsu Limited formed a joint venture, Fujitsu AMD Semiconductor Limited (FASL), for the development and manufacture of non-volatile memory devices. Through FASL, the two companies have constructed and are operating an advanced integrated circuit manufacturing facility in Aizu-Wakamatsu, Japan, to produce Flash memory devices. The Company's share of FASL is 49.992 percent and the investment is being accounted for under the equity method. In 1995, the Company invested an additional \$18 million in FASL. The Company's share of FASL net income during 1997 was \$25 million, net of income taxes of approximately \$23 million. At December 28, 1997, the cumulative adjustment related to the translation of the FASL financial statements into U.S. dollars resulted in a decrease of approximately \$46 million to the investment in FASL. In 1997, 1996 and 1995, the Company purchased \$242 million, \$234 million and \$128 million, respectively, of Flash memory devices from FASL. At December 28, 1997, and December 29, 1996, the Company had outstanding payables of \$40 million and \$27 million, respectively, to FASL for Flash memory device purchases. At December 28, 1997, and December 29, 1996, the Company had outstanding royalty receivables of \$6 million and \$4 million, respectively, as a result of FASL sales. In 1997, 1996 and 1995, the Company earned royalty income of \$19 million, \$21 million and \$11 million, respectively, as a result of FASL sales.

Pursuant to a cross-equity provision between AMD and Fujitsu Limited, the Company purchased shares of Fujitsu Limited common stock and owns approximately 0.5 million shares at December 28, 1997. Under the same provision, Fujitsu Limited has purchased 3 million shares of AMD common stock, and is required to purchase an additional 1.5 million shares over the next several years, for a total investment not to exceed \$100 million.

In the third quarter of 1997, FASL completed construction of the building for a second Flash memory device wafer fabrication facility, FASL II, at a site contiguous to the existing FASL facility in Aizu-Wakamatsu, Japan. Equipment installation is in progress and the facility is expected to cost approximately \$1.1 billion when fully equipped. Capital expenditures for FASL II construction to date have been funded by cash generated from FASL operations and borrowings by FASL. To the extent that FASL is unable to secure the necessary funds for FASL II, the Company may be required to contribute cash or guarantee third-party loans in proportion to its 49.992 percentage interest in FASL. At December 28, 1997, AMD had loan guarantees of \$48 million outstanding with respect to such loans.

The following is condensed unaudited financial data of FASL:

THREE YEARS ENDED DECEMBER 28, 1997

	1997	1996	1995
	-----		
	(UNAUDITED)		
	(THOUSANDS)		
Net sales.....	\$423,251	\$459,075	\$252,069
Gross profit.....	105,691	200,255	120,066
Operating income.....	94,863	185,825	117,411
Net income.....	46,000	121,119	72,286

DECEMBER 28, 1997 AND DECEMBER 29, 1996

	1997	1996
	-----	
	(UNAUDITED)	
	(THOUSANDS)	
Current assets.....	\$134,499	\$ 97,693
Non-current assets.....	627,965	542,684
Current liabilities.....	339,151	215,524
Non-current liabilities.....	662	474

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

The Company's share of the above FASL net income differs from the equity in net income of joint venture reported on the Consolidated Statements of Operations due to adjustments resulting from the related party relationship between FASL and the Company which are reflected on the Company's Consolidated Statements of Operations.

## 16. CONTINGENCIES

## I. LITIGATION

A. McDaid v. Sanders, et al.; Kozlowski, et al. v. Sanders, et al. The McDaid complaint was filed November 3, 1995 and the Kozlowski complaint was filed November 15, 1995. Both actions allege violations of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, against the Company and certain individual officers and directors (the Individual Defendants), and purportedly were filed on behalf of all persons who purchased or otherwise acquired common stock of the Company during the period April 11, 1995 through September 25, 1995. The complaints seek damages allegedly caused by alleged materially misleading statements and/or material omissions by the Company and the Individual Defendants regarding the Company's development of its K5 microprocessor, which statements and omissions, the plaintiffs claim, allegedly operated to inflate artificially the price paid for the Company's common stock during the period. The complaints also allege that Company statements regarding its K6 and K7 series microprocessors were materially misleading. The complaints seek compensatory damages in an amount to be proven at trial, fees and costs, and extraordinary equitable and/or injunctive relief. The Court has consolidated both actions into one. Defendants filed answers in the consolidated action in May 1996. The trial is scheduled to commence on January 11, 1999. Based upon information presently known to management, the Company does not believe that the ultimate resolution of this lawsuit will have a material adverse effect on the financial condition or results of operations of the Company.

B. AMD v. Altera Corporation. This litigation, which began in 1994, involves multiple claims and counterclaims for patent infringement relating to the Company's and Altera Corporation's programmable logic devices. In a trial held in May of 1996, a jury found that at least five of the eight AMD patents-in-suit were licensed to Altera. As a result of the bench trial held on August 11 and 13, 1997, the Court held that Altera is licensed to the three remaining AMD patents-in-suit. Seven patents were asserted by Altera in its counterclaim against the Company. The Court determined that AMD is licensed to five of the seven patents and two remain in suit. Altera filed a motion to recover attorneys' fees on November 17, 1997. The Company then filed, and the Court granted, a motion to stay determination of the attorney's fees motion until resolution of its appeal. The Company has filed an appeal of the rulings of the jury and Court determinations that Altera is licensed to each of the Company's eight patents-in-suit. Based upon information presently known to management, the Company does not believe that the ultimate resolution of this lawsuit will have a material adverse effect on the financial condition or results of operations of the Company.

## II. ENVIRONMENTAL MATTERS

Clean-Up Orders. Since 1981, the Company has discovered, investigated and begun remediation of three sites where releases from underground chemical tanks at its facilities in Santa Clara County, California adversely affected the ground water. The chemicals released into the ground water were commonly in use in the semiconductor industry in the wafer fabrication process prior to 1979. At least one of the released chemicals (which is no longer used by the Company) has been identified as a probable carcinogen.

In 1991, the Company received four Final Site Clean-up Requirements Orders from the California Regional Water Quality Control Board, San Francisco Bay Region relating to the three sites. One of the orders named the Company as well as TRW Microwave, Inc. and Philips Semiconductors Corporation. Another of the orders named the Company as well as National Semiconductor Corporation.

The three sites in Santa Clara County are on the National Priorities List (Superfund). If the Company fails to satisfy federal compliance requirements or inadequately performs the compliance measures, the government (a) can bring an action to enforce compliance, or (b) can undertake the desired response actions itself and later bring an action to recover its costs, and penalties, which is up to three times the costs of clean-up activities, if appropriate. With regard to certain claims related to this matter the statute of limitations has been tolled.

The Company has computed and recorded the estimated environmental liability in accordance with applicable accounting rules and has not recorded any potential insurance recoveries in determining the estimated costs of the cleanup. The amount of environmental charges to earnings has not been material during any of the last three fiscal years. The Company believes that the potential liability, if any, in excess of amounts already accrued with respect to the foregoing environmental matters will not have a material adverse effect on the financial condition or results of operations of the Company.

### III. OTHER MATTERS

The Company is a defendant or plaintiff in various other actions which arose in the normal course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the financial condition or results of operations of the Company.

ADVANCED MICRO DEVICES, INC.

VALUATION AND QUALIFYING ACCOUNTS

YEARS ENDED DECEMBER 31, 1995, DECEMBER 29, 1996  
AND DECEMBER 28, 1997

	BALANCE BEGINNING OF PERIOD	ADDITIONS CHARGED (REDUCTIONS CREDITED) TO OPERATIONS	DEDUCTIONS (1)	BALANCE END OF PERIOD
	(THOUSANDS)			
Allowance for doubtful accounts:				
Years ended:				
December 31, 1995.....	\$10,469	\$7,784	\$ (2,635)	\$15,618
December 29, 1996.....	15,618	2,000	(7,809)	9,809
December 28, 1997.....	9,809	1,500	(88)	11,221

- -----  
(1) Accounts (written off) recovered, net.



## FOURTH AMENDMENT TO CREDIT AGREEMENT

THIS FOURTH AMENDMENT TO CREDIT AGREEMENT (this "Amendment"), is entered into  
 -----  
 as of January 26, 1998, among Advanced Micro Devices, Inc., a Delaware  
 corporation (the "Company"), the "Banks" party to the Credit Agreement  
 -----  
 (collectively, the "Banks"), ABN AMRO Bank N.V., as Syndication Agent for the  
 -----  
 Banks (the "Syndication Agent"), Canadian Imperial Bank of Commerce, as  
 -----  
 Documentation Agent for the Banks (the "Documentation Agent"), and Bank of  
 -----  
 America National Trust and Savings Association, as Administrative Agent for the  
 Banks (the "Agent").  
 -----

WHEREAS, the Company, the Banks, the Syndication Agent, the  
 Documentation Agent and the Agent are parties to a Credit Agreement dated as of  
 July 19, 1996, as amended by a First Amendment to Credit Agreement dated as of  
 August 7, 1996, a Second Amendment to Credit Agreement dated as of September 9,  
 1996 and a Third Amendment to Credit Agreement dated as of October 1, 1997 (as  
 so amended, the "Credit Agreement");  
 -----

WHEREAS, the Company has requested that the Majority Banks agree to  
 certain amendments to the Credit Agreement;

WHEREAS, the Majority Banks have agreed to such request, subject to the  
 terms and conditions hereof;

NOW, THEREFORE, in consideration of the mutual agreements, provisions  
 and covenants contained herein, the parties hereto agree as follows:

1. Definitions; Interpretation.  
 -----

(a) Terms Defined in Credit Agreement. All capitalized terms used  
 -----  
 in this Amendment (including in the recitals hereof) and not otherwise defined  
 herein shall have the meanings assigned to them in the Credit Agreement.

(b) Interpretation. The rules of interpretation set forth in  
 -----  
 Section 1.02 of the Credit Agreement shall be applicable to this Amendment and  
 are incorporated herein by this reference.

2. Amendments to the Credit Agreement.  
 -----

(a) Amendments. The Credit Agreement is hereby amended as  
 -----  
 follows: Subsection 7.04(f) of the Credit Agreement is hereby amended by (i)  
 deleting therefrom the text "\$175,000,000 funded in fiscal 1998," and  
 substituting therefor the text "\$190,000,000 funded in fiscal 1998," (ii)  
 deleting therefrom the text "\$175,000,000 funded in fiscal 1999,"

and substituting therefor the text "\$190,000,000 funded in fiscal 1999," and (iii) deleting "\$400,000,000" from the proviso thereof and substituting therefor "\$470,000,000".

(b) References Within Credit Agreement. Each reference in the  
-----  
Credit Agreement to "this Agreement" and the words "hereof," "herein," "hereunder," or words of like import, shall mean and be a reference to the Credit Agreement as amended by this Amendment.

3. Representations and Warranties. The Company hereby represents and  
-----  
warrants to the Agent, the Syndication Agent, the Documentation Agent and the Banks as follows:

a. No Default or Event of Default has occurred and is continuing.

b. The execution, delivery and performance by the Company of this Amendment have been duly authorized by all necessary corporate and other action and do not and will not require any registration with, consent or approval of, notice to or action by, any Person (including any Governmental Authority) in order to be effective and enforceable.

c. This Amendment and the Loan Documents, as amended by this Amendment, constitute the legal, valid and binding obligations of the Company, enforceable against it in accordance with their respective terms, without defense, counterclaim or offset.

4. Amendment Effective Date. This Amendment will become effective on January 26, 1998, provided that the Agent has received from each of the Company  
-----  
and the Majority Banks an executed counterpart of this Amendment.

5. Miscellaneous.  
-----

(a) Credit Agreement Otherwise Not Affected. Except as expressly  
-----  
amended pursuant hereto, the Credit Agreement shall remain unchanged and in full force and effect and is hereby ratified and confirmed in all respects. The Banks', the Agent's, the Syndication Agent's and the Documentation Agent's execution and delivery of, or acceptance of, this Amendment shall not be deemed to create a course of dealing or otherwise create any express or implied duty by any of them to provide any other or further amendments, consents or waivers in the future.

(b) No Reliance. The Company hereby acknowledges and confirms to  
-----  
the Agent, the Syndication Agent, the Documentation Agent and the Banks that the Company is executing this Amendment on the basis of its own investigations and for its own reasons without reliance upon any agreement, representation, understanding or communication by or on behalf of the Agent, the Syndication Agent, the Documentation Agent, any Bank or any other Person.



(c) Amendments and Waivers. The provisions of this Amendment may  
-----  
only be amended or waived, and any consent with respect to any departure by the  
Company therefrom may only be granted, in accordance with the terms of Section  
10.01 of the Credit Agreement.

(d) Costs and Expenses. The Company shall, whether or not the  
-----  
amendments contemplated hereby shall become effective, pay or reimburse the  
Agent, within five Business Days after demand, for all costs and expenses  
incurred by the Agent in connection with the development, preparation, delivery,  
administration and execution of, and any amendment, supplement, waiver or  
modification to, this Amendment and the consummation of the transactions  
contemplated hereby and thereby, including the Attorney Costs incurred by the  
Agent with respect thereto.

(e) Successors and Assigns. The provisions of this Amendment shall  
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be binding upon and inure to the benefit of the parties hereto and their  
respective successors and assigns.

(f) Counterparts. This Amendment may be executed by one or more of  
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the parties to this Amendment in any number of separate counterparts, each of  
which, when so executed, shall be deemed an original, and all of said  
counterparts taken together shall be deemed to constitute but one and the same  
instrument. The parties hereto agree that the Agent may accept and rely on  
facsimile transmissions of executed signature pages of this Amendment.

(g) Severability. The illegality or unenforceability of any  
-----  
provision of this Amendment or any instrument or agreement required hereunder  
shall not in any way affect or impair the legality or enforceability of the  
remaining provisions of this Amendment or any instrument or agreement required  
hereunder.

(h) No Third Parties Benefited. This Amendment is made and entered  
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into for the sole protection and legal benefit of the Company, the Syndication  
Agent, the Documentation Agent, the Banks and the Agent, and their successors  
and assigns, and no other Person shall be a direct or indirect legal beneficiary  
of, or have any direct or indirect cause of action or claim in connection with,  
this Amendment. Each of the Agent, the Syndication Agent, the Documentation  
Agent and the Banks shall not have any obligation to any Person not a party to  
this Amendment.

(i) Governing Law. THIS AMENDMENT SHALL BE GOVERNED BY, AND  
-----  
CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK; PROVIDED THAT  
THE AGENT AND THE BANKS SHALL RETAIN ALL RIGHTS ARISING UNDER FEDERAL LAW.

(j) Entire Agreement. This Amendment embodies the entire agreement  
-----  
and understanding among the Company, the Banks, the Syndication Agent, the  
Documentation Agent and the Agent, and supersedes all prior or contemporaneous

agreements and understandings of such Persons, verbal or written, relating to the subject matter hereof and thereof.

(k) Interpretation. This Amendment is the result of negotiations  
-----

between and has been reviewed by counsel to the Agent, the Company and other parties, and is the product of all parties hereto. Accordingly, this Amendment shall not be construed against the Banks, the Syndication Agent, the Documentation Agent or the Agent merely because of the Agent's or such other Person's involvement in the preparation of such documents and agreements.

[SIGNATURE PAGES FOLLOW.]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered in San Francisco, California, by their proper and duly authorized officers as of the day and year first above written.

THE COMPANY  
-----

ADVANCED MICRO DEVICES, INC.

By: /s/ Marvin D. Burkett

-----  
Marvin D. Burkett

Title: Senior Vice President, Chief Financial  
and Administrative Officer and Treasurer  
-----

THE AGENT  
-----

BANK OF AMERICA NATIONAL TRUST  
AND SAVINGS ASSOCIATION, as  
Administrative Agent

By: /s/ Wendy M. Young

-----  
Wendy M. Young

Title: Vice President  
-----

THE SYNDICATION AGENT  
-----

ABN AMRO BANK N.V., as Syndication Agent

By: ABN AMRO NORTH AMERICA, INC.,  
its agent

By: /s/ Thomas R. Wagner

-----  
Thomas R. Wagner

Title: Group Vice President  
-----

By: /s/ Bruce W. Swords

-----  
Bruce W. Swords

Title: Vice President  
-----

THE DOCUMENTATION AGENT  
-----

CANADIAN IMPERIAL BANK OF COMMERCE,  
as Documentation Agent

By: /s/ Timothy Doyle  
-----

Timothy Doyle

Title: Managing Director  
-----

CIBC Oppenheimer Corp. AS AGENT

THE BANKS  
-----

BANK OF AMERICA NATIONAL TRUST  
AND SAVINGS ASSOCIATION, as a Bank

By: /s/ Kevin McMahon  
-----

Kevin McMahon

Title: Managing Director  
-----

ABN AMRO BANK N.V., as a Bank

By: ABN AMRO NORTH AMERICA, INC.,  
its agent

By: /s/ Thomas R. Wagner  
-----

Thomas R. Wagner

Title: Group Vice President  
-----

By: /s/ Bruce W. Swords  
-----

Bruce W. Swords

Title: Vice President  
-----

CANADIAN IMPERIAL BANK OF  
COMMERCE, as a Bank

By: /s/ Timothy Doyle  
-----

Timothy Doyle

Title: Managing Director  
-----

CIBC Oppenheimer Corp. AS AGENT

BANKBOSTON, N.A.

By: illegible signature  
-----

Title: Director  
-----

THE BANK OF NOVA SCOTIA

By: /s/ illegible  
-----

Title: Relationship Manager  
-----

BANQUE PARIBAS

By: /s/ N. Meyer  
-----

N. Meyer

Title: Vice President  
-----

By: /s/ Lee S. Buckner  
-----

Lee S. Buckner

Title: Managing Director  
-----

THE DAI-ICHI KANGYO BANK, LTD.

By: /s/ Takuo Yoshida  
-----

Takuo Yoshida

Title: General Manager & Agent  
-----

FLEET NATIONAL BANK

By: /s/ illegible signature  
-----

Title: Senior Relationship Manager, VP  
-----

THE INDUSTRIAL BANK OF JAPAN, LIMITED

By: /s/ Haruhiko Masuda  
-----

Haruhiko Masuda

Title: Deputy General Manager  
-----

KEYBANK NATIONAL ASSOCIATION

By: /s/ Mary K. Young

-----  
Mary K. Young

Title: Commercial Banking Officer  
-----

THE LONG-TERM CREDIT BANK OF  
JAPAN, LIMITED

By: /s/ illegible signature

-----  
Title: Deputy General Manager  
-----

THE MITSUBISHI TRUST AND BANKING  
CORPORATION

By: /s/ Yasushi Satomi

-----  
Yasushi Satomi

Title: Senior Vice President  
-----

ROYAL BANK OF CANADA

By: /s/ Michael A. Cole

-----  
Michael A. Cole

Title: Manager  
-----

THE SAKURA BANK LIMITED, SAN  
FRANCISCO AGENCY

By: /s/ Takao Nakajima

-----  
Takao Nakajima

Title: Assistant General Manager  
-----

THE SUMITOMO TRUST AND BANKING  
COMPANY, LIMITED

By: /s/ illegible signature

-----  
Title:  
-----

UNION BANK OF CALIFORNIA, N.A.

By: /s/ Wade Schlueter

-----  
Wade Schlueter

Title: Vice President  
-----





FIFTH AMENDMENT TO CREDIT AGREEMENT

THIS FIFTH AMENDMENT TO CREDIT AGREEMENT (this "Amendment"), is entered  
 -----  
 into as of February 26, 1998, among Advanced Micro Devices, Inc., a Delaware  
 corporation (the "Company"), the "Banks" party to the Credit Agreement  
 -----  
 (collectively, the "Banks"), ABN AMRO Bank N.V., as Syndication Agent for the  
 -----  
 Banks (the "Syndication Agent"), Canadian Imperial Bank of Commerce, as  
 -----  
 Documentation Agent for the Banks (the "Documentation Agent"), and Bank of  
 American National Trust and Savings Association, as Administrative Agent for the  
 Banks (the "Agent").  
 -----

WHEREAS, the Company, the Banks, the Syndication Agent, the Documentation  
 Agent and the Agent are parties to a Credit Agreement dated as of July 19, 1996,  
 as amended by a First Amendment to Credit Agreement dated as of August 7, 1996,  
 a Second Amendment to Credit Agreement dated as of September 9, 1996, a Third  
 Amendment to Credit Agreement dated as of October 1, 1997, and a Fourth  
 Amendment to Credit Agreement dated as of January 26, 1998 (as so amended, the  
 "Credit Agreement");  
 -----

WHEREAS, the Company has requested that the Majority Banks agree to certain  
 amendments to the Credit Agreement;

WHEREAS, the Majority Banks have agreed to such request, subject to the  
 terms and conditions hereof;

NOW, THEREFORE, in consideration of the mutual agreements, provisions and  
 covenants contained herein, the parties hereto agree as follows:

1. Definitions; Interpretation.  
 -----

(a) Terms Defined in Credit Agreement. All capitalized terms used in  
 -----  
 this Amendment (including in the recitals hereof) and not otherwise defined  
 herein shall have the meanings assigned to them in the Credit Agreement.

(b) Interpretation. The rules of the interpretation set forth in  
 -----  
 Section 1.02 of the Credit Agreement shall be applicable to this Amendment and  
 are incorporated herein by this reference.

2. Amendments to the Credit Agreement.  
 -----

(a) Amendments. The Credit Agreement is hereby amended as follows:  
 -----

(i) Subsection 7.05(f) is hereby amended and restated in its  
 entirety as follows:

"(f) other unsecured Indebtedness of no more than \$25,000,000 in aggregate principal amount and convertible subordinated Indebtedness of no more than \$500,000,000 in aggregate principal amount on terms and conditions satisfactory to the Majority Banks; and"

(ii) Section 7.15 of the Credit Agreement is hereby amended by (A) inserting immediately following the words "fiscal quarter" in the second line thereof the parenthetical "(or as of such other date identified below)," and (B) deleting clauses (i) and (ii) thereof and substituting therefor the following:

"(i) 0.60 to 1.00 at the end of the first fiscal quarter of 1998, (ii) 0.80 to 1.00 at May 24, 1998, and at the end of the second fiscal quarter of 1998, (iii) 0.70 to 1.00 at the end of the third fiscal quarter of 1998, (iv) 0.80 to 1.00 at fiscal year-end 1998 and at the end of each of the first, second and third fiscal quarters of 1999, and (v) 0.90 to 1.00 at fiscal year-end 1999 and thereafter. Notwithstanding the definition of Current Liabilities set forth in Section 1.01, the outstanding principal amount from time to time of the Revolving Loans shall be excluded from such definition for purposes of determining compliance with this Section 7.15 for each of the first, second, third and fourth fiscal quarters of 1998."

(iii) Section 7.16 of the Credit Agreement is hereby amended and restated in its entirety as follows:

"7.16 Minimum Tangible Net Worth. The Company shall not

-----  
suffer or permit its Consolidated Tangible Net Worth (a) at the end of the Company's first fiscal quarter of 1998 to be less than \$1,970,000,000 and (b) at the end of the Company's second fiscal quarter of 1998 and thereafter to be less than \$1,925,000,000 plus

-----  
(i) (without duplication for amounts included under clause (iv) below) 75% of net income for the Company and its Restricted Subsidiaries computed from the first day of the Company's second fiscal quarter of 1998 through the end of such fiscal quarter for which the determination is being made, determined quarterly on a Consolidated basis and not reduced by any quarterly loss, plus

-----  
(ii) 100% of the Net Issuance Proceeds of any sale of capital stock of the Company by or for the account of the Company occurring on or after the first day of the Company's second fiscal quarter of 1998, plus (iii) any increase in stockholders'

-----  
equity resulting from the conversion of debt securities to equity securities on or after the first day of the Company's second fiscal quarter of 1998, plus (iv) 100% of the Net Issuance

-----  
Proceeds (net of Taxes payable in respect thereof) of any sale of capital stock of the Vantis Subsidiary by or for the account of the Company occurring on or after the first day of the Company's second fiscal quarter of 1998."

(iv) Section 7.17 of the Credit Agreement is hereby amended by deleting therefrom the text "0.85 to 1.00" and substituting therefor the following:

"(i) 1.00 to 1.00 at the end of each of the first, second and third fiscal quarters of 1998, (ii) 0.95 to 1.00 at fiscal year-end 1998 and at the end of each of the first, second and third fiscal quarters of 1999, and (iii) 0.90 to 1.00 at fiscal year-end 1999 and thereafter"

(v) Section 7.18 of the Credit Agreement is hereby amended by deleting clauses (a), (b) and (c) thereof and substituting therefor the following:

"(a) 1.50 to 1.00 at the end of the first fiscal quarter of 1998, (b) 1.00 to 1.00 at the end of the second fiscal quarter of 1998, (c) 1.50 to 1.00 at the end of the third fiscal quarter of 1998, (d) 2.00 to 1.00 at fiscal year-end 1998 and at the end of the first fiscal quarter of 1999, and (e) 2.50 to 1.00 at the end of the second fiscal quarter of 1999 and thereafter."

(vi) A new Section 7.19 is hereby added to the Credit Agreement as follows:

"7.19 Profitability. The Company shall not suffer or permit (a) a -----  
net loss of greater than \$10,000,000 for the third fiscal quarter of 1998, and (b) net income to be less than \$1.00 for the fourth fiscal quarter of 1998, in each case determined for the Company on a Consolidated basis."

(b) References Within Credit Agreement. Each reference in the Credit -----  
Agreement to "this Agreement" and the words "hereof," "herein," "hereunder," or words of like import, shall mean and be a reference to the Credit Agreement as amended by this Amendment.

3. Representations and Warranties. The Company hereby represents and -----  
warrants to the Agent, the Syndication Agent, the Documentation Agent and the Banks and follows:

- a. No Default or Event of Default has occurred and is continuing.
- b. The execution, delivery and performance by the Company of this Amendment have been duly authorized by all necessary corporate and other action and do not and will not require any registration with, consent or approval of, notice to or action by, any Person (including any Governmental Authority) in order to be effective and enforceable.
- c. This Amendment and the Loan Documents, as amended by this Amendment, constitute the legal, valid and binding obligations of the Company, enforceable against it in accordance with their respective terms, without defense, counterclaim or offset.

4. Amendment Effective Date. This Amendment will become effective on  
-----  
February 26, 1998, provided that the Agent has received (a) from each of the  
-----  
Company and the Majority Banks an executed counterpart of this Amendment, and  
(b) from the Company a nonrefundable amendment fee of \$500,000 to be distributed  
to each Bank in accordance with its Pro Rata Share.

5. Delivery of Consolidated Balance Sheet for May 24, 1998. Without  
-----  
limiting the Company's obligations under Section 6.01 of the Credit Agreement  
or any other provision thereof, the Company shall deliver to the Agent by no  
later than June 5, 1998, with sufficient copies for each Bank, an unaudited  
consolidated balance sheet of the Company and its Subsidiaries as at May 24,  
1998, certified by a Responsible officer as being complete and accurate in all  
material respects and fairly presenting, in accordance with GAAP (subject to  
ordinary, good-faith year-end audit adjustments), the financial position of  
the Company and its Subsidiaries as of such date, subject to the omission of  
the related statements of income, shareholders' equity and cash flows for the  
relevant period. For the avoidance of doubt, the Company's failure to satisfy  
the requirements of this Section 5 shall constitute an Event of Default under  
the Credit Agreement.

6. Miscellaneous.  
-----

(a) Credit Agreement Otherwise Not Affected. Except as expressly amended  
-----  
pursuant hereto, the Credit Agreement shall remain unchanged and in full force  
and effect and is hereby ratified and confirmed in all respects. The Banks', the  
Agent's, the Syndication Agent's and the Documentation Agent's execution and  
delivery of, or acceptance of, this Amendment shall not be deemed to create a  
course of dealing or otherwise create any express or implied duty by any of them  
to provide any other or further amendments, consents or waivers in the future.

(b) No Reliance. The Company hereby acknowledges and confirms to the  
-----  
Agent, the Syndication Agent, the Documentation Agent and the Banks that the  
Company is executing this Amendment on the basis of its own investigations and  
for its own reasons without reliance upon any agreement, representation,  
understanding or communication by or on behalf of the Agent, the Syndication  
Agent, the Documentation Agent, any Bank or any other Person.

(c) Amendments and Waivers. The provisions of this Amendment may only be  
-----  
amended or waived, and any consent with respect to any departure by the Company  
therefrom may only be granted, in accordance with the terms of Section 10.01 of  
the Credit Agreement.

(d) Costs and Expenses. The Company shall, whether or not the amendments  
-----  
contemplated hereby shall become effective, pay or reimburse the Agent, within  
five Business Days after demand, for all costs and expenses incurred by the  
Agent in connection with the development, preparation, delivery, administration  
and execution of, and any amendment, supplement, waiver or modification to, this  
Amendment and the

consummation of the transactions contemplated hereby and thereby, including the Attorney Costs incurred by the Agent with respect thereto.

(e) Successors and Assigns. The provisions of this Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

(f) Counterparts. This Amendment may be executed by one or more of the parties of this Amendment in any number of separate counterparts, each of which, when so executed, shall be deemed an original, and all of said counterparts taken together shall be deemed to constitute buy one and the same instrument. The parties hereto agree that the Agent and the Company may accept and rely on facsimile transmissions of executed signature pages of this Amendment.

(g) Severability. The illegality or unenforceability of any provision of this Amendment or any instrument or agreement required hereunder shall not in any way affect or impair the legality or enforceability of the remaining provisions of this Amendment or any instrument or agreement required hereunder.

(h) No Third Parties Benefited. This Amendment is made and entered into for the sole protection and legal benefit of the Company, the Syndication Agent, the Documentation Agent, the Banks and the Agent, and their successors and assigns, and no other Person shall be a direct or indirect legal beneficiary of, or have any direct or indirect cause of action or claim in connection with, this Amendment. Each of the Agent, the Syndication Agent, the Documentation Agent and the Banks shall not have any obligation to any Person not a party to this Amendment.

(i) Governing Law. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK; PROVIDED THAT THE AGENT AND THE BANKS SHALL RETAIN ALL RIGHTS ARISING UNDER FEDERAL LAW.

(j) Entire Agreement. This Amendment embodies the entire agreement and understanding among the Company, the Banks, the Syndication Agent, the Documentation Agent and the Agent, and supersedes all prior or contemporaneous agreements and understandings of such Persons, verbal or written, relating to the subject matter hereof and thereof.

(k) Interpretation. This Amendment is the result of negotiations between and has been reviewed by counsel to the Agent, the Company and other parties, and is the product of all parties hereto, Accordingly, this Amendment shall not be construed against the Banks, the Syndication Agent, the Documentation Agent or the Agent merely because of the Agent's or such other Person's involvement in the preparation of such documents and agreements.

[Signature pages to follow.]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered in San Francisco, California, by their proper and duly authorized officers as of the day and year first above written.

THE COMPANY  
-----

ADVANCED MICRO DEVICES, INC.

By: /s/ Marvin D. Burkett

\_\_\_\_\_  
Marvin D. Burkett

Title: \_\_\_\_\_

THE AGENT  
-----

BANK OF AMERICA NATIONAL TRUST  
AND SAVINGS ASSOCIATION, as  
Administrative Agent

By: /s/ illegible signature

\_\_\_\_\_  
Title: Vice President

THE SYNDICATION AGENT  
-----

ABN AMRO BANK N.V., as Syndication Agent

By: ABN AMRO NORTH AMERICA, INC.,  
its agent

By: /s/ Thomas R. Wagner

\_\_\_\_\_  
Thomas R. Wagner

Title: Group Vice President

By: /s/ Richard R. DaCosta

\_\_\_\_\_  
Richard R. DaCosta

Title: Assistant Vice President

THE DOCUMENTATION AGENT  
-----

CANADIAN IMPERIAL BANK OF  
COMMERCE, as Documentation Agent

By: /s/ Timothy Doyle

\_\_\_\_\_  
Timothy Doyle

Title: Managing Director  
CIBC Oppenheimer Corp. As Agent  
\_\_\_\_\_

THE BANKS  
-----

BANK OF AMERICA NATIONAL TRUST  
AND SAVINGS ASSOCIATION, as a Bank

By: /s/ Kevin McMahon

\_\_\_\_\_  
Kevin McMahon

Title: Managing Director  
\_\_\_\_\_

ABN AMRO BANK N.V., as a Bank

By: ABN AMRO NORTH AMERICA, INC.,  
its agent

By: /s/ Thomas R. Wagner

\_\_\_\_\_  
Thomas R. Wagner

Title: Group Vice President  
\_\_\_\_\_

By: /s/ Richard R. DaCosta

\_\_\_\_\_  
Richard R. DaCosta

Title: Assistant Vice President  
\_\_\_\_\_

CANADIAN IMPERIAL BANK OF  
COMMERCE, as a Bank

By: /s/ Timothy Doyle

\_\_\_\_\_  
Timothy Doyle

Title: Managing Director  
CIBC Oppenheimer Corp. As Agent  
\_\_\_\_\_



BANKBOSTON, N.A.

By: /s/ Jay Massimo

\_\_\_\_\_  
Jay Massimo

Title: Vice President  
\_\_\_\_\_

THE BANK OF NOVA SCOTIA

By: /s/ Jon A. Burckin

\_\_\_\_\_  
Jon A. Burckin

Title: Relationship Manager  
\_\_\_\_\_

BANQUE PARIBAS

By: /s/ Nanci Meyer

\_\_\_\_\_  
Nanci Meyer

Title: Vice President  
\_\_\_\_\_

By: /s/ illegible signature  
\_\_\_\_\_

Title: Managing Director  
\_\_\_\_\_

THE DAI-ICHI KANGYO BANK, LTD.

By: /s/ Takuo Yoshida

\_\_\_\_\_  
Takuo Yoshida

Title: General Manager & Agent  
\_\_\_\_\_

FLEET NATIONAL BANK

By: /s/ illegible signature  
\_\_\_\_\_

Title: Vice President  
\_\_\_\_\_

THE INDUSTRIAL BANK OF JAPAN,  
LIMITED

By: /s/ Haruhiko Masuda

\_\_\_\_\_  
Haruhiko Masuda

Title: Deputy General Manager  
\_\_\_\_\_

KEYBANK NATIONAL ASSOCIATION

By: /s/ Mary K. Young

\_\_\_\_\_  
Mary K. Young

Title: Commercial Banking Officer  
\_\_\_\_\_

THE LONG-TERM CREDIT BANK OF  
JAPAN, LIMITED

By: /s/ illegible signature

\_\_\_\_\_  
Title: Deputy General Manager  
\_\_\_\_\_

THE MITSUBISHI TRUST AND BANKING  
CORPORATION

By: /s/ illegible signature

\_\_\_\_\_  
Title: Senior Vice President  
\_\_\_\_\_

ROYAL BANK OF CANADA

By: /s/ Michael A. Cole

\_\_\_\_\_  
Michael A. Cole

Title: Manager  
\_\_\_\_\_

THE SAKURA BANK LIMITED, SAN  
FRANCISCO AGENCY

By: /s/ illegible signature

\_\_\_\_\_  
Title: Senior Vice President  
\_\_\_\_\_

THE SUMITOMO TRUST AND  
BANKING COMPANY, LIMITED

By: /s/ Ninoos Y. Benjamin

\_\_\_\_\_  
Ninoos Y. Benjamin

Title: Vice President & Manager  
\_\_\_\_\_

UNION BANK OF CALIFORNIA, N.A.

By: /s/ Wade Schlueter

\_\_\_\_\_  
Wade Schlueter

Title: Vice President  
\_\_\_\_\_

11



SIXTH AMENDMENT TO THIRD AMENDED AND RESTATED GUARANTY

THIS SIXTH AMENDMENT TO THIRD AMENDED AND RESTATED GUARANTY (this "Amendment"), dated as of February 6, 1998, is entered into by and among -----  
Advanced Micro Devices, Inc., a Delaware corporation ("Guarantor"), CIBC Inc., -----  
a Delaware corporation ("Lessor"), and, solely for the purpose of making -----  
certain representations and warranties in Section 3 below, AMD International Sales & Services, Ltd., a Delaware corporation ("Lessee"). -----

RECITALS  
-----

A. Guarantor executed and delivered to Lessor a Third Amended and Restated Guaranty, dated as of August 21, 1995 and accepted by Lessor as of August 21, 1995, pursuant to which the Guarantor guaranteed to Lessor certain obligations of Lessee. Such Third Amended and Restated Guaranty was amended by a First Amendment to Third Amended and Restated Guaranty, dated as of October 20, 1995, by a Second Amendment to Third Amended and Restated Guaranty, dated as of January 12, 1996, by a Third Amendment to Third Amended and Restated Guaranty, dated as of May 10, 1996, by a Fourth Amendment to Third Amended and Restated Guaranty, dated as of June 20, 1996, and by a Fifth Amendment to Third Amended and Restated Guaranty, dated as of August 1, 1996 (as so amended, the "Guaranty"). -----

B. The Guarantor has requested that the Lessor agree to certain amendments of the Guaranty.

C. Lessor is willing to amend the Guaranty, subject to the terms and conditions of this Amendment.

AGREEMENT  
-----

NOW, THEREFORE, for valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Defined Terms. Capitalized terms not otherwise defined herein -----  
shall have the meanings given to them in the Guaranty.

2. Amendment. Subject to satisfaction of the conditions set forth -----  
herein, the Guaranty shall be amended as follows:

(a) The definition of "Bank of America Credit Agreement" shall be deleted and replaced with the following definition:

"Bank of America Credit Agreement" means the Existing Bank of  
-----  
America Credit Agreement, as the same may be further amended, modified,  
supplemented or restated from time to time."

(b) The following definitions shall be added as follows:

"Existing Bank of America Credit Agreement" means that certain  
-----  
Credit Agreement dated as of July 19, 1996, among Guarantor, Bank of  
America National Trust and Savings Association, ABN Amro Bank N.V.,  
Canadian Imperial Bank of Commerce, and the other financial institutions  
party thereto, as amended by the First Amendment to Credit Agreement  
dated as of August 7, 1996, by the Second Amendment to Credit Agreement  
dated as of September 9, 1996, by the Third Amendment to Credit  
Agreement dated as of October 1, 1997, and by the Fourth Amendment to  
Credit Agreement dated as of January 26, 1998 (the "Fourth Amendment to  
-----  
Credit Agreement").  
-----

"Existing German Documents" means the agreements listed at  
-----  
Schedule 1 to this Amendment.

"Fourth Amendment Effective Date" means the date on which the  
-----  
Fourth Amendment to Credit Agreement shall first have become effective in  
accordance with the terms set forth at Section 4 therein.

"German Subsidiary" means, together, AMD Saxony Manufacturing  
-----  
GmbH, a German corporation, and any company formed under the laws of a  
jurisdiction other than one of the United States of America for the  
purpose of holding 100% of the equity in AMD Saxony Manufacturing GmbH.

(c) Section 4.1.11 shall be amended and restated as follows:

SECTION 4.1.11 Existing Bank of America Credit Agreement.  
-----

Guarantor agrees that Guarantor will perform, comply with and be bound  
by all of its agreements, covenants and obligations contained in  
Sections 7.01 through 7.18 (other than Section 7.07) of the Existing  
Bank of America Credit Agreement as such Sections existed on the Fourth  
Amendment Effective Date, regardless of whether the Existing Bank of  
America Credit Agreement thereafter is amended, restated, terminated or  
ceases to be effective (such Sections and all other terms of the  
Existing Bank of America Credit Agreement to which reference is made  
herein, together with all related definitions and ancillary provisions,  
being hereby incorporated into this Guaranty by reference as though  
specifically set forth in this Guaranty, except as specifically set  
forth below), and each such section which is

incorporated herein by reference and as amended by the Existing Bank of America Credit Agreement shall be deemed to have been incorporated herein as of the date each such section and amendment first became effective under the Existing Bank of America Credit Agreement; provided, however, that:  
-----

(i) all references to "Company" shall be deemed to refer to Guarantor;

(ii) all references to "this Agreement" and "herein," "hereof" and words of similar purport shall, except where the context otherwise requires, be deemed to refer to this Guaranty;

(iii) all references to "Event of Default" shall be deemed to refer to a "Default" or an "Event of Default" under either of the Leases or the other Operative Agreements, or breach or default under this Guaranty;

(iv) the following sentence shall be added to the end of Section 7.01 of the Existing Bank of America Credit Agreement as incorporated herein by reference:

"provided, however, that no Liens otherwise permitted by (a)  
-----

through (n) above shall be permitted if such Liens are otherwise prohibited under either of the Leases or the Consent Agreement or the Second Consent Agreement."

(v) Paragraph (b) of Section 7.03 of the Existing Bank of America Credit Agreement as incorporated by reference herein shall be deleted and replaced with the following:

"(b) any Restricted Subsidiary (other than Lessee) of Guarantor may sell all or substantially all of its assets (upon voluntary liquidation or otherwise), to Guarantor or another Wholly-Owned Subsidiary (other than Lessee or the German Subsidiary) of Guarantor."

All such Sections and other terms, definitions and provisions of the Existing Bank of America Credit Agreement incorporated herein shall, except as Lessor shall otherwise consent in writing for purposes of this Guaranty, continue in full force and effect for the benefit of Lessor, whether or not the Banks fund the Loans thereunder, the debt and obligations thereunder remain outstanding or such agreement remains in effect among the parties thereto.

Except as specifically provided above and except that the term "Material Adverse Effect" as defined in the Guaranty shall continue to be used in the Guaranty, to the extent that any definitions incorporated by reference from the Existing Bank of America Credit

Agreement conflict with the existing definitions in the Guaranty, such incorporated definitions shall with respect to the Sections of the Existing Bank of America Credit Agreement which are incorporated by reference and listed in the first paragraph of this Section 4.1.11 hereof replace such existing definitions in their entirety.

(d) Section 4.2.16 shall be amended by inserting at the end of subsection (b) after the word "Lessee" and before the period the following:

" , but excluding any prohibitions or restrictions relating to the German Subsidiary as set forth in the Existing German Documents as those prohibitions or restrictions existed on February 6, 1998, and without regard to any amendments, modifications, restatements, consents or waivers entered into or granted thereafter."

3. Representations and Warranties. To induce Lessor to amend the

-----  
Guaranty as provided above: (a) Guarantor hereby represents that (i) after giving effect to the amendments set forth in Section 2 above, no Default, Event of Default or Deposit Event under the Guaranty, or Guarantor Default under the Amended Land Lease or the Amended Building Lease, has occurred and is continuing, (ii) all representations and warranties of Guarantor contained in the Guaranty are true and correct on and as of the date of this Amendment as though made on and as of such date, and (iii) the Existing Bank of America Credit Agreement and each other Loan Document (as defined therein) to which the Guarantor is a party constitutes the legal, valid and binding obligation of the Guarantor, enforceable against the Guarantor in accordance with their respective terms, and the Fourth Amendment to Credit Agreement has become effective in accordance with Section 4 thereof, and (b) Lessee hereby represents that (i) after giving effect to the amendments set forth in Section 2 above, no Default or Event of Default under the Amended Land Lease or the Amended Building Lease has occurred and is continuing, and (ii) all representations and warranties of Lessee contained in the Amended Land Lease and the Amended Building Lease are true and correct on and as of the date of this Amendment as though made on and as of such date.

4. Reaffirmation. Guarantor hereby acknowledges and reaffirms in

-----  
their entirety each of the waivers set forth in the Guaranty, including, without limitation, those set forth at Sections 2.5, 2.6 and 2.7.

5. Conditions to Effectiveness of Amendment. This Amendment shall

-----  
become effective on the date on which all of the following conditions precedent have been satisfied:



(a) Lessor shall have received from Guarantor, Lessee and The Long-Term Credit Bank of Japan, Ltd., Los Angeles Agency (the "Lender"), a -----  
duly executed original (or, if elected by Lessor, an executed facsimile copy) of this Amendment.

(b) Lessor shall have received a duly executed original (or, if elected by Lessor, an executed facsimile copy) of the Fourth Amendment to Credit Agreement.

(c) Lessor shall have received a legal opinion from O'Melveny & Meyers LLP in the form attached hereto as Exhibit A.  
-----

(d) Each of the representations and warranties set forth in Section 3 above are true and correct as of such date.

6. Reservation of Rights. The Guarantor acknowledges and agrees that -----  
the execution and delivery by Lessor of this Amendment shall not be deemed to create a course of dealing or otherwise obligate Lessor to forbear or execute similar amendments under the same or similar circumstances in the future.

7. Miscellaneous.  
-----

(a) Except as herein expressly amended, all terms, covenants and provisions of the Guaranty are and shall remain in full force and effect and all references therein to such Guaranty shall henceforth refer to the Guaranty as amended by this Amendment. This Amendment shall be deemed incorporated into, and a part of, the Guaranty. The Guaranty, as amended by this Amendment, is hereby absolutely and unconditionally affirmed in its entirety by the Guarantor.

(b) This Amendment shall be binding upon and inure to the benefit of the parties hereto and thereto and their respective successors and assigns. No third party beneficiaries are intended in connection with this Amendment.

(c) This Amendment shall be governed by and construed in accordance with the law of the State of California.

(d) This Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument. Each of the parties hereto understands and agrees that this document (and any other document required herein) may be delivered by facsimile transmission to be followed promptly by mailing of a hard copy original, and that receipt by lessor of a facsimile transmitted document purportedly bearing the signature of Guarantor or Lessee shall bind Guarantor and Lessee with the same force and effect as the delivery of a hard copy original. Any failure by Lessor to receive the hard copy executed original of

such document shall not diminish the binding effect of receipt of the facsimile transmitted executed original of such document of the party whose hard copy page was not received by Lessor.

(e) This Amendment, together with the Guaranty, including the exhibits hereto and thereto, contains the entire and exclusive agreement of the parties hereto with reference to the matters discussed herein and therein. This Amendment supersedes all prior drafts and communications with respect thereto. This Amendment may not be amended except in accordance with the provisions of Section 6.2 of the Guaranty.

(f) If any term or provision of this Amendment shall be deemed prohibited by or invalid under any applicable law, such provision shall be invalidated without affecting the remaining provisions of this Amendment.

(g) The Guarantor covenants to pay or to reimburse Lessor, upon demand, for all costs and expenses (including reasonable fees and costs of counsel) incurred in connection with the development, preparation, negotiation, execution and delivery of this Amendment.

(h) The Guarantor agrees that at any time and from time to time, upon the written request of Lessor, the Guarantor shall, and shall cause Lessee to, promptly and duly execute and deliver any and all such further instruments and documents and take such further action as the Lessor shall reasonably request in order to effectuate the transactions contemplated hereby.

[REMAINDER OF THIS PAGE LEFT INTENTIONALLY BLANK]

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Amendment as of the date first written above.

CIBC INC.

By: /s/ Timothy Doyle

-----  
Timothy Doyle

Title: Managing Director  
CIBC Oppenheimer Corp. AS AGENT  
-----

ADVANCED MICRO DEVICES, INC.

By: /s/ Marvin D. Burkett

-----  
Marvin D. Burkett

Title: Senior Vice President, Chief  
Financial and Administrative Officer  
and Treasurer  
-----

AMD INTERNATIONAL SALES & SERVICE, LTD.

By: /s/ Marvin D. Burkett

-----  
Marvin D. Burkett

Title: President, Chief Financial Officer  
and Treasurer  
-----

Reference is made to the Loan Agreement, dated as of December 17, 1993, as amended (the "Loan Agreement") between Lessor and the Lender. In accordance with Section 8 of the Loan Agreement, Lender hereby consents to the foregoing Amendment.

THE LONG-TERM CREDIT BANK OF  
JAPAN, LTD., LOS ANGELES AGENCY

By: /s/ illegible signature

-----  
Title: General Manager

Date: \_\_\_\_\_

Schedule 1

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- - Konsortialkreditvertrag (Syndicated Loan Agreement) dated 11 March 1997 among, inter alia, AMD Saxony Manufacturing GmbH ("AMD Saxonia"), Dresdner Bank Luxembourg S.A. as Agent (successor to Dresdner Bank A.G. in such capacity, the "Agent") and Paying Agent and Dresdner Bank A.G., as Security Agent (the "Security Agent").
- - Zuschussvertrag (Subsidy Agreement) dated 11 March 1997 between AMD Saxonia and Dresdner Bank A.G.
- - AMD Inc. Guaranty dated 11 March 1997 by Advanced Micro Devices, Inc. ("AMD Inc.") in favour of the Agent and the Security Agent.
- - Sponsors' Support Agreement dated 11 March 1997 among AMD Inc., AMD Saxony Holding GmbH ("AMD Holding") and the Agent and Security Agent.
- - Sponsors' Loan Agreement dated 11 March 1997 among AMD Inc., AMD Holding and the Agent and Security Agent.
- - Sponsors' Subordination Agreement dated 11 March 1997 among AMD Inc, AMD Holding and the Agent and Security Agent.
- - Sponsors' Consent and Agreement dated 11 March 1997 among AMD Inc., AMD Holding and the Agent and Security Agent.
- - Sponsors' Guaranty dated 11 March 1997 by AMD Inc. and AMD Holding in favour of the Agent and Security Agent.
- - AMD Holding Wafer Purchase Agreement dated as of March 11, 1997 between AMD Inc. and AMD Holding.
- - AMD Holding Research, Design and Development Agreement dated as of March 11, 1997.
- - AMD Saxonia Wafer Purchase Agreement dated as of March 11, 1997 between AMD Holding and AMD Saxonia.
- - AMD Saxonia Research, Design and Development Agreement dated as of March 11, 1997 between AMD Inc. and AMD Holding.
- - Amended and Restated Management Services Agreement dated as of March 11, 1997 among AMD Inc., AMD Holding and AMD Saxonia.
- - License Agreement dated as of March 11, 1997 among AMD Inc., AMD Holding and AMD Saxonia.

- - Verpfandungsvereinbarung (Geschäftsanteile AMD Saxony Holding GmbH, Dresden) (Share Pledge Agreement (Shares of AMD Holding)) dated June 12, 1997 between AMD Inc. and the Security Agent.
- - Verpfandungsvereinbarung (Geschäftsanteile AMD Saxony Manufacturing GmbH, Dresden) (Share Pledge Agreement (Shares of AMD Saxonia)) dated June 12, 1997 between AMD Holding and the Security Agent.
- - AMD Holding Sicherungsübereignung Umlaufvermögen (AMD Holding Assignment of Current Assets) dated September 25, 1997 between AMD Holding and the Security Agent.
- - AMD Holding Globalzession (AMD Holding Global Assignment) dated September 25, 1997 between AMD Holding and the Security Agent.
- - AMD Holding Verpfandung von Bankkonten (AMD Holding Pledge of Bank Accounts and Security Deposits) dated September 25, 1997 between AMD Holding and the Security Agent.
- - AMD Holding Abtretung von Vertragsrechten (AMD Holding Assignment of Contract Rights) dated September 25, 1997 between AMD Holding and the Security Agent.
- - AMD Holding Assignment (U.S.A.) dated September 25, 1997 between AMD Holding and the Security Agent.
- - AMD Saxonia Grundschuldbestellung (AMD Saxonia Land Charge) dated July 4, 1997 between AMD Saxonia and the Security Agent.
- - AMD Saxonia Sicherungsübereignung Umlaufvermögen (AMD Assignment of Current Assets) dated September 25, 1997 between AMD Saxonia and the Security Agent.
- - AMD Saxonia Sicherungsübereignung Sachanlagevermögen (AMD Assignment of Fixed Assets) dated September 25, 1997 between AMD Saxonia and the Security Agent.
- - AMD Saxonia Sicherungsübereignung Versicherungsansprüche (AMD Assignment of Insurances) dated September 25, 1997 between AMD Saxonia and the Security Agent.
- - AMD Saxonia Globalzession (AMD Saxonia Global Assignment) dated September 25, 1997 between AMD Saxonia and the Security Agent.
- - AMD Saxonia Verpfandung von Projektkonten (AMD Saxonia Pledge of Project Accounts and Securities Deposits) dated September 25, 1997 between AMD Saxonia and the Security Agent.

- - AMD Saxonia Abtretung von Vertragsrechten (AMD Saxonia Assignment of Contractual Rights) dated September 25, 1997 between AMD Saxonia and the Security Agent.
- - AMD Saxonia Assignment (U.S.A.) dated September 25, 1997 between AMD Saxonia and the Security Agent.
- - Master Agreement dated March 11, 1997 between AMD Inc. and AMD Saxonia, together with the Confirmation thereunder dated March 11, 1997 and the Confirmation thereunder dated on or about February 6, 1998.
- - Nachtragsvereinbarung (Supplemental Agreement to Loan Agreement) dated February 6, 1998 among inter alia, AMD Saxonia, Agent, Paying Agent and Security Agent.
- - First Amendment to Sponsors' Support Agreement dated February 6, 1998 among AMD, Inc., AMD Holding, Agent and Security Agent.
- - First Amendment to Sponsors' Loan Agreement dated February 6, 1998 among AMD Inc., AMD Holding and AMD Saxonia.
- - First Amendment to AMD Saxonia Wafer Purchase Agreement dated as of February 6, 1998 between AMD Saxonia and AMD Holding.



SEVENTH AMENDMENT TO THIRD AMENDED AND RESTATED GUARANTY

THIS SEVENTH AMENDMENT TO THIRD AMENDED AND RESTATED GUARANTY (this "Amendment"), dated as of February 27, 1998, is entered into by and among -----  
Advanced Micro Devices, Inc., a Delaware corporation ("Guarantor"), CIBC Inc., a -----  
Delaware corporation ("Lessor"), and, solely for the purpose of making certain -----  
representations and warranties in Section 5 below, AMD International Sales & Service, Ltd., a Delaware corporation ("Lessee").  
-----

RECITALS  
-----

A. Guarantor executed and delivered to Lessor a Third Amended and Restated Guaranty, dated as of August 21, 1995 and accepted by Lessor as of August 21, 1995, pursuant to which the Guarantor guaranteed to Lessor certain obligations of Lessee. Such Third Amended and Restated Guaranty was amended by a First Amendment to Third Amended and Restated Guaranty, dated as of October 20, 1995, by a Second Amendment to Third Amended and Restated Guaranty, dated as of January 12, 1996, by a Third Amendment to Third Amended and Restated Guaranty, dated as of May 10, 1996, by a Fourth Amendment to Third Amended and Restated Guaranty, dated as of June 20, 1996, by a Fifth Amendment to Third Amended and Restated Guaranty, dated as of August 1, 1996, and by a Sixth Amendment to Third Amended and Restated Guaranty, dated as of February 6, 1998 (as so amended, the "Guaranty").  
-----

B. The Guarantor has requested that the Lessor agree to certain additional amendments of the Guaranty.

C. Lessor is willing to further amend the Guaranty, subject to the terms and conditions of this Amendment.

AGREEMENT  
-----

NOW, THEREFORE, for valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Defined Terms. Capitalized terms not otherwise defined herein shall -----  
have the meanings given to them in the Guaranty.

2. Amendment. Subject to satisfaction of the conditions set forth -----  
herein, the Guaranty shall be amended as follows:



(a) The definition of "Existing Bank of America Credit Agreement" shall be deleted and replaced with the following definition:

"Existing Bank of America Credit Agreement" means that certain Credit Agreement dated as of July 19, 1996, among Guarantor, Bank of America National Trust and Savings Association, ABN Amro Bank N.V., Canadian Imperial Bank of Commerce, and the other financial institutions party thereto, as amended by the First Amendment to Credit Agreement dated as of August 7, 1996, by the Second Amendment to Credit Agreement dated as of September 9, 1996, by the Third Amendment to Credit Agreement dated as of October 1, 1997, by the Fourth Amendment to Credit Agreement dated as of January 26, 1998, and by the Fifth Amendment to Credit Agreement dated as of [February 26, 1998] (the "Fifth Amendment to Credit Agreement").

(b) The following definitions shall be added as follows:

"Fifth Amendment Effective Date" means the date on which the Fifth Amendment to Credit Agreement shall first have become effective in accordance with the terms set forth at Section 4 therein.

(c) Section 4.1.11 shall be amended and restated as follows:

SECTION 4.1.11 Existing Bank of America Credit Agreement. Guarantor agrees that Guarantor will perform, comply with and be bound by all of its agreements, covenants and obligations contained in Sections 7.01 through 7.19 (other than Section 7.07) of the Existing Bank of America Credit Agreement as such Sections existed on the Fifth Amendment Effective Date, regardless of whether the Existing Bank of America Credit Agreement thereafter is amended, restated, terminated or ceases to be effective (such Sections and all other terms of the Existing Bank of America Credit Agreement to which reference is made herein, together with all related definitions and ancillary provisions, being hereby incorporated into this Guaranty by reference as though specifically set forth in this Guaranty, except as specifically set forth below), and each such section which is incorporated herein by reference and as amended by the Existing Bank of America Credit Agreement shall be deemed to have been incorporated herein as of the date each such section and amendment first became effective under the Existing Bank of America Credit Agreement; provided, however, that:

(i) all references to "Company" shall be deemed to refer to Guarantor;

(ii) all references to "this Agreement" and "herein," "hereof" and words of similar purport shall, except where the context otherwise requires, be deemed to refer to this Guaranty;

(iii) all references to "Default" or "Event of Default" shall be deemed to refer to a "Default" or an "Event of Default" under either of the Leases or the other Operative Agreements, or a breach or default under the Guaranty;

(iv) all references to "Majority Banks" in Article VII of the Existing Bank of America Credit Agreement shall be deemed to refer to Lessor;

(v) the following sentence shall be added to the end of Section 7.01 of the Existing Bank of America Credit Agreement as incorporated herein by reference:

"provided, however, that no Liens otherwise permitted by (a)  
-----  
through (n) above shall be permitted if such Liens are otherwise prohibited under either of the Leases or the Consent Agreement or the Second Consent Agreement."

(vi) Paragraph (b) of Section 7.03 of the Existing Bank of America Credit Agreement as incorporated by reference herein shall be deleted and replaced with the following:

"(b) any Restricted Subsidiary (other than Lessee) of Guarantor may sell all or substantially all of its assets (upon voluntary liquidation or otherwise), to Guarantor or another Wholly-Owned Subsidiary (other than Lessee or the German Subsidiary) of Guarantor."

All such Sections and other terms, definitions and provisions of the Existing Bank of America Credit Agreement incorporated herein shall, except as Lessor shall otherwise consent in writing for purposes of this Guaranty, continue in full force and effect for the benefit of Lessor, whether or not the Banks fund the Loans thereunder, the debt and obligations thereunder remain outstanding or such agreement remains in effect among the parties thereto.

Except as specifically provided above and except that the term "Material Adverse Effect" as defined in the Guaranty shall continue to be used in the Guaranty, to the extent that any definitions incorporated by reference from the Existing Bank of America Credit Agreement conflict with the existing definitions in the Guaranty, such incorporated definitions shall with respect to the Sections of the Existing Bank of America Credit Agreement which are incorporated by reference and listed in the first paragraph of this

Section 4.1.11 hereof replace such existing definitions in their entirety.

3. Delivery of Consolidated Balance Sheet for May 24, 1998. Without  
-----

limiting Guarantor's obligations under Section 4.1.1 of the Guaranty or any other provision thereof or any other Operative Document, Guarantor shall deliver to Lessor and Lender by no later than June 5, 1998 an unaudited consolidated balance sheet of Guarantor and its Subsidiaries (as that term is presently defined in the Existing Bank of America Credit Agreement) as at May 24, 1998, certified by the chief financial officer or the treasurer of Guarantor as being complete and accurate in all material respects and fairly presenting, in accordance with GAAP (subject to ordinary, good faith, year-end audit adjustments), the financial position of Guarantor and its Subsidiaries as of such date, subject to the omission of the related statements of income, shareholders' equity and cash flows for the relevant period. For the avoidance of doubt, Guarantor's failure to satisfy the requirements of this Section 3 shall constitute an Event of Default under each of the Leases and a breach and default and Deposit Event under this Guaranty. During such period of time that Lessor (or in the case of Lessor, Canadian Imperial Bank of Commerce) or Lender is also a party to the Existing Bank of America Credit Agreement and, by reason of such status, receives the balance sheet required by this Section 3, then a delivery of such balance sheet to such Person pursuant to the Existing Bank of America Credit Agreement within the time periods required above shall be deemed a receipt by such Person of such balance sheet under this Section 3 and duplicate deliveries are not required.

4. Amendment Fees. In consideration of this Amendment and the approvals  
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given herein, Guarantor agrees to pay a one-time nonrefundable fee of Twenty-Five Thousand Dollars (\$25,000) to Lessor and Twenty-Five Thousand Dollars (\$25,000) to Lender (the "Amendment Fees"). The Amendment Fees shall be  
-----

paid by Guarantor by wire transfer to an account to be specified by each recipient.

5. Representations and Warranties. To induce Lessor to amend the  
-----

Guaranty as provided above: (a) Guarantor hereby represents that (i) after giving effect to the amendments set forth in Section 2 above, no Default, Event of Default or Deposit Event under the Guaranty, or Guarantor Default under the Amended Land Lease or the Amended Building Lease, has occurred and is continuing, (ii) all representations and warranties of Guarantor contained in the Guaranty are true and correct on and as of the date of this Amendment as though made on and as of such date, and (iii) the Existing Bank of America Credit Agreement and each other Loan Document (as defined therein) to which the Guarantor is a party constitutes the legal, valid and binding obligation of the Guarantor, enforceable against the Guarantor in accordance with their respective terms, and the Fifth Amendment to Credit Agreement

has become effective in accordance with Section 4 thereof, and (b) Lessee hereby represents that (i) after giving effect to the amendments and covenants set forth in Sections 2, 3 and 4 above, no Default or Event of Default under the Amended Land Lease or the Amended Building Lease has occurred and is continuing, and (ii) all representations and warranties of Lessee contained in the Amended Land Lease and the Amended Building Lease are true and correct on and as of the date of this Amendment as though made on and as of such date.

6. Reaffirmation. Guarantor hereby acknowledges and reaffirms in their -----  
entirety each of the waivers set forth in the Guaranty, including, without limitation, those set forth at Sections 2.5, 2.6 and 2.7.

7. Conditions to Effectiveness of Amendment. This Amendment shall become -----  
effective on the date on which all of the following conditions precedent have been satisfied:

(a) Lessor shall have received from Guarantor, Lessee and The Long-Term Credit Bank of Japan, Ltd., Los Angeles Agency (the "Lender"), a duly executed -----  
original (or, if elected by Lessor, an executed facsimile copy) of this Amendment.

(b) Lessor shall have received a duly executed original (or, if elected by Lessor, an executed facsimile copy) of the Fifth Amendment to Credit Agreement.

(c) Lessor shall have received a legal opinion from O'Melveny & Myers LLP in the form attached hereto as Exhibit A.  
-----

(d) Lessor and Lender shall have received the Amendment Fees.

(e) Each of the representations and warranties set forth in Section 5 above are true and correct as of such date.

8. Reservation of Rights. The Guarantor acknowledges and agrees that the -----  
execution and delivery by Lessor of this Amendment shall not be deemed to create a course of dealing or otherwise obligate Lessor to forbear or execute similar amendments under the same or similar circumstances in the future.

9. Miscellaneous.  
-----

(a) Except as herein expressly amended, all terms, covenants and provisions of the Guaranty are and shall remain in full force and effect and all references therein to such Guaranty shall henceforth refer to the Guaranty as amended by this Amendment. This Amendment shall be deemed incorporated into, and a part of the Guaranty. The Guaranty, as amended by this

Amendment, is hereby absolutely and unconditionally affirmed in its entirety by the Guarantor.

(b) This Amendment shall be binding upon and inure to the benefit of the parties hereto and thereto and their respective successors and assigns. No third party beneficiaries are intended in connection with this Amendment.

(c) This Amendment shall be governed by and construed in accordance with the law of the State of California.

(d) This Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument. Each of the parties hereto understands and agrees that this document (and any other document required herein) may be delivered by facsimile transmission to be followed promptly by mailing of a hard copy original, and that receipt by Lessor of a facsimile transmitted document purportedly bearing the signature of Guarantor or Lessee shall bind Guarantor and Lessee with the same force and effect as the delivery of a hard copy original. Any failure by Lessor to receive the hard copy executed original of such document shall not diminish the binding effect of receipt of the facsimile transmitted executed original of such document of the party whose hard copy page was not received by Lessor.

(e) This Amendment, together with the Guaranty, including the exhibits hereto and thereto, contains the entire and exclusive agreement of the parties hereto with reference to the matters discussed herein and therein. This Amendment supersedes all prior drafts and communications with respect thereto. This Amendment may not be amended except in accordance with the provision of Section 6.2 of the Guaranty.

(f) If any term or provision of this Amendment shall be deemed prohibited by or invalid under any applicable law, such provision shall be invalidated without affecting the remaining provisions of this Amendment.

(g) the Guarantor covenants to pay or to reimburse Lessor, upon demand, for all costs and expenses (including reasonable fees and costs of counsel) incurred in connection with the development, preparation, negotiation, execution and delivery of this Amendment.

(h) The Guarantor agrees that at any time and from time to time, upon the written request of Lessor, the Guarantor shall, and shall cause Lessee to, promptly and duly execute and deliver any and all such further instruments and documents and take such further action as the Lessor shall reasonably request in order to effectuate the transactions contemplated hereby.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Amendment as of the date first written above.

CIBC INC.

By: /s/  
-----  
Title: -----

ADVANCED MICRO DEVICES, INC.

By: /s/ Thomas M. McCoy  
-----  
Title: -----

AMD INTERNATIONAL SALES &  
SERVICE, LTD.

By: /s/ Thomas M. McCoy  
-----  
Title: -----

Reference is made to the Loan Agreement, dated as of December 17, 1993, as amended (the "Loan Agreement") between Lessor and the Lender. In accordance with

Section 8 of the Loan Agreement, Lender hereby consents to the foregoing Amendment.

THE LONG-TERM CREDIT BANK OF  
JAPAN, LTD., LOS ANGELES AGENCY

By: /s/  
-----  
Title: -----  
Date: -----



EXHIBIT 10.28(b)  
FIRST AMENDMENT TO THE  
-----  
ADVANCED MICRO DEVICES  
-----  
EXECUTIVE SAVINGS PLAN  
-----

As Amended and Restated Effective as of August 1, 1993  
-----

The Plan is hereby amended to permit more frequent elections to defer compensation and to make certain additional changes:

1. Elections to Defer Compensation.  
-----

The second sentence of subsection (c) of Section 3.1 is amended to read as follows:

"An election to defer Salary and/or commissions must be filed on or before the deadline established by the Committee and will be effective for Salary and/or commissions earned during pay periods beginning after the start of the calendar quarter for which the election is filed."

The last sentence of subsection (d) of Section 3.1 is amended to read as follows:

"A Participant may increase, decrease or terminate his or her Salary and/or commission deferral election on a quarterly basis by filing a new election with the Committee by the deadline established by the Committee prior to the beginning of the quarter for which the election is effective."

2. Investment Elections. The third sentence of Section 3.2(a) is  
-----

amended to read as follows:

"Effective as of the beginning of any calendar quarter, a Participant may change the designation made under this Section 3.2 by filing an election prior to the beginning of the quarter in accordance with such rules established by the Committee."

3. Withholding. Section 8.3 is amended and restated in its entirety  
-----

is read as follows:

"8.3 Withholding.  
-----

There shall be deducted from deferred Compensation and Company Matching credits when made and from each payment made under the Plan all taxes which are required to be withheld by the Company. The Company shall have the right to reduce any deferred Compensation, Company Matching credits and any payment



by the amount of cash sufficient to provide the amount of said taxes."

4. Effective Date. Sections 1 and 2 hereof are effective October 1, \_\_\_\_\_  
1996 and Section 3 is effective January 1, 1994.

IN WITNESS WHEREOF, the Company has caused this First Amendment to the Executive Savings Plan, as amended and restated as of August 1, 1993 to be executed by its duly authorized officers on this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_.

ADVANCED MICRO DEVICES, INC.

By /s/ Stanley Winvick

-----  
Stanley Winvick  
Senior Vice President,  
Human Resources

By /s/ Marvin D. Burkett

-----  
Marvin D. Burkett  
Senior Vice President  
and Chief Financial Officer



EXHIBIT 10.28(c)  
SECOND AMENDMENT TO THE  
-----  
ADVANCED MICRO DEVICES  
-----  
EXECUTIVE SAVINGS PLAN  
-----

As Amended and Restated Effective as of August 1, 1993  
-----

The Plan is hereby amended to permit the assignment and assumption of liabilities hereunder under appropriate circumstances:

1. Restriction Against Assignment.  
-----

A new last paragraph is added to Section 9.2 that reads as follows:

"Notwithstanding anything herein or in Article VI to the contrary, if prior to a Participant's Payment Eligibility Date, the Participant's prospective employer agrees in writing to accept an assignment of the Participant's interest and Accounts hereunder and to assume all liability therefor on terms acceptable to the Company, then the Participant shall receive no distribution of his interest and Accounts and, instead, the Participant's interest and Accounts hereunder (and all related liabilities) will be assigned to the Participant's prospective employer. Following such an assignment and assumption, the Company shall have no liability hereunder to the Participant."

2. Effective Date. Section 1 is effective October 1, 1997.  
-----

IN WITNESS WHEREOF, the Company has caused this Second Amendment to the Executive Savings Plan, as amended and restated as of August 1, 1993, to be executed by its duly authorized officers on this \_\_\_\_ day of \_\_\_\_\_, 19\_\_.

ADVANCED MICRO DEVICES, INC.

By /s/ Stanley Winvick  
-----

Stanley Winvick  
Senior Vice President,  
Human Resources

By /s/ Marvin D. Burkett  
-----

Marvin D. Burkett  
Senior Vice President  
and Chief Financial Officer



ADVANCED MICRO DEVICES, INC.

SECRETARY'S CERTIFICATE

The undersigned, Thomas M. McCoy, certifies that he is the Secretary of Advanced Micro Devices, Inc., a Delaware Corporation ("the Company"), and that, as such, he is authorized to execute this Certificate on behalf of the Company, and further certifies that the attached is a fair and accurate translation of the Supplemental Agreement to the Syndicated Loan Agreement dated February 6, 1998 between AMD Saxony Manufacturing GmbH and Dresdner Bank AG and Dresdner Bank Luxembourg SA and other financial institutions named therein as lenders.

WITNESS the signature of the undersigned this 26th day of February, 1998.

/s/ Thomas M. McCoy

-----  
Thomas M. McCoy  
Secretary

[COMPANY SEAL APPEARS HERE]

ENGLISH VERSION OF THE LEGALLY BINDING GERMAN LANGUAGE SUPPLEMENTAL AGREEMENT,  
PREPARED FOR CONVENIENCE ONLY. NOT A TRANSLATION.

SUPPLEMENTAL AGREEMENT  
6 FEBRUARY 1998

between

AMD SAXONY MANUFACTURING GMBH

and

DRESDNER BANK AG

and

THE OTHER BANKS AND FINANCIAL INSTITUTIONS  
NAMED HEREIN

AND

DRESDNER BANK LUXEMBOURG S.A.

---

TO THE  
SYNDICATED LOAN AGREEMENT

DATED

11. MARCH 1997

---

Doser Amereller Noack/Baker & McKenzie

Frankfurt

\*CONFIDENTIAL INFORMATION OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND  
EXCHANGE COMMISSION

INDEX  
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Schedule 1	Supplemental Agreement to Sponsors' Support Agreement
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Schedule 13	Supplemental Agreement to the AMD Saxonia Hedging Agreement

SUPPLEMENTAL AGREEMENT

-----  
TO  
--

SYNDICATED LOAN AGREEMENT OF 11 MARCH 1997  
-----

between

1. AMD SAXONY MANUFACTURING GMBH, Dresden, registered in the Commercial Register of the Dresden County Court HRB 13186,

- hereinafter referred to as "AMD Saxonia" -

2. DRESDNER BANK AG in Dresden,

- hereinafter also referred to as "Security Agent" -

3. The other Banks and financial institutions set out on the signatory pages to this Supplemental Agreement,

- the parties referred to at 2 and 3 hereinafter each referred to as a "Bank" or together as the "Banks", as the case may be -

and

4. DRESDNER BANK LUXEMBOURG S.A..

- hereinafter also referred to as "Agent" or "Paying Agent" -

PREAMBLE  
-----

1. On 11 March 1997, AMD Saxonia, Dresdner Bank AG (in its capacity as "Agent" and "Security Agent"), the Banks and Dresdner Bank Luxembourg S.A. (in its capacity as "Paying Agent") entered into a syndicated loan agreement (hereinafter "Loan Agreement") providing for credit facilities in an aggregate total amount of DM 1.650.000.000 for the purpose of the partial financing of the Project Costs more particularly set out therein. On 1 July 1997, Dresdner Bank AG transferred its rights and obligations as Agent to Dresdner Bank Luxembourg S.A. pursuant to (S) 22.11 of the Loan Agreement.

2. As a result of ongoing developments in the production of microprocessors and the presently anticipated conversion of the production process from aluminium based metallisation to copper and the assumption of a US\$ exchange rate of DM 1.80 instead of the



original notional exchange rate of DM 1.45 on which the original Management Plan was based, the projected total investment costs of DM 2,430,000,000 on which the terms of the Loan Agreement were based have increased by DM 687,000,000 to a total amount of DM 3,117,000,000.

3. On 26 September 1997, AMD Inc. made available to AMD Saxonia an amount of US\$ 34,000,000 as an additional subordinated loan pursuant to Section 2.4 of the Sponsors' Loan Agreement. The aforesaid additional subordinated loan of US\$ 34,000,000 will not be taken into account in satisfaction of the obligations of AMD Inc. to make available to AMD Saxonia, via AMD Holding equity in the form of ordinary share capital in an aggregate amount of DM 217,500,000 and the obligations of AMD Inc. and/or AMD Holding to make subordinated loans or additional equity contribution in cash to the reserves of AMD Saxonia in an aggregate amount of DM 290,000,000 pursuant to the Sponsors' Support Agreement and the Sponsors' Loan Agreement. In addition, the entire remaining additional projected financing costs will be financed solely by AMD Inc. by way of equity or additional subordinated loans to be made available to AMD Saxonia in an amount of US\$ 70,000,000 (which may be made available in either DM or US\$) and by the cash flow expected to be generated through AMD Inc.'s off-take and reimbursement obligations under the AMD Holding and AMD Saxonia Wafer Purchase Agreements and the AMD Holding and AMD Saxonia Research, Design and Development Agreements.

4. In the light of the circumstances and agreements referred to above, the parties have agreed to changes to the Loan Agreement on the terms and conditions more particularly set out below.

1.1 Terms and expressions defined in the Loan Agreement shall have the same meaning when used in this Supplemental Agreement, unless the context requires otherwise.

1.2 Unless the context requires otherwise, any reference to an Operative Document or a Project Agreement shall be a reference to such Document or Agreement as it shall have been, or from time to time be, amended, varied, reissued, replaced, novated or supplemented in accordance with its terms, including pursuant to this Supplemental Agreement.

(S) 2  
AMENDMENTS TO THE LOAN AGREEMENT

The Loan Agreement will be amended as more particularly set out below. The Loan Agreement shall remain in force in all other respects.

2.1 In the introduction immediately before the Preamble, under item number 2, "Agent" and " shall be deleted and under item number 4, after "as", there shall be added "the Agent or the" and after "Paying Agent" there shall be added ", as the case may be".

2.2 In para. 2 of the Preamble, "estimated by AMD Saxonia, AMD Holding and AMD Inc. (together the "AMD Companies") at DM 2,430,000,000" shall be deleted and shall be replaced by "originally estimated by AMD Saxonia, AMD Holding and AMD Inc. (together the "AMD Companies") at DM 2,430,000,000 and now increased to DM3,117,000,000".

2.3 In para. 3 of the Preamble, the first sentence shall be deleted and replaced by the following:

"On 26 September 1997, AMD Inc. made available to AMD Saxonia an amount of US\$ 34,000,000 as a subordinated loan pursuant to Section 3.5 of the Sponsors' Support Agreement and Section 2.5 of the Sponsors' Loan Agreement. In addition, AMD Inc. has made available to AMD Saxonia, via AMD Holding, equity in the form of ordinary share capital in an aggregate amount of DM 217,500,000. Furthermore AMD Inc. and/or AMD Holding has undertaken to make subordinated loans to or, in the case of AMD Holding, additional equity contributions in cash to the reserves of AMD Saxonia in an aggregate amount of the DM equivalent of US\$ 200,000,000 (at least DM 290,000,000) and an additional amount equal to, or the equivalent of, US\$ 70,000,000 (which amount may be made available to AMD Saxonia by way of loan in either Dollars or Deutsche Marks and may be carried by AMD Saxonia as a Deutsche Mark denominated liability notwithstanding the currency in which it is made available to AMD Saxonia)."

2.4 In (S) 1.1, the definition of "Banking Day" shall be replaced by the following:

"each day on which banks are generally open for business in London, Frankfurt am Main, Dresden and Luxembourg."

2.5 In (S) 1.1, at the end of the definition of "Guaranty Decision" the full stop shall be replaced by a comma and there shall be added as a new paragraph "and the Memorandum of Understanding ("Gemeinsame Feststellungen") of 19 February 1997, the Amendment Decision of 12 December 1997 and the letter from C&L Deutsche Revision AG dated 5 January 1998," after the words "in the edition dated 1993 F 12.10.1990".

2.6 In (S) 1.1, in the definition of "Cost Overrun", "initial" shall be deleted.

2.7 In (S) 4.1.1, the following changes shall be made:

(i) the first sentence will be replaced as follows:

"4.1.1 Advances shall be made up to the cumulative limit in each Project Phase set out in the Drawdown Schedule in accordance with the Project Schedule which limit shall not, however, without the prior written consent of the Guarantor, be greater than the maximum guaranty amount for any calendar year prescribed by the Guarantor pursuant to Schedule 63."

(ii) the second paragraph will be replaced as follows:

"Drawdowns in any Project Phase are permitted only in the amount of Project Costs which have been incurred during the same Project Phase, as the same are documented by invoices and other supporting evidence to be

furnished together with the Drawdown Notice, as required below. Drawdowns in a current Project Phase are however permitted in respect of Project Costs which are shown to have been incurred in respect of an invoice for goods or services performed or delivered, submitted in the last thirty days prior to the end of a prior Project Phase and which have been included in full in the first Drawdown Notice of such current Project Phase."

2.8 (S) 5.1.4 shall be replaced by the following:

"5.1.4 Receipt of an extract from the Land Register confirming that AMD Saxonia has been registered in the Register as the owner of parcels referred to as nos. Folio 851 parcels nos. 150/2, 121/2, 122, 123, 124, 125/2, 126, 127, 128/2, 129/3, 130, 131, 132, 133/1, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 143a, 144, 145, 146, 147, 148, 149, 151/2, 152, 153, 154/2, 155, 156, 157, 158, 159, 160/1, 160/2, 161, 162, 694/1 in the County Court of Dresden von Wilschdorf and that the land charge to be granted in accordance with (S) 8.1.6 has been registered and that there are no prior registered charges."

2.9 In (S) 5.1.6, the following amendments shall be made:

(i) para. (xii) shall be replaced by the following:

"(xii) copies, certified by a lawyer as true copies, of Material Equipment Supply Contracts and Material Service Contracts (to the extent executed as at the date of the initial Drawdown Notice), including relevant Consents and Agreements in the form set out in

Schedule 40, Annex 3 of Schedule 49 or in such other form as the  
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Agent has consented to as well as all other Consents and Agreements required in accordance with the Security Documents in the form set out in Schedules 49 and 55;"  
----- --

(ii) para (xvi) shall be replaced by the following:

"(xvi) confirmation in writing from the State Ministry of Saxony for Economics and Labour that it has received a Letter from the European Commission confirming its non-objection to the interest subsidies to be paid under the Subsidy Agreements."

2.10 (S) 5.1.15 shall be replaced by the following:

"5.1.15 The Technical Advisor has received the Plans and Specifications in form and substance satisfactory to the Technical Advisor and the Agent has received confirmation in writing, to that effect."

2.11 In (S) 5.2.5 "certified copy" shall be deleted and replaced with "a copy certified by a lawyer".

2.12 (S) 6.9 shall be replaced by the following:

"6.9 All payments to be made by AMD Saxonia to the Banks pursuant to the terms of this Loan Agreement shall at all times be made to the Paying Agent's account no. 0809580200 with Dresdner Bank in Frankfurt or such other account as may be specified by the Paying Agent on the relevant due date. The Security Agent is hereby also authorised to debit the relevant amounts due from AMD Saxonia's [\*\*\*] with the Security Agent in Dresden on or after the due date and to pay the same to the Agent for distribution to the individual Banks. Payments made otherwise than in accordance with this provision shall not constitute good discharge in favour of AMD Saxonia".

2.13 In (S) 7.1, "2006" shall be deleted and shall be replaced by "2005".

2.14 In (S) 7.2, the repayment schedule shall be deleted and replaced by the following repayment schedule:

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INSTALMENTS	PERCENTAGE OF THE AGGREGATE PRINCIPAL AMOUNT OF THE FACILITIES OUTSTANDING AT THE END OF THE AVAILABILITY PERIOD PURSUANT TO (S) 4.2
-----	-----
first and second instalment	6.50 % each
-----	-----
third and fourth instalment	13.50 % each
-----	-----
fifth and sixth instalment	14.25 % each
-----	-----
seventh and eighth instalment	10.50 % each
-----	-----
ninth and tenth instalment	5.25 % each
-----	-----

2.15 (S) 8.1.6 shall be replaced by the following:

"8.1.6 a first priority land charge over real property registered in the Land Registry of the Dresden County Court, Dresden von Wilschdorf parcels numbers Folio 851 parcels nos.150/2, 121/2, 122, 123, 124, 125/2, 126, 127, 128/2, 129/3, 130, 131, 132, 133/1, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 143a, 144, 145, 146, 147, 148, 149, 151/2, 152, 153, 154/2, 155, 156, 157, 158, 159, 160/1, 160/2, 161, 162, 694/1 of AMD Saxonia in respect of an amount of DM 1,650,000,000 together with interest in an amount of 15 % per annum together with a lump sum payment in an amount of 5 % of the total charge amount as an immediately enforceable charge without prior charges in Section III of the Register in favour of the Security Agent together with a personal acknowledgement of enforceability by AMD Saxonia to be granted in the form set out in Schedule 43;"

2.16 In (S) 15.1.5, the second sentence will be replaced as follows:

"For this purpose, "Opinion Reservations" means limitations on the enforceability of legal documents which are subject to German law or the law of the U.S.A. or one of its states to the extent that in respect of these

\*\*\* CONFIDENTIAL TREATMENT IS REQUESTED FOR THE MARKED LANGUAGE

circumstances qualifications are expressly made in the legal opinions which are to be furnished to the Agent pursuant to (S) 5.1.11 and which are to be approved by the Agent."

2.17 (S) 16.2.6, shall be replaced by the following:

"16.2.6 AMD Saxonia will furnish to the Agent:

- (i) within ten (10) Banking Days after the end of each calendar month a status report relating to the progress of construction in the form set out in Schedule 8; and  
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- (ii) a Statement as to the Use and Source of Funds in accordance with Schedule 16 as follows:  
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  - (a) within ten (10) Banking Days after the end of each quarter and within ten (10) Banking Days after the end of each Project Phase, signed by the Project Manager; and
  - (b) within thirty (30) Banking Days after the end of each quarter and within thirty (30) Banking Days after the end of each Project Phase, signed by the Auditor,

PROVIDED THAT the Project Manager shall be entitled to furnish to the Agent an update of the Statement as to the Use and Source of Funds delivered by it under (S) 16.2.6 (ii) (a) no later than the time of delivery of the Auditor's Statement referred to in (S) 16.2.6 (ii) (b) above."

2.18 [Corresponding change to (S) 19.2 in the English text not necessary]

2.19 In (S) 19.3, "and assets" shall be inserted after "securities" and in (S) 19.6 "and securities" shall be deleted and replaced by "securities and assets".

2.20 In (S) 19.4, the first sentence shall be deleted and replaced by the following sentence:

"If the balance standing to the credit of the Project Accounts (excluding the reserve account) after 1 January, 1999 and before Completion, exceeds in the aggregate an amount of DM 20,000,000, on the first day on which banks are open for business in Dresden in the months January, April, July and October of each year, AMD Saxonia shall transfer all amounts in excess thereof on such date to a reserve account to be maintained with the Security Agent until the amount standing to the credit of the reserve account reaches an amount of DM 72,500,000 (Minimum Reserve Amount), whereby AMD Saxonia shall be obliged to comply always with all agreed terms of payments, except as otherwise agreed with the Agent."

2.21 In (S) 21.2, the following changes shall be made:

(i) in para. (ix) "4.2, 4.3" shall be added after "Sections 4.1,"; and

(ii) there shall be included after para. (ix) the following new para:

"(x) If AMD Inc. undertakes a "Stock Offering" within the meaning of the Sponsors' Support Agreement in the Fiscal Year 1998 and, if permitted under the Indenture referred to in (S) 21.2 (xvi) of this Agreement (without utilizing any of the provisions contained in the first proviso to Section 4.07 (iv) thereof), AMD Inc. fails to contribute the full amount of the "Class C Sponsors Loans" within the meaning, of the Sponsors' Support Agreement forthwith following receipt of proceeds from the "Stock Offering" referred to above; the events referred to in (ix) above shall remain unaffected."

All references throughout the Loan Agreement to paras (x) to (xxviii) shall be changed accordingly. In addition, para "(x)" shall be added to sentence 2 of the last paragraph of (S) 21.2.

2.22 In (S) 21.2 (xxiii), "DM 2,430,000,000 by more than 30 %" shall be deleted and shall be replaced by "DM 3,846,000,000".

2.23 In (S) 26, the first two sentences shall be replaced as follows:

"The Banks are not entitled prior to Completion to assign, whether in whole or in part, their rights under this Agreement. Assignments and sub-participations to affiliated companies within the meaning of (S) 15 of the Stock Corporation Act are permitted at any time-to the extent not made by a Bank in Germany to an enterprise outside Germany, as well as assignments to third parties following termination of this Agreement."

2.24 In (S) 27.7, the address of IKB Deutsche Industriebank AG shall be deleted and replaced by the following new address:

"Wilhelm-Botzkes-Strasse 1  
40474 Dusseldorf  
z. Hd. Frau Maria Bissinger, Telefax: 0211-8221-2957  
Frau Petra Burggraf, Telefax: 0211-8221-2746"

2.25 Schedule 6 (Project Budget) will be replaced in its entirety by Schedule 3 to this Supplemental Agreement.

2.26 In Schedule 7 (Project Schedule/Project Phases), the following

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changes shall be made in para. 1 ( First Project Phase: Planning Accepted), the  
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number "300,000" shall be deleted and shall be replaced by "250,000" and "0.25  
microns migrating to" shall be deleted in para. 6 (Project Phase: Technical  
-----  
Completion) third paragraph, "75,000" shall be deleted and shall be replaced by  
-----  
"62,500"

2.27 In Schedule 9 ([Scheduled Project Phase] Technical Completion  
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Certificate (Obligors)), the following changes shall be made:

- (i) in para. 5 para. (i) "450" shall be deleted and shall be replaced by "375";
- (ii) in the penultimate paragraph, "75,000" shall be deleted and shall be replaced by "62,500".

2.28 In Schedule 10 ([Scheduled Project Phase] Technical Completion  
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Certificate (Technical Advisor)), the following changes shall be made:

- (i) in para. 3 sub-para. (i) "450" shall be deleted and shall be replaced by "375";
- (ii) in the penultimate paragraph of para. 3, "75,000" shall be deleted and shall be replaced by "62,500".

2.29 In Schedule 11 (Financial Completion (Obligors)), para 6, "DM 2,000

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(two thousand Deutsche Marks" shall be deleted and shall be replaced by "DM 2,900 (two thousand nine hundred Deutsche Marks)" and "75,000" shall be deleted and shall be replaced by "62,500".

2.30 In Schedule 12 (Financial Completion Certificate (Banks' Auditor)),  
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in para. 3 "DM 2,000 (two thousand Deutsche Marks)" shall be deleted and shall be replaced by "DM 2,900 (two thousand nine hundred Deutsche Marks)" and "75,000" shall be deleted and shall be replaced by "62,500".

2.31 Schedule 14 (Management Plan) shall be replaced in its entirety by  
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Schedule 4 to this Supplemental Agreement.

2.32 In Schedule 16, to following change shall be made:  
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- (i) footnote 1 shall be replaced by the following:

"1 Delete if not applicable; the Statement as to the Use and Source of Funds shall be furnished by the Project Manager within ten Banking Days and by the Auditor within thirty Banking Days after the end of a calendar quarter/Project Phase, provided that the Project Manager shall be entitled to submit an update of the Statement as to the Use and Source of Funds submitted by it no later than the time of delivery of the Auditor's Statement"; and

(ii) on the signatory page, "Ernst & Young Wirtschaftsprüfungsgesellschaft mbH" shall be replaced by "Hanscomb GmbH" and vice versa.

2.33 In Schedule 17, para 2, under the heading "Financial Covenants" the following changes shall be made:

- (i) (S) 2.1 shall be deleted and replaced by the following:

"2.1 MINIMUM TANGIBLE NET WORTH

The Tangible Net Worth shall not at the end of any Fiscal Year be less than the amounts set out below:

END OF A FISCAL YEAR AMOUNT IN DM MILLION

27 December 1998	[***]
26 December 1999	[***]
31 December 2000	[***]
30 December 2001	[***]
29 December 2002	[***]
28 December 2003	[***]
26 December 2004	[***]
25 December 2005	[***]

(ii) (S) 2.2 shall be deleted and shall be replaced by the following:

"2.2 MAXIMUM CAPITAL EXPENDITURE

Capital Expenditure shall not exceed within any Fiscal Year the amount set out below opposite that Fiscal Year by more than 125 %. The DM equivalent amount of the US\$ amounts set out below which will apply in each Fiscal Year, as determined at the beginning of such Fiscal Year shall be based on the average of the spot exchange rate over the preceding two Fiscal Quarters, as shown on Reuters Screen page FXGF.

FISCAL YEAR ENDING AMOUNT IN US\$ MILLION

29 December 2002	[***]
28 December 2003	[***]
26 December 2004	[***]
31 December 2005	[***]

(iii) In (S) 2.3, "26 March 2006", "25 June 2006", "24 September 2006" and "31 December 2006" as well as the numbers corresponding to such periods under "Interest Cover Ratio" shall be deleted without replacement;

(iv) In (S) 2.4, "26 March 2006", "25 June 2006", "24 September 2006" and "31 December 2006" as well as the numbers corresponding to such periods under "Debt Service Cover Ratio" shall be deleted without replacement;

(v) in (S) 2.5 "Maximum Inventory Turnover" the number "57" shall be deleted and replaced in each case by the number "58" and the Fiscal Quarters "26 March 2006", "25 June 2006", "24 September 2006" and "31 December 2006" and each of the corresponding numbers in the column headed "Inventory Turnover" shall be deleted.

\*\*\* CONFIDENTIAL TREATMENT IS REQUESTED FOR THE MARKED LANGUAGE



2.34 Schedule 24 shall be supplemented by the inclusion of the Memorandum of Understanding ("Gemeinsame Feststellungen") dated 19 February 1997, the Guarantors' Amendment Decision of 12 December 1997 and the letter of C&L Deutsche Revision AG dated 5 January 1998, each in the form of Schedule 11.

2.35 There shall be included the contents of Schedule 11 as a new Schedule 63 (Maximum 65/35 Guaranty Amount).

2.36 All references to Dresdner Bank AG in its capacity as Agent and its address shall henceforth be changed to corresponding references to Dresdner Bank Luxembourg S.A. and its address.

(S) 3

CONDITION PRECEDENT

3.1 This Supplemental Agreement is subject to the condition precedent that the following conditions are satisfied in full and the Agent has confirmed to the Banks in writing that it has received the documents referred to in (S) (S) 3.1.1 to 3.1.16 inclusive. The form and content of the documents described in (S) (S) 3.1.4, 3.1.5, 3.1.6, 3.1.7, 3.1.15 and 3.1.16 must be satisfactory to the Agent. The documents referred to in (S) (S) 3.1.1 to 3.1.8 inclusive, whose effectiveness may not be conditional (save for conditions relating to the execution of this Supplemental Agreement) must be executed in legally binding form:

3.1.1 Supplemental Agreement to the Sponsors' Support Agreement, in the form set out in Schedule 1;  
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3.1.2 Supplemental Agreement to the AMD Saxonia Wafer Purchase Agreement, in the form set out in Schedule 2, together with a written consent from AMD  
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Inc.;

3.1.3 Supplemental Agreement to the Sponsors' Loan Agreement, in the form set out in Schedule 3;  
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3.1.4 written confirmation by AMD Inc. relating to the continuing enforceability of the AMD Inc. Guaranty dated 11 March 1997;

3.1.5 written confirmation by the Sponsors relating to the continuing enforceability of the Sponsors' Guaranty dated 11 March 1997;

3.1.6 the Fourth Amendment to the "AMD Inc. 1996 Bank Credit Agreement" within the meaning of the Sponsors' Support Agreement;

3.1.7 written confirmation of acceptance from AMD Inc. and AMD Saxonia relating to the Amendment Decision of the Guarantors dated 12 December 1997;

3.1.8 Supplemental Agreement to the AMD Saxonia Hedging Agreement dated 11 March 1997;

3.1.9 an opinion addressed to the Board of Directors of AMD Inc. of a recognized first class US financial advisory firm, confirming that the transactions contemplated by the supplemental agreements to the Operative Documents referred to above and the Operative Documents (as thereby amended) to which AMD Inc. is a party are, taken as a whole, fair to AMD Inc. from a financial point of view;

3.1.10 legal opinion of O'Melveny & Myers LLP counsel to AMD Inc., in the form set out in Schedule 7 relating to the Senior Secured Note Indenture dated as of August 1, 1996 referred to in (S) 15.1.13 of the Loan Agreement and the Credit Agreement dated as of July 19, 1996 also referred to in that section;

3.1.11 legal opinion of O'Melveny & Myers LLP legal counsel to the AMD Companies, in the form set out in Schedule 7;  
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3.1.12 legal opinion of Norr, Stiefenhofer & Lutz legal counsel to the AMD Companies, in the form set out in Schedule 8;  
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3.1.13 legal opinion of Doser Amereller Noack / Baker & McKenzie legal counsel to the Agent and the Banks, in the form set out in Schedule 9;  
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3.1.14 legal opinion of Feddersen Laule Scherzberg & Ohle Hansen Ewerwahn legal counsel to the Agent and the Banks, in the form set out in Schedule 10;  
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3.1.15 Confirmation of the Insurance Advisor confirming in particular that AMD Saxonia maintains insurances in accordance with (S) 17.8 of the Loan Agreement and Schedule 22 of the Loan Agreement; and  
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3.1.16 confirmation in writing from the Technical Advisor that the Technical Advisor has received updated Plans and Specifications, the contents of which are satisfactory to the Technical Advisor.

(S) 4  
REPRESENTATIONS AND WARRANTIES

4.1 AMD Saxonia hereby represents and warrants to the Banks as follows:

4.1.1 AMD Saxonia and AMD Holding have taken all necessary steps and have obtained all necessary approvals to enter into legally binding obligations under this Supplemental Agreement and the Supplemental Agreements to the Operative Documents referred to in (S) (S) 3.1.1 to 3.1.8 inclusive and to exercise their rights arising thereunder.

4.1.2 The execution of this Supplemental Agreement and the supplemental agreements to the Operative Documents referred to in (S) (S) 3.1.1 to 3.1.8 inclusive by AMD Saxonia, AMD Holding and AMD Inc. and the compliance by each of them of their obligations thereunder and the exercise by each of them of their rights thereunder:

(i) do not violate any provision of applicable law, any judgment or any requirements or approvals of any authority or the like or contractual obligations applicable to any of the AMD Companies;

(ii) will not result in the termination or acceleration of any other respective obligations of the AMD Companies;

(iii) will not result in an obligation of any of them to create or grant any security in favour of any third party, save as contemplated in the Security Documents or in the Loan Agreement (as amended by this Supplemental Agreement).

4.1.3 All Operative Documents entered into by the AMD Companies referred to in (S)(S) 3.1.1 to 3.1.8 inclusive constitute the legally valid and binding obligations of AMD Saxonia, AMD Holding and AMD Inc. respectively, enforceable in accordance with their terms subject to the Opinion Reservations. For this purpose, "Opinion Reservations" means limitations on the enforceability of legal documents which are subject to German law or the law of the U.S.A. or one of its states to the extent that in respect of these circumstances qualifications are expressly made in the legal opinions which are to be furnished to the Agent pursuant to (S)(S) 3.1.10 to 3.1.14 inclusive and which are to be approved by the Agent.

(S) 5  
MISCELLANEOUS

5.1 This Supplemental Agreement forms part of the Loan Agreement. All references in the Loan Agreement and in the Operative Documents together with statements relating hereto, apply in the same manner to this Supplemental Agreement.

5.2 This Supplemental Agreement and all documents referred to herein shall be deemed to be Operative Documents within the meaning of the Loan Agreement.

Frankfurt am Main \_\_\_\_\_ 1998

AMD SAXONY MANUFACTURING GMBH

\_\_\_\_\_  
Managing Directors (Geschäftsführer)

DRESDNER BANK AG  
(as Security Agent and Bank)

\_\_\_\_\_

Other Banks:

KREDITANSTALT FUR WIEDERAUFBAU

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DG BANK DEUTSCHE GENOSSENSCHAFTSBANK

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L-BANK, LANDESKREDITBANK BADEN-WURTEMBERG

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SACHSEN LB LANDESBANK SACHSEN GIROZENTRALE

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BAYERISCHE LANDESBANK GIROZENTRALE

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HYPOBANK INTERNATIONAL S.A.

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BHF-BANK AKTIENGESELLSCHAFT

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COMMERZBANK AKTIENGESELLSCHAFT, Dresden Branch

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DSL BANK DEUTSCHE SIEDLUNGS-UND LANDESRENTENBANK

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HAMBURGISCHE LANDESBANK -GIROZENTRALE -

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IKB DEUTSCHE INDUSTRIEBANK AG

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---

LANDESBANK RHEINLAND-PFALZ -GIROZENTRALE -

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LANDESGIROKASSE OFFENTLICHE BANK UND LANDESSPARKASSE

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ABN AMRO BANK (DEUTSCHLAND) AG, Frankfurt

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CREDITANSTALT AG  
(previously CREDITANSTALT-BANKVEREIN)

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THE SUMITOMO BANK, LIMITED, Dusseldorf Branch

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DRESDNER BANK LUXEMBOURG S.A.  
(as Agent and Paying Agent)

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FIRST AMENDMENT

TO

SPONSORS' SUPPORT AGREEMENT

THIS FIRST AMENDMENT (this "Amendment"), dated February 6, 1998, is made between

ADVANCED MICRO DEVICES, INC., a corporation organized and existing under the laws of the State of Delaware, United States of America, with its chief executive office and principal place of business at One AMD Place, Sunnyvale, California 94088, United States of America ("AMD Inc."),

GMBH, Dresden, registered in the Commercial Register of the Dresden County Court, HRB 13931 ("AMD Holding"; and, together with AMD Inc., collectively, the

"Sponsors"), DRESDNER BANK LUXEMBOURG S.A., as Agent (and successor to Dresdner

Bank AG ("Dresdner") in such capacity) under the Loan Agreement referred to

below (in such capacity, the "Agent") for the Banks referred to below, and

DRESDNER, as Security Agent under such Loan Agreement (in such capacity, the

"Security Agent"), for the Secured Parties referred to below.

W I T N E S S E T H:

WHEREAS, AMD Saxony Manufacturing GmbH, Dresden, registered in the Commercial Register of the Dresden Country Court HRB 13186 ("AMD Saxonia"), a wholly-owned

Subsidiary (such and other capitalized terms being used in this Amendment with the meanings set out in Section 1.1 of this Amendment) of AMD Holding, which is,

in turn, a wholly-owned Subsidiary of AMD Inc., has been formed for the purpose of constructing, owning, and operating (i) the Plant and (ii) the integrated Design Center;

WHEREAS, in order to finance the construction of the Plant and the Design Center, and start-up costs of the operation of the Plant, inter alia, (i) AMD Saxonia has entered into the Loan Agreement providing, inter alia, for two separate senior secured term and standby facilities aggregating up to DM 1,650,000,000 (one billion six hundred fifty million Deutsche Marks), and (ii) the Sponsors, the Agent and the Security Agent have entered into that certain Sponsors' Support Agreement dated 11 March 1997 (the "Sponsors' Support

Agreement") providing (x) certain assurances to the Agent and Security Agent

with respect to the completion of the Project, and (y) certain undertakings to and for the benefit of the Secured Parties;

WHEREAS, AMD Saxonia wishes, with the consent of the Sponsors to, among other things, replace the initial Approved Project Budget with another Approved Project Budget;



WHEREAS, the Sponsors are willing to provide certain additional undertakings to and for the benefit of the Secured Parties as provided in this Amendment and to amend and supplement the Sponsors' Support Agreement on the terms and subject to the conditions of this Amendment;

NOW, THEREFORE, the Sponsors, the Agent (for itself and on behalf of the Banks), and the Security Agent (on behalf of the Secured Parties), agree as follows:

ARTICLE I  
DEFINITIONS

SECTION 1.1 Definitions Capitalized terms not otherwise defined in this Amendment are used with the definitions assigned to them in the Sponsors' Support Agreement.

SECTION 1.2 Construction In this Amendment, unless the context requires otherwise, references to Sections and Schedules are to Sections and Schedules of the Sponsors' Support Agreement. Section headings are inserted for reference only and shall be ignored in construing this Amendment.

ARTICLE II  
AMENDMENTS

SECTION 2.1 The Sponsors' Support Agreement will be amended as more particularly set out below. In all other respects, the Sponsors' Support Agreement shall continue in full force and effect.

(i) In the introduction, in the first line, the words "(as amended)" shall be added after "11 March 1997", and in the second line, the word "organised" shall be deleted and replaced with the word "organized"; in the pre-penultimate line, there shall be deleted the words "(in such capacity, the "Agent")";  
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(ii) In the recitals, there shall be included after the fourth paragraph, a new recital as follows:

"WHEREAS, on 1 July 1997, Dresdner transferred its rights and obligations as Agent to Dresdner Bank Luxembourg S.A. (in such capacity as successor to Dresdner, the "Agent") pursuant to (S) 22.11  
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of the Loan Agreement;"

(iii) In Section 1.1, the following changes shall be made:

(a) the following definitions shall be replaced as follows:

- (1) "Agent" has the meaning assigned to that term in the fifth  
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recital to this Agreement."
- (2) "Approved Project Budget" means:  
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- (i) that certain Project Budget, in the form set out in  
Schedule 6 to the Loan Agreement, which has been prepared  
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by AMD Saxonia and approved by each Sponsor; and
- (ii) at any time after such Project Budget has been updated,  
amended, supplemented, or otherwise modified, and prior to  
Completion, any such updated, amended, supplemented, or  
modified Project Budget having been approved by each AMD  
Company (such approval of each Sponsor not to be  
unreasonably withheld or delayed) and the Agent (which  
may, in its sole discretion, consult with the Technical  
Advisor and the Banks' Auditor) in accordance with (S)18.2  
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of the Loan Agreement.
- The Approved Project Budget referred to in paragraph (i) above and  
(subject to the requirements of (S)13.1(i) (d) (y) (1)) each  
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subsequent Approved Project Budget from time to time in effect  
shall itemise, separately from the other information set forth  
therein, and on a Project Phase by Project Phase basis, the  
aggregate Capital Expenditure then required to be made by AMD  
Saxonia in order to complete each then uncompleted Project Phase of  
the Project and to achieve Completion. All references herein to  
the Approved Project Budget shall, at any time, refer to the  
Approved Project Budget as then in effect."
- (3) "Business Day" means any day of the year on which banks are  
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generally open for business in London, Frankfurt am Main, Dresden,  
Luxembourg and, to the extent the same relates to any obligation  
to be performed by AMD Inc., San Francisco."
- (4) "Cost Overruns" means, at any time, the difference at such time  
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between Capital Expenditure estimated in the Approved Project  
Budget and, if more, the actual Capital Expenditure incurred,  
including Deemed Cost Overruns but excluding, for the purpose of  
Sections 4.1, 4.2, 4.3 (i) and 4.4 only, Cash Funded Cost  
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Overruns, if any, in each case calculated on a cumulative basis."
- (5) "Guaranty Decision" means the decision dated 2 July 1996 set out  
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in Schedule 24 to the Loan Agreement concerning the guaranty  
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application made by AMD Saxonia, including the following documents  
as referred to therein:

- (i) the specimen credit agreement F 13.09.1990 (1993 Edition) Federal/State or THA
- (ii) the General Terms and Conditions applicable to the assumption of Guaranties by the Federal Republic of Germany and the States of the Accession Territory (States) in the edition dated F 04.01.1993 Federal/State, together with
- (iii) Notes relating to applications for guaranties and loans of the Treuhandanstalt Berlin and/or Federal and State guaranties for projects in the Accession Territory in the edition dated 1993 F 12.10.1990,

together with the Memorandum of Understanding ("Gemeinsame Feststellungen") dated 19 February 1997, the Amendment Decision of the Guarantors of 12 December 1997 and a letter of confirmation from C&L Deutsche Revision AG dated 5 January 1998."

- (6) "Management Plan" means the project concept attached as Schedule 14 to the Loan Agreement, as the same may from time to time be further amended or modified by AMD Saxonia (with the consent of each Sponsor, whose consent will not be unreasonably delayed or withheld) in accordance with the terms of this Agreement and the Loan Agreement and in effect."

(b) the following new definitions shall be added in alphabetical order:

- (1) "Cash Funded Cost Overrun" means at any time, any difference at such time between Capital Expenditure estimated in the Approved Project Budget and, if more, Capital Expenditure incurred, but only to the extent the same was originally funded by AMD Saxonia from cash (other than Equity Capital, contributions to capital reserves or subordinated loans made available by the Sponsors pursuant to Sections 4.1 or 4.3(i) or the proceeds of Tranche B Advances) in the Fiscal Years 2000 and 2001 and in any event no later than Financial Completion;"
- (2) "Class C Sponsors' Loans" has the meaning assigned to that term in Section 3.1."
- (3) "Consolidated Net Income" has the meaning assigned to that term in the AMD Inc. Senior Secured Note Indenture."

- (4) ""Contribution Date" means 31 January 1999."  
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- (5) ""Deemed Cost Overrun" has the meaning assigned to that term in  
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Section 4.3 (ii)."  
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- (6) ""Liquidity Shortfall" has the meaning assigned to that term in  
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Section 4.3 (ii);"  
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- (7) ""Minimum Liquidity" means, following the funding of a Cash Funded  
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Cost Overrun and after the amount standing to the credit of the  
reserve account established pursuant to (S) 19.4 of the Loan  
Agreement has reached the full amount of the Minimum Reserve  
Amount (within the meaning of the Loan Agreement) of DM  
72,500,000, an amount of liquidity to be maintained by AMD Saxonia  
of at least DM 100,000,000 (including the aforesaid Minimum  
Reserve Amount of DM 72,500,000), as tested:
- (i) at the end of the then current Fiscal Quarter, by  
reference to the quarterly financial statements submitted  
to the Agent pursuant to (S) 16.2.1 of the Loan Agreement;  
and, in addition
  - (ii) on each of 30 June 2001 and 31 December 2001 (for amounts  
funded during the immediately preceding full Fiscal  
Quarter and thereafter up to and including the first such  
testing date) DM 100,000,000 (including the aforesaid  
Minimum Reserve Amount of DM 72,500,000) plus the amount  
only of the scheduled repayment of the Facilities due on  
such date."
- (8) ""Stock Offering" means a public or private sale or other  
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placement of stock of AMD Inc. in the capital markets (which, for  
avoidance of doubt, shall not include (i) the issuance by AMD Inc.  
of stock options (and/or the issuance by AMD Inc. of stock upon  
the exercise of any existing or future such stock options) to any  
of its or its affiliates' directors, officers and/or employees or  
(ii) purchases of AMD Inc. stock by Fujitsu Limited in connection  
with the Fujitsu AMD Semiconductor Limited joint venture between  
AMD Inc. and Fujitsu Limited)."

(iv) In Section 2.1:

(a) para (i) shall be replaced as follows:

- "(i) to the extent, but only to the extent, reflected in AMD  
Saxonia's financial statements referred to in (S) 15.1.6 of the  
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Loan Agreement (or, if not so reflected, as certified by AMD  
Inc. to the Agent and the Security Agent as of the Loan  
Agreement Effective Date), Equity Capital contributed by the

Sponsors to AMD Saxonia prior to the Loan Agreement Effective Date shall be taken into account in determining whether the Sponsors shall have complied with their obligations under this Article II;" and  
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(b) para (iii) (a) shall be replaced as follows:

"(iii) (a) any Sponsors' Loan made by either Sponsor pursuant to this Agreement or the Sponsors' Loan Agreement before or after the Loan Agreement Effective Date, including without limitation, the additional Sponsors' Loan in an amount of \$34,000,000 made by AMD Inc. to AMD Saxonia on 26 September 1997 and referred to in Section 3.5 below;  
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or"

(v) Section 3.1 shall be replaced as follows:

"SECTION 3.1 Undertaking to Make Class A, Class B and Class C Sponsors' Loans. The Sponsors, jointly and severally, hereby undertake that either Sponsor or both of the Sponsors will make Sponsors' Loans to AMD Saxonia:

(i) in an aggregate principal amount of at least DM 290,000,000 (two hundred ninety million Deutsche Marks) for all such Sponsors' Loans, the exact amount thereof being equal to the Deutsche Mark Equivalent of \$200,000,000 (two hundred million Dollars) for all such Sponsors' Loans, as contemplated by Section 3.2 (the "Class A Sponsors' Loans");  
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(ii) in an aggregate principal amount of up to an additional DM 145,000,000 (one hundred forty five million Deutsche Marks) as contemplated by Section 3.3 (the "Class B Sponsors' Loans"); and  
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(iii) in an aggregate principal amount of \$70,000,000 (seventy million Dollars) as contemplated by Section 3.4 (the "Class C Sponsors' Loans").  
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For the avoidance of doubt:

(i) the obligations of the Sponsors under the Sponsors' Loan Agreement are intended to reflect, rather than to be in addition to, the obligations of the Sponsors pursuant hereto;

(ii) with the exception of the additional Sponsors' Loan in an amount of \$34,000,000 made by AMD Inc. to AMD Saxonia on 26 September 1997 and referred to in Section 3.5 below, Sponsors' Loans and/or contributions  
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(to the extent, but only to the extent, not otherwise taken into account in determining whether AMD Holding has complied with its obligations under Article II) by AMD Holding to AMD Saxonia's capital reserves made to AMD Saxonia prior to the Loan Agreement Effective Date shall be taken into account, to the

extent, but only to the extent, reflected in AMD Saxonia's financial statements referred to in (S) 15.1.6 of the Loan Agreement (or, if

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not so reflected, as certified by AMD Inc. to the Agent and the Security Agent as of the Loan Agreement Effective Date) as Class A Sponsors' Loans in determining whether the Sponsors shall have complied with their obligations under this Article III;  
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(iii) although the obligations of the Sponsors contained in this Article

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III are in addition to, and not in limitation of, their respective

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obligations contained elsewhere in this Agreement and in the other Operative Documents, if the Agent shall have otherwise expressly consented thereto in writing (which consent will not be unreasonably withheld or delayed), the Sponsors shall be deemed to have complied with their obligations to make Class A Sponsors' Loans, Class B Sponsors' Loans and/or Class C Sponsors' Loans to the extent, but only to the extent, that AMD Holding shall have made additional contributions to AMD Saxonia's Equity Capital (or other contribution to AMD Saxonia's capital reserves) which contributions are not otherwise required to be made pursuant hereto or to any other Operative Document;

(iv) the Sponsors shall not be relieved:

(a) of the foregoing obligation by virtue of any Equity Capital (or other contribution to AMD Saxonia's capital reserves) contributed or required to be contributed to AMD Saxonia pursuant to Section 2.1 or (except as, and to the extent,

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provided in clause (iii) above) otherwise;  
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(b) of any obligation to make Class A Sponsors' Loans (or to contribute additional Equity Capital or other contributions to AMD Saxonia's capital reserves in lieu thereof) by virtue of any payment made by either Sponsor under the Sponsors' Guaranty;

(c) of any obligation following Completion to make Class B Sponsors' Loans until and unless the Sponsors shall have paid all amounts payable under the Sponsors' Guaranty following a demand for payment made by the Agent thereunder (it being understood and agreed that the obligation of the Sponsors to make Class B Sponsors' Loans shall be subject to the occurrence of Completion); or

(d) of any obligation to make Class A Sponsors' Loans, Class B Sponsors' Loans or Class C Sponsors' Loans by the additional Sponsors' Loans in an amount of \$34,000,000 made by AMD Inc. to AMD Saxonia on 26 September 1997 and referred to in Section

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3.5 below;  
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- (v) each Class A Sponsors' Loan shall be denominated in Deutsche Marks and the Deutsche Mark Equivalent thereof shall be calculated for the purpose of determining whether the Sponsors have complied with their obligations under Section 3.2; provided, however, that any Class A  
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Sponsors' Loan may, with the consent of the Agent (such consent not to be unreasonably delayed or withheld), be funded in Dollars but for all purposes of this Agreement and the Sponsors' Loan Agreement shall be deemed to have been funded in Deutsche Marks in an amount which is equal to the Deutsche Mark Equivalent thereof;
- (vi) Class C Sponsors' Loans may be made in either Dollars or in Deutsche Marks at AMD Inc.'s option provided that:
- (a) for the purpose of determining whether the Sponsors have complied with their obligations under Section 3.4, any Class C Sponsors'  
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Loans made in Deutsche Marks shall be deemed converted to Dollars at the Agent's spot rate of exchange for the purchase of Dollars with Deutsche Marks prevailing on the date two (2) Business Days prior to the date such Class C Sponsors' Loans were made;
- (b) if AMD Inc. and AMD Saxonia agree, any Class C Sponsors' Loans may be denominated in Deutsche Marks but funded in Dollars and the Deutsche Mark amount of such Class C Sponsors' Loans shall be deemed to be the DM amount which is the equivalent of the Dollar amount so funded determined at the Agent's spot rate of exchange for the purchase of Dollars with Deutsche Marks prevailing on the date two (2) Business Days prior to the date such Class C Sponsors' Loans were made.
- (vii) the Sponsors shall be relieved of their respective obligations to make Class C Sponsors' Loans under Sections 3.1 and 3.4 if, but  
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only if:
- (a) the Sponsors shall have complied with each of their respective obligations under Article II and, insofar as such obligations  
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relate to Class A Sponsors' Loans (or additional contributions to Equity Capital or AMD Saxonia's capital reserves in lieu thereof), this Article III; and  
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- (b) following a demand for payment by the Agent under the Sponsors' Guaranty, the Sponsors shall have paid all amounts payable under the Sponsors' Guaranty.
- (viii) the amounts set forth in this Section 3.1 are cumulative minimum  
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aggregate amounts for both Sponsors, collectively; nothing contained herein shall be deemed to preclude the Sponsors (or either of them) from making additional Sponsors' Loans in order to fulfil their respective obligations contained in Article IV, V,  
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VI, or VII, or for any other reason."  
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(vi) In Article III, there shall be added a new Section 3.4 and the previous Section 3.4 will be renumbered 3.5 and shall be replaced as follows:

"SECTION 3.4 Time of Class C Sponsors' Loans. The Class C Sponsors' Loans will be made in cash and in Same Day Funds and will be made as follows:

(i) by the Contribution Date at the latest, if:

(a) AMD Inc.'s Consolidated Net Income for the Fiscal Year 1998 is equal to or greater than \$140,000,000; and

(b) AMD Inc. is permitted to fund the Class C Sponsors' Loans in full pursuant to Section 4.07 of the AMD Inc. Senior Secured Note Indenture without utilizing any of the provisions contained in the first proviso to Section 4.07 (iv) thereof; or

(ii) if payment of the Class C Sponsors' Loans is not made in full in accordance with sub-para (i) above:

(a) AMD Inc. will by the Contribution Date at the latest make payment to AMD Saxonia of such amount of the Class C Sponsors' Loans, if any, as it is permitted to make pursuant to Section 4.07 of the AMD Inc. Senior Secured Note Indenture without utilizing any of the provisions contained in the first proviso to Section 4.07 (iv) thereof; and

(b) AMD Inc. will undertake a Stock Offering resulting in the receipt by AMD Inc. of net cash proceeds to AMD Inc. of at least \$200,000,000 and make payment of an amount equal to the full amount of the Class C Sponsors' Loans less any amount already contributed under sub-para (ii) (a) above by 30 June 1999 at the latest; provided that:

(iii) if at any time during the Fiscal Year 1998 AMD Inc. is permitted, pursuant to the terms of Section 4.07 of the AMD Inc. Senior Secured Note Indenture without utilizing any of the provisions contained in the first proviso to Section 4.07 (iv) thereof, to do so and:

(a) AMD Inc. makes the Class C Sponsors' Loans in full out of the proceeds of, and forthwith following, a Stock Offering undertaken by it in such Fiscal Year; or

(b) AMD Inc. makes the Class C Sponsors' Loans in full, having achieved Consolidated Net Income of not less than \$140,000,000 to the end of AMD Inc.'s most recently ended Fiscal Quarter for which financial statements are available,



the Sponsors will be relieved of any further obligation under Sections 3.4 (i) and (ii) above.  
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SECTION 3.5 Additional Sponsors' Loans. In addition to the Class A Sponsors' Loans, the Class B Sponsors' Loans and the Class C Sponsors' Loans, the Sponsors (or either of them) may, from time to time, at their option make additional Sponsors' Loans in order to fulfil their respective obligations contained herein or otherwise to provide additional funds to AMD Saxonia.

For the avoidance of doubt, the additional Sponsors' Loan in an amount of \$34,000,000 made by AMD Inc. to AMD Saxonia on 26 September 1997:

- (i) is hereby expressly agreed by the parties hereto to be an additional Sponsors' Loan pursuant to the terms of this Section 3.5 and  
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subordinated as a Junior Liability under the Sponsors' Subordination Agreement; and
- (ii) shall not relieve the Sponsors from any obligation to make Class A Sponsors' Loans, Class B Sponsors' Loans or Class C Sponsors' Loans in accordance with Sections 3.2, 3.3 and 3.4 above respectively."  
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and Sections 3.6 and 3.7 shall be renumbered accordingly and any cross  
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references thereto and to the previous Section 3.4 shall be changed  
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accordingly.

(vii) In Section 4.1, the following shall be deleted:

"The Sponsors shall be required to provide AMD Saxonia with Same Day Funds in the amount of the Sponsors' Applicable Share of any Cost Overrun:

- (i) on or prior to the occasion of each drawdown of a Tranche B Advance, and as a condition to the making thereof; and
- (ii) promptly following any notice from the Agent or the Technical Advisor to AMD Inc. to the effect that the Cost to Complete exceeds the funds otherwise available to AMD Saxonia for such purpose (including, without limitation, the Available Tranche A Amount, the Available Tranche B Amount, and the balance, if any, of collected funds then on deposit in the Operating Account, together with the then value of the Cash Equivalent Investments acquired with the proceeds of the Operating Account)."

(viii) Sections 4.3 (Time of Payment), 4.4 (Post Completion Adjustment), 4.5 (Determination of Cost Overruns) and 4.6 (Projected Total Cost) shall be replaced as follows:

"SECTION 4.3 Time of Payment.

- (i) The Sponsors shall be required to provide AMD Saxonia with Same Day Funds in the amount of the Sponsors' Applicable Share of any Cost Overrun (other than a Deemed Cost Overrun, as to which Section 4.3 (ii) shall apply):
  - (a) on or prior to the occasion of each drawdown of a Tranche B Advance, and as a condition to the making thereof; and
  - (b) promptly following any notice from the Agent or the Technical Advisor to AMD Inc. to the effect that the Cost to Complete exceeds the funds otherwise available to AMD Saxonia for such purpose (including, without limitation, the Available Tranche A Amount, the Available Tranche B Amount, and the balance, if any, of collected funds then on deposit in the Operating Account, together with the then value of the Cash Equivalent Investments acquired with the proceeds of the Operating Account).
- (ii) If at any time following the funding of a Cash Funded Cost Overrun, there occurs a shortfall in Minimum Liquidity ("Liquidity Shortfall"), there shall be deemed to have occurred a Cost Overrun (a "Deemed Cost Overrun") in an amount equal to whichever is the lesser of:
  - (a) the total of all the Cash Funded Cost Overruns funded prior to the date of such Liquidity Shortfall less any Deemed Cost Overruns funded prior to the date of such Liquidity Shortfall; and
  - (b) the Liquidity Shortfall,
 and the Sponsors undertake, jointly and severally, to provide AMD Saxonia with Same Day Funds promptly after the date of such Liquidity Shortfall in an amount equal to the Sponsors' Applicable Share of such Deemed Cost Overrun.

SECTION 4.4 Post Completion Adjustment. Following Completion, if:

- (i) AMD Holding has made contributions to AMD Saxonia's Equity Capital (or other contributions to AMD Saxonia's capital reserves), other than contributions of the minimum Equity Capital referred to in Article II;
  - or
  - (ii) a Sponsor has made Sponsors' Loans to AMD Saxonia (other than Class A Sponsors' Loans, Class B Sponsors' Loans or Class C Sponsors' Loans),
 in either case to enable AMD Saxonia to have sufficient funds to pay Cost Overruns (the aggregate amount so contributed or lent to AMD Saxonia being hereinafter called the "Sponsors' Cost Overrun Contribution"), then,
  - provided that no Event of Default, Unmatured Event of Default or Event of Termination has occurred and is continuing, AMD Saxonia shall, at the request of a Sponsor, and with the consent of the Agent,

repay to such Sponsor Sponsors' Loans in an amount which is equal to the excess, if any, of:

(i) the Sponsors' Cost Overrun Contribution

over  
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(ii) the Sponsors' Applicable Share of the Cost Overruns prior to Completion.

The Agent shall be required to grant such consent unless it has actual knowledge that an Event of Default, Unmatured Event of Default or Event of Termination shall have occurred and be continuing.

SECTION 4.5 Determination of Cost Overruns. As soon as reasonably practicable after a Cost Overrun has been identified by a Relevant AMD Inc. Individual or by the Technical Advisor, the AMD Companies shall calculate the amount of any Cost Overrun and furnish such calculation to the Agent together with a statement as to the proposed method of funding such Cost Overrun and such additional information as the Agent may reasonably request; provided, however, that if the Technical Advisor, acting

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reasonably and in good faith at the request of the Agent, identifies and calculates a Cost Overrun or disagrees with the AMD Companies' identification or calculation thereof, the Technical Advisor's calculation shall, for purposes of this Agreement, be conclusive and binding. The Agent will promptly advise the AMD Companies and the Banks of any determination by the Technical Advisor pursuant to the proviso to the preceding sentence.  
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SECTION 4.6 Projected Total Cost. If, at any time, the Projected Total Cost exceeds DM 3,846,000,000 (three billion eight hundred forty six million Deutsche Marks), then, as soon as reasonably practicable (and, in any case, within 10 Business Days) following receipt of a demand by the Agent pursuant to (S) 21.2(xxiii) of the Loan Agreement, an Event of

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Default shall be deemed to have occurred unless AMD Inc. provides the Agent with such evidence as shall be reasonably satisfactory to the Agent with respect to the ability of AMD Inc. and AMD Saxonia to fund the entire remaining Cost to Complete, after giving effect to the sum of (i) the Available Tranche A Amount, plus (ii) the Available Tranche B Amount."  
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(ix) SECTION 6.2 (Payment of Shortfall) shall be amended by replacing paragraph (ii) (a) after "For the avoidance of doubt" by the following:

"(ii) (a) any prior Sponsors' Loans made by the Sponsors (or either of them), including without limitation, the additional Sponsors' Loan in an amount of \$34,000,000 made by AMD Inc. to AMD Saxonia on 26 September 1997 and referred to in Section 3.5 above; "  
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(x) In Article XIII (Covenants), Section 13.1 (i), there shall be deleted in sub-paras (b) and (c) the words "(including source and application of funds)".

- (xi) All references to Dresdner Bank AG in its capacity as Agent, including its address, as the case may be, shall be replaced by corresponding references to Dresdner Bank Luxembourg S.A., including its address, as the case may be, in such capacity.

ARTICLE III  
REVISED BUDGET AND DISCLOSURE SCHEDULE

The parties hereto confirm that the Project Budget attached as Exhibit I hereto

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is, the "Approved Project Budget" for all purposes of the Sponsors' Support Agreement until such time as there is another Approved Project Budget in accordance with the terms of the Sponsors' Support Agreement. The parties hereto agree that the Sponsors' Disclosure Schedule in Schedule II to the Sponsors' Support Agreement shall be deleted and be replaced with the Sponsors' Disclosure Schedule attached as Exhibit II hereto.

ARTICLE IV  
MISCELLANEOUS

SECTION 4.1 Representations and Warranties Each of the Sponsors hereby represents and warrants that:

- (a) Organization; Corporate Power. It is duly incorporated and validly existing under the laws of the jurisdiction of its organization, and has all necessary power and authority to execute and deliver this Amendment and to consummate the transactions contemplated by the Sponsors' Support Agreement, as amended hereby;
- (b) Corporate Authority; No Conflict. The execution and delivery by it of this Amendment, and the performance by it of its obligations under the Sponsors' Support Agreement, as amended by this Amendment, have been duly authorized by all necessary corporate action (including any necessary shareholder action) on its part, and do not and will not (i) violate any provision of any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to it, or of its charter or by-laws or (ii) result in a breach of, result in a mandatory prepayment or acceleration of indebtedness evidenced by or secured by, or constitute a default under, any indenture or loan or credit agreement, or any other agreement or instrument to which it is a party or by which it or its properties may be bound, or require the creation or imposition of any encumbrance of any nature upon or with respect to any of the properties now owned or hereafter acquired by it; and
- (c) Valid and Binding Obligations. The Sponsors' Support Agreement, as amended by this Amendment, constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms subject, however, to applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and, as to enforceability, by general equitable principles.

SECTION 4.2 Repetition of Representation and Warranties. The representations and warranties contained in Sections 12.1 and 12.2 of the Sponsors' Support

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Agreement shall be repeated on the date hereof except to the extent any such representation and warranty expressly relates solely to an earlier date.

SECTION 4.3 Miscellaneous.

- (a) This Amendment is limited as specified and, except as expressly herein provided, shall not constitute a modification, amendment or waiver of any other provision of the Sponsors' Support Agreement or any provision of any other Operative Document. Except as specifically amended by this Amendment, the Sponsors' Support Agreement shall remain in full force and effect and is hereby ratified and confirmed.
- (b) This Amendment shall be an Operative Document under and for purposes of the Sponsors' Support Agreement.
- (c) The form and execution of this Amendment and all rights and obligations of the parties arising hereunder shall be governed by the laws of the Federal Republic of Germany.
- (d) This Amendment has been executed in the English language.
- (e) This Amendment may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, each of the parties set out below has caused this Amendment to be duly executed and delivered by its respective officer or agent thereunto duly authorised as of the date first above written.

ADVANCED MICRO DEVICES, INC.

By /s/ Marvin D. Burkett  
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Its \_\_\_\_\_

AMD SAXONY HOLDING GMBH

By /s/ Marvin D. Burkett  
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Its \_\_\_\_\_

DRESDNER BANK LUXEMBOURG S.A., as  
Agent

/s/ illegible signature  
\_\_\_\_\_

DRESDNER BANK AG, as Security Agent

/s/ illegible signature  
\_\_\_\_\_



FIRST AMENDMENT

TO

SPONSORS' LOAN AGREEMENT

THIS FIRST AMENDMENT (this "Amendment"), dated February 6, 1998, is made between

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ADVANCED MICRO DEVICES, INC., a corporation organised and existing under the laws of the State of Delaware, United States of America, with its chief executive office and principal place of business at One AMD Place, Sunnyvale, California 94088, United States of America ("AMD Inc."), AMD SAXONY HOLDING

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GMBH, Dresden, registered in the Commercial Register of the Dresden County Court, HRB 13931 ("AMD Holding"; and, together with AMD Inc., collectively, the

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"Sponsors"), and AMD SAXONY MANUFACTURING GMBH, Dresden, registered in

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Commercial Register of the Dresden County Court HRB 13186 ("AMD Saxonia").  
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W I T N E S S E T H:

WHEREAS, AMD Saxonia, a wholly-owned Subsidiary (such and other capitalized terms being used in this Amendment with the meanings set out in Section 1.1 of

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this Amendment) of AMD Holding, which is, in turn, a wholly-owned Subsidiary of AMD Inc., has been formed for the purpose of constructing, owning, and operating (i) the Plant and (ii) the integrated Design Center;

WHEREAS, in order to finance the construction of the Plant and the Design Center, and start-up costs of the operation of the Plant, inter alia, (i) AMD

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Saxonia has entered into the Loan Agreement providing, inter alia, for two separate senior secured term and standby facilities aggregating up to DM 1,650,000,000 (one billion six hundred fifty million Deutsche Marks), and (ii) the Sponsors, the Agent and the Security Agent have entered into that certain Sponsors' Support Agreement dated 11 March 1997 (the "Sponsors' Support

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Agreement") providing (x) certain assurances to the Agent and Security Agent

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with respect to the completion of the Project, and (y) certain undertakings to and for the benefit of the Secured Parties;

WHEREAS, AMD Saxonia wishes to, among other things, replace the initial Approved Project Budget with another Approved Project Budget; and

WHEREAS, the Sponsors are willing to provide certain additional undertakings to and for the benefit of the Secured Parties as provided in this Amendment which amends and supplements



the Sponsors' Loan Agreement dated 11 March 1997 (the "Sponsors' Loan  
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Agreement") between the Sponsors and AMD Saxonia;  
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NOW, THEREFORE, the Sponsors and AMD Saxonia agree as follows:

ARTICLE I  
DEFINITIONS

SECTION 1.1 Definitions Capitalized terms not otherwise defined in this Amendment are used with the definitions assigned to them in the Sponsors' Loan Agreement or, if not there defined, in the Sponsors' Support Agreement.

SECTION 1.2 Construction In this Amendment, unless the context requires otherwise, references to Sections and Schedules are to Sections and Schedules of the Sponsors' Loan Agreement. Section headings are inserted for reference only and shall be ignored in construing this Amendment.

ARTICLE II  
AMENDMENTS

SECTION 2.1 The Sponsors' Loan Agreement shall be amended as more particularly set out below. In all other respects, the Sponsors' Loan Agreement shall remain in full force and effect.

- (i) In the introduction, the words "(as amended)" shall be added after the words "11 March 1997";
- (ii) In the second recital, there shall be deleted the words "(in such capacity, the "Agent")";  
-----
- (iii) In the recitals, there shall be included after the sixth paragraph, a new recital as follows:

"WHEREAS, on 1 July 1997, Dresdner transferred its rights and obligations as Agent to Dresdner Bank Luxembourg S.A. (in such capacity also, the "Agent") pursuant to (S) 22.11 of the Loan  
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Agreement;"

- (iv) In Section 1.1 (Definitions), the following definitions of "Agent" and "Required Sponsors' Loans" shall be replaced as follows:
  - (a) "Agent" has the meaning assigned to that term in the seventh recital  
-----  
of this Agreement." -----

- (b) "Required Sponsors' Loans" means, collectively, the Class A Sponsors' Loans, the Class B Sponsors' Loans and the Class C Sponsors' Loans."
- (v) In Section 1.1 (Definitions), the following new definitions shall be added in alphabetical order:
- "(a) "Class C Sponsors' Loans" has the meaning assigned to that term in Section 1."
- (b) "Contribution Date" means 31 January 1999."
- (c) "Consolidated Net Income" has the meaning assigned to that term in the AMD Inc. Senior Secured Note Indenture."
- (d) "Stock Offering" means a public or private sale or other placement of stock of AMD Inc. in the capital markets (which, for avoidance of doubt, shall not include (i) the issuance by AMD Inc. of stock options (and/or the issuance by AMD Inc. of stock upon the exercise of any existing or future such stock options) to any of its or its affiliates' directors, officers and/or employees or (ii) purchases of AMD Inc. stock by Fujitsu Limited in connection with the Fujitsu AMD Semiconductor Limited joint venture between AMD Inc. and Fujitsu Limited)."
- (vi) Section 2.1 shall be replaced as follows:
- "SECTION 2.1 Required Sponsors' Loans. On the terms and subject to the conditions of this Agreement, the Sponsors, jointly and severally, hereby undertake that either Sponsor or both of the Sponsors will make Sponsors' Loans to AMD Saxonia:
- (i) in an aggregate principal amount of at least DM 290,000,000 (two hundred ninety million Deutsche Marks) for all such Sponsors' Loans, the exact amount thereof being equal to the Deutsche Mark Equivalent of \$200,000,000 (two hundred million Dollars) for all such Sponsors' Loans, as contemplated by Section 2.2 (the "Class A Sponsors' Loans");
- and
- (ii) in an aggregate principal amount of up to an additional DM 145,000,000 (one hundred forty five million Deutsche Marks) as contemplated by Section 2.3 (the "Class B Sponsors' Loans"); and
- (iii) in an aggregate principal amount of \$70,000,000 (seventy million Dollars) as contemplated by Section 2.4 (the "Class C Sponsors' Loans").
- For the avoidance of doubt:

- (i) the obligations of the Sponsors under this Agreement are intended to reflect, rather than to be in addition to, the obligations of the Sponsors pursuant to the Sponsors' Support Agreement;
- (ii) with the exception of the additional Sponsors' Loan in an amount of \$34,000,000 made by AMD Inc. to AMD Saxonia on 26 September 1997 and referred to in Section 2.5 below, Sponsors' Loans and/or contributions  
-----  
(to the extent, but only to the extent, not otherwise taken into account in determining whether AMD Holding has complied with its obligations under Article II of the Sponsors' Support Agreement) by  
-----  
AMD Holding to AMD Saxonia's capital reserves made to AMD Saxonia prior to the Loan Agreement Effective Date shall be taken into account, to the extent, but only to the extent, reflected in AMD Saxonia's financial statements referred to in (S) 15.1.6 of the Loan  
-----  
Agreement (or, if not so reflected, as certified by AMD Inc. to the Agent and the Security Agent as of the Loan Agreement Effective Date), as Class A Sponsors' Loans in determining whether the Sponsors shall have complied with their obligations under this Article II;  
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- (iii) although the obligations of the Sponsors contained in this Article  
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II are in addition to, and not in limitation of, their respective  
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obligations contained elsewhere in this Agreement and in the other Operative Documents, if the Agent shall have otherwise expressly consented thereto in writing (which consent will not unreasonably be delayed or withheld), the Sponsors shall be deemed to have complied with their obligations to make Class A Sponsors' Loans, Class B Sponsors' Loans and/or Class C Sponsors' Loans to the extent, but only to the extent, that AMD Holding shall have made additional contributions to AMD Saxonia's Equity Capital (or other contribution to AMD Saxonia's capital reserves) which contributions are not otherwise required to be made pursuant hereto or to any other Operative Document;
- (iv) the Sponsors shall not be relieved:
- (a) of the foregoing obligation by virtue of any Equity Capital (or other contribution to AMD Saxonia's capital reserves) contributed or required to be contributed to AMD Saxonia pursuant to Section  
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2.1 of the Sponsors' Support Agreement or (except as, and to the  
---  
extent, provided in clause (iii) above) otherwise;  
-----
- (b) of any obligation to make Class A Sponsors' Loans (or to contribute additional Equity Capital or other contributions to AMD Saxonia's capital reserves in lieu thereof) by virtue of any payment made by either Sponsor under the Sponsors' Guaranty;
- (c) of any obligation following Completion to make Class B Sponsors' Loans until and unless the Sponsors shall have paid all amounts payable under

the Sponsors' Guaranty following a demand for payment made by the Agent thereunder (it being understood and agreed that the obligation of the Sponsors to make Class B Sponsors' Loans shall be subject to the occurrence of Completion); or

- (d) of any obligation to make Class A Sponsors' Loans, Class B Sponsors' Loans or Class C Sponsors' Loans by the additional Sponsors' Loans in an amount of \$34,000,000 made by AMD Inc. to AMD Saxonia on 26 September 1997 and referred to in Section 2.5

-----  
below;

- (v) each Class A Sponsors' Loan shall be denominated in Deutsche Marks and the Deutsche Mark Equivalent thereof shall be calculated for the purpose of determining whether the Sponsors have complied with their obligations under Section 2.2; provided, however, that any Class A

-----  
Sponsors' Loan may, with the consent of the Agent (such consent not to be unreasonably delayed or withheld), be funded in Dollars, but for all purposes of this Agreement and the Sponsors' Support Agreement shall be deemed to have been funded in Deutsche Marks in an amount which is equal to the Deutsche Mark Equivalent thereof;

- (vi) Class C Sponsors' Loans may be made in either Dollars or in Deutsche Marks at AMD Inc.'s option provided that:

- (a) for the purpose of determining whether the Sponsors have complied with their obligations under Section 2.4, any Class C

-----  
Sponsors' Loans made in Deutsche Marks shall be deemed converted to Dollars at the Agent's spot rate of exchange for the purchase of Dollars with Deutsche Marks prevailing on the date two (2) Business Days prior to the date such Class C Sponsors' Loans were made;

- (b) if AMD Inc. and AMD Saxonia agree, any Class C Sponsors' Loans may be denominated in Deutsche Marks but funded in Dollars and the Deutsche Mark amount of such Class C Sponsors' Loans shall be deemed to be the DM amount which is the equivalent of the Dollar amount so funded determined at the Agent's spot rate of exchange for the purchase of Dollars with Deutsche Marks prevailing on the date two (2) Business Days prior to the date such Class C Sponsors' Loans were made.

- (vii) the Sponsors shall be relieved of their respective obligations to make Class C Sponsors' Loans under Sections 2.1 and 2.4 if, but only

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if:

- (a) the Sponsors shall have complied with each of their respective obligations under Article II of the Sponsors' Support

-----  
Agreement

and, insofar as such obligations relate to Class A Sponsors' Loans (or additional contributions to Equity Capital or AMD Saxonnia's capital reserves in lieu thereof), Article III of the Sponsors' Support Agreement; and  
-----

(b) following a demand for payment by the Agent under the Sponsors' Guaranty, the Sponsors shall have paid all amounts payable under the Sponsors' Guaranty.

(viii) the amounts set forth in this Section 2.1 are cumulative minimum  
-----

aggregate amounts for both Sponsors, collectively; nothing contained herein shall be deemed to preclude the Sponsors (or either of them) from making additional Sponsors' Loans in order to fulfil their respective obligations contained in Article IV, V, VI, or VII of the  
-----  
Sponsors' Support Agreement, or for any other reason."

(vii) The following shall be added as a new Section 2.4:

"SECTION 2.4 Time of Class C Sponsors' Loans. The Class C Sponsors' Loans will be made in cash and in Same Day Funds and will be made as follows:

(i) by the Contribution Date at the latest, if:

(a) AMD Inc.'s Consolidated Net Income for the Fiscal Year 1998 is equal to or greater than \$140,000,000; and

(b) AMD Inc. is permitted to fund the Class C Sponsors' Loans in full pursuant to Section 4.07 of the AMD Inc. Senior Secured  
-----

Note Indenture without utilizing any of the provisions contained in the first proviso to Section 4.07 (iv) thereof;  
-----

or

(ii) if payment of the Class C Sponsors' Loans is not made in full in accordance with sub-para (i) above:

(a) AMD Inc. will by the Contribution Date at the latest make payment to AMD Saxonnia of such amount of the Class C Sponsors' Loans, if any, as it is permitted to make pursuant to Section  
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4.07 of the AMD Inc. Senior Secured Note Indenture without  
-----  
utilizing any of the provisions contained in the first proviso to Section 4.07 (iv) thereof; and

(b) AMD Inc. will undertake a Stock Offering resulting in the receipt by AMD Inc. of net cash proceeds to AMD Inc. of at least \$200,000,000 and make payment to AMD Saxonnia of an amount equal to the full amount of the Class C Sponsors' Loans less any

amount already contributed under sub-para (ii) (a)  
-----

above by 30 June 1999 at the latest;

provided that:

(iii) if at any time during the Fiscal Year 1998 AMD Inc. is permitted,  
pursuant to the terms of Section 4.07 of the AMD Inc. Senior Secured  
-----

Note Indenture without utilizing any of the provisions contained in  
the first proviso to Section 4.07 (iv) thereof, to do so and:

- (a) AMD Inc. makes the Class C Sponsors' Loans in full out of the  
proceeds of, and forthwith following, a Stock Offering  
undertaken by it in such Fiscal Year; or
- (b) AMD Inc. makes the Class C Sponsors' Loans in full, having  
achieved Consolidated Net Income of not less than \$140,000,000  
to the end of AMD Inc.'s most recently ended Fiscal Quarter  
for which financial statements are available,

the Sponsors will be relieved of any further obligation under Sections 2.4  
-----

(i) and (ii) above."  
--- ----

(viii) The existing Section 2.4 shall be renumbered 2.5 and be replaced by the  
following:

"SECTION 2.5 Voluntary Sponsors' Loans.

(i) Making of Voluntary Sponsors' Loans. On the terms and subject to the  
conditions of this Agreement, the Sponsors (or either of them) may, in  
order to comply with their obligations under the Sponsors' Support  
Agreement or for any other reason, from time to time at their option  
(but shall not be required to), on any Business Day, make additional  
Sponsors' Loans to AMD Saxonia (herein collectively called the

"Voluntary Sponsors' Loans").  
-----

(ii) Timing of Voluntary Sponsors' Loans. Voluntary Sponsors' Loans may be  
made by a Sponsor from time to time on at least two (2) Business Days'  
prior notice to AMD Saxonia and the Agent.

For the avoidance of doubt, the additional Sponsors' Loan in an amount of  
\$34,000,000 made by AMD Inc. to AMD Saxonia on 26 September 1997:

(a) is hereby expressly agreed by the parties hereto to  
be a Voluntary Sponsors' Loan pursuant to the terms of this  
Section 2.5 and subordinated as a Junior Liability under the  
Sponsors' Subordination Agreement; and

(b) shall not relieve the Sponsors from any obligation to make Class A Sponsors' Loans, Class B Sponsors' Loans or Class C Sponsors' Loans in accordance with Sections 2.1, 2.2, 2.3 and 2.4 above respectively.

- (viii) The existing Section 2.5 shall be renumbered Section 2.6.
- (ix) All references to Dresdner Bank AG, in its capacity as Agent, and its address, as the case may be, shall be replaced by a corresponding reference to Dresdner Bank Luxembourg S.A., and its address, as the case may be.

ARTICLE III  
MISCELLANEOUS

SECTION 3.1 Representations and Warranties Each of the Sponsors and AMD Saxonia hereby represents and warrants that:

- (a) Organization; Corporate Power. It is duly incorporated and validly existing under the laws of the jurisdiction of its organization, and has all necessary power and authority to execute and deliver this Amendment and to consummate the transactions contemplated by the Sponsors' Loan Agreement, as amended hereby;
- (b) Corporate Authority; No Conflict. The execution and delivery by it of this Amendment, and the performance by it of its obligation under the Sponsors' Loan Agreement, as amended by this Amendment, have been duly authorized by all necessary corporate action (including any necessary shareholder action) on its part, and do not and will not (i) violate any provision of any law, rule regulation, order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to it, or of its charter or by-laws or (ii) result in a breach of, result in a mandatory prepayment or acceleration of indebtedness evidenced by or secured by, or constitute a default under, any indenture or loan or credit agreement, or any other agreement or instrument to which it is a party or by which it or its properties may be bound, or require the creation or imposition of any encumbrance of any nature upon or with respect to any of the properties now owned or hereafter acquired by it; and
- (c) Valid and Binding Obligations. The Sponsors' Loan Agreement, as amended by this Amendment, constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms subject, however, to applicable bankruptcy, insolvency, reorganization moratorium or similar laws affecting creditors' rights generally and, as to enforceability, by general equitable principles.

SECTION 3.2 Miscellaneous.

- (a) This Amendment is limited as specified and shall not constitute a modification, amendment or waiver of any other provision of the Sponsors' Loan Agreement or any provision of any other Operative Document. Except as specifically amended by this Amendment, the Sponsors' Loan Agreement shall remain in full force and effect and is hereby ratified and confirmed.
- (b) This Amendment shall be an Operative Document under and for purposes of the Sponsors' Support Agreement.
- (c) Sections 7.1, 7.2, 7.3 and 7.4 of the Sponsors' Loan Agreement shall apply, -----  
mutatis mutandis, to this Amendment, as if set out herein in full.  
-----
- (d) This Amendment may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

[Remainder of page intentionally left blank]



IN WITNESS WHEREOF, each of the parties set out below has caused this Amendment to be duly executed and delivered by its respective officer or agent thereunto duly authorised as of the date first above written.

ADVANCED MICRO DEVICES, INC.

By /s/ Marvin D. Burkett

Its \_\_\_\_\_

AMD SAXONY HOLDING GMBH

By /s/ Marvin D. Burkett

Its \_\_\_\_\_

By \_\_\_\_\_

Its \_\_\_\_\_

AMD SAXONY MANUFACTURING GMBH

By /s/ Marvin D. Burkett

Its \_\_\_\_\_

By \_\_\_\_\_

Its \_\_\_\_\_



FIRST AMENDMENT

TO

AMD SAXONIA WAFER PURCHASE AGREEMENT

THIS FIRST AMENDMENT (this "Amendment"), dated as of February 6, 1998, is made between AMD SAXONY HOLDING GMBH, Dresden, registered in the Commercial Register of the Dresden County Court, HRB 13931 ("AMD Holding"), and AMD SAXONY MANUFACTURING GMBH, Dresden, registered in the Commercial Register of the Dresden County Court, HRB 13186 ("AMD Saxonia").

W I T N E S S E T H

WHEREAS, AMD Saxonia is a wholly-owned Subsidiary (such and other capitalized terms having the meaning assigned thereto in Section 1.1 of this Amendment) of AMD Holding, which is, in turn, a wholly-owned Subsidiary of Advanced Micro Devices, Inc., a corporation organized and existing under the laws of the State of Delaware, United States of America ("AMD Inc."), and has been formed for the purpose of constructing, owning, and operating (i) the Plant and (ii) the integrated Design Center;

WHEREAS, AMD Holding and AMD Inc. have entered into the AMD Holding Wafer Purchase Agreement dated as of March 11, 1997 (the "AMD Holding Wafer Purchase Agreement"), pursuant to which, among other things, AMD Inc. has agreed to purchase from AMD Holding, and AMD Holding has agreed to supply on an exclusive basis to AMD Inc., all Wafers as are ordered from time to time by AMD Inc. from AMD Holding, in each case on the terms and conditions of the AMD Holding Wafer Purchase Agreement;

WHEREAS, AMD Holding and AMD Saxonia have entered into the AMD Saxonia Wafer Purchase Agreement dated as of March 11, 1997 (the "AMD Saxonia Wafer Purchase Agreement"), pursuant to which AMD Holding has obtained the exclusive right to purchase Wafers from AMD Saxonia, and AMD Saxonia has agreed, on such exclusive basis, to manufacture and sell Wafers to AMD Holding, (in each case on the terms and conditions of the AMD Saxonia Wafer Purchase Agreement); and

WHEREAS, AMD Saxonia is planning to make certain changes in the technology to be installed in the Plant which will change the capacity of the Plant to manufacture Wafers, and AMD Saxonia and AMD Holding have agreed to amend the AMD Saxonia Wafer Purchase Agreement to reflect such change in capacity;

NOW, THEREFORE, in consideration of the mutual agreements contained herein, intending to be legally bound hereby, AMD Holding and AMD Saxonia agree as follows:

ARTICLE I  
Definitions

SECTION 1.1 Definitions. Capitalized terms not otherwise defined in this Amendment are used with the definitions assigned to them in the AMD Saxonia Wafer Purchase Agreement.

SECTION 1.2 Construction. In this Amendment, unless the context requires otherwise, references to Sections and Exhibits are to Sections and Exhibits of the AMD Saxonia Wafer Purchase Agreement. Section headings are inserted for reference only and shall be ignored in construing this Amendment.

ARTICLE II  
Amendments

SECTION 2.1 Amendment to Definitions. Section 1.01 (20) of the AMD Saxonia Wafer Purchase Agreement is hereby amended by deleting it in its entirety and replacing it with the following:

- "(20) "ANTICIPATED CAPACITY" means,
- (i) with respect to the Fiscal Year 2000, a capacity level of 104,000 Wafers per annum;
  - (ii) with respect to the Fiscal Year 2001, a capacity level of 215,000 Wafers per annum; and
  - (iii) with respect to any Fiscal Year thereafter, a capacity level of 250,000 Wafers per annum;

provided that in the event the Completion Date takes place other than on -----  
the first day of a Fiscal Year, the respective amount shall be reduced proportionately according to the actual number of days during such 4 Quarter Period.

In the event that the capacity level at the Plant is changed in accordance with the Approved Project Budget as defined in the Sponsors' Support Agreement, the parties hereto shall meet and in good faith adjust the Anticipated Capacity, if necessary to reflect such change, which shall have effect from the date such change is made under the Sponsors' Support Agreement."

SECTION 2.2 Amendment to Exhibits. The definition of "Anticipated Capacity" in each of Footnote 1 in Exhibit I and Footnote 1 in Exhibit II to the AMD Saxonia Wafer Purchase Agreement is hereby amended by, in each case, deleting it in its entirety and replacing it with the following:

" `ANTICIPATED CAPACITY' means,

- (i) a capacity level of 104,000 Wafers per annum with respect to the Fiscal Year 2000;
- (ii) a capacity level of 215,000 Wafers per annum with respect to the Fiscal Year 2001; and
- (iii) a capacity level of 250,000 Wafers per annum with respect to each Fiscal Year thereafter."

ARTICLE III  
Miscellaneous

SECTION 3.1 Representations and Warranties. Each of AMD Holding and AMD Saxonia, severally and for itself alone, hereby represents and warrants to the other as follows:

- (a) Organization; Corporate Power. It is duly incorporated and validly existing under the laws of the jurisdiction of its organization, and has all necessary power and authority to execute and deliver this Amendment and to consummate the transactions contemplated by the AMD Saxonia Wafer Purchase Agreement as amended by this Amendment;
- (b) Corporate Authority; No Conflict. The execution and delivery by it of this Amendment, and the performance by it of its obligations under the AMD Saxonia Wafer Purchase Agreement as amended by this Amendment have been duly authorized by all necessary corporate action (including any necessary shareholder action) on its part, and do not and will not (i) violate any provision of any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to it, or of its charter or by-laws or (ii) result in a breach of, result in a mandatory prepayment or acceleration of indebtedness evidenced by or secured by, or constitute a default under, any indenture or loan or credit agreement, or any other agreement or instrument to which it is a party or by which it or its properties may be bound, or require the creation or imposition of any encumbrance of any nature upon or with respect to any of the properties now owned or hereafter acquired by it; and
- (c) Valid and Binding Obligations. The AMD Saxonia Wafer Purchase Agreement, as amended by this Amendment, constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms subject, however, to applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and, as to enforceability, by general equitable principles.

SECTION 3.2 Miscellaneous.

- (a) This Amendment is limited as specified and, except as specifically set forth herein, shall not constitute a modification, amendment or waiver of any other provision of the

AMD Saxonia Wafer Purchase Agreement or any provision of any other Operative Document. Except as specifically amended by this Amendment, the AMD Saxonia Wafer Purchase Agreement shall remain in full force and effect and is hereby ratified and confirmed.

- (b) This Amendment shall be an Operative Document under and for purposes of the Sponsors' Support Agreement.
- (c) This Amendment shall be governed by, and shall be construed in accordance with, the internal laws of the State of California, without regard to its conflicts of laws principles.
- (d) This Amendment is in the English language, which language shall be controlling in all respects.
- (e) This Amendment may be executed in one or more counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, each of the parties set out below has caused this Amendment to be duly executed and delivered by its respective officer or agent thereunto duly authorized as of the date first above written.

AMD SAXONY MANUFACTURING GMBH

By: /s/ Marvin D. Burkett

Its: \_\_\_\_\_

\_\_\_\_\_

AMD SAXONY HOLDING GMBH

By: /s/ Marvin D. Burkett

Its: \_\_\_\_\_

\_\_\_\_\_





AMD SAXONY MANUFACTURING GMBH

February 6, 1998  
-----

Dear Sirs

The purpose of this communication is to set forth the terms and conditions of the Transaction, entered into between ADVANCED MICRO DEVICES, INC. ("Party A") and AMD SAXONY MANUFACTURING GMBH ("Party B") on the Trade Date specified below (the "Transaction"). This communication will constitute a "Confirmation" as referred to in the Master Agreement (the "ISDA Agreement") dated 11 March 1997, entered into between us (the ISDA Agreement together with this Confirmation and the Confirmation dated 11 March 1997 being, the "Agreement").

The definitions and provisions contained in the 1991 ISDA Definitions (the "1991 Definitions") and the 1992 ISDA FX and Currency Option Definitions (the "FX Definitions") (as published by the International Swap Dealers Association, Inc) (together, the "Definitions") are incorporated by reference into this Confirmation without regard to any revision or subsequent edition thereof. In the event of any inconsistency between the 1991 Definitions and the FX Definitions, the FX Definitions shall control with respect to paragraph 2(a) below and the 1991 Definitions shall control with respect to any other provisions of this Confirmation. This Confirmation will supplement, form a part of and be subject to the terms and conditions of the Agreement.

All provisions contained in the Agreement will govern this Confirmation except as expressly modified below. In the event of any inconsistency amount or between the ISDA Agreement, the Definitions and this Confirmation, this Confirmation will govern.

Each party is hereby advised, and each such party acknowledges, that the other party has engaged in (or refrained from engaging in) substantial financial transactions and has taken other material actions in reliance upon the parties' entry into the Transaction to which this Confirmation relates on the terms and conditions set forth below.

1. This Confirmation will be governed by and construed in accordance with California law (without reference to the choice of law doctrine).

\* CONFIDENTIAL INFORMATION OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

2. The terms of the particular Transaction to which this Confirmation relates are as follows:

Trade Date: February 6, 1998  
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Effective Date: February 6, 1998  
-----

Termination Date: July 1, 2005, provided that if the obligations of Party B under the Loan Agreement dated 11 March 1997, between Party B and Dresdner Bank Luxembourg SA, as agent (successor to Dresdner Bank AG as agent), and certain other financial institutions have not been satisfied in full on or before such date, the Termination Date shall be extended to fall on the date on which such obligations are fully and finally satisfied

Business Days: San Francisco, Frankfurt and Dresden

(a) Currency Options  
-----

(i) Common Terms:

Premium Payment Date: The Termination Date  
Currency Option style: European

(ii) Unique terms:

Option #1a

Buyer: Party B  
Seller: Party A  
Currency Option Type: Call  
Call Currency and Amount: USD 40,000,000  
Strike Price: DEM 1.85  
Put Currency: DEM  
Expiration Date: August 19, 1998  
Settlement Date: August 21, 1998  
Premium: USD 980,000

Option #1b

Buyer: Party A  
Seller: Party B  
Currency Option Type: Put  
Put Currency and Amount: USD 40,000,000  
Strike Price: DEM 1.801  
Call Currency: DEM  
Expiration Date: August 19, 1998  
Settlement Date: August 21, 1998  
Premium: USD 980,000

The above Option premiums for Options 1a and 1b have been netted to zero.

Option #2a

Buyer: Party B  
Seller: Party A  
Currency Option Type: Call  
Call Currency and Amount: USD 40,000,000

Strike Price: DEM 1.85  
Put Currency: DEM  
Expiration Date: November 18, 1998  
Settlement Date: November 20, 1998  
Premium: USD 1,176,000

Option #2b

Buyer: Party A  
Seller: Party B  
Currency Option Type: Put  
Put Currency and Amount: USD 40,000,000  
Strike Price: DEM 1.7885  
Call Currency: DEM  
Expiration Date: November 18, 1998  
Settlement Date: November 20, 1998  
Premium: USD 1,176,000

The above Option premiums for Options 2a and 2b have been netted to zero.

Option #3a

Buyer: Party B  
Seller: Party A  
Currency Option Type: Call  
Call Currency and Amount: USD 50,000,000  
Strike Price: DEM 1.85  
Put Currency: DEM  
Expiration Date: February 16, 2000  
Settlement Date: February 18, 2000  
Premium: USD 1,652,000

Option #3b

Buyer: Party A  
Seller: Party B  
Currency Option Type: Put  
Put Currency and Amount: USD 50,000,000  
Strike Price: DEM 1.7329  
Call Currency: DEM

Expiration Date: February 16, 2000

Settlement Date: February 18, 2000

Premium: USD 1,652,000

The above Option premiums for Options 3a and 3b have been netted to zero.

Option #4a

Buyer: Party B

Seller: Party A

Currency Option Type: Call

Call Currency and Amount: USD 60,000,000

Strike Price: DEM 1.85

Put Currency: DEM

Expiration Date: May 17, 2000

Settlement Date: May 19, 2000

Premium: USD 1,716,000

Option #4b

Buyer: Party A

Seller: Party B  
Currency Option Type: Put  
Put Currency and Amount: USD 60,000,000  
Strike Price: DEM 1.7278  
Call Currency: DEM  
Expiration Date: May 17, 2000  
Settlement Date: May 19, 2000  
Premium: USD 1,716,000

The above Option premiums for Options 4a and 4b have been netted to zero.

Option #5a

Buyer: Party B  
Seller: Party A  
Currency Option Type: Call  
Call Currency and Amount: USD 50,000,000  
Strike Price: DEM 1.85  
Put Currency: DEM



Expiration Date: August 16, 2000  
Settlement Date: August 18, 2000  
Premium: USD 1,776,000

Option #5b

Buyer: Party A  
Seller: Party B  
Currency Option Type: Put  
Put Currency and Amount: USD 50,000,000  
Strike Price: DEM 1.717  
Call Currency: DEM  
Expiration Date: August 16, 2000  
Settlement Date: August 18, 2000  
Premium: USD 1,776,000

The above Option premiums for Options 5a and 5b have been netted to zero.

Option #6a

Buyer: Party B

Seller: Party A  
Currency Option Type: Call  
Call Currency and Amount: USD 60,000,000  
Strike Price: DEM 1.85  
Put Currency: DEM  
Expiration Date: November 15, 2000  
Settlement Date: November 17, 2000  
Premium: USD 1,824,000

Option #6b

Buyer: Party A  
Seller: Party B  
Currency Option Type: Put  
Put Currency and Amount: USD 60,000,000  
Strike Price: DEM 1.7094  
Call Currency: DEM  
Expiration Date: November 15, 2000  
Settlement Date: November 17,2000

Premium: USD 1,824,000

The above Option premiums for Options 6a and 6b have been netted to zero.

2. Account Details

(a) Payments to Party A:

Party A's account [\*\*\*]

(b) Payments to Party B

to be supplied

3. Offices:

(a) The Office of Party A for the Transaction is San Francisco.

(b) The Office of Party B for the Transaction is Dresden.

4. Broker/Arranger: None

Please promptly confirm that the preceding correctly sets forth the terms of our agreement by executing the copy of this Confirmation enclosed for that purpose and returning it to us.

Yours sincerely,

11

\*\*\* CONFIDENTIAL TREATMENT IS REQUESTED FOR THE MARKED LANGUAGE

ADVANCED MICRO DEVICES, INC.

By: /s/ Marvin D. Burkett  
-----

Its: -----

Confirmed as of the date first written:

AMD SAXONY MANUFACTURING GmbH

By: /s/ Marvin D. Burkett  
-----

Its: -----



EXHIBIT 21

ADVANCED MICRO DEVICES, INC.

LIST OF SUBSIDIARIES

NAME OF SUBSIDIARY - -----	STATE OR JURISDICTION IN WHICH INCORPORATED OR ORGANIZED -----
-------------------------------	--

DOMESTIC SUBSIDIARIES  
- -----

Advanced Micro Ltd.	California
AMD Corporation	California
AMD Far East Ltd.	Delaware
AMD International Sales & Service, Ltd.	Delaware
AMD Texas Properties, LLC.	Delaware
Vantis Corporation	Delaware
Vantis International Limited (1)	Delaware

FOREIGN SUBSIDIARIES  
- -----

Advanced Micro Devices S.A.N.V.	Belgium
AMD Trading Company Limited	Bermuda
AMD South America Limitada (2)	Brazil
Advanced Micro Devices (Canada) Limited	Canada
Advanced Micro Devices (Suzhou) Limited (3)	China
Advanced Micro Devices S.A.	France
Vantis SAS (1)	France
Advanced Micro Devices GmbH	Germany
AMD Saxony Holding GmbH	Germany
AMD Saxony Manufacturing GmbH (4)	Germany
AMD Foreign Sales Corporation	Guam
Advanced Micro Devices S.p.A.	Italy
Vantis S.r.l. (1)	Italy
AMD Japan Ltd.	Japan
Vantis Japan K.K. (1)	Japan
Advanced Micro Devices Sdn. Bhd.	Malaysia
Advanced Micro Devices Export Sdn. Bhd. (5)	Malaysia
Advanced Micro Devices Services Sdn. Bhd. (6)	Malaysia
AMD (Netherlands) B.V. (7)	Netherlands
Advanced Micro Devices (Singapore) Pte. Ltd.	Singapore
AMD Holdings (Singapore) Pte. Ltd. (8)	Singapore
Advanced Micro Devices AB	Sweden
Advanced Micro Devices S.A. (9)	Switzerland
AMD (Thailand) Limited (7)	Thailand
Advanced Micro Devices (U.K.) Limited	United Kingdom
Vantis (UK) Limited (1)	United Kingdom
Vantis II (UK) Limited (1)	United Kingdom

(1) Subsidiary of Vantis Corporation

- (2) Subsidiary of AMD International Sales & Service, Ltd. and AMD Far East Ltd.
- (3) Subsidiary of AMD Holdings (Singapore) Pte. Ltd.
- (4) Subsidiary of AMD Saxony Holding GmbH
- (5) Subsidiary of Advanced Micro Devices Sdn. Bhd.
- (6) Subsidiary of AMD Trading Company Limited
- (7) Subsidiary of Advanced Micro Devices Export Sdn. Bhd.
- (8) Subsidiary of Advanced Micro Devices (Singapore) Pte. Ltd.
- (9) Subsidiary of AMD International Sales & Service, Ltd.





## CONSENT OF ERNST &amp; YOUNG LLP, INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Selected Financial Data" and to the incorporation by reference in the Registration Statement on Form S-8 (No. 33-16095) pertaining to the Advanced Micro Devices, Inc. 1987 Restricted Stock Award Plan, in the Registration Statement on Form S-8 (No. 33-39747) pertaining to the Advanced Micro Devices, Inc. 1991 Employee Stock Purchase Plan, in the Registration Statements on Form S-8 (Nos. 33-10319, 33-36596 and 33-46578) pertaining to the Advanced Micro Devices, Inc. 1982 and 1986 Stock Option Plans and the 1980 and 1986 Stock Appreciation Rights Plans, in the Registration Statements on Form S-8 (Nos. 33-46577 and 33-55107) pertaining to the Advanced Micro Devices Inc. 1992 Stock Incentive Plan, in the Registration Statement on Form S-8 (No. 333-00969) pertaining to the Advanced Micro Devices, Inc. 1991 Employee Stock Purchase Plan and to the 1995 Stock Plan of NexGen, Inc., in the Registration Statement on Form S-8 (No. 333-04797) pertaining to the Advanced Micro Devices Inc. 1996 Stock Incentive Plan, in Post-Effective Amendment No. 1 to the Registration Statement on Form S-8 (No. 33-95888) pertaining to the 1995 Stock Plan of NexGen, Inc. and the NexGen, Inc. 1987 Employee Stock Plan, in Post-Effective Amendment No. 1 to the Registration Statement on Form S-8 (No. 33-92688) pertaining to the 1995 Employee Stock Purchase Plan of NexGen, Inc., in Post-Effective Amendment No. 1 on Form S-8 to the Registration Statement on Forms S-4 (No. 33-64911) pertaining to the 1995 Employee Stock Purchase Plan of NexGen, Inc., the 1995 Stock Plan of NexGen, Inc. and the NexGen, Inc. 1987 Employee Stock Plan, and in Post-Effective Amendment No. 2 on Form S-3 to the Registration Statement on Form S-4 (33-64911) pertaining to common stock issuable to certain warrant holders, of our report dated January 9, 1998, with respect to the consolidated financial statements and schedule of Advanced Micro Devices, Inc. included in this Annual Report (Form 10-K) for the year ended December 28, 1997.

/s/ ERNST & YOUNG LLP

San Jose, California  
February 26, 1998



EXHIBIT 24

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints W. J. Sanders III and Marvin D. Burkett, and each of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign Advanced Micro Devices, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 28, 1997, and any and all amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Signature	Title	Date
/s/ W. J. Sanders III ----- W. J. Sanders III	Chairman of the Board and Chief Executive Officer	February 5, 1998
	(Principal Executive Officer)	
/s/ Richard Previte ----- Richard Previte	Director, President and Chief Operating Officer	February 5, 1998
/s/ S. Atiq Raza ----- S. Atiq Raza	Director, Executive Vice President and Chief Technical Officer	February 5, 1998
/s/ Friedrich Baur ----- Friedrich Baur	Director	February 5, 1998
/s/ Charles M. Blalack ----- Charles M. Blalack	Director	February 5, 1998
/s/ R. Gene Brown ----- R. Gene Brown	Director	February 5, 1998
/s/ Joe. L. Roby ----- Joe L. Roby	Director	February 5, 1998
/s/ Leonard Silverman ----- Leonard Silverman	Director	February 5, 1998



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